Appendix A

CHIEF FINANCE OFFICER'S STATUTORY REPORT

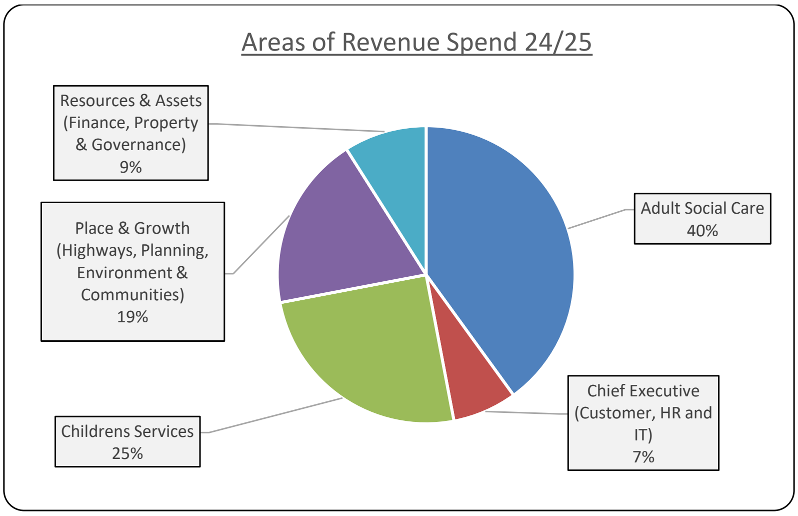
1. Introduction

The Local Government Act 2003 requires the Chief Finance Officer (CFO) to report to Members (Councillors), when setting the council tax charges. The CFO must state if the budget is robust and if it has enough reserves. The report is intended to discharge this responsibility and provides an overview of the Council's financial position as a context before making specific recommendations on the 2024/25 budget.

The budget setting process started early in 2023/24 ensuring spend supports delivery of the Council's priorities (below) and are further detailed in the Council Plan (https://www.wokingham.gov.uk/council-and-meetings/open-data/community-vision-and-council-plan/)). Budget proposals are put forward to invest in areas that require more spend to meet increasing demands, to reflect where services can be more efficient or where they can generate more income. The budget is also set to try to meet changing need, such as with the cost of living crisis.

A thorough and detailed budget setting process (where appropriate including impact assessments such as for Equalities) is undertaken to ensure spend is challenged against the Council's aims and objectives. To enhance transparency and engagement, this year's process has again included consultation with the Community & Corporate Overview & Scrutiny Committee (CCOSC) which is made up of Councillors from all parties and independent councillors. Information provided at CCOSC is also available to the Public.

A robust budget must be a balanced budget whereby total expenditure is matched by total income. Any change in the annual budget in relation to increased spend must be balanced by service efficiencies and/or additional income or council tax increases.



2. The financial standing of the Council

Heading into the 2024/25 financial year, the financial standing of the Council remains robust but with a number of significant local and national challenges ahead. This position has been maintained despite the Borough facing some of the most acute challenges in many years; the pandemic, cost of living/inflation rises, migration and the impacts of Brexit. It has only been achieved through strong financial management.

The Council has established financial resilience and sustainability, despite years of austerity resulting in minimal real terms increases and often real terms decreases in Government funding. **Appendix 6** is a letter from the Leader of the Council, Executive Member for Finance and Housing and the Chief Finance Officer to the Ministry of Housing, Communities and Local Government in response to the latest Local Government Financial Settlement (2024/25) detailing the pressures and impacts locally from the current approach and allocation.

Further challenges currently outside of the main General Fund also continue to build, significantly the DSG deficit as with many councils continues to increase and requires intervention to develop a longer-term sustainable position.

Further information is provided in **Appendix 1** which details:

- The standing of Wokingham Borough Council as indicated by the Chartered Institute of Public Finance & Accountancy (CIPFA) Resilience index and other relevant benchmarking data; which shows the council in a strong position across a number of indicators

- context of the position in relation to government grants;
    - Lowest funding level across Berkshire LA's
    - Lowest Settlement Funding Assessment per head of population (unitary authorities)
    - Second lowest core funding per head of population (unitary authorities)
    - Percentage of Revenue Support Grant lost between 2017/18 and 2022/23 – 100%

In order to achieve such a strong financial position, despite the challenges from funding and local and national pressures, the Council has enacted and enhanced; an effective budget monitoring and management process, an ongoing improvement and efficiency programme, and a continual review of the allocation of resources to meet demand and local priorities.

Further details of the outcomes and impacts of the above approaches are detailed in **Appendix 2**

Enhanced financial management has been vital to the organisation through recent financial challenges and particularly the Covid-19 pandemic. As we further understand the longer-term implications of those events and now face further challenges such as "Cost of Living" and increases in national living wage as well as those from specific services such as care leavers and Home to School Transport, we are working closely with Directors and Lead Members to continually review and challenge forecasts and to model future impacts.

These activities include;

- Seeking to maximise opportunities to deliver on savings plans, ensuring service models and approaches reflect latest demand and local need.
- Exploring reduced expenditure opportunities, including a review of Special (one-off) expenditure Items.
- Maintaining a regular financial review of the ongoing Covid-19 and emerging pressures of cost of living impacts including collection rates and Direct Debit failure rates on major income streams.
- Undertaking departmental transformation and efficiency programs to identify key workstreams to shape and drive key opportunities including through use of assets and our approach to procurement and contract management.
- Initiating an early MTFP review process tailored to identify areas of relative financial certainty and high-risk areas of greater ambiguity.
- Reviewing non-General Fund balances to assess risks and potential options to transfer balances to the General Fund reserve (if the General Fund position becomes perilously low).
- Continuing to make representations for additional funding through Government Returns, Regional Conference calls and MPs.

Add in response to the escalating financial pressures and national context of the number of local authorities issuing Section 114 notices the organisation has during 2023/24 introduced additional short-term controls which will be reviewed pending impact and the wider budget position;

- A number of "GOLD" project groups chaired by members of CLT to oversee and add focus to key areas of business including;
    - capital programmes
    - schools place planning
- Additional departmental sign-off for all significant expenditure items
- Additional departmental review and sign off for all recruitment

As well as ongoing operational budget management and monitoring the authority utilises external and historical data and understanding to ensure confidence and robustness in its overall finances, funding and future spending need including those detailed in Appendix 1 and 2.

3. How are Council services funded?

For 2024/25, the Council is planning to spend in excess of £500 million across revenue, capital, housing revenue account and dedicated school grants services. Council services can be broken down across 4 key financial areas known as;

- **Revenue (also known as General Fund) – expenditure in providing day to day services.**

Revenue expenditure covers the day to day running of services across the Council. For 2024/25, the Council will spend approximately £272m across these services. This is known as gross expenditure. Service specific grants and income will reduce this spend to a net expenditure in the region of £169m.

Further information on where this money is spent is highlighted throughout the Medium Term Financial Plan (MTFP). Funding of this revenue expenditure is determined through the local government finance settlement and consists of;

- Settlement Funding Assessment (SFA);
    - Revenue Support Grant (RSG)
    - Retained Business Rates
- Council Tax
- New Homes Bonus

A robust budget must be a balanced budget whereby total expenditure and total income match. Any change in the annual budget in relation to spend pressures must be balanced by service efficiencies and where appropriate council tax increases.

Local authorities have continued to push for a fairer funding review and long-term finance settlements to provide sustainable long-term funding for Local authorities. The intention from the government for some years has been to set a three-year finance settlement, however this has yet to materialise. There is no current timescale for the fundamental funding review and 2024/25 has recently been published for only one year, with few indications for 2025/26. This means that there is still much uncertainty around future settlements in terms of duration and the actual funding Wokingham will receive. Consequently, it has been difficult to make definite determinations about budgets in 2025/26 and 2026/27. This context alongside a number of local and national pressures means it is extremely important the Council takes a prudent approach in its budget setting proposals for the 2024-2027 medium term financial plan.

