

READING BOROUGH COUNCIL

REPORT BY THE CORPORATE MANAGEMENT TEAM

TO:	POLICY COMMITTEE AND COUNCIL		
DATE:	16 FEBRUARY 2015 / 24 FEBRUARY 2015	AGENDA ITEM:	7
TITLE:	CORPORATE PLAN AND BUDGET 2015-18 Our service priorities, spending and savings plans		
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SERVICE:	ALL	WARDS:	BOROUGHWIDE
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1 PURPOSE AND SUMMARY OF REPORT

1.1 The purpose of this report is to set out and seek approval for:

- The Corporate Plan 2015-18; and
- The Council's Budget for 2015-18 to support the delivery of the Council's service priorities.

1.2 The service delivery and financial outlook for the Council over the next 3 years is extremely challenging. The Council is continuing to see increasing demands in many service areas as Reading continues to grow. We welcome this growth in investment to the town with new homes, businesses and jobs. We have been and will continue to actively support Reading. However, our ability to support residents and businesses is now being limited as our funding from Government is being reduced even further.

1.3 In addition, the inequality in outcomes and wealth within the town, particularly those without work or on low incomes, is having an impact on our services as well as affecting people's opportunities.

- 1.4 Because of Government cuts to our funding and service pressures we have already:
- Saved £56.8m from our budgets since 2011/12 and lost over 600 employees roles;
 - As part of this, by the end of this financial year we will have made savings of £12m - the equivalent of £230,000 each week on average; and
 - Councillors have agreed to a further £13.6m of savings and income solutions that are currently being delivered over the next 3 years.
- 1.5 Last year in the Financial Plan covering the period 2014-17 that was approved by Councillors, we said that we were being hit hard as a result of reductions in the grant from Government. The forecast is that the reduction in income from the Government will now be even worse than we had predicted following the Autumn Statement. We are being hit even harder.
- 1.6 As we move into the new financial year we will receive 27% (£9m) less Revenue Support Grant funding from Government in 2015/16 compared to 2014/15.
- 1.7 Despite all these savings and the loss of staff we expect that we will still need to save a further £28.8m from our budget between 2015-18. This will be a further 25% cut in the money we currently have available.
- 1.8 Following the Autumn Statement, it is also clear that the cuts will last for a year longer than thought. The Chancellor of the Exchequer will accelerate cuts post 2015/16 and it will mean we lose more money from the Government than we anticipated in 2016/17. The detail of this is provided in section 4 below.
- 1.9 Because of the amount of money we will have to save, through the course of 2015, councillors will be presented with further options and proposals to reduce spending and to focus on what services we can continue to deliver with our remaining budget. We have also outlined a proposed financial strategy to guide the changes we will need to make, which is outlined within the report at section 4. Changes in our service offer to residents and businesses across the town will be significant.
- 1.10 In the context of this serious financial position, we have reviewed our service priorities and outlined these within a new Corporate Plan for 2015-18, which is attached for your consideration.

- 1.11 The Corporate Plan (enclosed in appendix 1) is important to provide focus and to ensure that we prioritise what we do to try and safeguard as many services as possible and meet the challenges Reading faces.
- 1.12 The Corporate Plan outlines:
- The context for our service delivery;
 - Our help to narrow the gaps within Reading; and
 - What we will measure to show the difference that is being made.
- 1.13 The Corporate Plan outlines the Administration's vision and ambition to narrow the gaps within Reading so that everyone can benefit from its success. Some of the specific proposals within the plan will ensure that:
- All vulnerable residents are protected, safeguarded and cared for;
 - We enable residents to live independently and also provide support when needed;
 - Gaps are narrowed to improve educational attainment, health and access to sports and activities in the town and via our approach to Early Help;
 - Creating more local job and training opportunities with fairer access for all with a focus on 16-25 year olds and over 50's;
 - Providing more homes within Reading, building council houses and other social housing as the population grows;
 - Reading maintains and continues to improve its transport infrastructure to support businesses and residents;
 - We continue our work to improve neighbourhoods and the environment; and
 - The Council changes its service offer to continue to deliver essential services, within our reduced budget, to ensure that the Council is financially sustainable.
- 1.14 The Council will have to continue to change the way it operates to deal with reductions in funding as we protect as many vital services as we can. The Corporate Plan and the Budget provides an important framework for us to do this.
- 1.15 The Financial section of the Corporate Plan sets out how the Council's resources will be used to deliver the Administration's priorities.
- 1.16 The report seeks to ensure that Members are properly advised on:
- The context for service delivery;
 - A range of national and local financial matters affecting the Council's services for residents and businesses;
 - Proposals about how to address these issues;

- Revenue budgets for service delivery, pressures, savings solutions and proposed fees and charges;
- A risk analysis;
- The capital programme; and
- An Equality Impact Assessment.

2 RECOMMENDED ACTIONS

2. RECOMMENDED ACTIONS

Policy Committee proposes the following recommendations.

2.1 Approve the Corporate Plan 2015-18.

2.2 In considering the Budget for 2015/16 Policy Committee at its meeting of 16 February 2015 made the following recommendations to Council:

The General Fund Budget and Council Tax in 2015/16 as follows:

SETTING THE COUNCIL TAX FOR THE READING BOROUGH COUNCIL AREA

1) That the following, as set out in this report by the Managing Director & Head of Finance and in the Budget Book, noting the Equality Impact Assessment, be approved:

- a) The Council Budget & Financial Plan 2015-18
- b) The specific revenue estimates for 2015/16
- c) The capital programme for the period 2015-18

2) It be noted that on 27 January 2015 the Council calculated

The Council Tax Base 2015/16 for the whole Council area as 50,155 [item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")].

3) Calculate that the Council Tax requirement for the Council's own purposes for 2015/16 as 1,365.00.

4) That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act.

a) £402,728,579 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.

b) £334,267,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of

the Act.

- c) £68,461,579 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(4) of the Act).
- d) £1,365.00 being the amount at 4(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
910.00	1061.67	1213.33	1365.00	1668.33	1971.67	2275.00	2730.00

being the amounts given by multiplying the amount at 4(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 5) That it be noted that for the year 2015/16 Police & Crime Commissioner for the Thames Valley has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Valuation Bands

<u>Authority</u>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Police & Crime Commissioner	109.13	127.32	145.51	163.70	200.08	236.46	272.83	327.40

- 6) That it be noted that for the year 2015/16 Royal Berkshire Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Valuation Bands

<u>Authority</u>	A	B	C	D	E	F	G	H
Royal Berkshire	£	£	£	£	£	£	£	£
Fire & Rescue Service	40.44	47.18	53.92	60.66	74.14	87.62	101.10	121.32

- 7) That, having calculated the aggregate in each case of the amounts at 4(d), 5 and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwelling shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1059.57	1236.17	1412.76	1589.36	1942.55	2295.75	2648.93	3178.72

- 2.3 Council is requested to approve the savings and income proposals outlined in appendix 2.
- 2.4 Council is requested to AGREE that, after considering the advice of the Head of Finance on the adequacy of balances and reserves and the robustness of the Budget as set out in Section 6 below and Appendix 5, the minimum level of General Fund balance to be maintained over the year to 31 March 2016 be set at £5m.
- 2.5 In the event that the Council decides to set a General Fund balance which is less than that advised by the Head of Finance of a minimum £5m then the reasons for this difference be recorded in the Minutes of the Council Meeting.
- 2.6 Council is requested to AGREE the Treasury Management and Investment Strategy and the Prudential Indicators set out in Appendix 6, and the revised MRP Statement to apply from 2014/15 in Annex D of the strategy.
- 2.7 Council is requested to AGREE the Risk & Robustness Statement submitted in Appendix 5 of the report.
- 2.8 Council is requested to APPROVE the Fees and Charges outlined in Appendix 4 of the report, and set out in detail on the Council's website and authorise officers to take the action necessary to implement these changes, noting that Social Care Charges (which are currently the subject of public consultation) will be formally set by the Adult Social Care, Children's Services & Education Committee at its 4 March 2015 meeting.

3. THE CONTEXT FOR COUNCIL SERVICE PRIORITIES AND SETTING THE BUDGET

- 3.1 The Administration's priorities are outlined in the Corporate Plan. Based on the key issues facing Reading the Corporate Plan is a forward looking document focusing on the Council's key service priorities over the next three years.
- 3.2 The Corporate Plan will continue to drive the activity of the Council and is linked to the performance of all staff providing:
- The focus to their work;
 - A framework for Service Delivery Plans;
 - Team goals; and
 - Individual targets and appraisal.

Progress we have made in delivering the Corporate Plan

- 3.3 Despite the amount of money we have had to save, we have still been delivering important services and making a difference across the town. Some of the key developments since the Corporate Plan was approved last year include:
- We have helped over 4,000 older and disabled residents with care and support;
 - We have looked after some 200 children who need our care;
 - We have opened extra care facilities at Cedar Court;
 - We completed the Love Clean Reading initiative deep cleaning 136 streets across the town;
 - Using external money, we have bid for and secured, we have started work to build the pedestrian and cycle bridge across the River Thames;
 - Essential infrastructure work to strengthen Reading Bridge has started;
 - A project to reduce congestion along the A33 has commenced;
 - The building of two new park and ride sites to the east and south of Reading with 1,000 new spaces has been approved;
 - We have introduced Readybike - a new bike hire scheme for the town;
 - Transformed the entrances to the north and south of Reading Station with much-improved facilities and public access;
 - Resurfaced 19 main roads and 27 residential streets as part of the Council's annual resurfacing programme;
 - We have improved our Council Houses and announced that we will be building 1,000 new Council Houses;
 - Expanding and building new primary schools to create an additional 2,500 primary school places;

- One of only six authorities nationally to agree the Better Care Fund as part of an accelerated programme with considerable partnership working;
- We have successfully bid for Heritage Lottery Fund money to progress plans to open Reading's historic Abbey Quarter up to the public;
- Relocated the Civic Offices which are much cheaper to run, which will save the Council and the Council Tax payer a significant amount of money every year;
- Invested in maintaining and providing better leisure facilities for residents;
- Invested nearly £500,000 in parks, green spaces and recreation grounds across Reading; and
- Maintained our overall level of funding to the community and voluntary sector.

Why narrowing the gaps within Reading remains our focus

3.4 Reading is a growing vibrant town at the heart of the Thames Valley. Reading benefits from one of the highest rates of employment in England, high wages, and good skill levels. The economy is buoyant and is recovering well from the recession. However, there is a growing differential in wealth across the town. Some of the gaps we are seeking to assist with reducing outlined in the Corporate Plan include:

- The higher employment rate and low unemployment rate hides the impact of the high cost of living and low wages for many residents creating a widening gap;
- Child poverty is above average in the town;
- Homelessness has risen sharply and is forecast to continue to do so. Many of these are families with children;
- Nearly 10% of households are living in fuel poverty;
- We are in the bottom quartile for excess winter deaths in the country; and
- Life expectancy is 9.2 years lower for men and 6.3 years lower for women in the most deprived areas of Reading rather than in those that are least deprived.

3.5 The Corporate Plan and the supporting budget focus our service priorities as the Council's contribution to try and narrow these gaps despite funding being taken away from us. We remain ambitious to improve outcomes for people across the town with the money that we will have available.

Service priorities for 2015-18

- 3.6 Considering the context for the delivery of Council services that is outlined in the Corporate Plan and has been summarised above, the following new priorities are proposed as the focus of our service delivery:
1. Safeguarding and protecting those that are most vulnerable;
 2. Providing the best start in life through education, early help and healthy living;
 3. Providing homes for those in most need;
 4. Keeping the town clean, safe, green and active;
 5. Providing infrastructure to support the economy; and
 6. Remaining financially sustainable to deliver these service priorities.
- 3.7 To deliver these priorities within the new Corporate Plan there is a continued focus on the Council's contribution to narrowing what the gaps are within Reading. We have ensured that the funding and other resources we have available, such as our property and our people, are aligned to these priorities for the coming year. We are less certain about our ability to do this in following years because of the money that needs to be saved.
- 3.8 In September 2014, Policy Committee received a report that outlined the financial context for Council services moving forward.
- 3.9 More information has been made available since then as a result of the Chancellor's Autumn Statement and the Local Government Finance Settlement for 2015/16.

Chancellor's Autumn Statement

- 3.10 The autumn statement effectively proposed further spending reductions through the next parliament to close the remaining public sector deficit, though the Government's figures did not include detail of how these might be distributed.
- 3.11 However, the Office for Budget Responsibility (OBR) estimated around £23 billion of cuts were needed by the end of the next Parliament, which would see public spending fall to 35.2% of GDP in 2019-2020, "taking it below the previous post-war lows reached in 1957-58 and 1999-00". It added that it expected at least five more years of austerity, and that less than half of the cuts had been implemented to date:

"We are now in the fifth year of what is projected to be a 10-year fiscal consolidation, Around 40 per cent of these cuts would have been delivered during this Parliament, with around 60 per cent to come during the next."

- 3.12 Unprotected Departments like the police, local government and the judiciary and other spending could see funding cut by as much as 40% by 2018-2019, according to the OBR's analysis; and it said that the Chancellor would face a "significant challenge" implementing his cuts programme, one that would be "all the greater if existing protections were maintained".
- 3.13 The Government has set out plans to move Britain from the red into the black that will see public spending as a percentage of GDP fall to its lowest level since the 1930s. The plans, according to the Office for Budget Responsibility (OBR), presume the loss of a further 1m public sector jobs by 2020, a renewed public sector pay squeeze and a further freeze on tax credits. The OBR, in its analysis of the autumn statement, said that cuts after 2015 would see the total level of public spending fall to 35.2% of GDP in 2019-20, its lowest level in 80 years.
- 3.14 It added that just £35bn of cuts had already happened, with £55bn to come. It also stated that if reductions in departmental spending were to continue at the same pace after the May 2015 election as they had over the past four years (as stated in the Statement), welfare cuts or tax rises worth about £21bn a year would be needed by 2019-20.
- 3.15 The Institute of Fiscal Studies believes:
- There is actually to be a slight increase in the speed of proposed spending cuts after 2015-16;
 - The numbers have been pushed out to 2019-20 for the first time with a presumption that total spending will be unchanged, the implication is that there will be yet another year's worth of cuts in public service spending;
 - There are huge cuts to come; and
 - We are considerably less than half way through the cuts.
- 3.16 The Economist magazine said spending by Whitehall departments will fall by £61bn from £147bnn today to £86bn in 2020, which means spending on public services will drop from 21.2% of national income now to 12.6% by 2020.

Local Government Finance Settlement

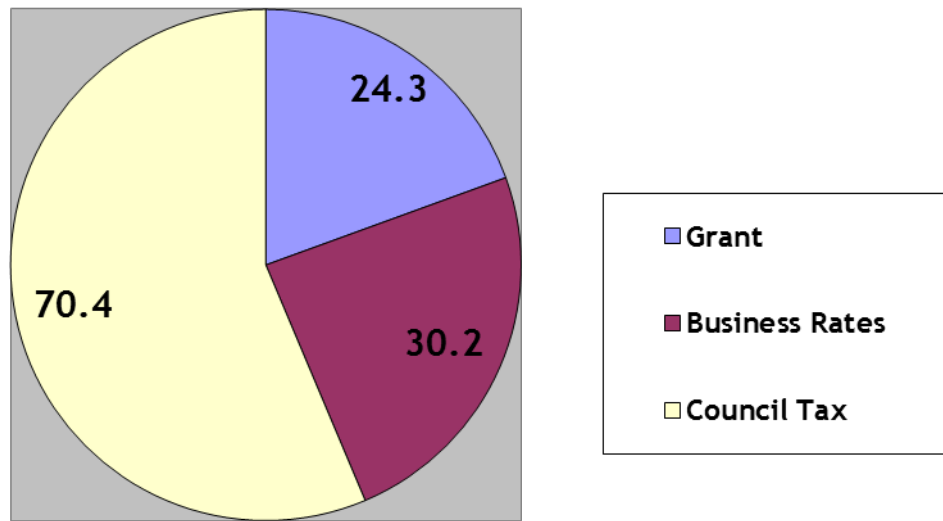
- 3.17 The Settlement is broadly in line with the Illustrative Settlement published in December 2013 and the Summer Consultation. The central and local shares of business rates revenue will remain at 50% each and the baseline funding level and tariff and top-up payments will be updated in line with the small business multiplier for 2015-16 (2%). Government confirmed its intention to make adjustments because of changes to the Carbon Reduction Commitment and other technical changes that don't impact Reading. In the Final Settlement for 2015/16 added some additional money for upper tier authorities to help meet the pressures arising from Local Welfare Reform and Social Care. In comparison to the draft settlement published 12 months ago, our grant has changed by about £215,000.
- 3.18 The Government has once again focused its comments on "spending power" which is supposed to be a measure of the resources under the direct control of a local authority. However, for 2015/16 Government has included the full Better Care Fund Allocation which is expected to be spent in partnership with health authority colleagues. Amongst 55 unitary authorities Reading has the 30th largest reduction in spending power of 1.5% from £143.7m to £141.5m. Some authorities, including all other authorities in Berkshire except Slough have an increase in spending power. Our position remains 30th if the Better Care Fund is adjusted falling by £7.3m (4.9%) to £136.6m - all unitary authorities fall on this basis.
- 3.19 Future years though paint a different picture. We are now forecasting that as a result of the settlement we will lose more money from the Government than we anticipated in 2016/17. The detail of this is provided in section 4 below.

