SCRUTINY COMMISSION

MINUTES OF THE MEETING HELD ON TUESDAY, 6 FEBRUARY 2024

Councillors Present: Carolyne Culver (Chairman), Dominic Boeck (Vice-Chairman), Antony Amirtharaj, Erik Pattenden, Justin Pemberton, Christopher Read, Jeremy Cottam (Substitute) (In place of Geoff Mayes), Richard Somner (Substitute) (In place of Ross Mackinnon), Howard Woollaston (Substitute) (In place of Paul Dick) and Iain Cottingham

Also Present: Nigel Lynn (Chief Executive), Paul Coe (Interim Executive Director – People), AnnMarie Dodds (Executive Director - Children and Family Services), Joseph Holmes (Executive Director - Resources), Jon Winstanley (Service Director (Environment)), Shannon Coleman-Slaughter (Chief Financial Accountant), Melanie Ellis (Acting Head of Finance and Property), Nicola Thomas (Service Lead - Legal and Democratic Services), Dawn Bond (Legal Services Manager), Gordon Oliver (Principal Policy Officer - Scrutiny and Democratic Services) and Benjamin Ryan (Principal Democratic Services Officer)

Apologies for inability to attend the meeting: Councillor Paul Dick, Councillor Ross Mackinnon and Councillor Geoff Mayes

PART I

47. Declarations of Interest

There were no declarations of interest received.

48. Investment and Borrowing Strategy 2024/25

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Corporate Services) and Joseph Holmes (Executive Director – Resources) presented the Investment and Borrowing Strategy (Agenda Item 3).

The following points were raised in the debate:

- Concerns were expressed about risks associated with commercial property investments in the current economic climate. The portfolio’s valuation as of March 2023 was £52.3M and delivered a net margin of just over £1M (1.7% return). Approval had been given to start divesting the portfolio, which would reduce risk exposure. There had been devaluation of the assets, but the government had confirmed that local authorities were no longer allowed to borrow through the Public Works Loan Board (PWLB) for this purpose. Sales would only be made at the right price, and it was emphasised that it was not a fire sale. The aim was to reduce risk for West Berkshire residents.
- Members asked if Council funds were invested ethically. It was confirmed that most of the investments were through financial institutions or money market funds where there were no specific equity investments, but investigations were ongoing as to how these they could be rated. Meetings had been held with external parties who provided ethical investment ratings.
- There was a question related to the current economic climate and why this presented an opportunity to review the investment portfolio. It was noted that since interest rates were higher than in recent years, the Council had an opportunity to sell and forego future capital financing needs and thus reduce costs.

- It was confirmed that the Property Investment Strategy had not been revised, but the Board's terms of reference had been updated to reflect the Scrutiny Commission's recommendation to not have a hard end date for disposal of the commercial property portfolio.
- Members asked about any anticipated change in the portfolio's value since the last valuation. Officers were unwilling to speculate as to changes in individual valuations, however further significant decreases in valuations were not expected. It was emphasised that book value did not necessarily equate to the price realised upon disposal and until the Council tested the market, it was difficult to gauge interest in its assets. It was hoped that the assets would be attractive to potential buyers. While the assets currently enjoyed 100% rental income, this was not guaranteed for the future and any future reduction would put pressure on returns. It was also highlighted that a sinking fund would be required to pay for maintenance of the assets, estimated at £2M over 10 years.
- A question was asked about how predictions about future interest rates by the International Monetary Fund and Bank of England were being taken into account. It was stressed that while there would be many unknown factors affecting the economy over the coming year, interest rates were expected to remain broadly stable in the short-term, then fall over the medium term.
- It was noted that the Council was a long-term borrower and Members asked how the Council compared to other local authorities. Officers directed Members to information on the Office for Local Government (Oflog) website (https://oflog.data.gov.uk/). This showed that West Berkshire Council's debt levels were lower than average. West Berkshire's debt was around £1,000 per head of population, while some local authorities had debts of £4,000 - £5,000 per head of population.
- Officers explained that the Council was undertaking short-term borrowing in the expectation that PWLB rates would start to drop, but at some point, It was explained that the Council would need to revert to long-term borrowing in order to reduce exposure to interest rate risk.
- Members asked if the Council had considered issuing retail bonds for infrastructure projects. Officers explained that individual local authorities' investment programmes were mostly too small, but some larger public bodies had issued bonds (e.g., Transport for London). Officers explained that the Local Government Association had set up a Municipal Bonds Agency to allow local authorities to package investments of a sufficient size to be attractive to the market, but no bonds had been issued to date. In order to issue bonds, local authorities had to be rated by credit agencies, which incurred an up-front cost.
- Officers were asked about future rounds of community bonds. It was confirmed that the new solar farm would be funded partly through the UK Infrastructure Bank and partly through a community bond.
- A typo was identified in Appendix C where % had been used instead of £.

