

<b>TITLE</b>	<b>Chief Finance Officer's Report</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 31 January 2019
<b>WARD</b>	None Specific
<b>LEAD OFFICER</b>	Deputy Chief Executive – Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance, HR and Corporate Resources – Anthony Pollock

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

The Local Government Act 2003 requires the Chief Finance Officer (Deputy Chief Executive and 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.

## **RECOMMENDATION**

The Executive is recommended to:

- 1) 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 2019/20 and agreeing the Council's medium term financial plan (MTFP);
- 2) support the Council's response to the draft local government finance settlement as set out in Appendix two to the report;
- 3) support the Council's ongoing representations for fairer funding for the residents of Wokingham Borough Council.

## **EXECUTIVE SUMMARY**

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. It is important to note that the current draft finance settlement is for **one year only** and the final year of a four year settlement. Wokingham still face major uncertainty on future funding levels and await the outcome from the Government's comprehensive spending review due in 2019/20.

Other points to note;

- a) This is the fourth year of a four year settlement from 2016/17 to 2019/20.
- b) 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.

- c) 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. For 19/20, through the draft finance settlement, it was announced that no negative RSG was to be paid. This announcement was only for 1 year, with Wokingham still unclear on the future arrangements with negative grant. With a negative grant of £7.1m in 2019/20 originally planned, driven from an additional increase to the business rates tariff payments which the Council must pay over and above the tariff already mandated, Wokingham have no certainty that this payment and more wouldn't be required for 20/21 onwards. Revenue support grant for 2019/20 is therefore £0.00 per resident per year.
- d) Wokingham again has one of the lowest settlement funding assessment per head of all unitary authorities in the country.

The report identifies some of the most significant financial risks faced by the Council. These include increases in clients' care costs, increasing demand in children services, forward funding of the Council's investment ambitions (particularly the Strategic Development Locations (SDLs), and Town Centre Regeneration (investment in property assets) and the business rate retention scheme.

## BACKGROUND

The Local Government Act 2003 requires the Chief Finance Officer (Deputy Chief Executive and 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 13<sup>th</sup> December 2018, outlining Wokingham's funding levels for 2019/20. 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 proposed net revenue budget for 2019/20 is approximately £tbc (£128m in 2018/19). The Council needs to set a balanced budget in the context of this. The budget requirements for 2020/21 and 2021/22 are also shown in the plan as indicative figures only. (Figures to be added in February version at the same time the budget is proposed)

## 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

<b>Other Financial Information</b>
Included in MTFP

<b>Stakeholder Considerations and Consultation</b>
Public engagement meetings on the borough plan held during September 2018. These meetings were not focused on financial budgets however do help set the Council's priorities and objectives, which feed into the MTFP through services budget requirements.

<b>Resourcing and Timeline for Next Steps</b>
Updates from draft local government finance settlement once received in December.

<b>Timeline for Review and Evaluation</b>
Once a budget is approved, quarterly finance monitoring reports will be presented to Executive monitoring our performance against the budget.

<b>List of Background Papers</b>
Medium Term Financial Plan 2018/19

<b>Contact</b> Mark Thompson, Bob Watson	<b>Service</b> Business Services
<b>Telephone</b> Tel: 0118 974 6555, : 07801 664389 (BW) : 0118 974 6151 (BW)	<b>Email</b> mark.thompson@wokingham.gov.uk, bob.watson@wokingham.gov.uk