4. GENERAL FUND BUDGET

- 4.1 The net budget for the new financial year would be £124.9m funded through a mixture of grant, retained business rates and council tax.

The graph shows the split of these funding sources:

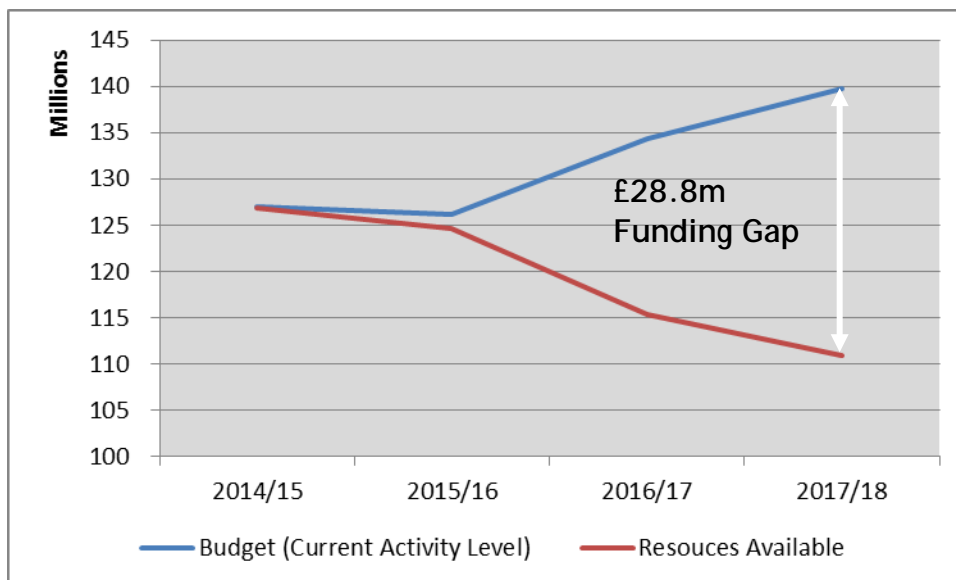
Funding of Budget Requirement 2015/16 (£m)



Reducing income

4.2 The Council continues to have less income moving forward for service delivery. Based on the services we need to deliver for residents and businesses we forecast there will remain a budget gap over the next 3 years as shown in the graph below.

Projected 3 year budget gap 2015-18



4.3 The tables below shows how the amount of funding the Council has reduced and is forecast to reduce further.

4.4 Since 2010, the amount of money we receive from the Government has reduced significantly. The Local Government Finance System was

changed substantially in 2013/14 with the localisation of half of business rate income. The table below shows our Revenue Support Grant (or equivalent) loss, which is almost £200 per head over the past 5 years:

	RSG (from 2013/14) £m	Change from previous Year	Percent change
2011/12		*-£5.5m	- 7.6%
2012/13		*-£3.1m	- 4.3%
2013/14	40.3m	*-£6.9m	-14.6%
2014/15	33.2m	-£7.1m	-17.6%
2015/16	24.3m	-£8.9m	-26.8%
Total		-£31.5m	

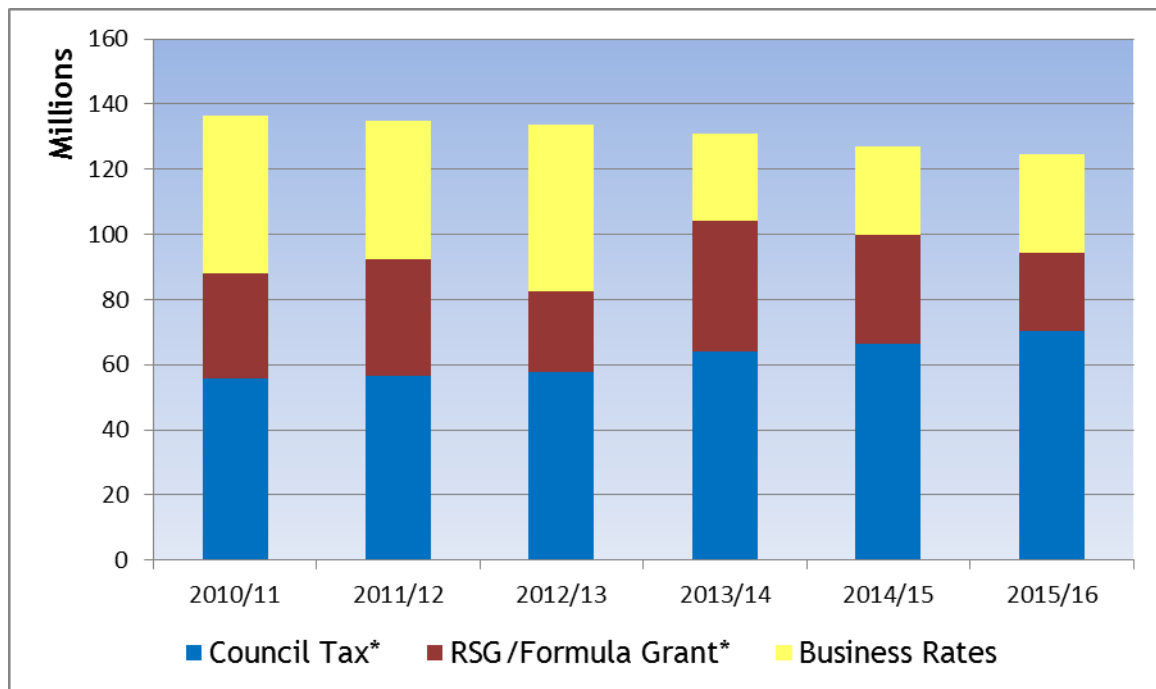
*changes in formula & other grants as reported in budget reports 2011-2013

- 4.5 As a result of the reduction in government grant and service pressures, over the last three years the Council has already made substantial savings of £56.8m to balance the books. These savings are shown in the table below:

Savings 2011-14	
2011/12	£18.8m savings
2012/13	£12.6m savings
2013/14	£13.4m savings
2014/15	£12m savings
Total	£56.8m savings

The table below shows how the Revenue Support Grant from Government as a proportion of the Council's income is also reducing.

(Adjusted) Budget over Time



*Tax & RSG figures prior to 2013/14 have been adjusted to take account of the reform in that & previous years

- 4.6 In moving to a firmer 3 year service and planning horizon last year, we had planned ahead and already built in to our budget some savings for future years.
- 4.7 The following savings for future years have already been agreed by Council in February 2014 and Policy Committee September 2014:

Agreed Savings 2015-18	
2015/16	£8.1m
2016/17	£3.1m
2017/18	£2.4m
Total	£13.6m

- 4.8 These savings need to be delivered by service areas otherwise they will add to the forecast funding gap.

Council Tax

- 4.9 The proposed level of Council Tax for Reading is £1,365.00 at Band D an increase of £26.75p over the 2014/15 Council Tax of £1,338.25. This represents an increase of 51 pence per week at Band D. After

taking account of the increases proposed by the Police and Crime Commissioner Thames Valley (PCCTV) (1.99%) and the freeze by the Royal Berkshire Fire and Rescue Service the overall increase in Council Tax at Band D will be 1.92% equivalent to 58 pence per week.

4.10 Most properties are in band C or below, so the Reading tax will be just over £101 a month for most households and the increase about 45p a week. The Council Tax increase raises additional income of over £1.3m in 2015/16 and future years, but will mean that the council will not receive Council Tax Freeze Grant of £0.7m in 2015/16. For the Council to be able to accept the freeze grant it would need to reduce its budget by £600k in 2015/16 and would need to make additional savings in subsequent years.

4.11 In announcing the final Local Government Finance Settlement for 2015/16, referendum criteria were also announced as follows:-

The Secretary of State considers an authority to have set an excessive increase if:

- For 2015/16, the relevant basic amount of council tax of an authority (other than the GLA) is excessive if the authority's amount of council tax for 2014-15 is 2%, or more than 2%, greater than its council tax for 2014-15.
- An increase over 2% would trigger a Council Tax Referendum.

Where does the money come from to deliver council services?

4.12 As Councillors are aware, each year the Council is required to set a budget for day-to-day expenditure for the financial year starting on 1 April. This is called the revenue budget and it is the amount of money the Council needs to provide services during the year.

4.13 It is a legal requirement for the Council to set a balanced budget within its Budget Framework by 17 March 2015.

4.14 This total amount of funding we have comes to us in four ways:

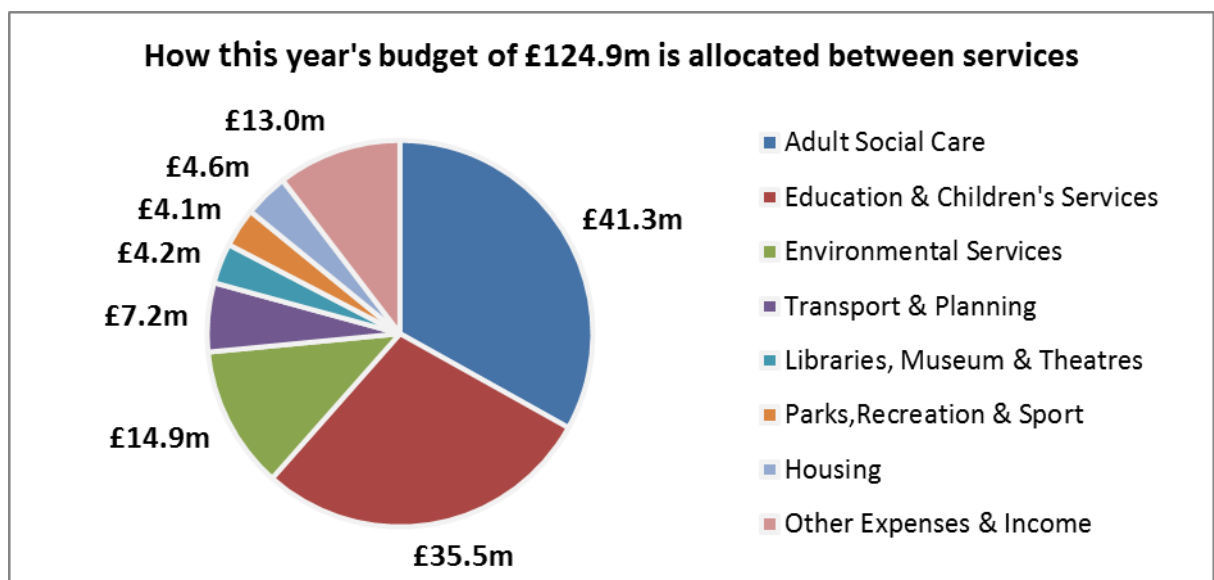
- Central Government Grant;
- Council Tax;
- Business Rates; and
- Income from fees, charges and rents.

4.15 Two-thirds of this funding goes straight to schools or other ring-fenced purposes which we cannot use.

- 4.16 Part of this gross budget also includes the Housing Revenue Account. This is the financial account used by the Council for housing income and expenditure. This money can only be used for Council housing income and expenditure and funds services for council tenants and improvements to Council homes.
- 4.17 Therefore, the funding the Council has a choice about and where it is spent, including the statutory services that we are required to provide by law, makes up the net budget.
- 4.18 The net budget of the Council will be approximately £124.9m in 2015/16. This will need to be reduced by at least 25% over the next 3 years.

Where we are spending the funding that we have

- 4.19 The vast majority of the funding that we have is spent on providing services that we are required to provide by law. These are called statutory services such as caring for children and determining planning applications.
- 4.20 The chart below shows the breakdown of where our net budget is spent. As you can see over half of this is spent on providing services to adults' and children across the town.



How the money we receive will continue to reduce

- 4.21 Despite the savings we have already made, and those that have already been agreed by Council and committee, further reductions in Government grant are forecast as follows:

Year	Range	
	Lower	Higher
2016/17	£13.8m	£17.6m
2017/18	£10.0m	£13.5m
Total	£23.8m	£31.1m

4.22 As can be seen, there is a range of grant reductions forecast as the Government has considerable choice over how it implements the Autumn Statement.

4.23 To offset these Government grant reductions, our ability to raise income from other sources is very limited due to:

- We cannot raise Council Tax above a 2% increase because of the referendum limit introduced by the Government;
- We do not get all the benefit of the Business Rates that are generated in the town with three quarters being paid to the Government; and
- There are limits to what we can increase fees and charges by.

4.24 In addition to the reductions in Government grant we have annual costs for inflation and also service pressures that we need to provide enough money for. We therefore forecast the budget gap, taking an middle view on Government reductions, for 2015-18 to look like the following at this time:

Additional Savings required 2015-18	
2016/17	£18.9m
2017/18	£9.9m
Total	£28.8m

4.25 We forecast that the money we will have available to pay for all services will reduce to approximately £110m (net) by 2017/18.

4.26 Because our options to raise additional income are limited, and our grant is being reduced, we will have to plan to further focus our service priorities so that they can be paid for within the remaining money we will have available.

Reading's estimated grant

- 4.27 Reading's estimated grant loss per head of population next year is £56, which is slightly better than the national (upper tier) average of about £63. However, in Berkshire along with Slough (£58), we are much worse off in terms of grant loss than the other four authorities who lose £18-31/head and face a lower percentage cut (Reading & Slough about 27%, the other 4 average 20%).

Business Rates income

- 4.28 The forecast for 2015/16 includes a share of locally retained business rates income. In the Autumn Statement in both 2013 and 2014 the Government decided to limit increases to 2% rather than RPI, which has been used, in line with the legislation every previous year since business rates were nationalised in 1990. Government also made changes to the Small Business Rate supplement. Both of these changes are being compensated for through a government grant, and the initial estimate is that grant in Reading will be £1.46m.
- 4.29 We estimate that after allowing for losses and the impact of appeals we will collect £105.2m of business rates, of which the Council will keep £28.3m.

The detailed apportionment is as follows:

Apportionment of Business rate Income	£m
Central Share to DCLG (50%)	52.6
Tariff to DCLG	22.2
Levy to DCLG	1.0
Fire Authority Share (1%)	1.1
Reading BC share (49% less tariff & levy)	28.3
	105.2

- 4.30 The new (from 2013/14) Local Government Finance regime, in particular the arrangements for retention of Business Rates, has significantly shifted risk from Central Government to Local Government. Variations in collection and the impact of appeals are now shared with the Government. Any reduced income in Business Rates need to be recognised in year and must be taken account of in setting the following year's budget. During the year we have estimated that liability may be around £12-13m. The above estimate of business rate income allows for most of this; however, there is a risk that appeals are settled more quickly than resources are available which will require additional budget reductions in future years.

Public Health grant

4.31 There is a specific earmarked grant that the Council receives to deliver Public Health services for which we took responsibility for on 1 April 2013. This is a ring-fenced grant and must only be used to support public health activities (as defined by the Public Health Outcomes framework). The grant is currently (14/15) £8.2m and has not been increased for 15/16. In addition on the 1st October 2015 the Council will take on the Commissioning responsibility for 0-5 children service (Health Visitors and the Family Nurse Placements), the part year impact of this change is £1.446m (which will be transfer to the Council by NHS England from this date).

Health Funding, Social Care and the Better Care Fund

4.32 The Autumn Statement announced:

- There will be £2bn of additional funding for the frontline NHS in England in 2015-16;
- In 2015-16, the Government will spend an additional £1.5bn on frontline patient care. Creation of a £200m transformation fund in 2015-16 to deliver the first year of the 'Five Year Forward View';
- Bank fines collected will be used to create a £1bn fund for advanced care in GP practices in England;
- An additional £30m per year (£150m over five years) for NHS England to develop the best approaches to caring for young people with eating disorders in both inpatient and community settings;
- The commitment to increasing the earnings limit in Carer's Allowances to £110 per week was confirmed, and households employing a care worker on a salary of up to £22,500 will pay no employer National Insurance Contributions. Both of these will come into place from April 2015; and
- £3m of funding has been announced to expand mental health pilots aimed at getting unemployed into work.