  Action: Joseph Holmes to correct the typo in Appendix C of the report.
- It was suggested that this was not the time to sell commercial property investments if it could be avoided, since the market was at a low point in the cycle.

Resolved to note the report.

49. Medium Term Financial Strategy

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Corporate Services) and Joseph Holmes (Executive Director – Resources) presented the Medium Term Financial Strategy (MTFS) (Agenda Item 4).

It was noted that the funding settlement had only just been received on the day before the meeting, which meant that the papers were already out of date.

The following points were raised in the debate:

- It was highlighted that the local government settlement for 2024/25 would boost local authority budgets and Members asked how West Berkshire would be affected. Officers confirmed that the government had announced £600M for local authorities across the country. An increase of around £2M for West Berkshire had been assumed in the MTFS. This appeared to be fairly accurate, with the increase now expected to be around £1.9M.
- Members queried the assumption in 3.4.2 that proposed care reforms would have no impact on funding in future years. It was explained that the government had previously proposed significant reforms to adult social care, capping contributions that individuals would have to make to their adult social care, but the reforms had been delayed and were not expected to be introduced for several years.
- While it was noted that the main objective of the MTFS was to maintain the resilience of the Council budget, Members sought assurance that spend across the People and Place Directorates would be ring-fenced. It was explained that the Council was projected to have £4M of reserves by the end of the financial year, which equated to just 8 days of spend, leaving the Council vulnerable to unexpected events, so it was impossible to guarantee that additional savings would not be needed. It was highlighted that 10 high-needs social care clients were costing the Council £10M per year and any additional high-needs clients could quickly deplete remaining reserves. It was noted that speculative investors were making significant profits from the deregulated care market.
- Members noted that business rates were a significant source of revenue, but the Council had no control over this and suggested that this was a risk. Officers indicated that of £100M of business rates collected, the Council retained around £30M. The Council did not have control over property valuations, nor the level of rates charged. There were also risks around appeals. A key risk was that West Berkshire was currently around £10M above the baseline set 10 years ago. Government had proposed to reset business rates, however, it was likely that there would be a transition period.
- It was noted that the Council retained 100% rates income from renewable energy schemes and Members asked about the value of this income and if more schemes were being considered. It was confirmed that the Council benefited from all renewable schemes not just its own. The Council was proposing to build a solar farm, which would be a net financial benefit.
- A question was asked about the new funding system to replace the New Homes Bonus, Services Grant and Funding Guarantee. It was assumed that where funding schemes ended, they would be replaced by an alternative that gave a similar funding level. However, it would be some time before Government reforms were agreed. Members suggested that this should be added as an identified risk with suitable mitigations put in place. Officers indicated that any changes would most likely have a transition period. There had been one-year settlements for a number of years. This was likely to continue until there was a wider government spending review and a

return to four-year allocations. Also, this was not considered a material risk, since it was only equivalent to 0.4% of the budget.

