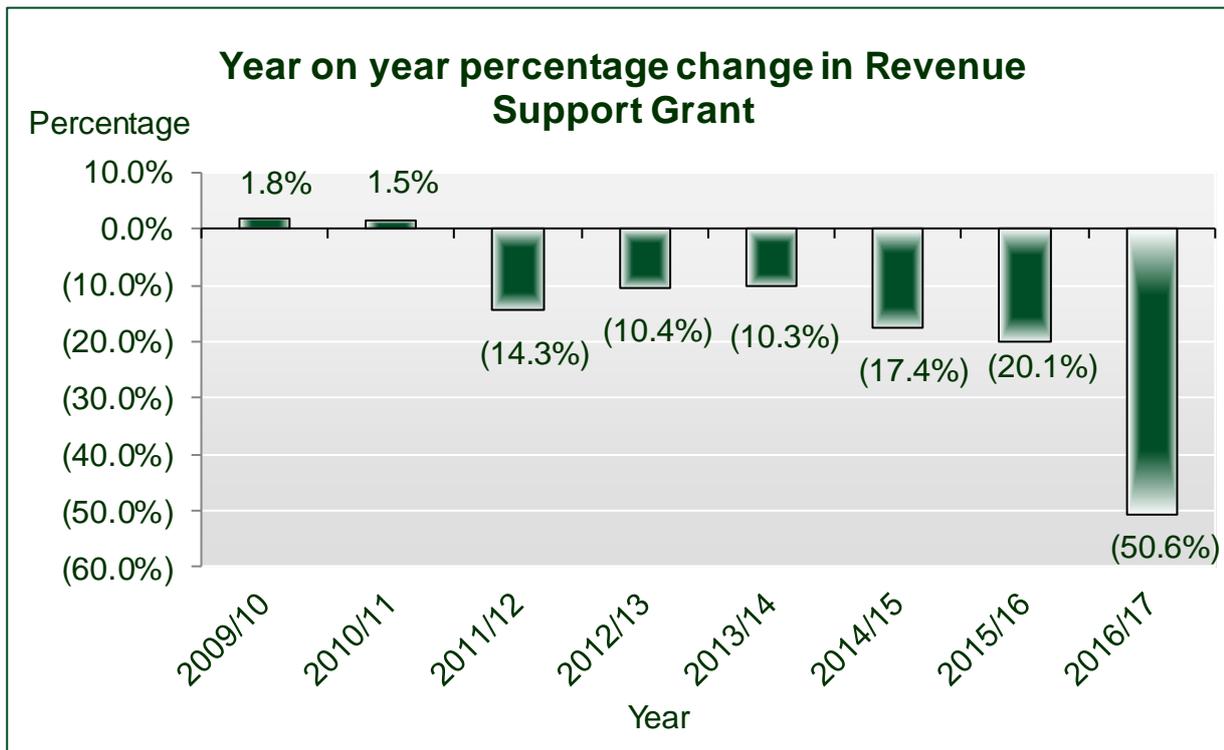


1. NARRATIVE REPORT

Financial context

The 2016/17 financial year has been the latest in a series of tight funding settlements the Council has received. Following the Local Government Finance Settlement in January 2016, Wokingham Borough Council suffered a reduction in formula grant of 50.6% in 2016/17 compared to 2015/16, this was in addition to the 20.1% reduction in 2015/16.



The financial climate remains difficult with returns on investments being low. The Council has continued to fund an appropriate element of its capital expenditure from its cash balances, rather than investing with minimal returns.