- **Capital – expenditure in assets that generate economic benefits greater than one year.**

A five-year capital strategy has been developed with the aims of realising the Council's vision, raising the quality of life of residents and improving medium to long term planning.

The first three years of the capital vision invariably receive greatest consideration and provides and indicative capital programme, although budget approvals and scheme commitments are provided to year 1 only. This has been developed following an assessment against key Council priorities, including a value for money and risk analysis.

The capital programme over the next three years will include existing asset investment (predominantly school buildings and infrastructure assets) and schemes that seek to deliver the Council's vision.

To finance the capital strategy, an approach to funding has been taken that: optimises assets; seeks flexible use of future section 106 contributions and Community Infrastructure Levy (CIL); and attracts new funding sources where available (particularly through the bidding for Government grants).

Under the prudential code, all authorities can borrow as much as they require to fund their capital programme provided it is <u>affordable, prudent, and sustainable</u>. A large proportion of Council borrowing is deemed as "supported" borrowing which means there is a direct repayment method identified meaning the cost of borrowing does not impact on the council taxpayer. These include investment to generate future cost reductions / income generation and forward funded investment to be recovered from developer contributions

The capital programme is funded from a variety of sources: capital receipts, borrowing, grants and other contributions. The relative reliance on each funding source is set out below and shows a greater dependency on borrowing and developer contributions as the Council embarks on its ambition to develop its four strategic development locations, regenerate the borough, and reduce our impact on the climate.

Further detail of the Capital Programme and its funding is shown in **Appendix 3**

- **Housing Revenue Account (HRA) – ringfenced expenditure across the local authority housing stock.**

Under the Localism Act the Council took control of its housing rental income thus enabling more effective planning for the long-term management of these key assets. In return Wokingham took on its share of the £28bn national housing debt as part of the self-financing settlement. Although the Council took on significant debt to do this, the scheme should be beneficial to the Council and its tenants in the longer term both regarding retaining income and generating capacity to invest in the housing stock.

The HRA is a ring-fenced account and as such has no impact on the level of council tax. The money spent maintaining the Council's housing stock (valued at approximately £274m) and providing a service to Council tenants is mainly funded by housing rents paid by Council tenants.

For capital spend, this is funded from the major repairs reserve, right to buy receipts and borrowing. Under accounting rules, an amount equal to the depreciation charge is transferred from the HRA revenue reserve into the major repairs reserve to contribute towards capital expenditure. It is therefore necessary to generate sufficient net income through housing rents to both reduce the level of debt over time and provide for major repairs.

- **Dedicated Schools Grant (DSG) – ringfenced expenditure across maintained schools, early years and high needs services.**

The Council receives DSG annually from the DfE and it must be used in support of the schools' budget as defined in the School and Early Years Finance (England) Regulations 2022. The purpose of the schools' budget is defined in legislation as the provision of primary and secondary education. Since the implementation of these regulations DSG deficits have risen in many Councils across the country and Wokingham is no exception. The annual deficit has risen significantly over the past five years and the accumulated deficit is of considerable concern. For this reason the Council has enlisted in the national Safety Valve programme, to ensure it is doing all it can to appropriately contain demand through numerous measures with regards to early intervention and prevention, manage need through greater self-provision and attain some additional financial support from the Government.

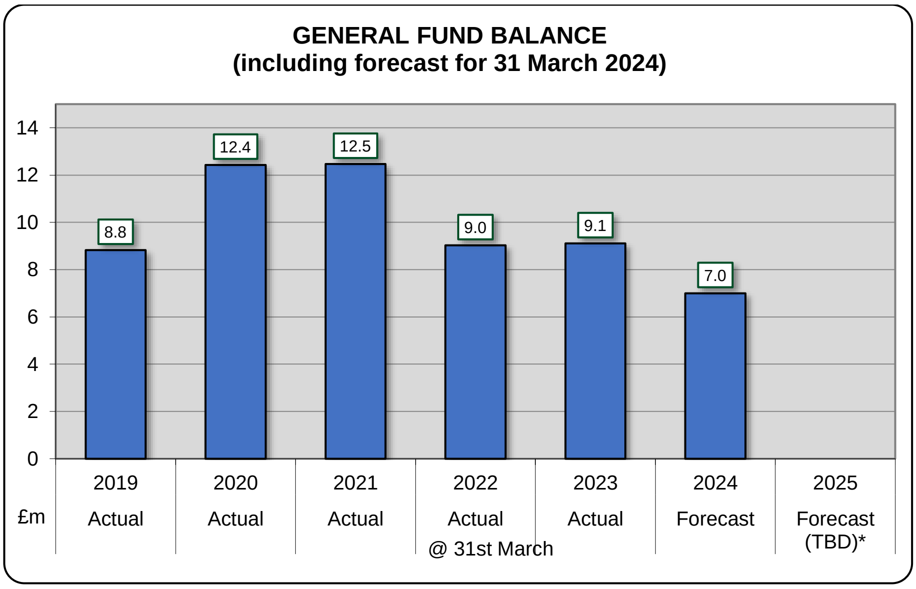
The Safety Valve agreement will last until 2028/29 and will see the council receive around £20m of funding to support improvement to ultimately bring the balance of the DSG back to nil by the end of the programme. The first 2 quarters returns have been signed off with initial payments received. Significant and senior project management arrangements are in place to support deliverables.

Further detail of the DSG are included in **Appendix 4**

4. Adequacy of reserves

The level of general fund balances is informed by a budget risk analysis. This approach was introduced in 2003/04 when the Council agreed the policy on reserves and balances. The budget risk analysis is included annually in the medium-term financial plan.

The risks facing the Council's finances have increased significantly, they include the implication of future years of austerity; further grant reductions; additional service pressures; substantial regeneration programmes requiring forward funding; dependency on future commercial income and capital contributions; risks around business rate receipts, and the level of retained business rates.



** Forecast general fund balance for March 2025 is still under review and will be updated as part of the MTFP approved in February 2024.*

Please note that work continues in 2023/24 to reduce the in-year overspend of c£3.6m, as reported in the quarter three revenue monitoring, to restore reserves to higher levels.

Capital

The Council hold various reserves for capital spend in the form of capital grants and contributions. Due to the nature of capital spend and multi-year projects, some reserves will be held but will be allocated to funding future year capital projects. The Council continuously review all capital funding each financial year to ensure grants are used where possible ahead of borrowing to reduce the capital financing costs (e.g. principal repayment + interest).

Housing Revenue Account (HRA)

Similar to the general fund balance, the level of HRA balance is informed by a budget risk analysis. Due to nature of the HRA being a ringfenced account where the main source of income is tenant's rental income, holding prudent reserves remain important to act as a contingency to meet unforeseen spending requirements or income reductions and to provide stability in medium term financial planning. Reserves have remained stable for the past two years and in line with our estimate of a prudential reserve limit

Dedicated Schools Grant (DSG)

As highlighted earlier, the Council have faced significant pressures over the past 4 years in relation to the High Needs Block, combined with under funding from the government the Council are now estimating a deficit reserve at 31st March 2024 of £15.27m in this area (inclusive of Safety Valve payments and use of the Equalisation Fund). For 2023/24 the mitigations are largely due to be delivered from actions and provision already planned for in the budget. From 2024/25 onwards, successful delivery of the mitigations is predicated on increased local provision and are likely to require additional capital investment options currently being developed. We are currently working with the DfE to form a recovery plan for this. Accounting guidance published by CIPFA state that this deficit reserve should be held as an unusable reserve. A statutory override is currently in place to March 2026 that protects this fund falling on the council taxpayer. It is expected that this timeframe will be reviewed by the Government.