- Members asked about the ideal level of reserves. It was suggested that 3-4 weeks of spend would be comfortable (i.e., £8M - £8.5M of general reserves) plus risk reserves (i.e. circa £5M).
- It was noted that reserves used to be significantly higher. Reserves were boosted during Covid due to various grants, which were subsequently allocated, but it was suggested that the Council should seek to return to pre-Covid levels of reserves. Members recognised that there had been several major unexpected events in recent years, and the Council needed resilience to cope with future events.
- Members questioned whether the Council was seeking to replenish reserves too quickly and asked how this would be achieved. It was confirmed that this would be achieved through savings, income and transformation. It was suggested that building reserves also had benefits in attracting new staff, who would want reassurance that the Council was financially resilient.
- It was noted that the Council had amongst the lowest levels of reserves in the country and Members asked if that mattered, given that it also had a lower level of debt than some other local authorities. It was explained that other local authorities had risk reserves to draw upon, which gave additional financial resilience. Comparator data highlighted the Council's lack of financial resilience compared to its peers.
- Members asked if historic data was available about the reserves of those local authorities that had issued S114 notices. While this data may be available, it was noted that some of these local authorities had thought they had higher levels of reserves than they did. Also, because external audits were often delayed, many local authorities had not had their accounts signed off. As such, results may be misleading.

  Action: Joseph Holmes to provide details of where historic financial information could be accessed for other local authorities.

- A question was asked around requirements for stress testing around anticipated risks. Officers confirmed that there were no requirements to undertake stress testing, but S151 officers were required to set out risks and set appropriate levels of reserves. The Council was required to report on various performance indicators (e.g., investment as a percentage of income, money spent on capital financing, etc).

RESOLVED to note the report.

50. Capital Strategy, Financial Years 2024/25 to 2033/34

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Corporate Services) and Joseph Holmes (Executive Director – Resources) presented the Capital Strategy (Agenda Item 5).

The following points were raised in the debate:

- Queries were raised in relation to Appendix C. It was confirmed that this set out the minimum revenue provision policy. This showed that the Council had historically set aside significant capital financing costs through the revenue budget for minimum revenue provision (MRP). Following an external review, the Council was looking to move in line with other local authorities' MRP repayments. It was proposed to significantly reduce payments and move to a lower weighted average annuity basis. This delivered a saving in the short-term but created a higher pressure in the long-term. This was a technical accounting adjustment recommended by the external review. Repayments would be made at a future date when the value of the debt was much lower.

- Members highlighted issues with readability due to the small font size used in tables.
- Members welcomed the pie chart in section 4.2, which showed how spend was linked to the Council Strategy priorities, but it was suggested that this chart should include percentages.

Actions: Joseph Holmes to review the font size used in tables and to include percentages in the chart in 4.2.

- Proposals for capital strategy investment in 5.3 were highlighted and Members queried why there was nil spend for CIL/S106. It was explained that there were restrictions around what this could be used for, so it was allocated to general fund items (e.g., Education, Highways, etc) rather than Capital Investment or Invest to Save.
- Members queried comments about investments in the Vodafone Radio Access Network. It was confirmed that the Council was looking to work with Vodafone rather than invest in their network. Other local authorities had used technology to monitor adult social care users in their homes to help detect problems as they occurred, but connectivity was a challenge in rural areas. West Berkshire was exploring potential trials with Vodafone, which could help to transform the service and reduce unit costs in the longer-term.
- It was noted that the report still referred to London Road Industrial Estate rather than Bond Riverside.

Action: Joseph Holmes to update LRIE references to Bond Riverside.

- Members queried whether Bloomfield Hatch Solar Farm was mentioned in the report. This was listed under Renewable Energy Provision (Project No. 127).
- A question was asked about the Council's debt to capital investment ratio compared to those of other local authorities. Officers did not know.
- It was noted that 6.7% of revenue was spent on debt finance and Members asked how that figure compared to other local authorities. It was confirmed that this information was available via Oflog. Only around 10 upper tier local authorities had a higher debt servicing cost to core spending ratio, including some that had substantial debt financing (e.g., Warrington). There would need to be a good business case for taking on further debt. Money could not be borrowed to increase reserves – it had to be for a capital project. An announcement was awaited from government around the flexible use of capital receipts to alleviate short-term pressures.

