

TITLE	Chief Finance Officer's Report
FOR CONSIDERATION BY	The Executive on 25 January 2018
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services
LEAD MEMBER	Oliver Whittle, Executive Member for Finance

OUTCOME/BENEFITS TO THE COMMUNITY

Sound Finances and Value for Money.
Service enhancement and maintaining services to the community through allocating budgets to Council priorities.

RECOMMENDATION

- 1) That the Executive note the Chief Finance Officer (CFO) report and the issues contained within, including the local government finance settlement and the sections on key risks, and that they consider these when setting the council tax for 2018/19 and agreeing the Council's medium term financial plan (MTFP).
- 2) That the Executive support the Council's response to the draft local government finance settlement as set out in Appendix two.

SUMMARY OF REPORT

The Local Government Act 2003 requires the Chief Financial Officer (Director of Finance and Resources) to report to Members as part of the budget setting process.

A major influence on the budget is the local government finance settlement.

- a) Wokingham is again the lowest funded unitary authority in the country.
- b) This is the third year of a four year settlement from 2016/17 to 2019/20.
- c) The funding settlement imposes a triple taxation effect on Wokingham's council tax payers; firstly they have been required to pay the largest contribution to local services as a result of previous poor settlements, then their significant contribution is used as a basis on which to calculate their penalty (grant reduction) and lastly, the local taxation levy is assumed in each of the four years (inflationary council tax increases plus a 2% Adult Social Care precept). Although this punitive approach has been applied to all Local Authorities, it has a significantly disproportional effect on Wokingham's council tax payers who have, through previous poor settlements, been required to make the highest percentage contribution to their local services.
- d) The Council's main grant, revenue support grant (RSG) has reduced from £6.1m in 2016/17 to £0.2m in 2017/18, £0 in 2018/19 and to a negative grant of £7.1m in 2019/20 due to a special increase to the business rates tariff payments which the Council must pay. Revenue support grant for 2018/19 is therefore £0.00 per resident per year.

- e) Wokingham again has the lowest settlement funding assessment per head of all unitary authorities in the country, and less than half the funding levels of three Berkshire authorities.
- f) Wokingham's council tax payers are expected to pay for a higher percentage of the Council's spending power than any other unitary authority.

The report identifies some of the most significant financial risks faced by the Council. These include the potential increases in clients care costs, forward funding of the Council's investment ambitions (particularly the Strategic Development Locations, SDLs, and Town Centre Regeneration, and investment in property assets), the business rate retention scheme. Changes arising from the local government finance settlement received in December 2017 have been updated within this report.

Background

The Local Government Act 2003 requires the Chief Finance Officer (CFO) to report to Members, when setting the level of Council Tax, on the robustness of the budget presented and adequacy of reserves. The report outlines the major financial issues facing the Council.

Analysis of Issues

The Chief Financial Officer's report contains issues, risks and strategic considerations in respect of revenue and capital.

Key issues are considered under the following headings and will be updated for the revised version of this report to be issued after the local government finance settlement has been released:

- a) Revenue resources outlook
- b) Capital resources and borrowing outlook
- c) Key risks: services and financial.

The draft local government finance settlement was released on 19 December 2017, outlining Wokingham's funding levels for 2018/19. A response to the consultation has been prepared and is attached as appendix two.

Corporate Implications

The Medium Term Financial Plan covers both the revenue and capital budgets required to deliver the priorities of the Council over the next three years.

The net revenue budget for 2017/18 is approximately £110m. The Council needs to set a balanced budget in the context of this. The budget requirements for 2018/19 and 2019/20 are also shown in the plan as indicative figures only.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	See MTFP	Yes	Revenue and capital
Next Financial Year (Year 2)	See MTFP	Yes	Revenue and capital
Following Financial Year (Year 3)	See MTFP	Yes	Revenue and capital

Other financial information relevant to the Recommendation/Decision

Included in MTFP

Cross-Council Implications

The budget affects all services

List of Background Papers

Medium Term Financial Plan 2018/19

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Date 16 January 2018	Version No. 4