

# 1. NARRATIVE REPORT

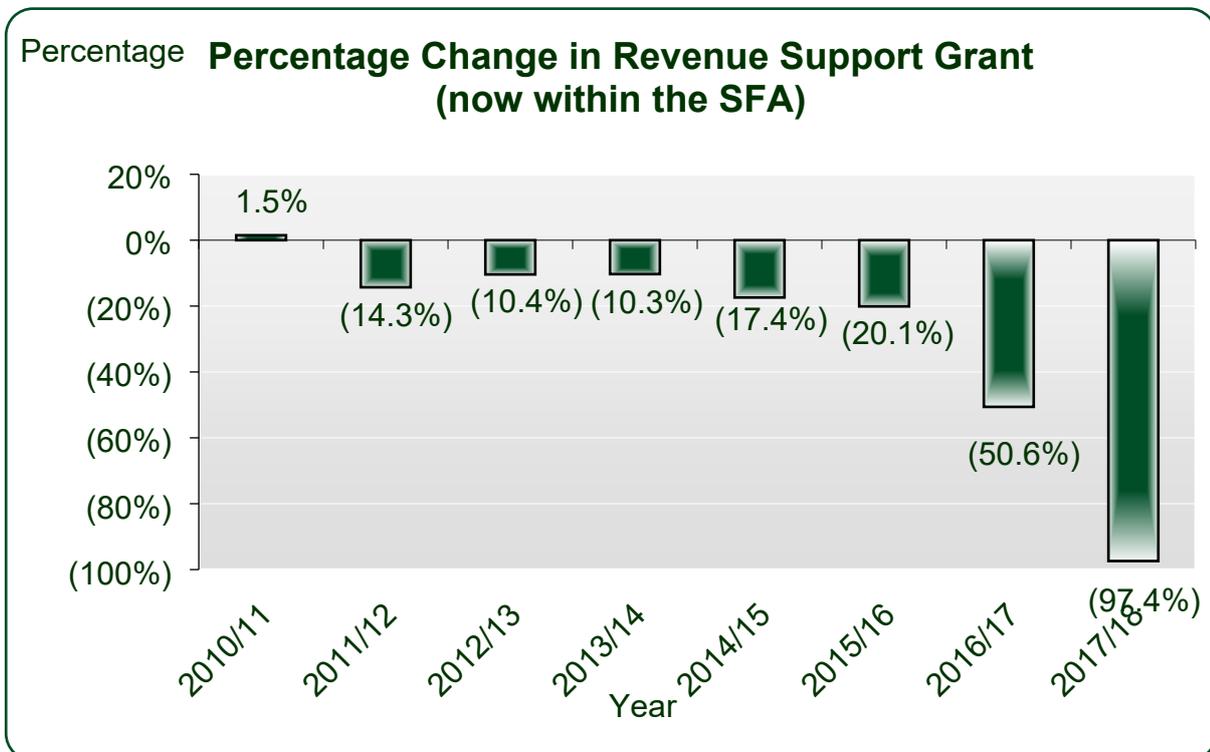
## Organisational structure

Wokingham Borough Council delivers a wider range of services for the residents and businesses in Wokingham including education, environmental health, highways, housing, leisure, libraries, planning, social care, transport and waste collection and disposal. The Council is made up of 54 elected Councillors, one of whom is elected as Leader. The Leader appoints up to 9 Councillors who make up the Executive which is responsible for the development and implementation of policy on behalf of the Council. Decisions made by the Executive are scrutinised by a number of Overview and Scrutiny Committees.

Officers are employees of the Council, and give advice to elected Councillors, implement decisions and manage the day to day delivery of services. The Corporate Leadership Team is made up of the Chief Executive, and other senior employees, as shown in note 14. The Directors report to the Chief Executive and have responsibility for delivering services.

## Financial context

The 2017/18 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 2017, Wokingham Borough Council suffered a reduction in formula grant of 97.4% in 2017/18 compared to 2016/17, this was in addition to the 50.6% reduction in 2016/17.



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.