RESOLVED to note the report.

51. Revenue Budget 2024/25

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Corporate Services) and Joseph Holmes (Executive Director – Resources) presented the Revenue Budget (Agenda Item 6).

The following points were raised in the debate:

- It was noted that the report quoted different figures for the Council's tax base in the executive summary and introduction.

Action: Joseph Holmes to check the figures for the tax base.

- Members asked about the state of the Collection Fund. Officers confirmed that the collection rate was holding up well but was slightly below pre-pandemic levels. Although the assumption about the number of new properties completed had been overly optimistic, it was expected that this would catch up in the following year. Business Rates had seen a £3M surplus in the previous year, but a £1M deficit this year. This was due to a number of factors, including revaluations.
- Members commended the work that had gone into reviewing the budget.
- It was highlighted that data was missing for parish expenses. Officers confirmed that figures would be added as soon as they were available.
- Members noted proposed cost savings on grass / verge cutting and expressed concerns about the road safety implications of this, particularly in rural areas. It was also noted that previous proposals to make savings by reducing gully clearing had been dropped – this was welcomed by Members, since recent flooding events had highlighted the importance of this activity. It was explained that the public consultation had proposed around £1.5M of cost savings, but around £300,000 of these had been dropped in response to consultation feedback, including those related to gully clearance and waste / dog waste bins. Useful feedback had been received around location of dog waste bins.
- Recent conversations related to recent flood events had highlighted that many landowners were not aware of their riparian responsibilities. It was suggested that this had implications for reducing Council costs for clearing ditches in future.
- It was highlighted that the Council was looking at the ‘adopt a street’ initiative, which could help to reduce grass-cutting costs.
- In relation to the ‘green bin charge’, Members noted that it was proposed to stop printing the stickers that showed which residents had taken out the subscription in order to achieve a saving. They asked how operatives would know who had paid their subscriptions. It was explained that the contractor had details of all subscribers. Members asked if the £3 reduction reflected the cost of the stickers. It was confirmed that the cost of the reduction was £100,000 and the saving from not printing the stickers was £43,000, so there was a net impact of £57,000.
- It was suggested that the public may have ideas about where additional savings could be made. Officers agreed and indicated that discussions were ongoing with parish councils about where services could be devolved. Members highlighted some parish councils’ concerns about the Continental contract, where bins had gone unemptied. It was suggested that if services were to be devolved, then parish councils would need sufficient notice to be able to make appropriate provision within parish precepts.
- It was noted that spend on home to school transport was expected to increase by £700,000. Members asked if this was due to higher costs or service extensions. A review of the Home to School Transport Service was also proposed, which could result in a saving of £100,000. Officers confirmed that the changes reflected increased costs to the Council and the £700,000 increase included the £100,000 saving. Any changes would be subject to consultation.
- It was highlighted that Reading Borough Council used approved drivers for home to school transport rather than taxi operators, which was proving more cost effective. It was confirmed that opportunities would be taken to learn from best practice and make savings when contracts were reviewed at the end of the school year. It was noted that expenditure was particularly high for individuals with complex needs. Members also

noted that demand in some villages exceeded the capacity of school bus services, so taxis had to be used to accommodate excess demand.