4.33 The key issue for the Council is that none of this funding from Government will help support the pressure on our adult social care system.

4.34 The Better Care fund for Reading is £9.923m which is made up of £4.573m from previous years funding and specific grants and £5.350m of new schemes that will be delivered in partnership with the NHS. The table below sets out a summary of how this funding is planned to be used.

Scheme	Lead Agency	Funding £000k	Description
Protection for Adult Social Care	RBC	£1,100	This money is helping to prevent some further reductions in Adult Social Care, but in reality this is not sufficient when compared to the level of National funding reductions. The Council is having to make further savings during 15/16 but is trying to protect those with greatest need
Care Act (Part of funding to cover impact)	RBC	£361	Part of funding required by the Adult Care service to cover new burden costs of Care Act
7 Day Working - Other	RBC	£404	This is working with GP's Berkshire Healthcare and other partners to support greater numbers of people to remain at home rather than need Hospital or other services
Time to Think beds	RBC	£456	This is an enhanced serviced based at the Willows to prevent anyone being discharged from Hospital straight into a nursing home. It gives the person time to stabilise and assess what best meet their individual needs plus is design to reduced delayed discharges at the Royal Berkshire Hospital

Hospital at Home	RBC	£51	This scheme enables people with certain conditions to be treated at home rather than in hospital. This element is the additional home care staff that will be needed to support these clients
<i>Total</i>		<i>£2,372</i>	
<i>NHS lead schemes</i>	<i>NHS</i>	<i>£2,978</i>	Various schemes
Total New Schemes		£5,350	
			This is funding agreed and being used to fund existing commitments mainly in Adult services
Existing Schemes		£4,573	
Total BCF		£9,923	

Capital

4.35 The Capital Programme for 2015-18 sets out our investment plans over the next three years. The proposed capital programme as at February 2015 totals £146.6m of which £108.5m relates to general fund services and the balance relates to the HRA. This represents a significant but targeted investment strategy to support the priorities in the Corporate Plan. The programme is financed by a mixture of external funding and finance that is borrowed, as well as capital receipts and developer contributions. Target levels of borrowing are consistent with our revenue budget forecasts.

4.36 The key areas of investment in the Capital Programme include:

Providing School Places

4.37 The Council's £64m School expansion programme is now well under way, although high construction costs and shortages of skills and materials have placed considerable pressure on the programme. The Council is already having to borrow over £34m to cover the costs of the programme and has requested further funding from central government. In the meantime the Council has had no option but to work with schools to reduce the scope of the programme in order to stay within budget.

Meeting Housing Needs

- 4.38 In addition to continuing a proactive programme of investment in existing Council housing stock, last autumn the Council announced a programme to build 1000 new Council houses over the next 30 years, funded through the HRA: the programme makes provision for £8m to fund the first 3 years.
- 4.39 In response to the unprecedented increase in the number of homeless families in Reading, additional temporary accommodation at Jimmy Green Court and Wensley Road is being provided.
- 4.40 A new 40-bed Extra Care housing facility at Cedar Court was opened this year and a developer partner has been selected to deliver a new Extra Care facility on Council-owned land at Albert Road, Caversham. A £2m supported living scheme, part funded by the HCA (£450k) is planned in South Reading. The Council is also currently seeking a developer to provide a 60-bed nursing home on its land at Dwyer Close in West Reading.

Investing in Transport Infrastructure

- 4.41 Investment of around £13m is planned for maintaining and improving the transport and highways network. The Council has been very successful in bidding competitively for capital grant, including the Local Sustainable Transport Fund and Pinch-Point funding, enabling it to secure new park and ride facilities, undertake structural maintenance to Reading Bridge, improve traffic movement on the A33 and build a new pedestrian-cycle bridge across the Thames, for example.
- 4.42 The Council also launched a successful cycle hire scheme "ReadyBike" in June which provides 200 bikes for public use. The new Reading Station was opened last summer and the Council is now working with partners to develop a new station at Green Park. These types of government grant are ring-fenced so the money cannot be used to fund other Council priorities.
- 4.43 At the same time as these major build projects come to an end, annual government grant for routine highway maintenance programmes will decrease significantly over the next 3 years.

Delivering Efficient public services

- 4.44 The Council has made the following progress:
- The Council successfully relocated the Civic Centre to the more efficient and smaller accommodation at Bridge Street on time and within budget. The contract to demolish the old civic offices has been let within budget and the Council has secured

the development partner Kier to bring forward the regeneration of the Hosier Street Area;

- The Council is rationalising its built assets and working with local communities and the voluntary sector to develop community hubs that will help deliver services more efficiently;
- Other investments include an annual £500k programme of improvements to highly valued parks and open spaces funded from developer contributions and £1.4m of match funding is identified for the successful first stage HLF bid for £1.7m for the Abbey Ruins;
- The Council continues to invest in its property to ensure that it meets health and safety requirements and reduces energy and associated running costs; and
- Investment in ICT continues to be a key priority improving efficiency of and customer access to Council services.

4.45 The full Capital Programme as of February 2015 is attached at Appendix 8.

Our strategy to manage our spending plans over the next 3 years

4.46 The proposed strategy to manage our spending and saving plans over the next 3 years is to:

- Prepare options for the Administration to consider prioritising our service offer, based on what we can afford, whilst focusing on narrowing the gaps within Reading;
- Continue to ensure that our budget monitoring and financial information is robust because we have less funding to rely on when things don't go as planned;
- Control our borrowing costs by closely monitoring the capital programme and maximising land receipts to pay for capital investment;
- Continue to carefully scrutinise and highlight issues with income that does not materialise and take corrective action immediately to make savings elsewhere;
- Identify early, savings plans that won't be realised and service pressures that emerge and take immediate corrective action so that this does not become a larger structural issue;
- Maximise income where we can;
- Work with residents, business, partners and communities to manage the implications of us having less funding to deliver services;
- Consolidate our services, share premises with partners and collocate in fewer locations;

- Continue to pursue organisations and individuals that owe us money;
- Continue to carefully manage our reserves;
- Use some of our reserves next year to give us more time to plan to make further savings;
- Prepare options and explore staff remuneration, conditions, key worker housing, performance, redundancy entitlement, learning and development offer, career progression as part of a new 'Reading Offer'; and
- Finalise our Equal Pay issues without exposing the council to further financial liabilities.

5. PRIORITIES

- 5.1 Based on the issues Reading and the Council face, and the financial context, our work is proposed to be focussed around six key priorities within the Corporate Plan that have already been outlined within the report.

6. RISK MANAGEMENT

- 6.1 The Council's Head of Finance is required to report on the robustness of the estimates made for the purposes of setting the 2015/16 budget and the adequacy of the proposed financial reserves. The report outlines the risks facing the Council in implementing the budget.
- 6.2 The report is included at Appendix 5, and observes that both the inherent and residual risks in the Council's budget plans are higher than they were for the 2014/15 year.
- 6.3 With regard to balances, the report discusses the various reserves and provisions the Council holds and observes that almost all of them are earmarked against liabilities or costs that have arisen, or are expected to arise during the next three years.
- 6.4 Nevertheless, the report concludes, given the Council's good track record in delivering its budget in recent years and that all significant known liabilities are covered during 2015/16 that:
- The proposed minimum level of the General Fund balance will be £5 million. The Council is setting a very tight budget for 2015/16 which contains a continuing high level of risk; and
 - The minimum level of balance of £5m and reserves of £17.8m (by 31/3/15) provides adequate balances to help robustly manage the corporate budget risks facing the council.

7. RESERVES

7.1 The Council holds reserves for a number of reasons to enable the Council to:

- Deal with unexpected events;
- Manage changes in demand for services; and
- To fund specific projects.

7.2 The assessment of reserves is based on the following:

- The level of risk within the budget;
- Judgement on the effectiveness of budgetary control with the Council; and
- The degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.

7.3 Both the National Audit Office and the Chartered Institute of Public Finance and Accountancy have recognised that a reserves strategy is a local decision to meet local needs. There is no one-size-fits all approach.

7.4 The level of risk within the budget is clearly increasing. Whilst this does not necessarily mean we need to increase reserves, it sets the context in which the Council needs to consider the level of reserves it holds.

7.5 The general fund balance should be £5m.

7.6 At the end of 2015/16 it is proposed to have earmarked general fund reserves of £11.4m which is a reduction of £4.2m compared to the 31 March 2014 position (mainly arising from the use of revenue grants in hand and the redundancy reserve).

8. TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS)

8.1 There is a requirement for the Council to have all of the following:

- Treasury Management Strategy for 2015/16;
- Annual Investment Strategy for 2015/16;
- Prudential Indicators for 2015/16, 2016/17 and 2017/18; and
- Minimum Revenue Provision Statement (in connection with debt repayment) - this has been revised to move the approach on MRP on new debt from 2013/14 to an annuity method, as explained in the appendix.

8.2 The Treasury Management Strategy, enclosed within appendix 6, brings these together and the statement explains:

- how the Council tries to minimise net borrowing costs over the medium term;
- how we ensure we have enough money available to meet our commitments;
- how we ensure reasonable security of money we have lent and invested;
- how we maintain an element of flexibility to respond to changes in interest rates; and
- how we manage treasury risk overall.

8.3 In line with recommended practice, a draft of the statement was presented to Audit & Governance Committee, at its January meeting. The “liability benchmark” graph included in the Treasury Management Strategy identifies that within the next couple of years the Council will need over £75m additional long term borrowing for around 15-20 years to finance its present capital plans. The cost of funding this additional borrowing has been built into the Financial Plan.

9. CONTRIBUTION TO STRATEGIC AIMS

9.1 There are key areas we want to address to ensure we can deliver our priorities and protect services as we make changes to deal with our budget challenges.

9.2 This new Corporate Plan provides updated priorities for the Council.

10. COMMUNITY ENGAGEMENT AND INFORMATION

10.1 We have based what we will deliver in the Corporate Plan on the things residents and businesses have told us via a variety of consultation and involvement events and initiatives that we have held.

10.2 We have looked again at what people have told us and made sure we continue to focus our resources on the things that matter most to residents and businesses.

10.3 We will continue to seek views on specific proposals as they arise.

11. OTHER OPTIONS

11.1 A variety of budget options have been considered by Councillors in order to make the savings that have been required to date.

11.2 The building of the Council’s service priorities and budget involves input from a whole range of employees, members and partners. There has been time to focus and refine the Council’s priorities and budget.

11.3 This is a proposed report on the Corporate Plan, Council Budget including the Revenue budget, the Capital Programme and the 2015/16 Council Tax levels to allow the Council can deliver its service priorities as a time of considerable change.

11.4 The proposals outlined within the report and the appendices are believed to be the best options for the Council and are based on professional advice.

12. EQUALITY IMPACT ASSESSMENT

12.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

12.2 The equality duty is relevant to the development of the Corporate Plan and the Budget and an equality impact assessment has been completed which is attached at appendix 10.

13. IMPLICATIONS

How this could impact on residents, businesses and partners

13.1 Reducing the Council's budget by a further 25%, on top of what we have already saved, means that future savings and service options will need to be significantly altered. It is clear that this will have a further impact on residents, businesses and partners. As part of the proposals that will be developed for councillors to consider through 2015, we will outline in more detail what the potential impacts could be, how we can try and mitigate this and in some cases perhaps not be able to mitigate any impacts.

13.2 We will also be clear about the positive impact of what we are doing with the money we will still have to provide services.

How this could impact on our staff

13.3 Staff account for 80% of our net costs. We now employ 2,500 staff (2,000 FTE) providing over 700 services across the town. We are very much a 'people' organisation with our employees providing vital services from cleaning the streets, protecting children from harm and abuse to ensuring people can get accommodation. With the scale of

the budget reduction outlined within this report - inevitably there will be a major impact on our staff. Our current estimate is that we may need to lose approximately 500 posts over the next few years. Our efforts will continue to focus on minimising job losses as all this does is reduce our capacity to deliver services. The detail and exact numbers of staff, who could be affected and the potential implications for staff will come forward as part of service and budget proposals in 2015 which will be considered by councillors.

When this will happen?

- 13.4 Service and Budget Options will be developed through this spring so that they can be considered by committee in July 2015. Public and staff consultation would follow with final recommendations going to committee through the autumn 2015. Subject to the views of committee, implementation would then follow.

Legal

- 13.5 There are no legal requirements to have a Corporate Plan. Nevertheless, considering the size and complexity of the services we provide it is sensible to have a strategic document for the organisation.

- 13.6 There is a legal requirement to set a balanced budget.

Financial

- 13.7 Our financial situation is challenging. Over the next year, officers will need to provide councillors with options to reduce spending further. There will continue to be some difficult choices about what services are delivered and the way this happens in the future to ensure we can live within our means.

- 13.8 The priorities within the Corporate Plan form the basis of our spending plans over the next three years with an on-going need to reduce our budget further. Therefore, this plan and the budget will continue to be updated every year to take account of changes.

14. BACKGROUND PAPERS

14.1 Appendices:

1. Corporate Plan 2015-18 - Our help to narrow the gaps within Reading
2. Savings and income proposals for 2015-18
3. Calculation of Council Tax
4. Fees and Charges Summary Statement
5. Robustness & Risks within the Proposed Budget for 2015-18
6. Treasury Management Strategy Statement

7. General Fund and Summary Cost Centre Budget
8. Capital Programme
9. Dedicated Schools Grant
10. Equality Impact Assessment
 - 10a. Equality Impact Assessment Update

Corporate Plan

2015 - 18

Helping to narrow the gaps in Reading



Reading
Borough Council

Working better with you

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1 Our vision and ambition

We will narrow the gaps in Reading to ensure that everyone can benefit from its success

At the heart of Thames Valley Berkshire, Reading is a thriving and diverse town with a significant economic presence. Reading's population and economy continues to grow and the needs of our residents and businesses are changing which impacts on the services we provide.

Not everyone in Reading can access all the opportunities that are available though. Some people are being left behind and we want to stop this happening.

The next few years will see significant changes as we plan and cater for increasing demands for some services whilst other services will need to continue to change so that we can survive with significantly less funding for our services. We forecast that the reduction in income from the Government will now be even worse than we had predicted. As we move into a new financial year for 2015/16 we will receive 27% (£9m) less Revenue Support Grant funding from Government compared to 2014/15.

Despite the £56.8m we have already saved and the loss of over 600 employees - we expect that we still will need to save a further £28.8m from our budget between 2015-18. This will be a further cut of 25% in the money we currently have available.

In the context of this serious financial position, we have reviewed our service priorities and outlined these within our new Corporate Plan. The service priorities provide focus and ensure we continue to prioritise all we do to help narrow the gaps within Reading.

We have based the actions within this Plan on what we have been told by residents and businesses through our Let's Talk activities and other consultations and events as well as data and information we collect that tells us about what things are like within Reading.

ABOUT READING

9% increase
in residents
since 2001

159,200
people live
in Reading



Population to
increase by
24% by 2050
to 193,065



0-4 year
olds have
increased
by X5

Employment rate:

78.1% - one of the
highest in the UK

2,300
Children in
poverty

67,000
employed in
the private
sector

16,800 employed
in the public
sector

28% of
residents
don't own
a car

High weekly
earnings: £606/
week

Highly skilled:
42.6% of
residents have
NVQ 4
or above

63,000 households
- an 8% increase
since 2001

Increasing ethnic diversity
- 35% of the population
are from Black & Minority
Ethnic Groups

26%

Residents living
in private rented
homes has
increased

Ranked in top 10 European
cities for Foreign Direct
Investment

7 miles
of river
frontage

650,000 sq. ft. of new or grade A
refurbished office space under
construction

ABOUT THE COUNCIL

700
services

46
councillors

Income from
Government will
reduce by 27%
next year

 **£56.8m**
saved to date

6,900
Council homes

£124.9m
net budget

£13.6m

of savings plans
being delivered
between 2014-18

Investing **£64m** in
expanding primary
schools

750,000 people
visit our leisure
centres each year

2,000
employees

£28.8m

of additional
savings required
between 2015-18

48 % of Reading buses
are very environmentally
friendly, the highest
proportion in the UK

Over 50% of
budget spent
on Adult and
Children's Services

2013/14 carbon footprint 31% lower
than baseline emissions in 2008/09

2 Narrowing the Gap

Our population has grown by 9%¹ over the last 10 years and Reading is an increasingly diverse place. We are home to some 159,200² people comprising around 63,000 households.