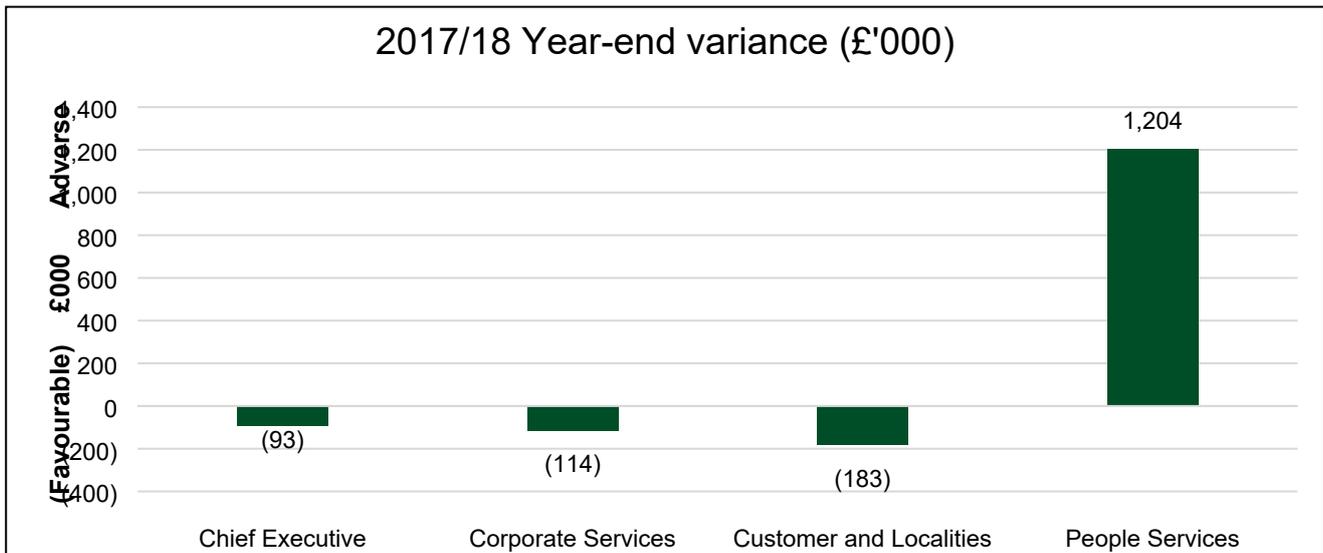
## General fund service expenditure 2017/18

The Council approved a revenue budget of £129.4m (£112.0m net expenditure plus £17.4m depreciation) at its meeting on 23 February 2017. The following table analyses Wokingham Borough Council's actual outturn compared to its budgeted net expenditure by service, as at 31 March 2018, and reported to the Council's Executive on 31 May 2018 (see link below). The approved budget figures shown below include agreed carry forwards from 2016/17 as well as a supplementary estimate of £820k that was approved during 2017/18 for People Services (£300k) and Customer and Localities (£520k).

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

<http://wokingham.moderngov.co.uk/documents/s25338/Revenue%20Monitoring%20201718%20-%20Outturn.pdf>

Directorate	End of year position		(Favourable) / adverse variance £,000
	Approved budget £,000	Actual spend £,000	
Chief Executive	2,301	2,208	(93)
Corporate Services	12,638	12,524	(114)
Customer & Localities	35,370	35,187	(183)
People Services	76,285	77,489	1,204
<b>Net Expenditure (including carry forwards to 2018/19)</b>	<b>126,594</b>	<b>127,408</b>	<b>814</b>



The end of year position represents an adverse variance of £814k on the General Fund, however this is a favourable movement of £523k from the forecast position reported to Executive in January 2018. For more information see the Council's revenue monitoring as at the end of December 2017, see: <http://wokingham.moderngov.co.uk/documents/s22328/Revenue%20Monitoring%202017-18%20December%202017%20Q3.pdf>

Material areas of favourable / adverse variances include:

- In the Chief Executive's Directorate a favourable variance of £93k relates to overachievement of procurement savings, through an increased use of the procurement system (e.g. Agency)
- Corporate Services show a favourable variance of £114k; this relates to favourable increases in government grants and income however some of this is offset by planned short-term pressures from interim staffing costs.