The Council also hold approximately c£6.6m in school reserves as at 31st March 2023 which are held to act as a contingency to offset future pressures and or put towards capital investment within schools.

Other Balances

The Council holds other earmarked balances in addition to the general fund balance. These should be reviewed as part of the budget submission and in the context of their benefit and opportunity cost.

Many of the earmarked reserves are held for specific purposes such as developer funding for future maintenance of assets, grants received in advance and equalisation funds to smooth annual changes on demand led areas such as waste and recycling. Other reserves include interest equalisation and forward funding which are linked to the capital programme where infrastructure is delivered ahead of receipt of developer funding.

Further information is available in section 2 of the medium-term financial plan under reserves and balances.

5. Major Financial Risks – Forward Look

Although the Council has worked over many years on seeking high standards of financial management, including a strong track record of delivery of significant savings, the financial future looks both extremely challenging and uncertain. The degree of uncertainty is at a level never previously experienced by the Council.

The explanatory below sets out the key risks identified by each Directorate. Further detail including the mitigations and controls that are in place are provided in **Appendix 5**

Long-term Financial Viability – With a number of local authorities already having issued a section 114 notice and a significant further number issuing warnings that their financial position is extremely perilous and that a section 114 notice is a real possibility, it is critical that Wokingham is able to set a budget that does not rely on the use of significant reserves, that the efficiencies and savings identified are delivered in a timely and effective manner. Whilst longer-term funding arrangements are not clear, it is extremely likely that further funding pressures will be experienced, and the council will be required to review all expenditure and service delivery approaches. The level of efficiencies including significant staffing cost reduction included in the budget are higher than ever and will require considerable focus and management. Maintaining a healthy level of reserves will be critical to being able to manage cost spikes and to provide capacity to invest to deliver service changes.

Adult Social Care – Although the charging reform has been postponed, the risk of care reform measures and the impact on the care market remains. The further National living wage increase will mean an already struggling care market will require additional financial support through care payment increases. There is also a national requirement to enable an expedited hospital discharge rate with the consequence of a higher number of care placements to be secured and funded by the Local Authority with little additional funding to do this. Already demand in this area is increasing both in terms of numbers and complexity, which will be exacerbated through further pressures on both the care market and the health system.

Children's Services – Particularly pressures are being experienced through a starkly rising number of Children in Care and through increased EHCPs. The later which is the primary reason behind the escalating DSG deficit and linked to this is significant year on year growth in Home to School Transport which is compounded by other factors such as the increase in transport running costs. Inward migration, particularly the Unaccompanied Asylum scheme which has recently required a higher uptake brings further pressure on Children's Services.

Place & Growth – Inflationary pressures are being felt severely in many areas undertaken within this Directorate in terms of both in Revenue and Capital. As a Directorate that provides the highest value of discretionary services and generates the highest value of discretionary income, it is inevitable that it will be putting forward a number of the funding solutions to address the budget gap. The successful delivery of these proposals and major contract renewals and remodelling will carry risk, some considerably higher than others.

Corporate – The impact of inflation, interest rates, and the cost of living crisis is felt Council-wide both in terms of the direct impact and the imperative to respond to the needs of the community where we can.

From a strategic financial perspective, it will be extremely challenging to keep spending within budget in 2024/25 given the National and Local context and we must do all we can to minimise and prevent any unfunded financial burdens flowing into 2025/26. The 2024/25 budget proposals will attempt to fund and address the challenges described above, however considerable financial risk will need to be held and managed within Directorates and across the Council. The longer term strategic financial position will be impacted by the Council's responsible approach in setting the 2024/25 budget and how it continues to closely review and respond where necessary. These endeavours will need to be discharged in the context of considerable uncertainties which includes both the economic landscape and Government funding, given the financial settlement was for one year only. Longer term the unknown financial pressures around future legislative requirements, will also need to be understood and overcome, such as; the removal of the statutory override on the DSG; the new requirements for Minimum Revenue Provision; and the ASC charging reform.

6. Conclusion

(adequacy of gf reserves and achievability of budget (wording from above) – will be included in February paper)

Graham Ebers

Graham Ebers
Deputy Chief Executive
(and Chief Financial Officer)

7. Glossary

Abbreviation	Description
ASC	**Adult social care**
CCOSC	**Community & Corporate Overview & Scrutiny**
CIPFA	**Chartered Institute of Public Finance & Accountancy**
CFO	**Chief Finance Officer**
CPI	**Consumer Price Index**
DSG	**Dedicated Schools Grant**
DFE	**Department for Education**
DoHSC	**Department of Health and Social Care**
ESG	**Education services grant**
GFB	**General fund balances**
HND	**High Needs Block**
HRA	**Housing revenue account**
MOD	**Ministry of Defence**
MTFP	**Medium term financial plan**
NDR	**Non-domestic (business) rates**
NHB	**New homes bonus**
PUF	**Primary unit cost**
RPI	**Retail Price Index**
RSG	**Revenue support grant**
SDL	**Strategic development locations**
SEND	**Special Educational Needs and Disability**
SFA	**Settlement funding assessment**
SoBM	**Summary of budget movements**
SUF	**Secondary unit cost**
TCR	**Town centre regeneration**
WHL	**Wokingham Housing Limited**

Appendix 1;

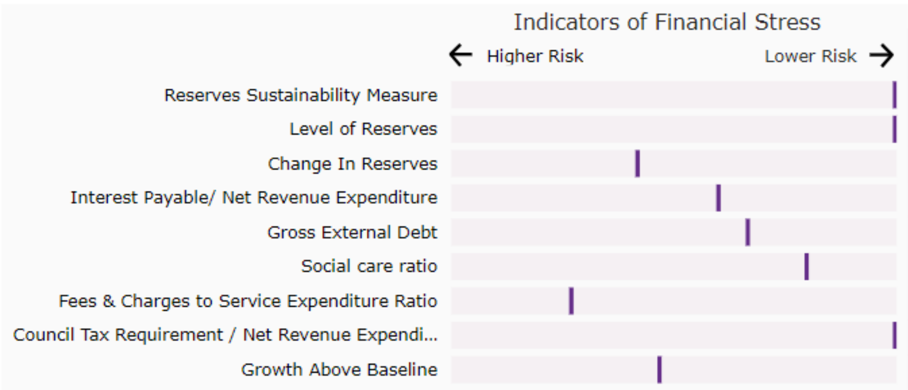
Key Financial Standing & Funding Context

As part of the overall approach to managing and monitoring the financial position it is important to monitor and review the longer-term trend, impacts of funding and the position against other Councils. These are useful measures to further ensure Wokingham's approach and understanding is reasonable and there are no other risks or opportunities that have not been considered or understood.