- Members asked what the Customer Experience Officer would do. It was confirmed that they would support the move towards online services.
- In relation to dedicated schools grant, it was noted that schools had agreed to transfer 0.25% to the high needs block. It was explained that the maximum that could be transferred was 1%. 0% had been transferred in the previous year. There was a significant deficit in the high needs block. The Council was part of the Department for Education’s Delivering Better Value Programme, which looked at how to reduce the growing deficit.
- Members queried proposed savings on bridge maintenance. It was confirmed that this would be a one-off saving of around 44%. This was possible because the condition of bridges in West Berkshire was generally good, which allowed for a temporary maintenance holiday. Members asked how this related to the £400,000 allocated in the capital programme for bridge maintenance. It was explained that revenue funding was for surveys, while capital funding was for improving assets.
- It was noted that there were no bullet points under ‘A Prosperous and Resilient West Berkshire’ on page 109. Officers explained that this was not an area where investment was proposed in the coming year.
- On page 295, Members highlighted concerns in relation to proposed changes to transport services to day services, and asked for guarantees that access for service users would not be adversely affected. It was confirmed that options were being considered to ensure that the most vulnerable were not penalised. It was recognised that there would be knock-on impacts on parents and ultimately on care needs if clients could not access these services. These could result in additional costs that would be much greater than the initial savings.
- Members noted that temporary housing costs were rising and asked how these could be reduced in the long-term. Officers confirmed that the Council was purchasing properties for displaced persons through the Local Authority Housing Fund and officers were looking at other opportunities within the wider market. It was highlighted that until the current financial year, this had not been a significant financial pressure, but it would remain an issue unless the Council acted.
- Members asked when houses purchased for displaced people would become available for local people. It was noted that some of the tenants were already in the district. It was anticipated that these would become available as temporary accommodation for local residents in the medium term.
- The district’s ageing population was highlighted, which would have implications for adult social care. Noting previous comments about the cost of high-need individuals, Members asked if it would be possible to have some anonymised case studies about individual care needs and costs incurred, which would help to provide context for the financial challenges.

Action: Paul Coe to provide a briefing on adult social care cases.

- The value of reviewing adult social care was recognised, including prevention, getting people out of care, and achieving the best outcomes, as well as understanding the cost base. Members stressed the value of prevention and highlighted the work of the Healthcare in Major Developments Task Group, which was seeking to ensure that new housing developments had the necessary health facilities.

- The Chairman noted that the Commission had a review of SEND services on its programme, which would be timely given current pressures on the High Needs Block. It was suggested that this should come to the May meeting. It was noted that the Delivering Better Value programme would have commenced by then. An update on the Adult Social Care Strategy was also requested.

Action: Gordon Oliver to programme reviews of SEND services and the Adult Social Care Strategy.

RESOLVED to note the report.

52. 2023/24 Revenue Financial Performance Quarter Three

Councillor Iain Cottingham (Executive Portfolio Holder: Finance and Corporate Services) and Joseph Holmes (Executive Director – Resources) presented the Revenue Financial Performance Report for Quarter Three (Agenda Item 7).

The following points were raised in the debate:

- Around 17% of current spend at unitary authorities was by councils that had issued a S114 report or had requested exceptional financial support - this highlighted the scale of financial pressures across the country.
- Members welcomed the reduction in employment agency spend across the Council but questioned the spend in the Place and Resources Directorates. It was explained that spend was needed to cover gaps in specialist technical staff where the Council had been unsuccessful in recruiting to vacant posts. Where possible, posts were held vacant, or staff acted up to provide cover, but some agency staff would always be needed to cover key posts.
- A question was asked about vacancy rates and how these compared to other local authorities. Members were informed that information for West Berkshire Council was provided to the Personnel Committee.

Action: Joseph Holmes to liaise with Catalin Bogos regarding comparator data for staff vacancy rates.

- Members of the Executive and Officers were thanked for their efforts to reduce the deficit and agency spend. It was suggested that the Transformation Programme would have a significant role to play in reducing costs. It was also suggested that the Scrutiny Commission should have a presentation on the Transformation Programme at a future meeting.

Action: Gordon Oliver to programme a report on the Transformation Programme in discussion with the Chairman and Gabrielle Mancini.

RESOLVED to note the report.

(The meeting commenced at 6.30 pm and closed at 8.32 pm)

CHAIRMAN …………………………………………….

Date of Signature …………………………………………….