We want to be able to help residents and businesses thrive in Reading. The economy in Reading has recovered from the recession better than most areas of the UK. It is performing well and is expected to continue to grow further. The reality, however, is that some residents are not benefitting from this positive outlook.

Despite the high levels of employment, prosperity, educational attainment, and good health enjoyed by many people within Reading there are gaps where some residents are left behind; find it difficult to get work that pays enough to cover day-to-day essentials and to secure decent housing. They may be less able to maintain good health or, through no fault of their own, face difficulties in leading an independent life that the majority of residents enjoy.

Our priority for 2015-2018 remains to narrow the gaps within Reading. We continue to focus our spending plans to help children, young people and adults earlier so they can seize the opportunities on offer within Reading. Our aspiration is to narrow the gaps in Reading to ensure that everyone can benefit from its success. We will continue to collaborate with partners and businesses in the town to work with us to achieve this vision.

Children, young people and families

Reading has a high proportion of children and young people aged 0 to 18, representing 20.3% of its total population. There is substantial pressure for school places especially for 4-5 year olds but in time this growth will move through to the older age groups. We will make sure that there is a school place for every child that needs it and work towards more parents getting their first preference. Last year we approved a £64m primary school expansion programme.

49.4% of the school population belongs to an ethnic group other than White British compared to 25% in England overall. An increasing proportion is bilingual with 30% of pupils speaking English as an additional language, with 150 first languages in the area. 18.8% of children in Reading live in poverty and 30% of Reading pupils are eligible for pupil premium, the Government grant to school to counter disadvantage.

¹ ONS Census 2011

² ONS Mid-year estimates 2013

Educational attainment levels for children who live in poverty and children from some ethnic minorities are lower than the average for Reading. Closing the gap in attainment for vulnerable and disadvantaged children is vital to ensure equality of life chances later on. We want to ensure that all children and young people access educational provision, and that there is regular school attendance of all pupils, in order that all young people access the very best education opportunities available to them.

We have higher than the regional average for young people not in education, employment or training. Particular 'at risk' groups include young offenders, teenage parents, and young people with learning difficulties and disabilities. Through our City Deal programme called 'Elevate' we will provide more job and training opportunities for 16-24 year olds and a joined-up offer of support across agencies.

Some young people experience parallel problems around housing, poverty, drug or alcohol abuse, dysfunctional family backgrounds, domestic abuse and leaving care. We will provide preventative and targeted services to support and safeguard these young people and their families.

In supporting young people, Reading Buses as our municipal bus company has introduced a Solo fare that ensures young people under the age of 19 travel at a lower fare. Our Local Sustainable Transport Fund grant from the Department for Transport also supported an initiative to reduce fares on all bus services in South Reading, leading to a 9.3% increase in passengers and long term 21% fare reduction.

Quality Care

4,100 older or disabled people are supported by Adult Social Care. Adult Social Care is already the Council's biggest single budget. Whilst Reading has a relatively young population, the older people it cares for have a higher than average level of need. The over 65 population, and particularly the over 85 population, is expected to rise steadily in Reading. Additionally by 2020 approximately 25% of people who pay for their own care are likely to have run out of funds and will be eligible to have their care paid for by the Council. In addition we need to implement the changes introduced by the Care Act as well as the wider integration of Health and Social Care under redesigned funding allocation processes such as the Better Care Fund. We are a better Care Fund pathfinder. Our plans include breaking the cycle of people being avoidably admitted to a care home from hospital by assessing them in their own home, with health and social care support, rather than in the disorientating hospital environment. We will also establish a single team to oversee care plan design and management and patient transfers between different parts of the system.

We plan to maintain quality, reduce costs and meet the increasing need as our population changes. Our Rehabilitation model has been cited as regional and national best practice. We have opened the Cedar Court Extra Care housing scheme this year - a housing solution to maximise independence alongside meeting

care needs. We will also be developing additional extra care housing and nursing care on the site of the previous Arthur Clarke and Alice Burrows sites.

We were the first local authority in the south East (outside London) to sign up to the Unison Ethical Care Charter. This is being applied within our new frameworks for purchasing care services so that through our commissioning processes we will be able to improve services both for service users and the workforce.

Neighbourhoods

Despite Reading's economic prosperity there is a widening gap between neighbourhoods. The starkest statistic is that life expectancy is 9.2 years lower for men and 6.3 years lower for women in the most deprived areas of Reading than in the least deprived areas. Where we live, and the quality of our immediate environment has a huge impact on our quality of life and wellbeing. This includes the physical environment - the cleanliness of our streets, places for children to play, green spaces. How we feel about our neighbourhood and whether we feel safe, have a sense of community and get on with our neighbours is important. We are changing the way we work to 'Think Neighbourhood' designing and joining up our services around the needs of neighbourhoods, engaging and enabling local residents and targeting resources so that we can improve outcomes for the most deprived areas.

Reading's Community Safety Partnership (CSP) has also achieved significant year on year reductions in crime levels, and is committed to continuing to work alongside our communities in reducing crime, nuisance and anti-social behaviour with a focus on the issues that matter most to them at a neighbourhood level. Priorities vary across areas but examples of this work include tackling burglary hotspots and speeding reduction initiatives. Reducing Domestic Abuse in the town also remains a priority.

Housing

Reading's relatively strong economic position and vibrant town centre means the town remains an attractive place to live. Property prices continue to rise, and are now at their highest since the summer of 2008. As a result there is a high level of pressure on the housing we have in the town. This pressure is particularly acute on more affordable housing options both in the Private Rented and Social Housing sector. National economy, policy and legislative changes have had a significant impact on Housing. We have seen a steep increase in homelessness figures this year.

Maximising the development of social housing in the town, and ensuring that social housing remains an affordable, stable option for local people, is a key priority. The town has a higher than average number of properties in the Private Rented Sector so driving up quality and ensuring we have the right mechanisms to secure this accommodation for local people is a key part of our approach to support residents to access suitable housing.

A proactive approach to preventing homelessness and helping people and families to manage through welfare reform changes is also critical. We have seen homelessness increase by 700% since 2009 with a sharp increase this year. Insulation is generally poor in older properties in Reading with 27% of stock being pre 1919. The improvement of housing conditions and helping those in fuel poverty remain a priority.

The Council has embarked upon a Council House building Programme that will create at least 1,000 new homes across the town over the next 30 years to help mitigate some of these impacts and the erosion of the housing stock through Right to Buy.

Health

The health of people in Reading varies across our neighbourhoods compared to the national average. Reading is characterised by extremes of wealth and poverty in a small geographic area. Patterns of inequality are complex with poor health outcomes for some communities. In some of our most deprived neighbourhoods there are clear links between poverty and health. We need to close this health gap.

We will help people achieve good health as early as possible in life - intervening later can be less effective without good foundations and so a focus on promoting and protecting health in the early years will be critical.

Long term conditions such as Cancer and circulatory diseases cause relatively high numbers of deaths in people in Reading aged under 75, particularly for people living in deprivation, who may smoke, have a poorer diet or low levels of physical activity. Support to make healthier choices - around smoking, substance misuse, sexual health, diet and physical activity - will be a key priority in order that we can empower people to have greater control over factors that can improve their health and wellbeing and help avoid long term conditions. Chronic health conditions like Diabetes or Dementia reduce people's quality of life and ability to enjoy active later years. Providing appropriate access to sexual health services, stop smoking services, promoting local awareness of screening services and uptake of the NHS Health Checks programme will be key elements of our approach. This will ensure people have early access to the support which will mitigate against the impact of long term health conditions.

Through our Integration Programme, including the Better Care Fund plan, Health and Social Care will work to address these health inequalities in our communities to ensure that the people of Reading are enabled to achieve the best outcome for their particular health condition. We will work with communities to help them take control of issues that impact on poor health and well-being.

Going Digital

The opportunities afforded by going digital and on-line services are huge. We can reduce the cost of our services by delivering as much as we can on-line. Reading is at the heart of the UK IT industry and businesses need workers with IT skills. Resident and community groups can build and share resources by communicating on-line. There are a minority of residents who are not benefitting from the digital age. Mostly, they are older people but also people on low incomes, people with few qualifications and disabled people. Where possible we will use digital technologies for providing information and doing business with customers. However, we will do all we can to ensure people are not left behind by supporting customers to self-serve, continuing to offer free public access IT in our facilities and will work with partners and volunteers to offer IT support and training in community settings using computers, email, social networking, online shopping and banking so that people can access better deals.

Balancing the Budget

We have tackled substantial Government budget cuts that we have faced since 2010. On the whole, we have carefully managed the reduction in our income from Government in ways that have not impacted on frontline services by concentrating on changing the way we work and by delivering efficiencies. However, the loss in Government grant combined with service pressures has reduced our capacity to deliver services for residents and businesses and our ability to help those who need our help. It has also put a lot of pressure on the remaining staff as the Council has reduced the number of staff it employs significantly to make savings.

We are now finding it harder to find further efficiencies of sufficient scale to meet the forecast loss in income from Government considering the savings that have already been achieved and the number of staff lost. We continue to find efficiencies where we can to protect services, but in the context of prioritising our service delivery to ensure residents and businesses get what they need, we still have to make substantial savings and generate additional income.

In addition, Reading's population continues to grow. The number of residents has increased by 9% since 2001 to 159,200 people. This comprises around 63,000 households. The population is forecast to increase by a further 24% by 2050 to 193,056 residents. This growth, whilst welcome to continue to create a vibrant and thriving town, impacts on our services. The process of balancing our budget over recent years has seen some major reductions:

- Staff posts have been cut by 622 including senior and middle management roles;
- We have already achieved £56.8m of savings over the period 2011/12 to 2013/14; and
- The Council has agreed to £13.6m of savings for the period 2014 -18.

We are forecasting that we still need to find savings of approximately £28.8m between 2015-18.

3 What we'll do to help narrow the gaps

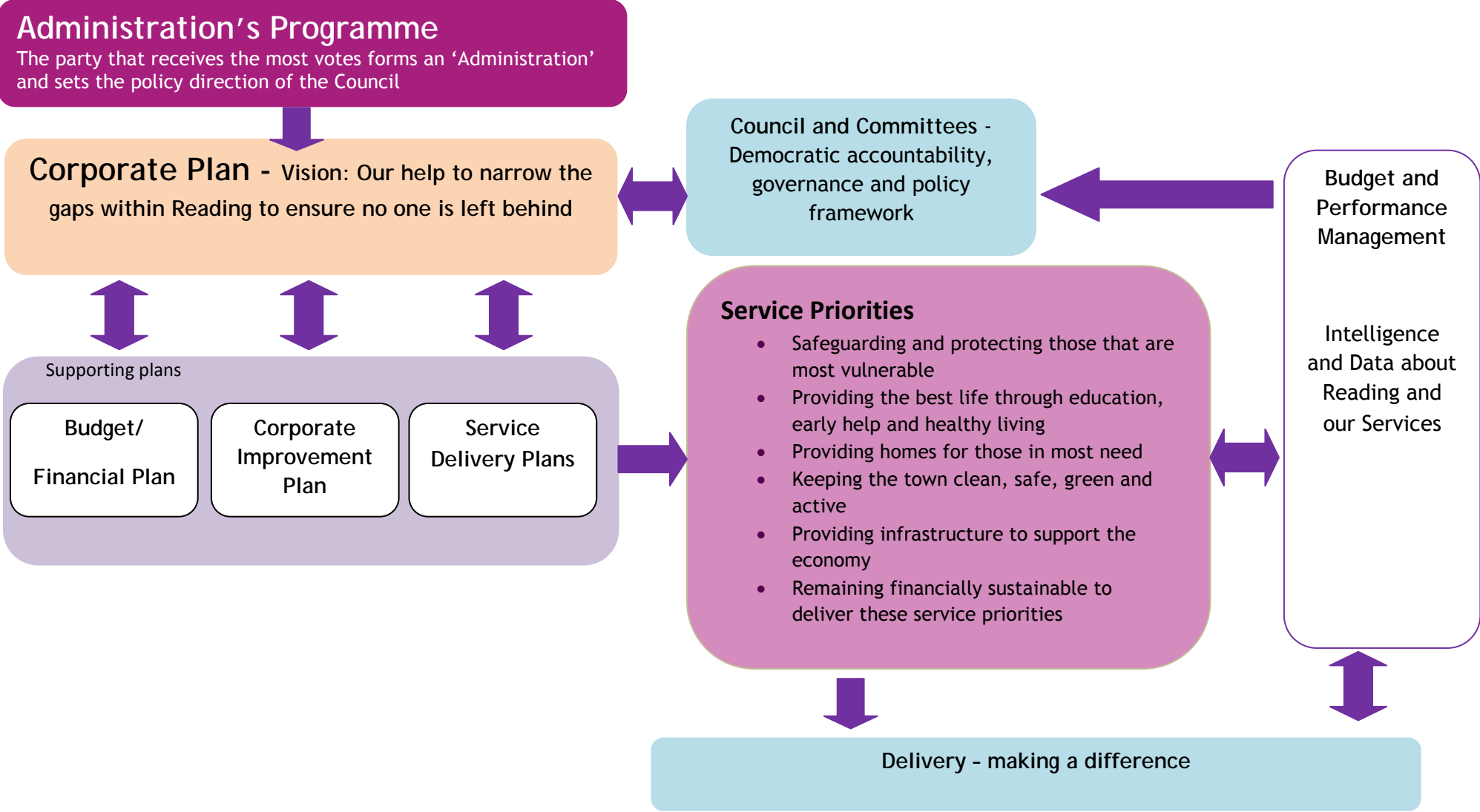
Turning the key issues within Reading into our service priorities

We have considered the issues that affect our services and we are going to focus our efforts to help narrow the gaps within Reading around 6 service priorities.

- 1 Safeguarding and protecting those that are most vulnerable
- 2 Providing the best life through education, early help and healthy living
- 3 Providing homes for those in most need
- 4 Keeping the town clean, safe, green and active
- 5 Providing infrastructure to support the economy
- 6 Remaining financially sustainable to deliver these service priorities

The action plans overleaf explain our work to help narrow the gaps to meet these service priorities.