CIPFA Resilience Index

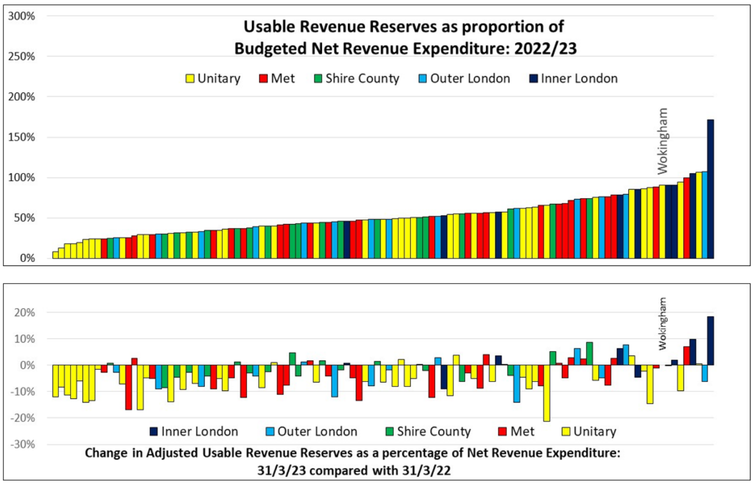
In December 2019, CIPFA published their first financial resilience tool which highlighted key financial indicators such as reserves sustainability, external debt and social care ratios based on the 2018/2019 financial year. The index shows a council's position on a range of measures associated with financial risk and financial stress. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over a number of years, public consultation and technical stakeholder engagement. Below table gives a summary of the position from the latest data (21/22), confirming a strong position across a number of indictors, particularly in respect to reserves. The position in reserves is especially relevant as a counter measure to the relatively higher risk position in interest payable/net revenue expenditure.

CIPFA Financial Resilience Index (2022/23)

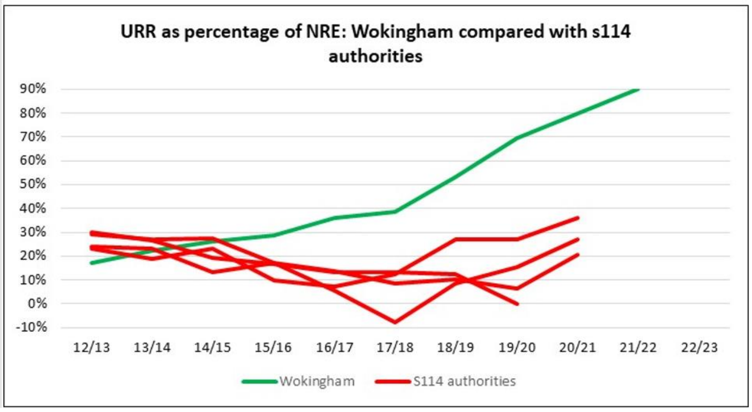


The index shows that Wokingham has slightly higher than average levels of external debt but relatively high levels of reserves which provides the Council with financial assurance. Although the Council have a slightly higher than average risk in interest payable compared to others, this is based on gross interest payable which excludes income received from capital assets which fund the capital financing costs. The Council have a lower risk in the cost of social care costs (adults and children's) as percentage of net revenue expenditure (Social care ratio) compared to others. The percentage of our revenue expenditure funded through council tax also provides further confidence and resilience. The level is near the highest across all unitary authorities, it means a high dependency on local taxation and a lower risk in relation to cuts in government grants.

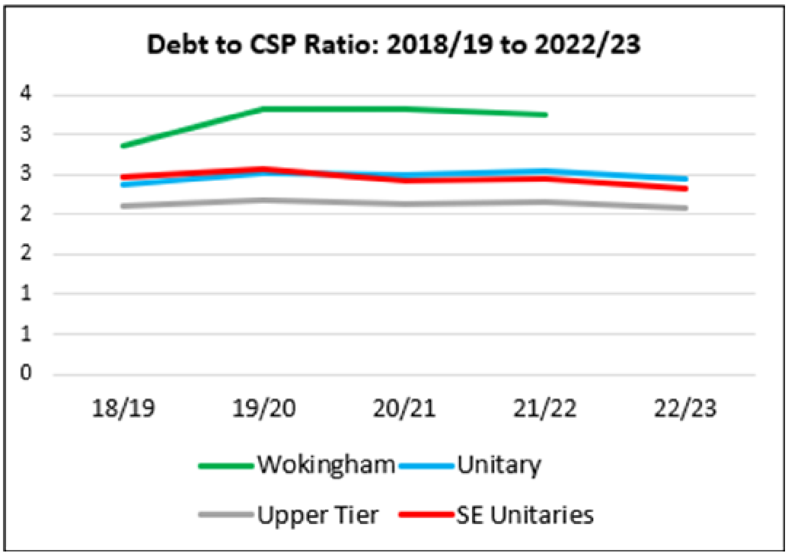
To further supplement the analysis from CIPFA the below table shows the level of usable Reserves as a proportion of budgeted net revenue expenditure (2022/23) and how that position has changed in the last year relative to other councils. Again supporting the position that our level of reserves are strong in comparison to most authorities and we have not had to reduce them in recent years, indicating a sound and well managed budget position.



To emphasize the importance of healthy reserves, the below graphs show Wokingham's (green line) usable reserves as a percentage of net revenue expenditure against those of a number of authorities who have issued a Section 114 notice (red lines). Whilst those section 114 authorities have not released accounts in last 2 years, all had low level of reserves and more importantly a consistent year on year depletion pointing to unresolved structural budget issues. Wokingham's position can be seen to be strong against the type of scenario that has seen those authorities fall into financial instability.



With regard to “Capital” health, the below table shows that the ratio of debt to CSP (core spending power) is slightly higher than relevant benchmarks, although the capital financing requirement has been stable over the past few years. The relatively high position of CSP is a result of the Councils ambition to invest in income generating investments in particular regeneration and housing. New statutory guidance in relation to the Minimum Revenue Provision (MRP) has been issued for final consultation and is expected to increase the Councils ongoing capital financing costs which will be reflected in the final budget submission.



Wokingham Funding Context

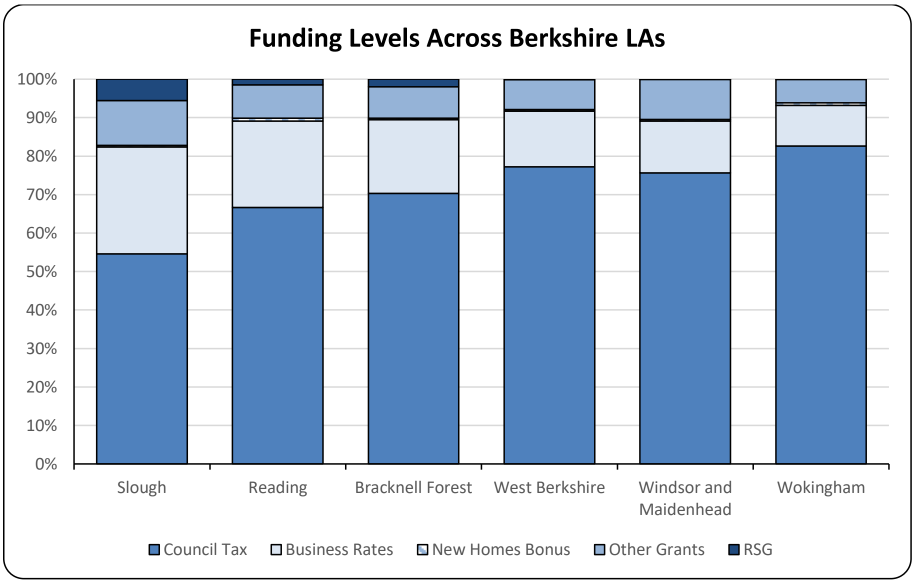
The reductions in Government grants have had a major impact on the Council’s finances and budgets since 2010/11. The Council’s net expenditure budget has been reduced each year since 2010/11 as shown in the table below, which indicates that the net expenditure budget has been reduced by £55.7m (53%) between 2010/11 and 2024/25 meaning the Council are delivering services more cost effectively.