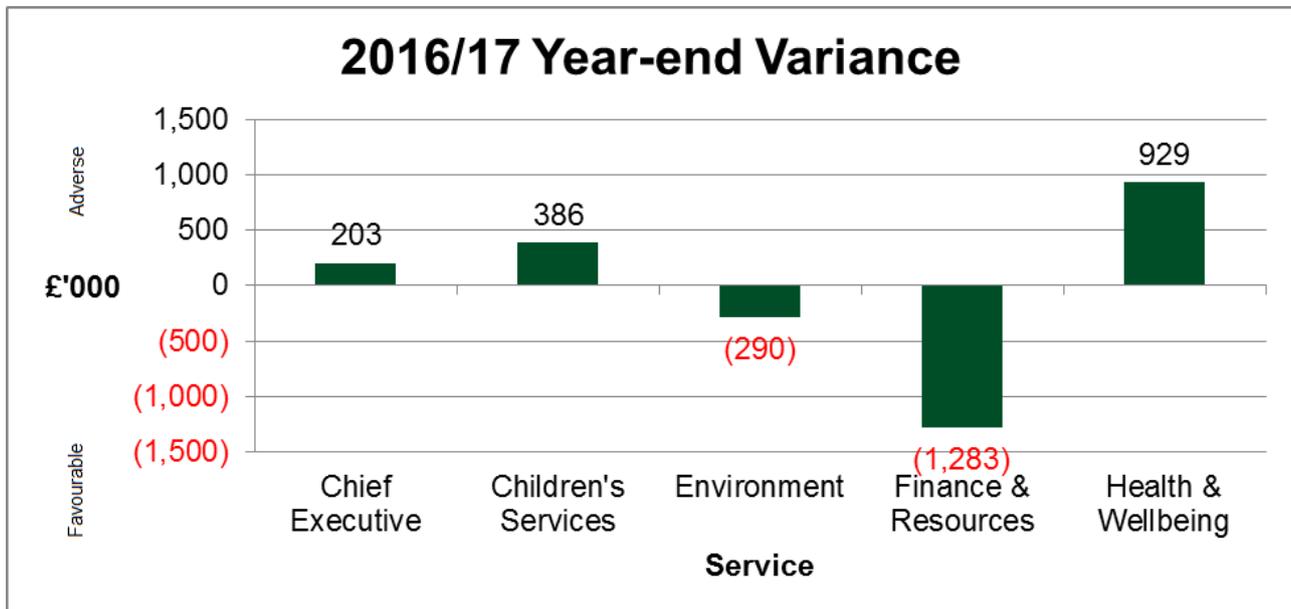
General fund service expenditure 2016/17

The Council approved a revenue budget of £134.5m (£112.9m net expenditure plus £21.6m depreciation) at its meeting on 18 February 2016. The following table analyses Wokingham Borough Council's forecast outturn (actual) and budgeted net expenditure by service, as at 31 March 2017, as reported to the Council's Executive on 25 May 2017 (see link below). The approved budget figures shown below include approved carry forwards from 2015/16 as well as a supplementary estimate of £722k approved during 2016/17 for Health and Wellbeing.

For more information see the Council's revenue monitoring outturn report:

<http://wokingham.moderngov.co.uk/documents/s16450/Revenue%20Monitoring%20Outturn%20report.pdf>

Service	End of Year Position		
	Approved Budget £,000	Outturn Actual £,000	Net Over / (Under) Spend £,000
Chief Executive	5,011	5,214	203
Children's Services	33,474	33,860	386
Health and Wellbeing	45,100	46,029	929
Environment	40,974	40,684	(290)
Finance and Resources	11,189	9,906	(1,283)
Net Expenditure (including carry forwards to 2016/17)	135,748	135,693	(55)



The main reasons for the underspend of £55k, and the £878k to be carried forward to 2017/18 (of which £129k is in respect of Chief Executive's service, £630k is in respect of Environment Services £50k in respect of Finance & Resources and £69k in respect of Health & Wellbeing), are set out below:

- Chief Executive: Salary efficiencies across the service of (£50k), plus underspend of (£130k) insurance premium savings offset by £243k council wide procurement target not captured as savings reflected in services. An amount of £129k will be carried forward to 2017/18, which will be spent on 21st Century Council projects.
- Children's Services: Increase in placements for Residential and unit cost increases for Fostering Placements £434k, Home to school transport pressures £150k, Recruitment Strategy still to be fully implemented resulting in interims £53k; Income from joint arrangements (£70k), funding of Continued Health Care Shared Service (£154k) and savings from efficiencies across the service (£27k).
- Health and Wellbeing: Impact of the continued increase in homelessness within the borough £208k, continued impact of the care act changes resulting in increased pressures in adult social care £623k (domiciliary care £653k, nursing care (£254k), Residential care £294k and other care services (£70k)), additional Optalis Contract costs £450k offset by staffing vacancies and efficiencies (£195k), recoverable Housing Benefit overpayments and additional rental income (£226k). Actual outturn includes £69k request to carry forward..



- Environment Services: Overachievement of income - car parks (£230k), permits (£90k), searches, street naming & numbering (£70k) partially offset by highways, carriageways & footways planned maintenance net £150k. Actual outturn includes £630k request to carry forward.
- Finance and Resources: Revenue released through share capital (£685k), Business rates overachieved (£290k), Interest on balances (£166k), Debt Charges (£420k), Shared Legal Services additional income (£50k); Aspire Building - dilapidation costs £103k; Concessionary Travel - increase in number of users and rates per bus fare £112k, reduction in Local Land Charges income £95k and additional staffing costs £18k. Actual outturn includes £50k request to carry forward.

