

<b>TITLE</b>	<b>Chief Finance Officer's Report</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 30 January 2020
<b>WARD</b>	None Specific;
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance and Housing - John Kaiser

## **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 2020/21 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 2 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**. Wokingham still face major uncertainty on future funding levels and await the outcome from the delayed Government's comprehensive spending review now due in 2020/21.

Other points to note;

- a) This is a one year settlement for 20/21 following the end 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 (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 and £0 since 2018/19. For 20/21, 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. An allowance was made in the planned budget for this and it is now available on a one-off basis. It is proposed that this will be used for projects to reduce expenditure in future years. Wokingham have no certainty that this payment and more wouldn't be required for 21/22 onwards. Revenue support grant for 2020/21 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.

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 20<sup>th</sup> December 2019, outlining Wokingham's funding levels for 2020/21. 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 2020/21 is approximately £143m (including depreciation) (£136m in 2019/20). The Council needs to set a balanced budget in the context of this. The budget requirements for 2021/22 and 2022/23 are also shown in the plan as indicative figures only.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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

Included in MTFP

### Stakeholder Considerations and Consultation

The budget setting process starts early in the previous financial year with a focus on areas which require budget growth to meet growing demands and areas which can deliver savings through efficiencies and additional income generation. A budget

submission process is undertaken to ensure budget bids can be challenged in the context of the Councils aims and objectives. To enhance transparency and budget setting engagement this year's process has included consultation with the Community and Corporate Overview and Scrutiny Committee (CCOSC). Information provided at CCOSC is also available to the Public.

**Public Sector Equality Duty**

Public Sector Equality Duty was considered throughout the budget bid process.

**List of Background Papers**

CFO Section for Medium Term Financial Plan  
Appendix Two - WBC Consultation response letter to draft settlement

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