	£m
WBC 2024/25 net expenditure budget	169.2
Less reduction in grants for services now part of formula grant	(12.5)
Less discount re inflation since 2010/11 (based on CPI)	(84.6)
Less discount re growth in council tax base since 2010/11	(22.6)
Net expenditure budget 2024/25 discounted to 2010/11 Prices (a)	**49.5**
WBC 2010/11 net expenditure budget (b)	**105.2**
Estimated reduction in expenditure since 2010/11 (b – a)	**£55.7m (53%)**

This is the result of numerous years of local government funding driven by a formula that is skewed toward deprivation factors (as opposed to recognising the basic cost of providing services) and reductions in centrally funded grants based on percentage reductions to previous years, Wokingham Borough Council has been for many years the lowest funded unitary authority (per head of population) in the country. A consequence of this is that Wokingham Borough Council's local services are deemed in the finance settlement to have the majority funded by its council taxpayers. Whilst the average unitary authorities receive revenue support grant and retained business rates to fund around 30% of their service costs, Wokingham receive only 11%.

<u>Revenue Funding Sources</u>

The graph below highlights Wokingham's funding dependency on council tax and shows the variation in funding sources across the 6 Berkshire authorities. Although the Council will continue to make representations for a higher level of government grant, the dependency on Council tax does to some extent reduce the risk of the impact of cuts in central funding.

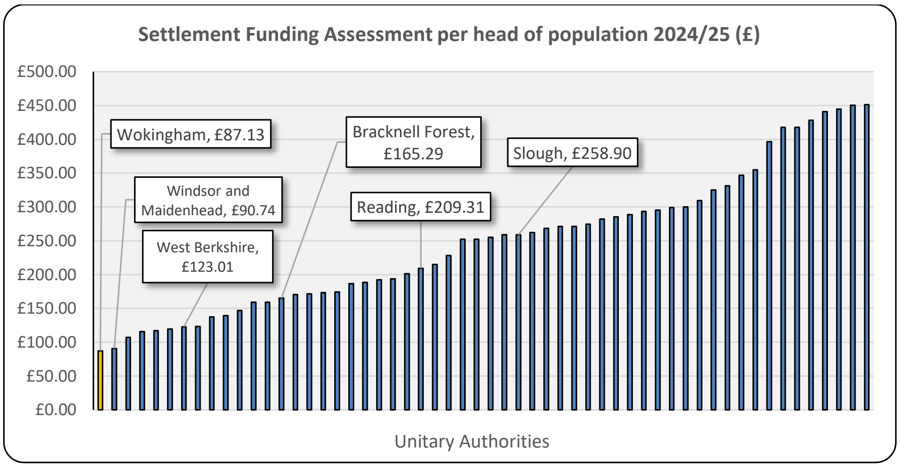


Settlement Funding Assessment (SFA)

The SFA is a calculation consisting of the sum of baseline funding level (BFL) and the revenue support grant (RSG). The BFL represents Wokingham's share of business rates retained income (£15.39m) which is just over 20% of the total business rates collectable. It also includes the general grant (RSG) from government of £0.13m.

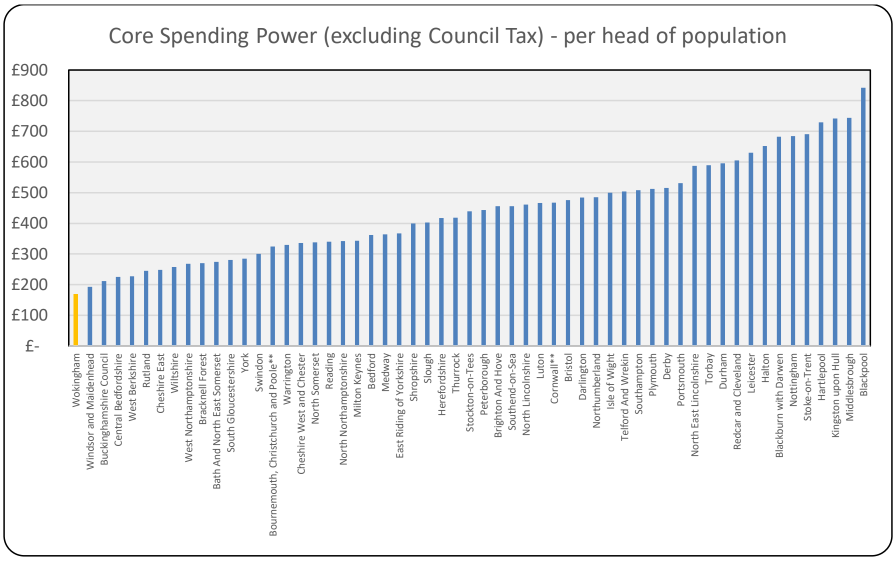
Wokingham's total SFA will be £15.52m in 2024/25, compared to £19.07m in 2016/17, a reduction of 18.6%, or £3.55m. Wokingham's SFA has remained close to £14.1m since 2017/18 after the reduction in 2016/17. 2023/24 was the first year the Council received an increase which has been increased again with inflation for 2024/25. This still means, over time, our baseline funding level and therefore retained business rates have not seen any inflationary increases.

The graph below shows the position for 2024/25 in terms of SFA funding per head of population and confirms that Wokingham is the lowest funded unitary authorities, well below the unitary average, and less than 17% of the highest funded unitary authority:



Wokingham will receive the SFA per head of £87.13, which is significantly lower than the unitary authorities' average. It is also less than half the funding of two of the Berkshire authorities. If the Council received £250 per head (approximate average), this would equate to an additional c£29m in funding.

The table below shows Wokingham has one of the lowest levels of core funding in England (i.e. Core Spending Power excluding Council Tax). Blackpool has the highest score on the Index of Multiple Deprivation (IMD) and receives five times the funding per head that Wokingham receives (£169 compared to £843 per head). If Wokingham received funding in line with Blackpool it would receive an additional £120m per annum and if funded at the average funding level for a unitary it would receive an additional c£50m per annum.



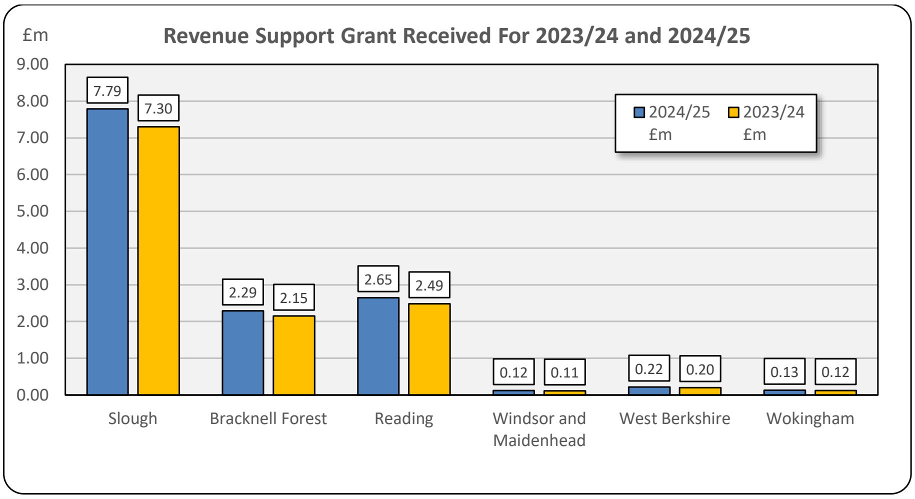
Revenue Support Grant (RSG)

RSG was previously the significant un-ringfenced grant that supported the Council's ongoing revenue expenditure. From 2013/14 it has been incorporated within the settlement funding assessment (SFA) which Wokingham faced reductions in grant yearly and the complete removal of this grant since 2018/19. From 2023/24, have Wokingham seen some RSG allocation, increasing from £0.124m to £0.132m, an increase of £8,000.

It was expected that from 2019/20 the grant would be cut still further with some authorities required to pay a 'negative RSG'.