Capital expenditure in 2016/17

The Council continues to invest in its asset base in order to improve services to residents and to support the financial sustainability of the organisation. Capital expenditure in the year totalled £76.8m (2015/16 £46.8m) as set out in report to the Council's Executive on 25 May 2017. See the capital programme outturn report for more information:

<http://wokingham.moderngov.co.uk/documents/s16389/Capital%20Programme%20Outturn%20report.pdf>

The major schemes in 2016/17 over £0.5m were:

	£'000
Schools	27,920
Town Centre Regeneration	13,032
Wokingham Housing Limited	10,887
Social Housing	6,833
Highways and Maintenance	2,806
Road & Highways infrastructure improvement scheme	2,653
Strategic Development	2,374
Leisure facilities	2,187
IT Systems (including hardware/software)	1,652
Special Education Needs	1,265
Safety / Crash Barriers	1,258
Street Lighting Asset Replacement & column testing	929
Highway Bridges	642
Strategic Assets	615

The Council's capital expenditure was financed through a mixture of grant funding and other contributions (£22.4m), capital receipts (£4.8m), revenue contributions (£5.6m) and a mix of internal and external borrowing. See Note 27 for a detailed analysis of capital expenditure.

Wider Council performance

The Council's wider performance can be read about in the quarterly performance management report, appendix A. A selection of information from the report is provided below.

- 92% of primary schools have a current Ofsted rating of good or better.



- 100% of special schools have a current Ofsted rating of good or better (Northern House School has yet to be inspected).
- The percentage of housing stock that meets the decent homes standard has increased to 98% at the end of the 4th quarter.
- There have been 212 affordable housing completions this year across the Council area. Whilst this figure is below our target of 230, it is a significant improvement on last year and one of the highest figures achieved in any yearly period.
- The street lighting upgrade project is proceeding well with 81% (4,186) of Lantern Replacements completed and 27% (2,190) of column replacements completed.
- Leisure centre attendance has increased by 3% to 565,211.
- SHINE participants - physical activity programme for adults 60 and over living in the Wokingham Borough increased by 10% to 1,980 participants (495 per quarter).

Further information can be found in the performance monitoring report:

<http://wokingham.moderngov.co.uk/documents/s16491/Council%20Plan%20Monitoring%20Report%20-%20Appendix%20A.pdf>

Pension fund

The Council records costs related to its pension schemes when they are earned by employees. However, the charge that the Council is required to make to the General Fund is based on the cash payable in the year. In accordance with International Accounting Standard (IAS) 19, the Council's balance sheet recognises a liability of £281.2m at 31 March 2017 (£215.2m at 31 March 2016). This represents liabilities of £229.3m (£167.7m at 31 March 2016) for the Wokingham Borough Council Pension Fund, and £51.9m for the Council's share of the Royal County of Berkshire's Pension Fund (£47.5m at 31 March 2016). More information about the costs and accounting treatment for the Council's pension schemes is set out below and in Note 19.

Treasury management

Long term borrowing increased from £129.0m to £145.3m during the year. This is to fund additional capital expenditure to support development in the borough.

The Council maintains cash reserves arising from grants received in advance, general fund and other reserves, and from cash flow management. The total investments at 31 March 2017 were £51.9m (£53.6m at 31 March 2016). Year-end investments are broken down as follows; £39m with local authorities and £12.8m with money market funds and fund managers. Further information can be found in the Treasury Management outturn report:

<http://wokingham.moderngov.co.uk/ieListDocuments.aspx?CId=129&MId=2393&Ver=4>.

Balance sheet

The Council's balance sheet at 31 March 2017 had long term assets of £839m, current assets (including cash and short term investments) of £93m, current liabilities of £50m, long term liabilities of £478m (which includes net pension liabilities of £281m, and the Council's long term borrowing of £145m). In addition, the Council had useable reserves of £96m.

The net assets of the Council have decreased by a net £32m, to £403m at 31 March 2017 from £436m at 31 March 2016. This was largely due to an increase of £66m in pension liabilities partially offset by an increase in fixed assets due to the building of a new school buildings and the development of the Carnival multi storey car park.