- Customer and Localities Directorate have a favourable variance of £183k, mainly relating to salary efficiencies in Development and Regeneration and additional capitalisation of salary costs in Strategic Development Locations (SDL). In addition, Community Infrastructure Levy (developer) receipts were greater than expected. Within highways & transport, pressures from staffing costs and car park income was lower than expected. These are offset from income better than expected for searches, street naming and numbering. Within development management & enforcement, pressures from agency and consultancy spend are offset with planning application income higher than expected as a result of higher demand and charges.
- Within the People Services Directorate, of the adverse variance of £1,204k, approximately £1 million relates to significant pressures in Adult Social Care commissioned care and support for Older People and Learning Disability, and the impact of National Minimum Wage on sleep-in services. In addition, continued pressures on Home to School Transport reflects the increasing costs associated with SEN services. All these are pressures being experienced nationally and are not peculiar to Wokingham Borough.

## Capital expenditure in 2017/18

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 £88.6m (2016/17 £76.8m) as set out in report to the Council's Executive on 31 May 2018. See the capital programme outturn report for more information:

<http://wokingham.moderngov.co.uk/documents/s25339/Capital%20Outturn%202017-18.pdf>

The major schemes in 2017/18 were:

Asset type	£'000
Schools	14,126
Wokingham Housing Limited (in the form of repayable loans)	12,929
Town centre regeneration	12,152
Affordable housing	9,911
Social housing	8,506
Road & highways infrastructure improvement scheme	6,959
Leisure facilities	5,680
Strategic development	4,467
IT systems (including hardware/software)	3,109
Strategic asset enhancement/new build	3,001
Highways and maintenance	2,713
Street lighting asset replacement & column testing	1,692
Foot/bridle/cycle ways enhancements/new build	613
Cycle infrastructure improvement scheme	568
Other capital projects individually less than £0.5m	2,122

The Council's capital expenditure was financed through a mixture of grant funding and other contributions (£39.8m), capital receipts (£16.9m), revenue contributions (£5.7m) 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.

- 94% 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.
- The percentage of housing stock that meets the decent homes standard has increased to 99.9% at the end of the 4th quarter (Gorse Ride South and Tape Lane properties excluded).
- There have been 482 affordable housing completions this year across the Council area.
- The council tax collection rate was 99.48%
- Leisure centre attendance has increased to 864,099.

Further information can be found in the performance monitoring report:

<http://wokingham.moderngov.co.uk/documents/s25239/Appendix%20A%20-%202017-18%20Performance%20Measures.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 £279.5m at 31 March 2018 (£281.2m at 31 March 2017). This represents liabilities of £228.6m (£229.3m at 31 March 2017) for the Wokingham Borough Council Pension Fund, and £50.9m for the Council's share of the Royal County of Berkshire's Pension Fund (£51.9m at 31 March 2017). 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 decreased from £145.3m to £144.3m 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 2018 were £60.5m (£51.9m at 31 March 2017). Year-end investments are broken down as follows; £54m with local authorities and £6.5m with money market funds and fund managers. Further information can be found in the Treasury Management outturn report:

<http://wokingham.moderngov.co.uk/documents/s25532/Treasury%20Management%20outturn%202017-18.pdf>

## Balance sheet

The Council's balance sheet at 31 March 2018 had long term assets of £799m, current assets (including cash and short term investments) of £106m, current liabilities of £62m, long term liabilities of £486m (which includes net pension liabilities of £280m, and the Council's long term borrowing of £144m). In addition, the Council had useable reserves of £100m.

The net assets of the Council have decreased by £48m, to £356m at 31 March 2018 from £403m at 31 March 2017. This was significantly driven by a disposal of multiple schools to academies (see note 7 for more details).

## Housing revenue account (HRA)

The Council's Housing Revenue Account (HRA) achieved an operating surplus of £3.7m compared to a surplus of £4.8m in 2016/17. There was a smaller surplus in 2017/18 due to an increase in interest and similar charges. 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 £14.8m in 2017/18, a decrease on the £15.1m achieved in 2016/17 attributable to the 1% reduction in rent in line with Central Government's compulsory 1% reduction in Social and Affordable rents, void properties and a transfer to the bad debt provision to help cover potential rent pressures in future years. Expenditure on repairs and maintenance and housing management totalled £5.9m compared to £5.8m in 2016/17. Capital expenditure totalled £5.5m in 2017/18, largely on refurbishment and improvement works, compared to £6.6m in 2016/17.