However, following consistent representations made by this authority, we have been informed again through the finance settlement that negative RSG will not be enacted in 2024/25 (similar to 2023/24). The funding position is unclear from 2025/26 onwards and Wokingham will need to continue to make representations regarding the new methodology for financing local authorities to ensure we secure a fair and viable ongoing funding settlement from the Government.

The graph below compares the RSG allocations over the past two years across Berkshire Councils. Although the increases are similar in % terms, the actual increases are different with Wokingham only receiving an additional £8k.



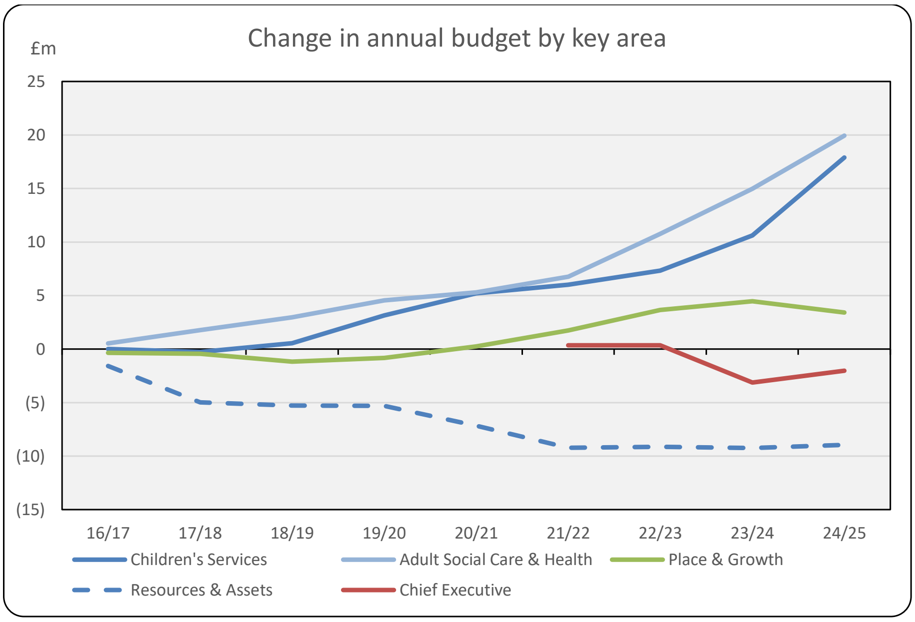
£m
Revenue Support Grant Received For 2023/24 and 2024/25
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
7.79
7.30
2.29
2.15
2.65
2.49
0.12
0.11
0.22
0.20
0.13
0.12
2024/25 £m
2023/24 £m
Slough
Bracknell Forest
Reading
Windsor and Maidenhead
West Berkshire
Wokingham

Appendix 2;

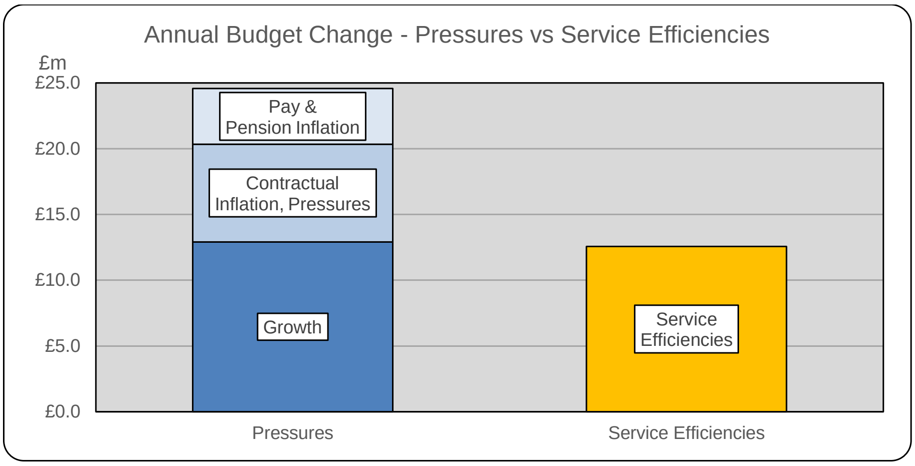
Delivering through financial governance and ongoing efficiency

Across the many varied and complex services the Council provide, there will be pressures and risks as well as efficiencies and opportunities to reduce costs or to deliver more value from current resources. Often efficiency initiatives are required to meet additional demand and service need without the need for budget growth . The budget process aims to capture these to ensure the budget set is prudent and robust and that services continue to review their operations and cost base. The detail below shows where opportunities have been identified and how those initiatives have impacted the distribution of resources across services and the impact on the overall budget position.

The graph below shows the cumulative change in annual budget across four key areas of Children's Services, Adult Social Care & Health, Place & Growth, Resources & Assets. Whilst the graph shows cost pressures across the social care areas, the Council have managed to offset many of these through efficiencies and income generation within resources & assets services and recently place & growth.



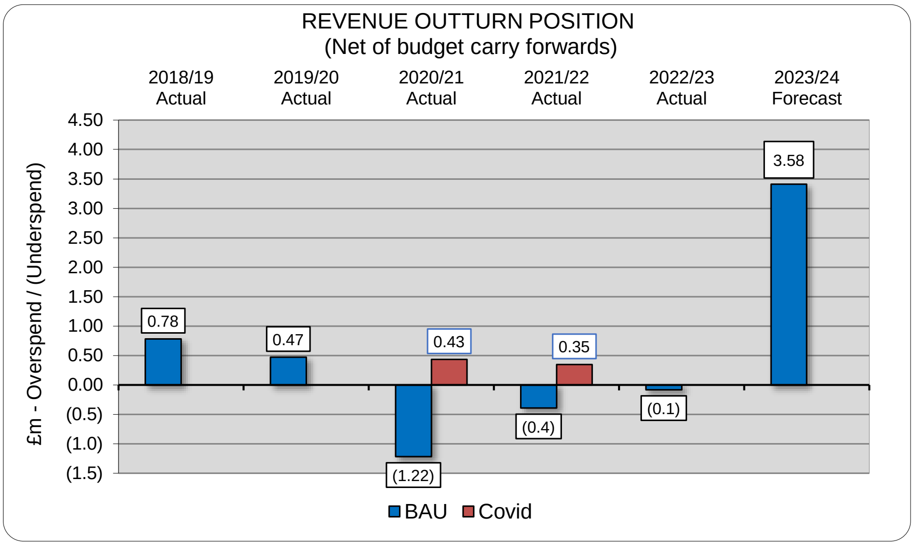
The annual change in budget is shown below. For 2024/25, the total pressures outweigh the service efficiencies. The difference will be required to be funded via council tax rises. The detail budget changes have formed part of the information provided to Community and Corporate Overview and Scrutiny Committee throughout the budget process.



* Service Efficiencies are designed to reduce costs whilst maintaining services to the public.

Mitigating Service and Budget Pressures

Over the past number of financial years, the Council have faced a number of demand led pressures in year and more recently, the financial impact from inflation, temporary accommodation and demand in Childrens Services. These underlying pressures are considered as part of the budget process. The forecast budget variance in 2023/24 currently shows a combined overspend of £3.575m compared to the budget approved in February 2023, based on December 2023 monitoring.



Further information is available in the quarterly revenue monitoring reports reported to Executive and available on the Councils website.