Housing revenue account (HRA)

The Council's Housing Revenue Account (HRA) achieved an operating surplus of £4.8m compared to a surplus of £1.5m in 2015/16. There was a smaller surplus in 2015/16 due to asset disposals. The surplus was used to fund capital expenditure and to repay debt, resulting in an overall decrease in the HRA balance of £0.9m.

HRA rental income was £15.1m in 2016/17, a small decrease on the £15.25m achieved in 2015/16 mainly due to the 1% reduction in rent in line with the Governments compulsory 1% reduction in Social and Affordable rents, while expenditure on repairs and maintenance and housing management totalled £5.8m compared to £5.6m in 2015/16. Interest on the HRA's long term borrowing of £90.4m totalled £2.8m, the same as in 2015/16. Capital expenditure totalled £6.6m in 2016/17, largely on refurbishment and improvement works, compared to £5.4m in 2015/16.

Group accounts

A share sale took place on 31 March 2017 with Royal Borough of Windsor and Maidenhead council (RBWM) purchasing 22,545 shares in Optalis Limited, representing a 45% interest, with new services starting and TUPE of staff into Optalis Ltd on 3 April 2017. Jointly with the Royal Borough, WBC is able to control the operating, governance and financial policies of the organisation, and also able to appoint the board of directors of the company.

Wokingham Housing Limited has continued to grow, with further development work increasing their net assets. Wokingham Enterprises Limited (WEL) has not had trading activity since March 2013. In 2017/18 the Council will rename WEL to Berry Brook Homes Ltd and will use this company within the portfolio of housing companies.

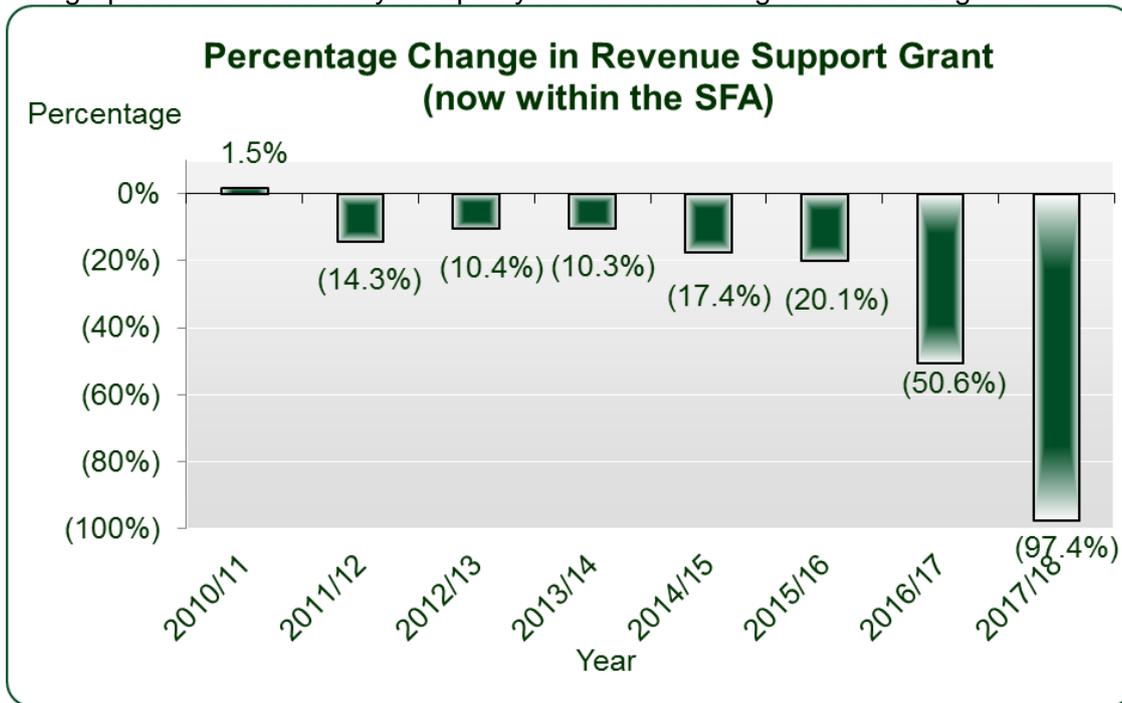
Community infrastructure levy

The Community Infrastructure Levy (CIL), a charge on certain developments partly replaces section 106 developer contributions. The CIL is increasing in importance, with £12.8m received this year up from £0.4m last year due to full implementation of CIL in developer contribution agreements.