How it all fits together



Our service priority 1: Safeguarding and protecting those that are most vulnerable

Why this is important for Reading:

- We want to ensure that all vulnerable residents are protected and cared for
- We want to enable people to live independently and also provide support when needed to families
- We want to ensure care and support provision is effective and of good quality
- We want to prepare young people leaving care for independence
- We want to uphold the Children in Care Pledges for those in our care
- We want to provide support services to children and young people at the point of need
- We want to promote resilience for children, young people and adults who are at risk of harm
- We want to provide high quality and stable placements for those children and young people who cannot return home
- We want children and young people to remain within their own families wherever possible

Progress so far - Adult Services:

- Opened Cedar Court providing 40 new 'extra care' housing flats for older people, offering a modern approach to living independently in the community
- Our rehabilitation model cited as regional and national best practice
- Agreed a 3 year Adult Social Care Strategy in September 2014
- Completed Supported Living Accredited Provider List
- New Home care provider list in progress
- Developed a Market Position Statement with local care providers setting out our priorities for care and support

Progress so far - Children's Services

- Secured the agreement of Thames Valley Police for a MASH (Multi Agency Safeguarding Hub)
- Embedded the Signs of Safety approach to all work
- Reduced the number of children in care
- Increased the number of children who were adopted
- Turned around 259 Troubled Families under the National Government Scheme and met the Government Target of identifying 345 families
- Re-offending rates have reduced for young people under 18
- More care leavers supported to attend University in 2014 than ever before

Safeguarding and protecting those that are most vulnerable

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
<p>We have a high number of Delayed Discharges from the Royal Berkshire Hospital</p> <p>Residents' experience when leaving hospital and ensuring they get appropriate support is not as good as we would like</p>	Deliver an extra care scheme at the former Arthur Clarke site in Caversham	Less older people will require a hospital admission	Head of Adult Care	2016	<ul style="list-style-type: none"> • Permanent admissions to residential and nursing homes • Increase the % of older people (65+) who are still at home 91 days after discharge from hospital • More people choose to use personal budgets and direct payments • Higher levels of satisfaction from service users • % of adults who use social care service who say that those services made them feel safe and secure • Healthwatch report on patients experience when leaving hospital
	Deliver a nursing scheme at the former Alice Burrows site	Decrease in Older People's admissions to hospital	Head of Adult Care	2016	
	Deliver the Better Care Programme	Decrease in length of stay in hospital Decrease the number of avoidable winter deaths	Head of Adult Care	2016	
	Deliver the Adult Social Care Strategy 2015-18	Continual improvement in the client pathway for health and social care	Head of Adult Care	2016	

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
Areas of improvement for children's services following Ofsted inspection and self-assessment activity	Deliver the Children's Services Improvement Plan <ul style="list-style-type: none"> • Quality and timely assessments • Sufficiency of placements • Appropriate staffing ratios with managed caseloads • Clear pathways for Children in Need • More care leavers will secure apprenticeships, further education or University places Reading's looked after children exceed national average measures for Early Years, Key stage 2 and Key stage 4	Improved outcomes for children and young people	Head of Children's Services	2015	<ul style="list-style-type: none"> • Number of children in care • Number of children on a child protection plan • Number of children subject to Common Assessment • Number and timeliness of adoptions • Number of Single Assessments • Number of re-referrals • LAC Key stage 2 and Key stage 4 attainment • Less placement moves Decrease the assessed level of threshold risk and support required in more cases stepped down Increase number of closed cases which made significant change in the following areas: <ul style="list-style-type: none"> ○ Adult Worklessness ○ NEETS ○ Domestic Abuse
Ensuring targeted and universal intervention is appropriate	Early Help Review to ensure the offer for children and young people will be targeted at need and 'joined up' as part of a whole system approach to delivering good outcomes for children and young people	Ensuring service delivery is targeted effectively to narrow the gap	Head of Children's Services	2015	Decrease the assessed level of threshold risk and support required in more cases stepped down Increase number of closed cases which made significant change in the following areas: <ul style="list-style-type: none"> ○ Adult Worklessness ○ NEETS ○ Domestic Abuse

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
					<ul style="list-style-type: none"> ○ Mental Health ○ Substance Misuse ○ Housing Situation
Organisations involved with children and young people in Reading improve information sharing to keep them safe	Deliver the Multi Agency Safeguarding Hub (MASH)	Children and young people are safe	Head of Children's Services	June 2015	Co-location of agencies in single hub completed
Our commissioning of care services needs to be better aligned to the future needs of people and the Care Act	Work with partners to deliver the Market Position statement	More effective and safe quality services	Head of Commissioning	2017	Implementation of Ethical Home Care Charter Commissioning plans to deliver the Market position statement

Our service priority: Providing the best life through education, early help and healthy living

Why this is important for Reading:

- Not everyone has the same opportunities to get the best life in Reading so we need to ensure that any gaps are narrowed through improved educational attainment, health, getting involved with sports and activities in the town and via our approach to Early Help
- We want to create more local job and training opportunities with fairer access for all with a focus on 16-24 year olds and over 50's who are disproportionately impacted by worklessness
- Whilst we have a highly skilled workforce overall there remains a significant cohort of low and unskilled people. We need to address this both to reduce levels of poverty and hardship and to support the needs of our businesses and economic growth
- As the economy picks up the numbers of residents out of work are reducing but those unable to access jobs have more complex needs and more intensive interventions are required
- Reading has a higher percentage of residents reporting good or very good health than either in the South East or nationally (Census 2011). However, there are geographical differences. We want to ensure that the gaps in health inequality are reduced
- The rate of sexually transmitted infections, TB and teenage pregnancy is significantly worse than the England average

Progress so far:

- Increase in educational attainment and a 6% improvement in KS2 in 2014
- On average, significantly more young people achieve 5 or more A*-C grades in their GCSE exams than the national average
- Young people whose first language is not English achieve as well in Reading as their peers
- Secured a 'City Deal' with Government which provides additional resources on reducing the numbers of young people out of work
- Our adult learning service, New Directions, is rated 'Good' by Ofsted and achieved 79% success in exam results for the last academic year with 65% of its part-time learners coming from the most deprived parts of the town
- Over the last 10 years, all-cause mortality rates have fallen. The early death rate from heart disease and stroke has fallen and is now close to the England average
- Reduced the rate of Teenage Pregnancy
- In line with the Children and Families Bill 2013 the Education Health and Care (EHC) Plan with its accompanying statutory requirements is in place
- Development with partners of a bid to fund a digital volunteer scheme, initially based at Central Library

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
We don't have enough school places from September 2015	Deliver the £64m Primary Schools Expansion Programme	More places will be available in local communities for families to consider when applying for their children	Head of Education	2015/16	Every pupil offered a primary school place on national offer day with increasing proportion of families getting a school of their preference
Gaps in educational attainment - the general educational quality in Reading is considered below the England average, at Key Stages 1 and 2	Prepare and deliver a new Education Improvement Plan	Improved educational attainment increases the future life chances for young people	Head of Education	2017	Increasing proportion of schools are judged good and outstanding Pupils exceed national average measures at all Key Stages and are comparable with other top quartile local authority areas
Reading has a higher proportion of pupils eligible for free school meals than the South East and other Berkshire authorities. Those in receipt of school meals, on average, do less well	Prepare and deliver a new Education Improvement Plan	Young people living in poverty will have a better chance to access a wider range of options in their futures	Head of Education	2017	Educational attainment at Foundations Stage, Key Stage 2 and GCSE for those children having free school meals is closer to Reading average than the national average
On average, attainment by young people from Black and Mixed race heritage at Key Stage 2 is lower than that of their peers. This gap continues through to GCSE level	Prepare and deliver a new Education Improvement Plan	Young people from Black and Mixed race heritage will have a better chance to access a wider range of options in their futures	Head of Education	2017	Educational Attainment at Key Stage 2 and GCSE

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
We have a higher number of young people not in education, employment or training than the national and south east average	Deliver the City Deal Elevate to provide more job and training opportunities for 16-24 year olds	More young people will be economically active and living independently	Head of Economic & Cultural Development	2017	The percentage of young people 16-19 (up to 25 for young people with learning difficulties/disabilities) who are known to be in Education, Employment or Training is at least as good as the South East Average Number of work experience placements, apprenticeships and sustained employment for 16-24 year olds
	Central Library to become a community and learning hub	Improved information, advice and guidance for job and training opportunities for 16-14 year olds	Head of Housing & Neighbourhoods	2015	
Child Poverty reflects the national average with just under 1 in 5 children living in poverty but considering the wealth and opportunities in Reading we want to make in-roads into this further	Deliver the Tackling Poverty Strategy	Reducing child poverty Increase benefits take up	Head of Customer Services	2015	No of children in low-income families
The rate of Tuberculosis (TB) at 32.8 is significantly worse than the England average of 15.1 (per 100,000 population)	Deliver work on Tuberculosis prevention in Reading through supporting CCGs, Public Health England and TB service Deliver and evaluate TB awareness	Narrow the gap to the South East average	Consultant in Public Health	2017	The rate of TB in Reading

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
	campaign/programme for earlier detection and intervention				
The rate of excess winter deaths are significantly higher than the England average	Deliver the Winter Watch programme with partners to ensure this support reaches those who need it most Promote flu vaccinations to all at risk groups Disseminate relevant health messages and advice Work cross tenure in the private sector to ensure compliance with Energy Performance Certification and the Housing, Health & Safety Rating System in the private rented sector	Continue to decrease the number of people who die in the winter	Head of Adult Social Care Consultant in Public Health Head of Planning, Development & Regulatory Services	2018	Office of national statistics data on aging population and total winter death attributed mortality Improved health & warmer homes Number of grants given to owner occupiers to improve thermal efficiency of their home Private Stock Condition Survey to be carried out in 2018 which will provide a valid comparison of the improvement across the sector
The rate of conceptions for girls aged 15 to 17 is higher than the England average	New sexual health (Genital Urinary Medical) contract for 1 April 2015 with the preferred provider with priority aim to reduce unwanted pregnancies by ensuring that young people	Reduced conceptions for girls aged 15 - 17 and young people are better informed	Consultant in Public Health, Head of Education, Head of Children's Services (Partnership led	2018	Quarterly conception rate figures

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
	<p>have information and advice about risky behaviour Through Early Help Services improve our early identification of young people who need specialist sexual health provision and ensure they access the Youth Outreach Nurse Specialist (YONs) Review our Condom distribution provision and target distribution points in wards with highest rates of teenage pregnancy and STIs in 16 to 24 year olds</p>		<p>approach as detailed in the Teenage Pregnancy Strategy)</p>		
<p>Levels of Cardio Vascular Disease (CVD) mortality are higher than the England average</p>	<p>Provision of lifestyle interventions including weight management, increasing physical activity, access to stop smoking services and safe alcohol consumption programmes, particularly targeting people living in areas of deprivation Continue to provide NHS Health Checks to enable earlier interventions to improve health status</p>	<p>Contribution to reducing the burden of CVD on Reading residents</p>	<p>Consultant in Public Health, Head of Economic and Cultural Development, Head of Planning and Regulatory Services</p>	<p>2018</p>	<p>Number of 4 week quitter and smoking prevalence</p> <p>Percentage of eligible population offered an NHS Health Check who received the Health Check</p> <p>Commission services that will enable residents to make healthier lifestyle choices to improve their health</p>

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
Physical activity within adults and young people is lower than the regional average	Review our leisure offer and how we promote and publicise	People are more active and healthier Physical activity within adults and young people equals the regional average	Head of Economic & Cultural Development	2015	Physical activity levels measured through annual survey
Some residents are digitally excluded and not able to access the internet and online services	Deliver the Digital Volunteers scheme with partners	Increase the number of people who can access the internet confidently and decrease digital exclusion	Head of Housing & Neighbourhoods	Spring 2015	Number of residents helped at Central Library to access the internet

Our service priority: Providing homes for those in most need

Why this is important for Reading:

- There is significant housing need within Reading with nearly 10,000 people on the Council housing register
- We need more homes within Reading as the population grows
- We need to increase access to more decent and affordable homes, including building Council homes
- Property prices and rents have been increasing significantly with some of the highest prices in the UK outside London
- The rate of family homelessness is worse than the England average

Progress so far:

- We have more than an 8 year housing land supply
- Launched a Council House building Programme to create at least 1,000 new homes
- Refurbished and reopened Jimmy Green Court to provide temporary accommodation for homeless households
- Reducing the number of days a council property is empty
- New energy efficiency measures, including installing solar panels on some of our council housing stock and a pilot programme installing external insulation for some council homes
- Delivered 370 affordable homes
- Started a major £7m refurbishment of Hexham Road flats
- The number of non-decent homes in the private sector has reduced by 40% between 2006 and 2013
- In consultation with council tenants agreed a new set of Local Offers (service standards), set targets for these and monitor them through our tenant quality panels

Providing homes for those in most need

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
<p>There is not enough affordable / social housing supply for the demand - circa 10,000 people on Council Housing register</p>	<p>Deliver our Council House building programme</p> <p>Support Registered Providers developing Social Housing in the town</p> <p>Improve access to affordable, quality-checked private rented housing for households who are homeless</p> <p>Further improve advice to tenants and private landlords to prevent homelessness</p> <p>Completing a remodel and refurbishment of flats at 2 Wensley Road for homeless households</p> <p>Complete Dee Park regeneration</p>	<p>Homes provided for people who need them the most</p>	<p>Head of Housing & Neighbourhoods</p>	<p>Phase 1 2015/16-2020/21 deliver circa 250 new homes</p> <p>2015/16</p>	<p>Number of Council Homes Built</p> <p>Number of vetted private rented sector properties secured per year for Council placements through re-launched scheme</p> <p>Total number of additional properties secured to meet housing need (private sector, new build LA or RSL, and other</p> <p>Number of Empty (void) Council properties</p> <p>Number of Council Homes relet</p>

Reading Borough Council
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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
Between 300-500 privately owned homes recorded on the Council Tax register as having been empty unoccupied and unfurnished for 6 months or longer (Long Term Empty properties)	Identify LTEs and work with Council Tax and owners to bring high priority and problematic properties back into use	Helps to meet housing demand and reduces the number of nuisance properties in neighbourhood	Head of Planning, Devt. & Regulatory Services	2015	Number of high priority/ problematic empty homes brought back into use annually
Overcrowding in accommodation cross tenure is higher than the national and south east average	Continue to promote the Council's under-occupation scheme to free up larger homes for those in need. Encourage partner housing providers to adopt similar schemes Plan and deliver a programme to extend existing Council homes where viable/to better meet needs	Best use of affordable housing in the town	Head of Housing & Neighbourhoods	2016	Number of under-occupiers supported to move through the Council's incentive scheme
Despite a significant improvement in the condition of homes in Reading since 2006 there are still 12,200 (23.4%) homes in the private sector that fail to meet the requirements of the decent homes standard	Launch a new campaign and materials to raise awareness about the advice and services available to landlords and tenants Increase the identification of sub-standard properties and vulnerable groups most at risk from rogue landlord activity, to ensure support is focused on those in most need	Improve the quality of homes in the private rented sector, support to landlords and targeting of vulnerable tenants	Head of Planning, Devt. & Regulatory Services Head of Housing and Neighbourhoods	2018	Reduction in number of Private rented sector homes that fail to meet the requirements of the decent homes standard

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
<p>Fuel poverty has increased from 5,600 2006 to 6,695 households (10.97%) which is worse than the England average: 10.40% and South East of England average: 7.8 %</p>	<p>Support the Governments fuel poverty strategy by draught proofing and insulating homes and providing funding to do so as well as continuing to provide grants to bring homes to a decent standard Extend Winter Watch scheme all year around to target fuel poor homes (see excess winter deaths under Health) Improve affordable warmth through income maximisation and money advice</p>	<p>Reducing fuel cost for the poorest residents Lower domestic energy bills and reduced energy debt</p>	<p>Head of Housing & Neighbourhoods and Head of Planning, Devt. & Regulatory Services</p>	<p>2017</p>	<p>Reduction in households living in fuel poverty No of people referred to Winter Watch and other funded fuel poverty programmes</p>
<p>Increase the number of residents assisted to repair, adapt and improve their homes through the Home Improvement Agency contract</p>	<p>Through the Home Improvement Agency contract continue to improve the quality of life and promote independence for residents cross tenure through the provision of major and minor adaptations and Handihelp services To assist residents in the private sector to improve their homes through the provision of grants and loans</p>	<p>Helping older people, people with disabilities, and vulnerable people to live in safety and with dignity in their own homes</p>	<p>Head of Planning, Devt. & Regulatory Services</p>	<p>2015/16</p>	<p>Number of residents assisted to repair, adapt and improve their homes</p>

Our service priority: Keeping the town clean, safe, green and active

Why this is important for Reading:

- The town must remain clean, safe and green to ensure we retain and attract residents and businesses and remain an attractive place to live, work and visit
- We will continue to work to improve neighbourhoods and the environment
- We want to build capable communities for local people to become more involved and help themselves
- We will need to continue to reduce our carbon footprint
- We need to have places for leisure pursuits and to promote active lifestyles and well being
- We need to continue to reduce the volume of waste sent to landfill and improve recycling rates through implementation of the Waste Minimisation Strategy

Progress so far:

- Introduced Love Clean Reading and embedded within our Neighbourhood delivery model
- Partner secured for Kings Meadow Pool in order to bring the listed pool back into use
- Installed solar panels on schools, council and community buildings
- Launched Reading Climate Change Strategy 'Reading Means Business on Climate Change' by Reading Climate Change Partnership
- Our 2013/14 carbon footprint was 31.1% lower than the baseline emissions in 2008/09, 10% ahead of target, which is significant progress to meet the 50% reduction target by 2020
- The Reading Bus fleet is one of the cleanest and greenest in the country, directly contributing to addressing our Air Quality Management Area
- The number of car thefts and robberies are down, and a focus on reducing burglaries has paid off, with figures falling by 31%, from 1,540 to 1,060

Keeping the town clean, safe, green and active

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
Increase recycling rates from 34.43% to the national average of 41.5%	Introduce a Waste Minimisation Strategy to <ul style="list-style-type: none"> Investigate options for food waste collection Review the collection of bulky waste Investigate options around the size of wheelie bins Increase community participation in recycling 	Increase recycling and reduce landfill Protect our budget from financial pressure	Head of Transportation & Streetcare	2015 & ongoing	Increased recycling rate Reduce amount of waste sent to land fill
Crime has fallen and Reading is 5th overall in our comparator group of 15 councils but is above average for shoplifting; crime remains a priority concern for the community	Continue with crime prevention and tackling the fear of crime Consult on and publish a new Anti-Social Behaviour Strategy Consult on and publish a new Domestic Abuse Strategy Update Community Safety Partnership data and review priorities, in particular to gain a better understanding of online and hidden crime	People feel safer	Head of Housing & Neighbourhoods	2015/16	Reduction in shoplifting Reduction in concern about crime
We have reduced the carbon footprint of council operations by 31% since 2008 but the Council needs to reduce this to at	Implement the Energy, Water and Carbon Management Strategy. Includes a range of renewable energy projects including installing solar panels	Reduce the energy and water consumption and carbon footprint of the Council's operations.	Head of Planning, Development & Regulatory Services	2015/2016 phase 1	Carbon emissions and water consumption from council premises and operations

