

| | |
|-----------------------------|---|
| TITLE | Medium Term Financial Plan 2024-27 |
| FOR CONSIDERATION BY | Community and Corporate Overview and Scrutiny Committee on 2nd October 2023 |
| 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

That the Committee:

- 1) notes the unprecedented financial challenges faced nationally by Local Government and the subsequent impact on Wokingham Borough Council together with the particular challenges for Wokingham;
- 2) recognises the imperative for responsible financial management;
- 3) considers the report, challenge proposals and identify further ideas to address the financial shortfall;
- 4) notes the Reserves report included in the agenda pack and how the level of reserves are a key component to the strategic approach to financial management and the overall Medium Term Financial Plan.

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.

The Council along with other Local Authorities across the country continue to face unprecedented challenges in setting a balanced budget for 2024/25. Inflation has continued to cause financial challenges in a number of areas; utilities, construction, pay, contracts for services amongst many other rising costs linked to a CPI which remains in excess of 6%. However, the Council's primary source of income, Council Tax, is capped at 2.99% and other key lines of income such as car parking and leisure continue to be impacted by the long-term impact of COVID 19. Furthermore, there are also extreme pressures on statutory services as a result of numerous issues, including; 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 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 c£5m and capital funding gap of c£34m.

An additional paper has been provided to detail the councils position in respect of reserves. The paper provides further detail of the level of reserves against both specific and general risks as well as showing their strategic context and importance in setting the Medium-Term Financial Plan.

The report explains the pressures on reserves across Local Government and how diminishing reserves place a very significant financial risk across the sector. The assurance of the sufficiency of reserves in setting a safe budget is a significant factor in ensuring the organisation is not at risk of needing to issue a Section 114 notice.

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 2023.

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 continue to face unprecedented challenges in setting a balanced budget for 2024/25. Inflation has continued to cause financial challenges in a number of areas; utilities, construction, pay, contracts for services amongst many other rising costs linked to a CPI which remains in excess of 6%. However, the Council's primary source of income, Council Tax, is capped at 2.99% and other key lines of income such as car parking and leisure continue to be impacted by 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 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 c£5m and capital funding gap of c£34m. Further work is being undertaken on capital which will be updated and brought back to committee at a later date.

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 £157m 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 as well as the capital funding plans.

As previously referenced the Year 1 2024/25 budget position for revenue shows a funding shortfall of c£5m. This is of course subject to the outcome of the Local Government Finance settlement which is unlikely to be announced until December 2023. 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). For revenue, bids will be presented for values more than £50k and for capital bids will focus on the largest (financially) schemes for each department. The bid templates will accompany the budget proposals presented to this Committee; in the way they were in recent years.

The reserves paper has not been provided in previous years but shows the level of reserves provided and the associated risks and costs they are in place to cover. The report explains how the overall level of reserves is also a key part of strategic financial planning and setting a safe Medium Term Financial Plan. Across the local government sector there is very significant pressure on reserves and in organisations where they are diminishing it is often a sign that it is moving into financial difficulties, in some cases towards the consideration of issuing a Section 114 notice.

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 2024, will have to represent a balanced budget.

Cross-Council Implications

This is in respect of budgets across all Council services.

Public Sector Equality Duty

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 2023-26

| | |
|--|--|
| Contact Graham Ebers | Service Resources & Assets |
| Telephone No Tel: 0118 974 6557 | Email graham.ebers@wokingham.gov.uk |