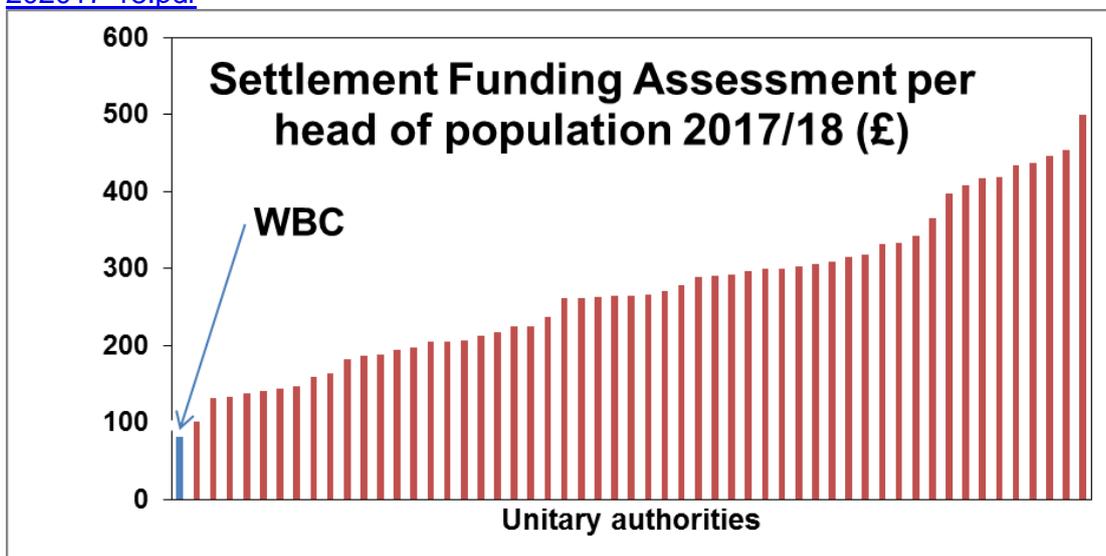
Future financial outlook

The overall financial climate continues to be severe and is expected to remain so for a number of years. Wokingham, as the lowest funded English unitary authority, will face a particularly difficult challenge. The Council has pressures arising from reductions in revenue support grant which will be zero in 2018/19, while at the same time meeting the cost of extra pressures on statutory services such as adult social care, waste, highways and overall population growth.

The graph below shows the year upon year reductions in grant for Wokingham.



In addition to the grant received, the Council also received business rates income, which together forms the settlement funding assessment. The chart below compares Wokingham's settlement funding assessment per head of population in 2017/18 to all other unitary authorities, illustrating the low level of funding received by Wokingham. More detailed analysis of the financial context is available in the latest medium term financial plan (MTFP) which is available at <http://wokingham.moderngov.co.uk/documents/s14735/Medium%20Term%20Financial%20Plan%202017-18.pdf>



Regeneration and strategic developments

Although the Council faces significant financial pressures, it is continuing the development of Wokingham Town Centre to ensure that it remains an attractive location for businesses to locate, and for people to live in and visit for shopping and recreational purposes. In addition, the Council has identified four Strategic Development Locations where new housing and employment opportunities will be located. The Council's Medium Term Financial Plan (MTFP) provides for considerable investment in these areas in 2017/18 and beyond. The plan is available at:

<http://wokingham.moderngov.co.uk/documents/s14735/Medium%20Term%20Financial%20Plan%202017-18.pdf>

Accounting developments for 2016/17

Group accounts

Previously group accounts were prepared and included separately at the end of the statement of accounts. To reflect the growing size of the Council's company portfolio, group accounts are now incorporated throughout the main set of accounts, with differences from the Council's main accounts presented where they are materially different.

Expenditure and funding analysis

This new note provides a direct reconciliation between the way local authorities budget (and are funded) and the comprehensive income and expenditure statement (CIES) in a way that is accessible to users of the accounts. This expenditure and funding analysis is supported by the movement in reserves statement and links the Council's outturn report to the statement of accounts.

Highways Network Assets (HNA)

The local authority was expecting to have to prepare separate disclosures on highways network assets as part of a central government drive to re-calculate the value of the Council's roads and bring these on to the balance sheet. Following extensive consultation and planning between local authorities and CIPFA this complex accounting adjustment will now not take place and existing accounting policies will continue.

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