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
least 50% of 2008 levels by 2020. Further monitoring of water is needed	on Council housing and improving energy efficiency of Council buildings				
Narrow the gap to the national average (5.3%) of deaths in over 25s linked to air pollution	Implement measures to reduce levels of larger particulates (PM10) Nitrous oxides and most harmful smaller particulates (PM2.5) as part of the Air Quality Action Plan including a Smoke Control Area Study and promoting an alert scheme to warn vulnerable residents of poor air quality	Reducing respiratory illness through the Air Quality action plan	Head of Planning, Development & Regulatory Services	2018	Mortality attributable to air pollution

Our service priority: Providing infrastructure to support the economy

Why this is important for Reading:

- Reading needs to maintain and improve its connectivity to support businesses and residents
- We need to ensure that barriers to economic growth are reduced and access to and from the town regionally, nationally and internationally is improved, as it is vital to retain and attract business growth
- Reading needs to improve the profile of its wider cultural offer
- Reading has a successful economy that has been buoyed by significant investment in new and refurbished commercial premises. We need to ensure that Reading remains attractive as a location for business and for employees to secure further inward investment
- Transport in Reading will better connect people to the places that they want to go: easily, swiftly, safely, sustainably to support the economic prosperity of the Reading area

Progress so far:

- Completion of the £900m Reading Station improvements which see 15 million people use the interchange each year
- We have secured significant external funding via bidding processes to secure Local Sustainable Transport Funding and Pinch Point funding to deliver transport infrastructure funding across the town
- We have introduced the ReadyBike cycle hire scheme providing 200 bicycles at 29 docking stations
- Crossrail announced during 2014 to be coming to Reading in 2018/19
- Delivered a pilot project working with Guide Dogs and Microsoft on the 'Cities Unlocked' project to provide enhanced digital information to help people with sight loss to access public transport and navigate through the public realm
- Western Rail Access to Heathrow announced in 2014 to be coming to Reading in 2019/20
- Funding secured for a new train station at Green Park on the Basingstoke line, subject to rail industry processes
- Continued partnership working with Reading Buses who have seen a significant increase in passenger journeys - in Reading last year it was 17.7 million. The number of bus trips per year per head of population in Reading was 111 which is the 4th highest in the country excluding London. The average for the south east was 41.
- Supported the economic development company Reading UK CIC that helped secure a renewed Business Improvement District for the town centre
- Stage 1 approval from the Heritage lottery fund (HLF) for the restoration of the Abbey Ruins

Providing infrastructure to support the economy

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
Reduce carbon footprint	Build new Park & Ride facilities at Mereok and Winnersh	Reduce congestion	Head of Transportation & Streetcare	2015	Passenger journeys
Ensure that adequate infrastructure is in place to keep pace to support economic growth, housing provision and access to services	Build the new pedestrian and cycle crossing over the River Thames	Reduce Congestion	Head of Transportation & Streetcare	2015	Pedestrian / Cycle surveys
	Deliver the A33 pinchpoint project	Removes a traffic bottleneck	Head of Transportation & Streetcare	2015	A33 corridor journey time & Average Annual Daily Traffic (AADT) monitoring
	Enhance and support bus priority measures	Improve journey time reliability and attractiveness of public transport	Head of Transportation & Streetcare	2015 & ongoing	Passenger journeys / bus journey times
	Deliver the Reading Bridge strengthening scheme	Ensures that a major road bridge in Reading remains in use for the longer term	Head of Transportation & Streetcare	2015	Reduced structural monitoring and maintenance spend
	Deliver a new train station at Green Park	New station and interchange facilities proposed on Reading to Basingstoke railway line	Head of Transportation & Streetcare	2017	Direct rail service to Green Park, with associated economic benefits
	Cow Lane improvements	Removal of height and width restriction at Cow Lane bridges as	Head of Transportation & Streetcare	2015/16	Reduce congestion at Cow Lane

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
		part of Reading Station upgrades scheme			
Only 20% of street light is modern LED lanterns	Replace ageing Streetlights partially or fully with LED type technology which is more energy efficient	Reduce energy consumption, maintenance and improved light quality	Head of Transportation & Streetcare	2018/19	Against three year programmed installation period
A low level of awareness of, and understated reputation for, the quality of the town's cultural offer and heritage assets	Restore the Abbey Ruins and Gateway	Enable the preservation and re-opening of an iconic heritage site and facilitate the development of an 'Abbey Quarter'	Head of Economic & Cultural Development	Stage two submission 2015 Works completed 2017	Implementation plan Number of visitors Customer feedback
	Support the delivery of a 'Year of Culture' for Reading in 2016	Raise the profile of and enhance the cultural offer of Reading and the town's reputation	Head of Economic & Cultural Development	2016	Number of events and attendances Visitor numbers

Our service priority: Remaining financially sustainable to deliver these service priorities

Why this is important for the Council:

- We need to change our service offer to ensure we deliver core services within our reduced budget so that the Council is financially sustainable and can continue to deliver services across the town
- Provide our services from appropriately located, safe and energy efficient buildings and seek to maximise the potential for underused council property
- Co-locate our services with partners to have better joined-up neighbourhood services and ‘Community Hubs’ so that residents have better access to services
- We need to ensure that our financial systems and practices are robust because of the amount of money we have saved from the Council and changes to demand-led services
- We need to streamline and update even further our internal systems and procedures
- We need to ensure that our staff teams have the support and skills required for their work
- We need to ensure our staff can self-serve to reduce paper for internal processes
- We need to redesign services and drive digital changes to maximise the shift towards cheaper channels to reduce cost
- We need to maximise the income we generate whilst protecting as far as possible the cost of services to those who are on low incomes

Progress so far:

- We have saved nearly £56.8m over recent years
- We have been reshaping our workforce to streamline our management and teams
- We have moved out of the civic centre to a refurbished office that uses 45% less space and is predicted to use 75% less energy providing better facilities for the public, councillors and staff
- We are piloting electronic payslips
- Secured over £15m of capital receipts in 14/15 and secured additional revenue from assets

Remaining financially sustainable to deliver these service priorities

Key actions:

Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
We have a projected funding shortfall of £28.8m over the next 3 years	Prepare a series of options for Councillor's to consider to ensure we deliver core service priorities and make the necessary savings	The Council will remain financially viable and meet its statutory duties	Managing Director	July 2015	Committee approving the options Delivering the required changes
	Secure significant capital receipts from property assets and identify further assets for disposal	Ensuring assets are maximised and supports the delivery of Council priorities	Head of Planning, Development and Regulatory Services and Chief Valuer	2015 and ongoing	Reducing overall assets and level of capital receipts secured
Backlog of compliance and maintenance in relation to Council stock	Ensure planned improvements to public buildings	Deliver services through safe, energy efficient buildings	Head of Planning, Development and Regulatory Services	2015 and ongoing	Measure performance against compliance and condition requirements
We need to reduce red tape and simplify our internal systems and process even further We need to ensure that support services reflect the needs of frontline services and also frontline services deliver their	Deliver the Corporate Improvement Plan which includes improvement plans for: <ul style="list-style-type: none"> • Finance • Human Resources • Legal Services • IT • Property • Communications • Training & Development 	Increase productivity and efficiency Ensure service delivery is supported	Heads of Service	2015 and ongoing	By delivering the milestones within the Plan

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Where are we now - what the gap is (Baseline position)	What we'll do to narrow the gap	The difference this will make	Who will do it	When it will be done by	How we will measure progress
operations within our systems and guidelines consistently	<ul style="list-style-type: none"> • Customer Services • Commissioning and procurement 				

4 How we will do it

Our responsibilities

We are responsible for ensuring that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which our functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of our affairs, facilitating the effective exercise of our functions and include arrangements for the management of risk.

Political Leadership

Our councillors are elected by residents of the Borough every four years to represent them in taking decisions about council services and funding. Reading is divided into 16 wards and 46 members are elected to represent them. The Councillors make decisions that set the policy direction of the organisation. The party that receives the most votes forms an Administration and sets the policy direction for the Council. The Council appoints a Leader of the Council, Deputy Leader of the Council, Lead Councillors, Chairs of the Committees and Mayor at the Annual General Meeting. There are nine Lead Councillors who have particular responsibilities or 'portfolios'.

The Council and the Committees shape what services are delivered and how Reading develops and grows. The Council is responsible for approving the priorities for the Council each year through the Corporate Plan supported by the resources in the Council's Budget and Financial Plan. The Council and Committees also develop policies, make constitutional decisions and decide on local legislation.

Good decision-making

Councillors sit on a variety of committees - open to the public - that oversee and guide the different functions of the organisation. We reviewed our governance arrangements and approved a move to a committee system of governance in 2013. This created four cross-party committees whose membership is proportionate to the representation of each political party on the Council. These committees are:

- Policy Committee;
- Adults, Children's and Education Committee;
- Housing, Neighbourhoods and Leisure Committee; and

- Strategic Environment, Planning and Transport Committee.

In the new committee arrangements the four standing committees also carry out overview and scrutiny exercises. There are also Committees for Audit & Governance, Licensing, Planning and Personnel. All the committees set goals and guidelines for the operation of services. In addition, a Health and Wellbeing Board has been set up as a committee of the Council.

Constitution

Our Constitution sets out the roles of, and relationships between the Council, the committees involved in making our policies and officers. The Constitution also sets out the responsibility of each group or individual for making particular types of decisions or for directors' decisions relating to particular responsibilities. Under the Constitution, all decisions that we make or that are made on our behalf must be made in line with the principles and frameworks set out in the Constitution.

The Constitution also sets out how members of the public can get involved in the decisions we make (under the 'Access to Information Rules'). We have a legal responsibility to carry out consultations before we make certain decisions.

Our approach

We deliver our services by working to the values of being:

- Fair
 - tackling inequality and promoting residents rights
 - ensuring residents are part of decision making
 - ensuring our staff have the right support
- Caring
 - putting residents at the heart of what we do
 - working with residents to look after each other
- Enterprising
 - unlocking the power of our communities
 - acting now to create a better future

Day-to-day operations

The day-to-day work is carried out by Officers within the Council. Their direction comes from Council and the Committees. Officers are employees of the Council and are non-political and ensure that the work is carried out as decided by Council and the Committees.

Some officers have statutory duties that they must uphold. Our Managing Director is 'Head of the Paid Service' and is responsible for the organisation's efficient management. The role also involves giving Members strategic advice on policy-related issues, drawing on the experience and expertise of the organisation as a

whole. There are also statutory roles for the s151 officer, monitoring officer and to do with adult and children's services. All officers must provide objective, comprehensive and impartial advice to Councillors so that they can reply upon this to make decisions.

Through our recruitment and learning and development we ensure that officers must have the right skills and experience to ensure that governance is strong and they understand the requirements of legislation and how this needs to be considered when making recommendations to councillor's and when delivering services.

Delivering on what we say

Beneath the Corporate Plan there are arrangements to ensure that we deliver the service priorities. These are included in the:

- Budget/Financial Plan outlining:
 - How the Council's resources will be used to deliver the Administration's priorities within a challenging financial environment;
 - The options for delivering a sustainable budget and capital programme over the medium term for the Council to ensure services can be delivered for residents; and
 - How the Council will deliver savings solutions as a result of government grant reductions and service pressures which means that the shape of council services will continue to change.
- Corporate Improvement Plan outlines all our improvement plans for the services that support delivery including Finance, HR, Legal, ICT, Commissioning and Procurement etc.; and
- Service Delivery Plans are prepared for each service area and outline the key tasks that contribute to meeting the service priorities within the Corporate Plan with timescales, lead officers, and how we will measure the impact of the work.

Reshaping the Council

We are working in a rapidly changing landscape that presents opportunities, risks and challenges. Because of the Government's plans to cut public debt, all local authorities are having their funding reduced. We are also seeing service pressures and new responsibilities. As a result, we know that we need to rebalance our service delivery to meet new needs and opportunities and also be realistic about what we can and cannot do moving forward. Because of this we started to reshape the Council in 2013, moving to a more decentralised and flatter structure. In some cases the Council's Reshape programme has led to new ways of working and we continue to reduce management posts and costs whilst reviewing all staffing structures to ensure they remain fit for purpose.

Capacity and Resilience Review

During the autumn of 2014 we undertook a capacity and resilience review. We reviewed the council's management structure to ensure the organisation was fit for purpose and has the right capacity in the right places for services being delivered for adults, children and young people.

The number of over 65's with long term health conditions is increasing and the Council was last year handed additional responsibilities by Government for Public Health. The need for joined up working in the areas of health and adult social care has become ever more apparent, particularly the need for ongoing integration with public health providers. At the same time major changes in Government legislation - like the introduction of the Care Act and the Better Care Fund - mean this is now a significant area of pressure. That is also the case for children and young people, who now represent 20% of all Reading residents. That brings with it an obvious pressure on school places and additionally the need to look after and keep vulnerable children and young people safe. Changing inspection regimes by both Ofsted and the Care Quality Commission are also bringing additional demands in both these important areas.

We assumed responsibility for Public Health functions in April 2013 and the initial priority was for a safe landing of these services. The aim now is to ensure that Public Health is more embedded within our way of working and has more emphasis on early intervention, prevention and community development.

To ensure there is sufficient resource in these key areas of work, we are now splitting the current role of Director of Education, Adult & Children's Services into two new Director roles:

- Corporate Director of Children, Education & Early Help Services; and
- Corporate Director of Adult Care & Health Services.

Moving to a revised service offer in 2015

It is clear that because we will need to reduce the amount of money we spend on services by at least 25% over the next few years that through the course of 2015 options will need to be prepared for the Administration to consider to further prioritise the council service offer based on what it can afford. Attempts will be made to safeguard as many services as possible but the scale of funding reduction means that services will be significantly altered. Service and Budget Options will be developed through the spring so that they can be considered by committee in the summer with public and staff consultation to follow.

5 Paying for what we will do

Where does the money come from to deliver council services?

Each year the Council is required to set a budget for day-to-day expenditure for the financial year starting on 1 April. This is called the revenue budget and it is the amount of money the Council needs to provide services during the year. It is a legal requirement for the Council to set a balanced budget within its Budget Framework by 17 March 2015.

This total amount of funding we have comes to us in four ways:

- Central Government Grant;
- Council Tax;
- Business Rates; and
- Income from fees, charges and rents.

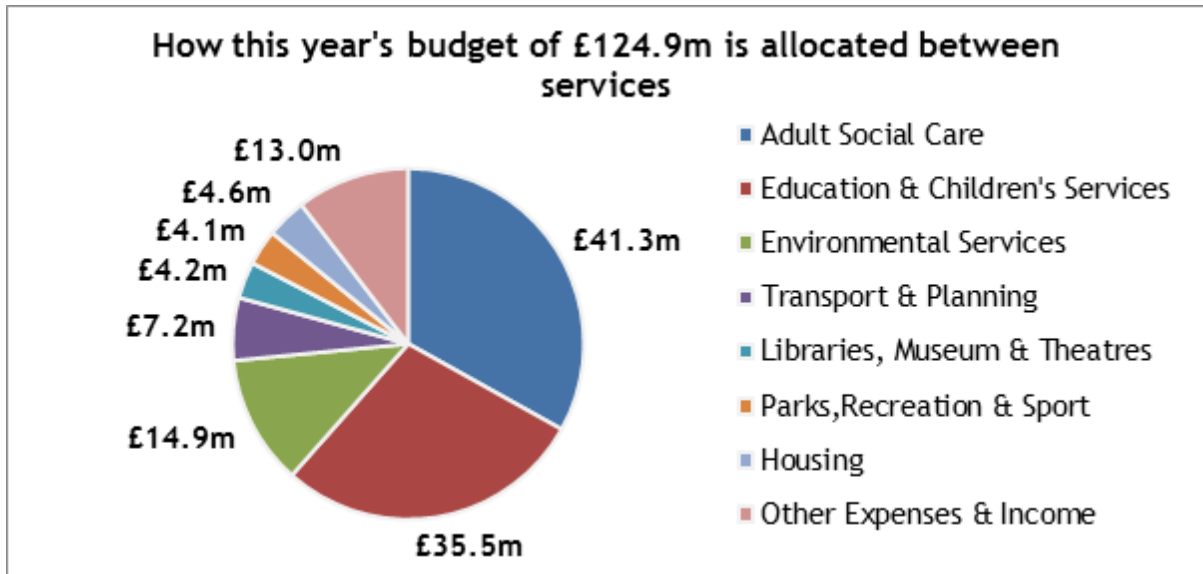
Two-thirds of this funding goes straight to schools or is for other ring-fenced purposes, so we cannot generally use to fund services. The gross budget also includes the Housing Revenue Account, which is used for council housing income and expenditure. This money can only be used for services to Council tenants and improvements to Council homes.