## Group accounts

2017/18 was the first year of Optalis' joint working with the Royal Borough of Windsor and Maidenhead (RBWM). The TUPE of staff into Optalis Ltd took place 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.

The Council's housing companies have continued to grow, with further development work increasing their net assets. The new housing company, Berry Brook Homes Ltd provides affordable, subsidised housing to rent in Wokingham Borough and it has grown substantially this year. Loddon Homes Ltd also provides social and affordable housing and is a for-profit registered provider. Wokingham Housing Limited is a housing developer providing high quality affordable, social and market homes for local people in Wokingham.

## Key risks and opportunities

The Council's corporate leadership team (CLT) is responsible for identifying and managing the Council's risks and opportunities. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis. The Council's corporate risk register is considered by the audit committee. The most significant risks identified in the report to audit committee in February 2018 include the risks to vulnerable children, young people and adults for whom the council is working or has a responsibility for. A wide range of policies, procedures, training and governance help control this risk, with further detail available in the documentation discussed at that meeting (link below). The other key risk is that the Council fails to deliver key investment priorities. The Council reviews its capital programme to reduce spend in line with receipts, closely monitor schemes, with regular updates on the capital programme reported to the Executive quarterly.

<http://wokingham.moderngov.co.uk/documents/s22608/Enc.%201%20for%20Corporate%20Risk%20Register%20Refresh%20February%202018.pdf>

Risks are reviewed and quantified as part of the financial planning processes. This analysis is available within the Council's medium term financial plan (MTFP) approved at annual budget-setting Council in February each year and is available at

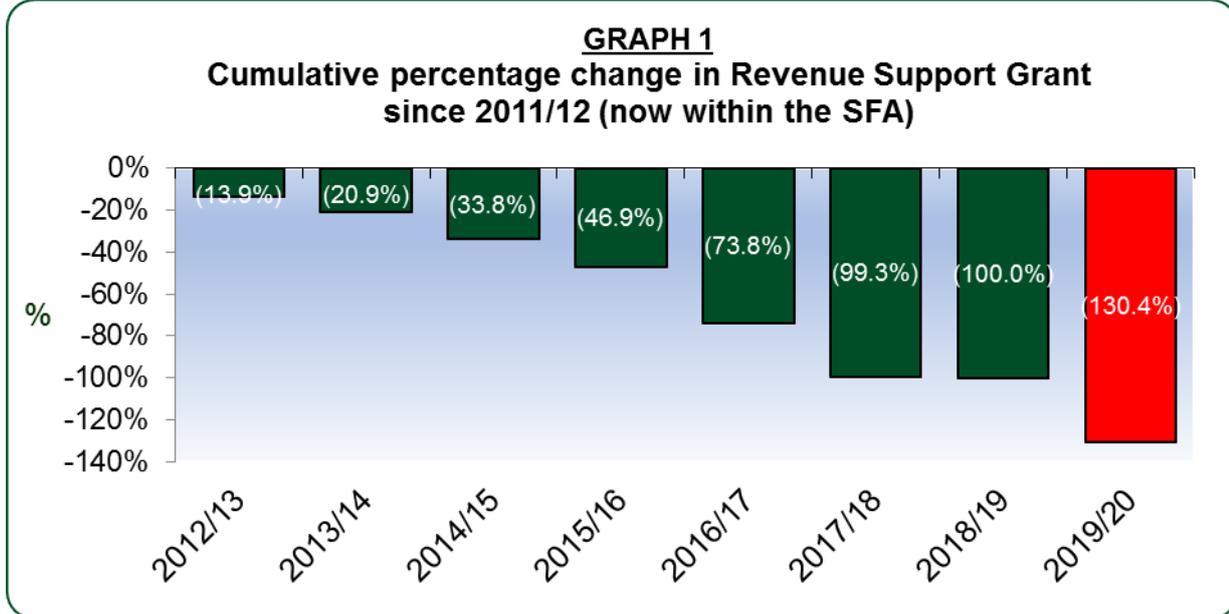
<http://wokingham.moderngov.co.uk/documents/s23221/Medium%20Term%20Financial%20Plan%202018-19%20document.pdf>

