

TITLE	Medium Term Financial Plan 2023-26
FOR CONSIDERATION BY	Community and Corporate Overview and Scrutiny Committee on 3rd October 2022
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

To deliver on the priorities within the Council's Corporate Plan whilst maintaining a financially viable Council.

RECOMMENDATION

- 1) To note the unprecedented financial challenges faced nationally by Local Government and the subsequent impact on Wokingham Borough Council together with the particular challenges for Wokingham; and
- 2) To recognise the imperative for responsible financial management; and
- 3) To consider the report, challenge proposals and identify further ideas to address the financial shortfall.

SUMMARY OF REPORT

The Council annually undertakes a budget setting process to determine its investment priorities and spending reductions in arriving at a balanced budget. The strategic context, including the budget setting approach is the first consideration for Overview and Scrutiny in this year's process.

The Council along with other Local Authorities across the country face unprecedented challenges in setting the budget for 2023/24. There are inflationary rises, often at double digits in; utilities, construction, pay, contracts for services amongst many other rising costs linked to a CPI in excess of 10%. However, the Council's primary source of income, Council Tax, is capped at 1.99% and other key lines of income such as car parking and leisure have fallen starkly as a result of the impact of COVID 19. Furthermore, there are also extreme pressures on statutory services as a result of numerous issues, including; the longer term impact of COVID-19, refuges, a requirement supply increasing homes under the Planning Framework, the cost of living crisis and a particularly local incidence of rising SEND need. These issues will inevitably manifest into growth bids that will be presented to this Committee for consideration.

Considerable work has been undertaken already by budget managers, senior officers and Corporate Leadership Team working with Executive Members in arriving at proposals for this Committee to consider. Some proposals may be seen as challenging or even contentious. This is inevitable given the severe financial pressures faced by the Council's requirement to set a safe and balanced budget and is imperative in responsible financial management. The Committee are asked to receive these proposals in this context and are

invited to challenge and consider alternative and additional ideas to bridge the revenue budget gap of £4m and capital funding gap of £14m.

Background

The Council annually undertakes its budget setting process for all its financial activities including General Fund Revenue Account (funded by primarily by Council Tax), HRA (funded by tenants), Schools (funded by Government) and Capital (funded by various capital resources). An overview of these funds is provided in the MTFP, last approved by Full Council in February 2022.

Previous year's budget setting process incorporated and benefited from considerable consideration by the Overview and Scrutiny committee. It is intended that a similar approach is adopted again for this year's budget cycle.

Analysis of Issues

The Budget Strategic Overview (Appendix A) focusses on the General Fund Revenue Account and sets out the national and local context in which the budget will be set. It also shows the key considerable risks faced by the Council. The Council along with other Local Authorities across the country face unprecedented challenges in setting the budget for 2023/24. There are inflationary rises, often at double digits in; utilities, construction, pay, contracts for services amongst many other rising costs linked to a CPI in excess of 10%. However, the Council's primary source of income, Council Tax, is capped at 1.99% and other key lines of income such as car parking and leisure have fallen starkly as a result of the impact of COVID 19. Furthermore, there are also extreme pressures on statutory services as a result of numerous issues, including; the longer term impact of COVID-19, refugees, a requirement supply increasing homes under the Planning Framework, the cost of living crisis and a particularly local incidence of rising SEND need. These issues will inevitably manifest into growth bids that will be presented to this Committee for consideration.

Considerable work has been taken already by budget managers, senior officers and Corporate Leadership Team working with Executive Members in arriving at proposals for this Committee to consider. Some proposals may be seen as challenging or even contentious. This is inevitable given the severe financial pressures faced by the Council's requirement to set a safe and balanced budget and is imperative in responsible financial management. The Committee are asked to receive these proposals in this context and are invited to challenge and consider alternative and additional ideas to bridge the revenue budget gap of £4m and capital funding gap of £14m as shown on the respective summaries.

As a Unitary Authority a considerable element of budget is considered to be statutory which makes it more challenging to reduce expenditure and cost reduction solutions are often longer term. The Council's net Revenue Account budget requirement is approximately £150m and at least 80% of this is allocated to the provision of statutory services or the prevention in the escalation of statutory demand. Approximately £60m is for Adult Social Care and an illustration of the impact of this is that every 2% increase in prices in the care sector equates to a 1% increase in Council Tax.

To enhance the scrutiny process, all revenue items (growth, savings and special items) and capital have been included earlier in the process to allow members to have a better understanding of the interaction between bids and funding as well as revenue and capital links (e.g. capital investment to deliver revenue savings).

The figures presented in Appendix A provide the latest revenue summary position (“net”) of growth pressures and savings by directorate, followed by corporate financing considerations for the next three financial years. A summary of the special items (“one off spend”) has also been included. In addition a capital summary has been provided for the next three years outlining the latest capital expenditure plans aswell as the capital funding plans.

As previously referenced the Year 1 2023/24 budget position for revenue shows a funding shortfall of £4m. This is of course subject to the outcome of the Local Government Finance settlement which is unlikely to be announced until December 2022. Wokingham Borough Council remain the lowest funded Unitary Authority per head of population and the Council should do all it can to make representations for a fair Government funding settlement as early as possible, to enable effective budget planning and that it covers a duration of more than one year. Key budget risks are set out in Appendix A which will provide a vital context to the budget setting process.

The details of specific budget investment proposals, and savings will be presented to this Overview and Scrutiny Committee in accordance with the timetable (Appendix A). To allow the committee to have a greater focus on the budget submissions, business case templates will be presented where budget submissions are new and / or have changed significantly from what was approved in the last MTFP process. For revenue, this will focus on a threshold of over £50k and for capital will focus on the largest (financially) 10 schemes for each department. The bid templates will accompany the budget proposals presented to this Committee, in the way they were last year. Appendix B and C are examples of the bid templates used.

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 other financial implications	Y	Both
Next Financial Year (Year 2)	See other financial implications	Y	Both
Following Financial Year (Year 3)	See other financial implications	Y	Both

Other financial information relevant to the Recommendation/Decision

There are no financial implications associated with the scrutiny process, however, the full MTFP, when submitted to Council in February 2022, will have to represent a balanced budget.

Cross-Council Implications
This is in respect of budgets across all Council services.

Public Sector Equality Duty
Please confirm that due regard to the Public Sector Equality Duty has been taken and if an equalities assessment has been completed or explain why an equalities assessment is not required.
Not at this stage of consideration but equality impact statements will be required before specific proposals are agreed and implemented.

List of Background Papers
MTFP 2021-24

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