The funding the Council has a choice about and where it is spent, including the statutory services that we are required to provide by law, makes up the net budget. The net budget of the Council will be approximately £124.9m in 2015/16. This will need to be reduced by about 25% by the 2017/18 financial year after allowing for inflation and further reducing government grant.

Where we are spending the funding that we have

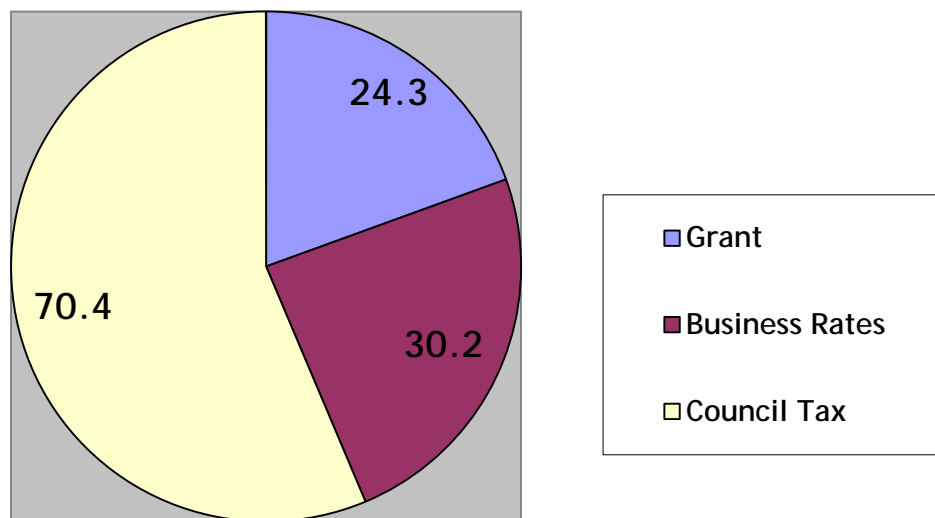
The vast majority of the funding that we have is spent on providing services that we are required to provide by law. These are called statutory services such as caring for children and determining planning applications.

The chart overleaf shows the breakdown of where our net budget is spent. As can be seen over half of this is spent on providing services to adults' and children across the town.



The net budget of £124.9m of the Council is funded through a mixture of grant, retained business rates and council tax. The graph shows the split of these funding sources:

Funding of Budget Requirement 2015/16 (£m)



Reducing income

The Treasury proposed, at the 2010 Spending Review, to reduce funding of local authorities by 26 per cent (£7.6 billion) in real terms, between April 2011 and March 2015 (excluding police, schools and fire). Including Council Tax, the overall reduction of local authority income was forecast to be 14 per cent in real terms and further reductions have since been announced.

The latest Local Government Association estimate is that there have been funding reductions arising from the 2010 spending review of 28% in real terms. The 2013 spending round imposed a further cut with the effect that in reality local government as a whole will have faced a 40% cut by the end of 2015/16. The LGA has calculated councils across England will receive 8.5 per cent less funding from government to run local services in 2015/16, when council tax, ring-fenced funding, and the element of the Better Care Fund that is attributable to the NHS is removed from the calculation.

The Local Government Finance System was changed substantially in 2013/14 with the localisation of half of business rate income. The table below shows our Revenue Support Grant (or equivalent for years prior to 2013/14) loss:

	RSG (from 2013/14) £m	Change from previous Year	Percent change
2011/12		*-£5.5m	- 7.6%
2012/13		*-£3.1m	- 4.3%
2013/14	40.3m	*-£6.9m	-14.6%
2014/15	33.2m	-£7.1m	-17.6%
2015/16	24.3m	-£8.9m	-26.8%
Total		-£31.5m	

*changes in formula & other grants as reported in budget reports 2011-2013

As a result of the reduction in government grant and service pressures, over the last three years the Council has already made substantial savings of £56.8m to balance the books. £13.6m of savings for future years have already been agreed by Council in February 2014 and Policy Committee in September 2014.

Despite the savings we have already made, and those that have already been agreed by committee, further reductions in Government grant are forecast as follows:

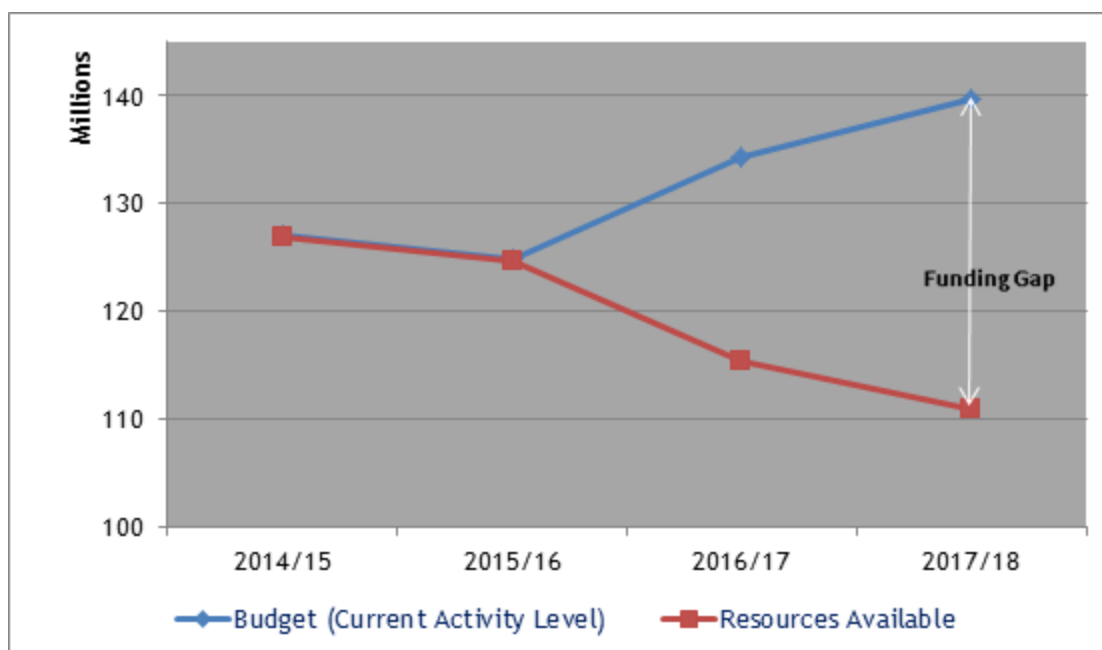
Year	Range	
	Lower	Higher
2016/17	£13.8m	£17.6m
2017/18	£10.0m	£13.5m
Total	£23.8m	£31.1m

There is a range of grant reductions forecast as the Government has a wide range of choice over how it implements the Autumn Statement. To offset these Government grant reductions, our ability to raise income from other sources is very limited as:

- We cannot raise Council Tax above a 2% increase because of the referendum limit introduced by the Government;
- We do not get all the benefit of the Business Rates that are generated in the town with three quarters being paid to the Government; and
- There are limits to what we can increase fees and charges by.

In addition to the reductions in Government grant we have annual inflation costs and also service pressures that we need to provide enough money for. We therefore forecast the budget gap, taking a middle view on Government reductions, for 2015-18 to £28.8m. We forecast that the money we will have available to pay for all services will reduce to approximately £110.9m (net) by 2017/18 as shown in the graph below.

Projected 3 year budget gap 2015-18



The Council's Financial Planning Response

Because our options to raise additional income are limited, and our grant is being reduced, we will have to plan to further focus our service priorities so that they can be paid for within the remaining money we will have available. Our forecasts will continue to be reviewed as more information is available and will be updated through the course of the financial year.

Our plan covers a rolling period of three years but will be reviewed at least annually by Policy Committee/Council. Updates will reflect the changing nature of our service delivery and changes in funding.

Because central government has not published details of the amount of grant after 2015/16 either at a national or individual authority level that is an area of uncertainty, but following the Autumn Statement the direction of travel is clear.

Our financial planning assists in:

- Helping improve the financial management of resources, both revenue and capital;

- Maximising use of resources available to the Council;
- Ensuring that the Council provides value for money and continues to deliver efficiency gains;
- Allowing the continued development of longer-term budgets and strategic thinking;
- Reviewing the Council's policy on the use of reserves, ensuring the position continues to be sustainable and that there are sufficient resources over the medium term; and
- Responding to external pressures on services, including changes to the responsibilities of the Council and funding reductions.

Each year we agree budget guidelines for developing the detailed budget for future years. In the context of our 3 year financial plan, we agreed guidelines for 2015/16 at Policy Committee in September 2014, and the detailed budget has been built in line with those guidelines including making appropriate allowances for inflation. However, since that time a local government pay award has been agreed that will cost slightly more than the guidelines allowed for. An additional £180k has been built into the budget to meet this cost.

Reducing Council income at a time when we have rising demand for some services and a need to maintain our statutory responsibilities is creating some real pressures and tensions - so getting the balance right is a real challenge. Policy Committee at its September meeting approved a further phase of savings and income proposals totalling £8.7m over 3 years and authorised officers to take the action necessary to implement these changes, subject to any necessary consultation. Consultation has now been completed and the savings as agreed by Policy Committee have been built into the Council's budget and service plans over the next 3 years.

In addition to those savings the budget report proposes £0.6m of further savings which taken with the earlier agreed measures enable us to bridge the financial gap for 2015/16 and contribute to required savings in following years. The total saving that have been developed over time and are now included in 2015/16 are £8.1m, made up as follows:

Savings agreed	Value (£k)
Policy Committee/Council - February 2013	163
Policy Committee/Council - February 2014	3,375
Policy Committee - September 2014	3,985
Proposed Policy Committee/Council - February 2015	584
Total	8,107

Because of their early development many of these have already been implemented. However, there is an on-going need to secure additional savings for future years and currently we estimate that £28.8m additional savings will need to be implemented by 2017/18.

Whilst moving to a rolling three-year financial plan last year has helped us improve our longer term budget management and make sure we provide sufficient scope to pay for the things that we must do for people such as provide sufficient school places, cleaning the town, collecting and recycling refuse and caring for those that are vulnerable, in view of the size of the financial challenge, there are going to be some difficult choices about service provision in the coming years.

We expect the government following the general election to publish a summer consultation that should remove some of the uncertainty about grant where at present we have a fairly wide range of estimates for possible grant after 2015/16 depending upon the choices government makes. All estimates are significantly lower than this year's grant and lower than our own most recent published forecast as effectively the Autumn Statement made a further cut to central government grant funding.

Service Budget Pressures

In the context of reducing resources the Council also faces various budget pressures. These are closely aligned to delivering the priorities within this Corporate Plan, and can be summarised as follows:

Corporate Plan Priority	Service Priorities	£'000
Safeguarding and protecting those that are most vulnerable	Additional children's social work staffing, including the new director, and commissioned services to better meet the needs of vulnerable children	1,017
Providing the best life through education, early help and healthy living	Facilitates children getting to school, as this is a transport cost pressure	100
Providing homes for those most in need	There is additional homelessness demand for which we need to provide a budget for accommodation	650
Keeping the town clean, safe, green and active	Improved private rented sector and grass cutting activities	145
Remaining financially sustainable to deliver these service priorities	About half of this arises from the need to ensure various income budgets (including transport enforcement) are realistic given the latest projections; with the remaining dealing with cost pressures arising from fall out of smaller grants, energy costs and the need to ensure that we operate our buildings safely	1,548
Total		3,460

Financial Plan Forecast

The table below summarises the main changes to our revenue spending plans for 2015-2018 identifying the resources that we have available to fund our spending and our savings programme.

	2015/16	2016/17	2017/18
	£'000	£'000	£'000
Budget Requirement (previous year):	126,793	124,867	115,409
Changes between years:			
One off measures from previous year	317	1,543	
Grant Changes	- 133	-	
Pay Award and Increment (& NI change)	2,102	1,972	1,972
National Insurance Change (2016/17)		2,735	
Non pay inflation	2,325	2,125	2,125
Regulatory change		150	25
Capital financing cost	- 900	2,660	4,408
Pressures			
Service Pressures	3,460		
Draft Budget before Savings	133,964	136,052	123,939
Agreed Savings measures	- 8,107	- 3,110	- 3,253
Savings measures under development		- 18,991	- 9,803
Use of Balances	- 1,493		
	124,364	113,951	110,883
NNDR & Related Grant Changes	503	1,458	
Budget Requirement	124,867	115,409	110,883
Funding of Budget Requirement			
Estimated Government Grant (RSG)	24,295	16,240	10,361
Estimated NNDR Local Share	29,373	30,107	30,860
Estimated Council Tax Income	68,461	69,062	69,662
Collection Fund Council Tax Surplus	1,888	-	-
Collection Fund NNDR Surplus	850	-	-

Reserves and Provisions

We hold reserves as a contingency for unexpected events or emergencies and service changes that we know will happen in the future. The Head of Finance reports to Council each year about the level of reserves, and also sets out the provisions held for known future liabilities. Where the liability is uncertain in value, we must put in place a strategy to match the provision with our estimate of the liability at the time we expect to have to pay it. Our uncommitted reserves plans are at minimal levels historically, though do provide:

- A means of building up funds to meet known or predicted liabilities or to smooth some expenditure requirements - known as earmarked reserves;
- A degree of financial flexibility over the year and between years; and
- Maintain some contingencies against unbudgeted expenditure or unexpected events.

We must retain adequate reserves and provisions so that the costs of unexpected budget pressures and known liabilities can be met without adverse impact on the achievement of key objectives. The approach for reserves is based on a thorough understanding of the organisation's needs and risks.

Reserves fall into two categories, general and earmarked. The General Reserve is available to support future revenue and capital programmes, unexpected major incidents and loss of funding and is at £5m. Earmarked reserves are set up to provide for specific liabilities.

The reason for planned movements in the Reserves and Provisions is explained in detail in the Head of Finance's statutory report to Council on the adequacy of balances. The use of the prudential reserve planned for 2015/16 in part was as per the 2014/17 budget plan, and this revised plan uses the remainder to help compensate for some additional budget pressures that have recently emerged. The forecast capital financing line in the 3 year plan table above reflects the revised approach.

6 How we will communicate and involve you

We welcome views from the residents and businesses as part of the constitutional process. These views will be considered through formal and informal consultation processes, attendance at local meetings or contact with a local ward councillor.

Trades unions are consulted on issues that affect staff.

During the last year we have continued to work hard to communicate (and receive feedback on) our aims for the community. We have done this in a number of ways, including:

- Our 'Working Better With You' initiative, which aims to improve the way we engage with residents, building lasting relationships and finding ways of working better together for the benefit of Reading;
- The 'Let's Talk' consultation meetings - talking to schools and parents about the sites for extra schools and classrooms. Consulting with residents on modernising day care services and improving residential services; and
- Using social media as a tool for communicating with the community on important developments and working on plans to develop the council's website.

We get regular and detailed information on what people think about the quality of each of our services and we use this feedback to improve services. Through our 'Working Better With You' initiative, we have been providing opportunities for Reading people to get involved in the decision-making process so their views play a major part in helping to set spending priorities.

For the last three years we have devoted our annual Council community events to identifying priorities and actions that we, our partners and residents can take together to address the issues that concern everyone: 'Building a Better Future for Young People', 'Tackling Poverty' and 'Narrowing the Gap'. The outcomes of those events are reflected in this plan.

Further information

If you would like to receive further information about the work of your Council then log onto www.reading.gov.uk or alternatively please contact us on 0118 937 37 87 or you can follow us via Facebook and Twitter. Videos about our activities can also be found on YouTube.