The Council also reviews opportunities for improvement and service development, most recently including the 21st Century council programme, looking to transform the way the Council operates and improve the availability of Council services through digital channels, enable residents to track the progress of their issue as it is resolved more efficiently by the Council, a greater focus on problem-solving and customer responsiveness, and a leaner, more effective and efficient Council costing significantly less to run.

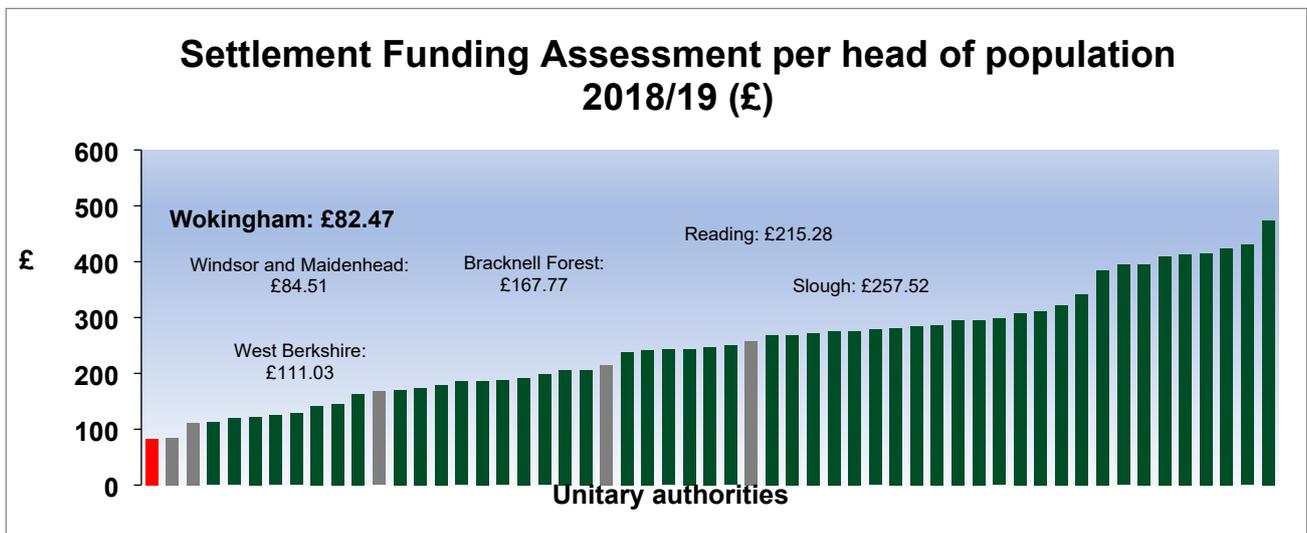
## Future financial outlook

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 is currently forecast to be negative in 2019/20 (ie: the Council has to contribute funds back to Central Government), while at the same time meeting the cost of extra pressures on statutory services such as adult social care, waste collection and disposal, highways and overall population and demographic growth.

The graph below shows the cumulative impact of reductions in grant funding for Wokingham.



In addition to the grant received, the Council also receives 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/s23221/Medium%20Term%20Financial%20Plan%202018-19%20document.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 (SDLs) 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 2018/19 and beyond. The plan is available at: <http://wokingham.moderngov.co.uk/documents/s23221/Medium%20Term%20Financial%20Plan%202018-19%20document.pdf>

## **Accounting developments for 2017/18**

The most significant accounting development for 2017/18 is the requirement to publish the Council's draft accounts by the end of May, rather than the end of June, as previously, and for the audit to be completed by the end of July, compared to the end of September as previously.

There are no other significant accounting developments for 2017/18. A full list of the Council's accounting policies is at chapter 11 of these accounts.

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