

TITLE	Chief Finance Officer's (CFO) Report
FOR CONSIDERATION BY	The Executive on 28 January 2016
WARD	None specific
STRATEGIC DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Anthony Pollock, Executive Member for Economic Development and Finance

OUTCOME/BENEFITS TO THE COMMUNITY

To ensure sound finances and value for money through setting a safe budget for the community in accordance with the Council's priorities.

RECOMMENDATION

That the Executive note the Chief Finance Officer (CFO) report and the issues contained within, including the local government finance settlement and the sections on key risks, when setting the council tax for 2016/17 and agreeing the Council's Medium Term Financial Plan (MTFP).

SUMMARY OF REPORT

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 2016/17, the main features of which are summarised below:

- a) The settlement is a four year settlement from 2016/17 to 2019/20 and is the worst which the Council has received in its entire history, and the impact on Wokingham, which is already the poorest funded unitary authority per head of population, is extremely severe.
- b) The new 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 highest possible local taxation levy is assumed each of the 4 years (2% Council Tax plus 2% Adult Social Care precept) in order to maximise the penalty calculation. Although this punitive approach has been applied to all Local Authorities, it has a significantly disproportional effect on Wokingham's Council taxpayers who have, through previous poor Settlements, been required to make the highest percentage contribution to their local services.
- c) New Homes Bonus (NHB) grant will increase in 2016/17, however, at least 1/3rd of this is expected to be diverted to alternative funding streams by 2018/18 (a consultation is currently underway). Furthermore, NHB has been included in the Government's 'Core Spending Power' calculation. Both these factors appear to undermine the initial intention of the scheme; to incentivize housing supply.

- d) The Council's main grant, Revenue Support Grant is forecast to reduce from £12.5m in 2015-16 to £6.1m in 2016/17, £0.2m in 2017/18, and to a negative grant of £7m in 2018/19, due to a special increase to the business rates tariff payments which the Council must make. This is the largest reduction of any of the 55 unitary local authorities.
- e) The Settlement Funding Assessment (SFA) will reduce from £25.2m in 2015/16 to £19.1m in 2016/17, a reduction of £7.1m, a 28% reduction, and a 50% reduction expressed as a percentage of Revenue Support Grant.
- f) Wokingham will again have the lowest SFA per head of all unitary authorities in the country, at less than half the national average.
- g) Cumulative savings and efficiencies of over £33m will have been achieved over the five years from 2012/13 to 2016/17.
- h) Wokingham's council tax payers will pay for a higher percentage of council expenditure than council tax payers in any other unitary authority, at approximately 78% of estimated net expenditure in 2016/17, an increase from 72% in 2015/16 due to the assumed council tax increase of 4% and the grant cuts. This trend will continue each year to 2019/20.

The report identifies some of the most significant financial risks faced by the Council in addition to the Funding Settlement. These include the potential increases in clients as a result of the Care Act, and forward funding of the Council's investment ambitions (particularly the Strategic Development Locations, SDLs, and Town Centre Regeneration), the business rate retention scheme, plus the changes included in the Autumn Statement November 2015.

Background

The Local Government Act 2003 requires the Chief Finance Officer (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 (attached at Appendix A) outlines the major financial issues facing the Council.

Analysis of Issues

The Chief Financial Officers report contains issues, risks and strategic considerations in respect of Revenue and Capital.

Key issues are highlighted in

- a) Revenue Resources outlook
- b) Capital Resources and Borrowing outlook
- c) Key Risks – Services and Financial

Corporate Implications

The report is in respect of both the revenue and capital budgets required to deliver the priorities of the Council over the next three years.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	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 relevant to the Recommendation/Decision

Included in MTFP

Cross-Council Implications

The budget affects all services

List of Background Papers

Medium Term Financial Plan 2016/19.

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