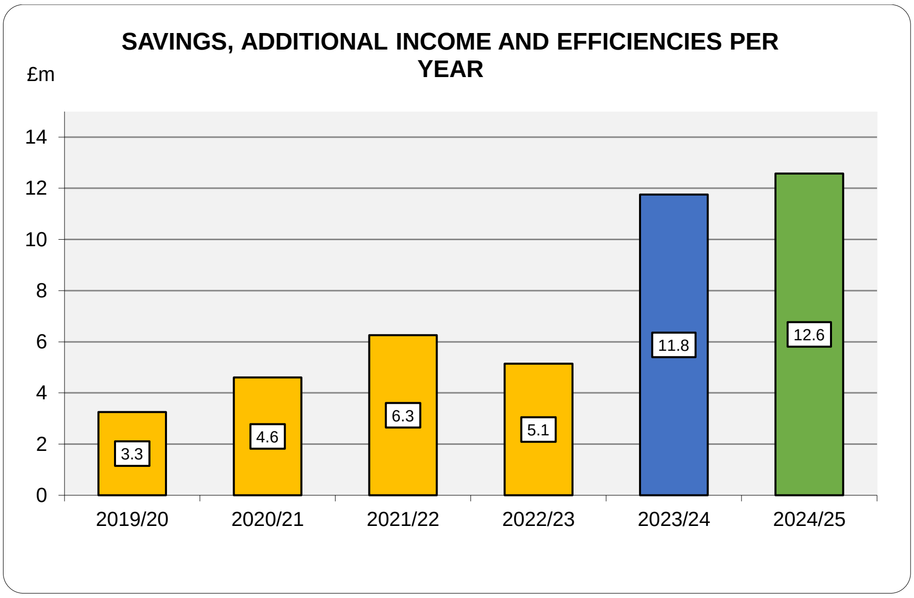
Extensive work is currently underway to manage the in-year 2023/24 position and to bring the current forecast back to a balanced position. This is critical in order to maintain appropriate reserves. Current activity includes;

a) Departmental budget savings programmes,
b) Restrictions on all recruitment,
c) Implementation of future savings programmes being brought forward where possible,
d) Program of contract reviews to manage inflation and understand efficiency options

Delivering Efficiency and Income generation

In order to continue to provide value for money and to maintain budgets within the ever difficult financial environment, efficiencies and income generation are required to meet the changing pressures in growth, inflation, and demand for services.

The total savings, efficiencies and income generation that have been identified in setting the council tax in previous years are shown below, along with planned savings required in the 2024/25 three year medium term financial plan. Efficiencies are used to fund growth, inflation and reductions in Government grants whilst allowing the Council to maintain frontline services.



Nb – Amber denotes savings delivered, Blue denotes savings in delivery and Green denotes savings in future plans.

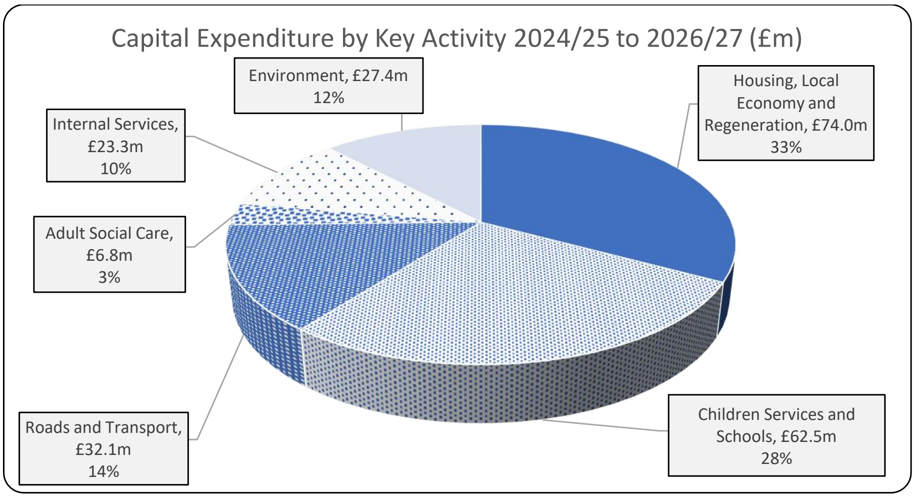
Appendix 3;

Capital Programme – Investing in the Borough

The following paragraphs further detail the Capital Programme showing where investment is being made, how the programme is being funded and the overall impact on borrowing, the capital financing requirement and the return on investments.

Spend Analysis

The graph below shows the capital expenditure planned for the next 3 years by key activity area. This excludes any previously approved budget that has will be carried forward into future years. In total the Council plan to invest a further £227m (including HRA) over the next 3 years.



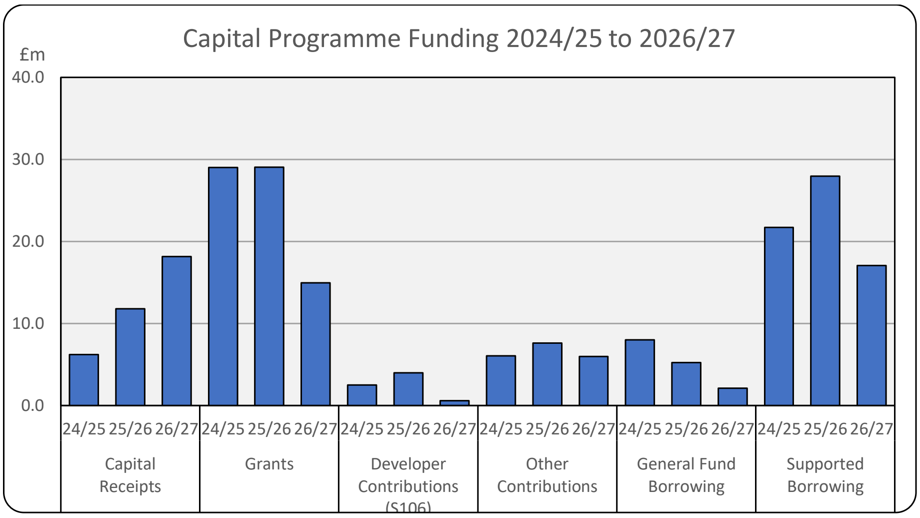
As highlighted above, significant investment is planned across schools, roads and transport, housing, local economy, and regeneration.

Funding Capital Investment

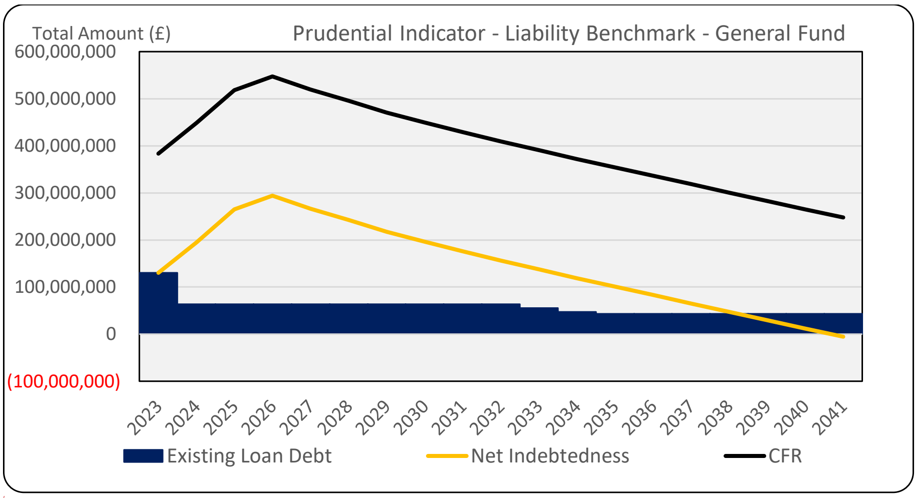
There is currently a gap in funding for the capital programme over the full MTFP period, however year 1 of the programme is fully funded. The longer-term budget gap will be addressed through a combination of expenditure reductions, reprofiling of projects and seeking to maximise funding resources.

The major funding source for the capital programme will be supported borrowing which relates to borrowing upfront where a direct repayment source (e.g. Income generation, HRA rental income, repayment of subsidiary company loans and future developer contributions) has been identified whereas general fund borrowing is funded through existing revenue base budget. The graph below shows how the capital programme will be funded over the next 3 years (assuming the funding gap in year 2 and 3 are met through reducing / rephasing capital expenditure).

The amounts shown under supported borrowing are based on the budget permissions set out in the capital programme consisting of different projects. Some projects will be committed to deliver whereas some budget allocations will not yet have detailed plans for spend or relevant outcomes/returns and therefore will not progress until that detail is fully understood.



As the Council continues to borrow over the short to medium term period to support the investment through the capital programme, debt levels will increase as shown by the net indebtedness line in the graph below (liability benchmark - prudential indicator). The level of debt is considered affordable and sustainable as required by the CIPFA prudential code. All capital projects are supported by detailed business cases which include where appropriate how supported borrowing will be repaid.



Commented [GC1]: To replace this graph with the one now required for the treasury strategy

Note – the CFR line excludes capital budgets that are currently included in the capital programme as 'permission to spend' budgets which will be approved subject to viable business cases.

Further information on the funding of the capital programme is set out in the Capital Strategy and the Treasury Management Strategy.

Appendix 4;

Dedicated Schools Grant

The Council receives DSG annually from the DfE and it must be used in support of the schools' budget as defined in the School and Early Years Finance (England) Regulations 2022. The purpose of the schools' budget is defined in legislation as the provision of primary and secondary education.

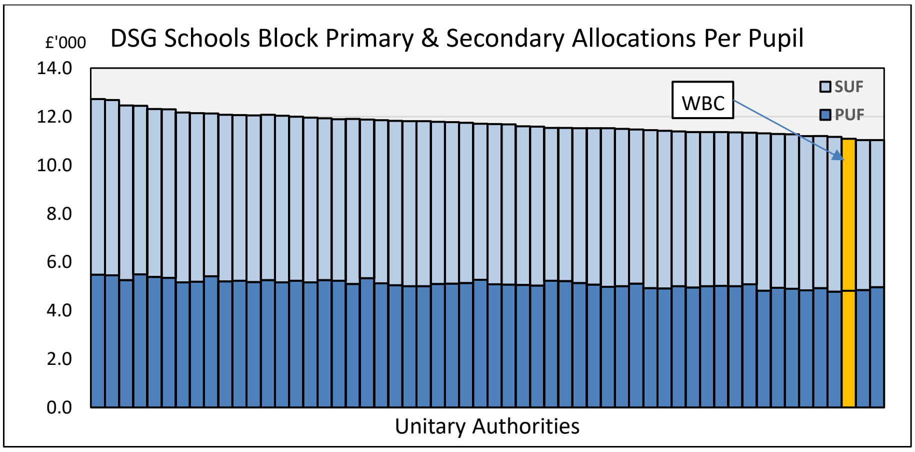
The following pages explain further how the grants are calculated and distributed. They also show Wokingham's grants in comparison to some other unitary authorities

The amount for 2024/25 was notified to the authority by the Department for Education (DfE) in December 2023. However, a proportion of this amount is in respect of free schools and must be paid to them. The actual DSG allocation available to the Council for 2024/25 is £197.34m, compared to £180.59m in 2023/24. The increase to 2024/25 is accounted for by increased funding on both two-unit costs, one for primary unit cost (PUF) and one for secondary unit cost (SUF), as well as an increase in Early Years funding due to the extension of the age range of the free entitlement. The DfE created a centrally retained schools block for the Council to carry out its statutory duties which includes an element of the old education support grant.

DSG funding has increased for 2024/25 for all four blocks. This much needed funding increase is welcomed by the Council and all of our schools and will help contribute to the day-to-day funding of services.

Block	2023/24 £,000	2024/25 £,000	Change £,000	Change %
Schools Block	138,780	146,763	7,983	5.8%
High Needs Block	28,160	29,544	1,384	4.9%
Early Years Block	12,608	19,953	7,345	58.3%
Central School Services Block	1,039	1,081	42	4.0%

The actual 2024/25 PUF is £4,813 and SUF is £6,272 per pupil compared to £4,579 (PUF) and £5,936 (SUF) in 2023/24. Wokingham continues to receive one of the lowest funding amounts of all unitary authorities.



As outlined in the previous section, the DSG funding is based on 4 blocks and therefore expenditure mirrors these 4 blocks and includes;

- Schools Block – expenditure on day to day running of schools.
- High Needs Block – expenditure on high needs including independent special schools. This area has seen significant financial pressures due to growing demand and complexity in cases.
- Early Years Block – expenditure in relation to providing to early year settings including funding for free entitlement for 2, 3 and 4 years old, and 9-month-olds from September 2024.
- Central Schools Services Block – expenditure in relation to statutory services such as school admissions and education support services.

Of the £146.7m in the Schools Block, £1.4m is proposed to be retained for the Growth Fund, funding new and growing schools. Schools Forum approved a 0.5% transfer from the Schools Block to the High Needs Block which equates to £734k. The remaining £144.6m is allocated to individual school budgets based on the local funding formula, which all schools have been consulted on, and will be presented to Schools Forum for final approval on the 10th January.

All schools are funded using the same formula regardless of whether they are maintained or an academy, with the formula taking account of a large number of variables including pupil numbers and other factors such as deprivation.

The current school profile is as follows:

	Number of Schools	Total Number on Roll	Draft Budget 2024/25 £,000
Maintained Schools	27	9,142	46,089
Academies	38	17,504	98,541
TOTAL	**65**	**26,646**	**144,630**

The High Needs Block is separate block of funding to support those young people with SEND requirements. This has been underfunded by central government for the past few years and, when combined with the increased demand and out-of-borough placements this has meant that the account has operated in a deficit position since 2017/18. Whilst this is permitted under regulation in the short term, it is not an ideal scenario nor sustainable in the medium to long term; The Council are a part of the government's Safety Valve Programme and are reporting to the ESFA against the agreed DSG Management Plan that will see The Council setting an in-year balanced budget by 2028/29.

Appendix 5;

Key Financial Risks with Mitigations and Controls

Risk	Mitigation and Controls
Adult Social Care placement costs, market sufficiency and inflation pressures	Rising demand, a struggling external market and cost pressures, including from Living Wage increases are adding to a position where the service is experiencing significant demand and increased complexity of cases. Various approaches are progressing to manage the position including additional in-house provision to manage cost and the external market.
Additional statutory costs of Children in Care	We are experiencing significant increases in demand and a number of management actions are in place to mitigate the risks including targeted service work to support children to remain at home and working with partners to manage and reduce costs of placements.
One-year financial settlement	Working with central govt, professional orgs and other local authorities to best understand future options and implications. MTFP includes a number of assumptions and contingencies.
Increasing interest rates and debt charges	The treasury team work with external experts to continually review and update borrowing and lending strategies. Investments are reviewed and modelled against various scenarios. Holding high levels of earmarked reserves supports the Council in minimising external debt costs through a greater level of internal borrowing.
Inflationary pressures – including pay and contracts	Specific corporate support is in place to assist contract management and procurement. MTFP includes provision for increases as best understood.
Dedicated Schools Grant deficit	Actively involved in Safety Valve potential opportunity. Continually review service models and efficiency opportunities. MTFP includes further annual funding.
Cost of living pressures	Ongoing engagement with community partners to provide support and wherever possible proactive interventions.
Specific service pressures; Home to School Transport Unaccompanied Asylum Seekers	Detailed budget monitoring and forecasting. Support to services to review and innovate in service delivery models. Where appropriate lobbying to central government for appropriate funding.

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