Corporate Plan 2015-18

Helping to narrow the gaps in Reading

Civic Offices
Reading, RG1 2LU
0118 937 37 87

www.reading.gov.uk



Reading
Borough Council

Working better with you

Corporate Plan & Budget 2015-18
Appendix 2 - Savings and Income Proposals

Service	Proposal for 2015/16	£'000
Crematorium, Bereavement and Registration service	Enable on-line booking by funeral directors Increased memorial sales Only opening the cemetery office on a Saturday morning when it is required Additional income from better use of rooms and offering new services Additional income by increasing the number of Register Office ceremonies Reduce certificate production through increased online and phone ordering	40
Archives	Management Restructure (shared saving)	8
Neighbourhoods	Police and Crime Commissioner funding of RBC ASB activity is expected to continue for the foreseeable future	70
Policy	Management saving in the Policy Support budget; more focused activity enabling some (largely supply & service) budgets to be reduced by 50%	33
Regulatory Services (Licensing)	Management Saving from process review and improvement, increased digitisation and self-serve	65
Fleet management	Reduce the Transport and Streetcare fleet	20
Libraries	Additional income from renting out the two vacated floors at Central Library	40
Development	External Recharge of financial modelling, site scoping work, development appraisals, project support, scheme design & option appraisal where appropriate	18
Children's Services	Increased income following the review of the universal Children's proposal	240
Theatres	Reduced subsidy for the Classical Music Alive Season through revised orchestra mix and programme. The new offer will have 14 concerts pa with the Royal Philharmonic as "resident orchestra" which also has educational benefits	40
Legal Services	Management saving by reducing supply and services budgets by 50%	10
Total		584

Calculation of Council Tax 2015-16

Council 24 February 2015



www.reading.gov.uk

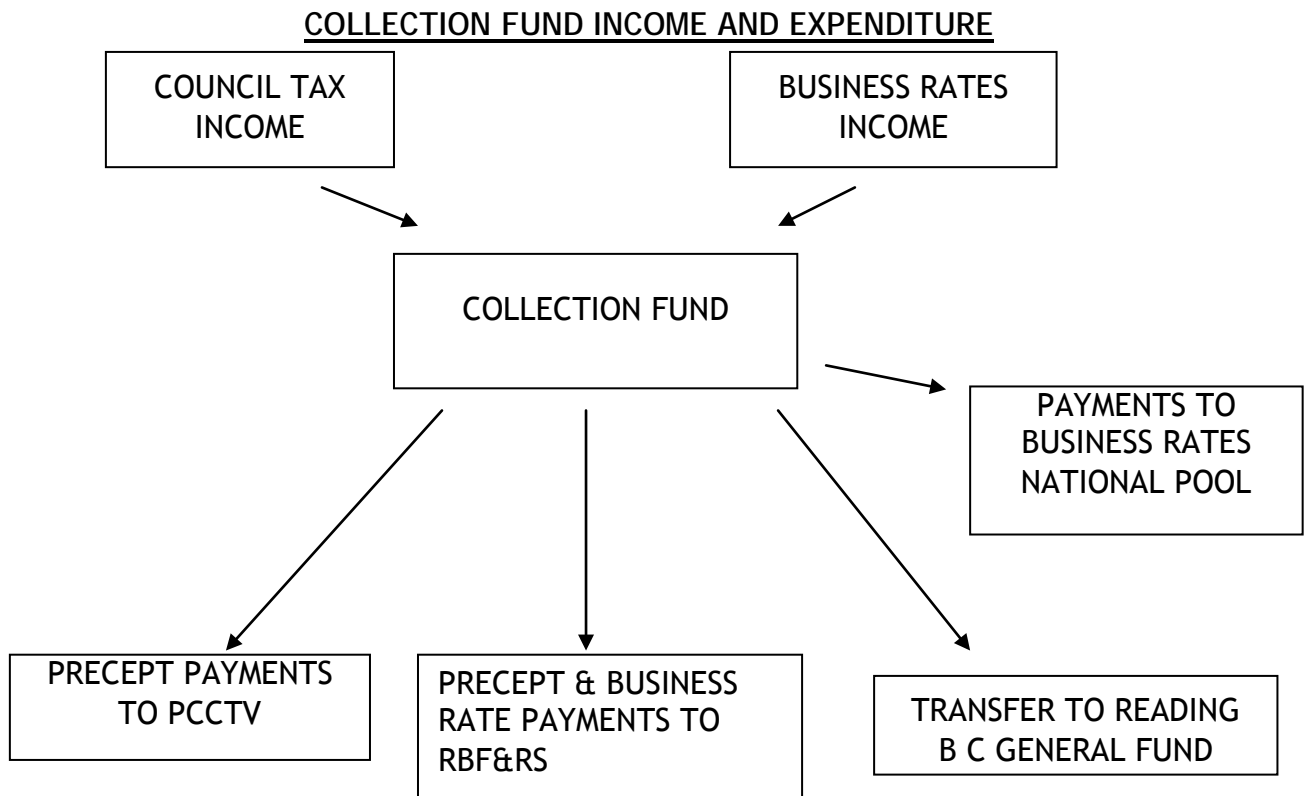


Reading
Borough Council
Working better with you

1. COUNCIL TAX COLLECTION FUND

Collection Fund

1.1 The Collection Fund records all the transactions relating to the collection of local taxes and precepts to other authorities.



Business Rate Income

1.2 Following the 2013/14 changes business rate income, including the impact of all adjustments (except transitional relief, where government meet the cost or take the benefit) is split 50% to central government, 1% to the fire authority with the basic position being that the council retains 49% (but this is reduced by a tariff process explained below). The formal in year transfer for 2015/16 to the General Fund will be as set in the NNDR1, submitted to government in January, so variations to this will produce an in year surplus or deficit, which will need to be estimated in January 2016, and taken account of in setting the budget and tax for 2016/17. Therefore, were there to be a deficit the 2016/17 budget would need to be reduced to take account of the position, and vice versa were a surplus to arise.

1.3 Government redistributes its 50% share, together with a central treasury allocation to all authorities as RSG which is paid to the General Fund, so tax precepts are calculated after deducting RSG from the overall council budget.

- 1.4 In comparison to many other authorities Reading collect a high amount of business rates. A simple localised system of business rates would leave some authorities short of sufficient resources, so there is a process of applying tariffs to the local 49% share, and levies if the Council's estimated income exceeds a predetermined government figure. Reading's tariff (in 2015/16) is £22.2m, and as our collectable tax on initial estimate exceeds the government figure by over £2m (including the estimated surplus in 2014/15 and grant to compensate for limiting the rise to 2% and the small business and retail relief schemes), we are likely to need to pay a levy (after the year end, but which must be accrued for in closing the accounts) of c.£1m. The levy figure will be calculated after the year end, so may be higher or lower, according to the outturn, the tariff is fixed. Overall, this means that of the estimated 49% share of £51.5m, only £28.3m (27% of the total rates collected), is actually retained by the Council.

Business Rates (Non Domestic Rates) Payable

- 1.5 Prior to 2010/11 (based on the 1 April 2008 position) there was a revaluation on behalf of Government of business rate values. Originally, like each valuation since the 1988 one (applying from 1990) it was scheduled to last 5 years, but the government has extended that to 7 years, so the next revaluation will not be until 2017/18. New properties are valued on the basis of 2008 rental values (which may be more than they are now actually rented for). To mitigate the impact of the 2008 revaluation there was a transition scheme that limited increases over RPI, but that has now finished so in 2015/16 all properties will be paying rates in line with the rateable value multiplied by the (relevant) rates poundage.

1.6 Rate Poundage

Under Schedule 7 to the Local Government Finance Act 1988 (the 1988 Act) as amended there are two multipliers.

The small business non-domestic rating multiplier, which is applicable to those that qualify and successfully apply for the small business relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rate relief scheme.

This small business non-domestic multiplier for 2015/16 is to be 48.0p_(47.1p in 2014/15).

The Secretary of State has estimated that the supplement to fund small business rate relief should be at 1.3p in 2015/16 (1.1p for 2014/15).

The provisional non-domestic multiplier will therefore be 49.3p in 2015/16 (48.2p in 2014/15).

In accordance with Schedule 7 to the 1988 Act, the multipliers will be confirmed after the local government finance report for 2015/16 has been approved by Parliament.

For 2015/16 we expect to collect around £105.2m in Business Rates.

Council Tax Income

- 1.7 The Collection Fund receives all Council Tax income collected, and makes precept payments according to the precepts set to the police and fire services and the internal transfer to the Council. Any in year surplus or deficit for council tax and precept transactions will need to be estimated in January 2016, and taken account of in setting the budget and tax for 2016/17.
- 1.8 In practice we try to monitor both collection and the amount of both council tax and business rates collectable during the year, so that surpluses or deficits can be allowed for in developing future years' budget plans, and in the event of a deficit (against the estimated position) occurring consider in year actions that might be taken to mitigate the effect, in same way that mitigation would need to be considered for other adverse budget changes identified in year.

2. CALCULATION OF COUNCIL TAX

- 2.1 Council Tax will be calculated by dividing the sum of the budget requirements of Reading, Thames Valley Police Authority and Royal Berkshire Fire & Rescue Service, less Formula Grant Allocation and Collection and Fund Surplus by the Council Tax base, to give the Council Tax at Band D. The Band D rate will then be multiplied by the proportions shown below to give the Council Tax for each band.

Band	A	B	C	D	E	F	G	H	
Proportion	6/9	7/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

- 2.2 The Council at its meeting on 27 January 2015 set a Council Tax base for 2015/16 of 50,155.
- 2.3 Policy Committee also received a report explaining the need to estimate the Collection Fund position as at 31 March 2015. This was done in accordance with Government Regulations and a £2.2m surplus was estimated in respect of Council Tax transactions. This surplus is split between the Council and precepting authorities as follows:

	£'000
Reading BC	1,888
Thames Valley Police	226
Royal Berkshire Fire & Rescue Authority	86
	<u>2,200</u>

- 2.4 A surplus was also estimated for NNDR transactions of £1,735k which is be apportioned according to government rules as follows:

	£'000
Reading Borough Council	850
DCLG	868
Royal Berkshire Fire & Rescue Authority	17
	<u>1,735</u>

- 2.5 Table A sets out the amount to be collected from Tax Payers in 2015/16.

Table A

	<u>£</u>
Budget	124,867,000
Council Tax Collection Fund surplus	-1,887,978
NNDR Collection Fund surplus	-850,150
Business Rates Income	-51,155,512
Tariff Payment	22,182,909
Revenue Support Grant	-24,294,690
Amount to be collected from Council Tax Payers for Reading	68,461,579
Police and Crime Commissioner Thames Valley	8,210,374
Royal Berkshire Fire & Rescue Authority	3,042,402
Total amount to be collected from Council Tax payers	79,714,355

Forecast of Council Tax for 2015/16

2.6 The Council Tax at each band is set out below:

Table B

		Reading	PCCTV £	RBFRS £	Total £
A	5,674	910.00	109.13	40.44	1,059.57
B	13,519	1,061.67	127.32	47.18	1,236.17
C	27,998	1,213.33	145.51	53.92	1,412.76
D	10,497	1,365.00	163.70	60.66	1,589.36
E	5,356	1,668.33	200.08	74.14	1,942.55
F	3,246	1,971.67	236.46	87.62	2,295.75
G	1,809	2,275.00	272.83	101.10	2,648.93
H	82	2,730.00	327.40	121.32	3,178.72
Total Properties 68,181					

Fees & Charges Summary Statement

1. FEES & CHARGES

- 1.1 As part of the annual process to set the budget, the Council reviews Fees and Charges. The review of fees and charges forms part of the Council's annual budget setting process and assists with the delivery of budget saving targets. Many Planning and Social Services fees and charges are set by Central Government.
- 1.2 Fees and charges are informed and set according to market conditions and affordability to residents. We have published on the Council website full details of all fees and charges where the Council has discretion. The Council will carefully consider all services, and examine the scope to recover some or all of the full cost (including an appropriate contribution to overheads) of service delivery.
- 1.3 Where appropriate charges will be set to maximise the contribution from charges towards service delivery, and where necessary, offer concessionary rates to those who need a subsidised service.

Rationale for proposed fees:

Each service has considered and followed the above criteria in arriving at the proposed fees for April 2015. The three main areas of consideration can be best summarised as follows:

1) Benchmarking / Market pressures:

The fees charged by Council services have been directly compared to those charged by similar providers in the public and private sector. Where the fees charged have been found on average to be of a lesser or greater value, some adjustments have been made to bring them in line with the market.

2) Rate of Inflation:

Where charges are felt to be appropriate to the current market and existing competition, a nominal increase approximating to the rate of inflation has been proposed. The rate of RPI inflation in the UK has fallen throughout 2014. For the first half of the year it was above 2.5%, but has subsequently fallen to 1.6% in December. One of the main reasons for this has been falling petrol prices, which is not necessarily a significant component of the council's costs.

3) Cost Recovery:

Service areas were asked to look at the costs associated with the delivery of services, taking into account the full extent of resources required, including overheads and support service charges. This exercise when combined with benchmarking can highlight undercharging of services. Where this is found

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to be the case, services can justify increases greater than the rate of inflation and in some cases the implementation of new charges. Such increases and new charges should however be justifiable and appropriate when compared to charges made by other public and private service providers and in line with the relevant legal frameworks.

Where services identify a cost subsidy in the provision of a service, in that it costs more to deliver than can reasonably be charged, they are asked to provide appropriate commentary on this.

4) Experience:

Council Officers have knowledge of the local demographic area and its demands. This experience of the market has also guided proposals.

5) Fees by Service Area:

The commentaries below set out the broad approach to fees and charges in each service area. Across the Council, these fee and charge increases contribute an estimated additional £74k to the Council's budget.

A) Environment & Neighbourhood Services Directorate

1) Sports Centres (Leisure & Recreation):

Most fees increase by approximately 2.3% (with figures rounded to the nearest 5/10p on the basis of benchmarking of charges against other service providers and the recovery of increased operational costs.

All free to access (subsidised) services featuring on the 2014/15 fee schedule have been retained as free within proposals for 2015/16.

The service has experienced significant transition from casual use to their newly structured and competitively priced membership packages over the 3rd quarter of 2014/15 following their introduction. Casual fees have been set to encourage greater take up of membership packages, whilst remaining in line with other operators.

Some courses are considered as premium products and have higher increases as a result of market testing and benchmarking.

2) Parks (Leisure & Recreation):

The majority of fees have been benchmarked as in line with other providers. It is therefore proposed to make a nominal inflationary increase of around 2.3% (with rounding to the nearest 5/10p).

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Discounts established to permit adult football pitch hirers to pay a lesser fee for the use of facilities, in exchange for undertaking certain aspects of service provision remain.

3) Transport

No fee increase proposed through this process.

4) Planning

Many planning fees are set by government.

The discretionary fees set by RBC were not increased by the service in April 2014 and as a result of benchmarking and cost recovery consideration, the service have proposed increases of between 6-9% for April 2015.

5) Highways

No proposed increases to Drainage Work fees in order to remain commercially competitive. Other services are being increased by around 2.3% to reflect rising costs.

6) Libraries

An increase in fees at this time is felt to be counter productive and a potential barrier to service use, so there are no changes.

7) Building Control

No fee increase proposed through this process.

8) New Directions

Delivery costs were reviewed in the previous academic year and rises for material costs were included as part of the process.

Market comparison indicates that the fees are in-line with competitors and nominal increases of 2.3% will apply for the academic year September 2015 - July 2016.

9) Streetcare Services

No increase proposed to a number of fees on the basis of either an analysis of benchmarking and competition or fee being set by statute. A small increase around 2.3% to Bulky Waste collection fees to reflect inflation and cost recovery.

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10) Public Conveniences

No fee increase proposed on the basis of the existing fee being well established and in line with national practice.

11) Community Safety

The fee for pub & club membership of the night time Town Safe scheme has been increased by 16.7% on the basis of cost recovery, taking in to account the associated running costs and the anticipated uptake.

12) Housing General Fund

These charges have been increased in line with inflation to reflect rising costs; the income generated from proposed fee increases serves as cost recovery and has already been built in to 2015/16 service budget.

B) Corporate Support Services - Customer Services

13) Bereavement Services

A proportion of the published fees have seen a nominal inflationary increase of around 2.8%. Some higher increases are justified by cost-recovery and benchmarking considerations. Where take up is low or moderate, no changes to fees has been made

A number of new services have been introduced providing more choice, such as a "Direct Cremations" where coffins will be delivered for cremation without a service.

14) Registry Office

The register office may see a drop in income due to changes in immigration policy which directly affect:

- Marriage route as mechanism to apply for leave to remain in the UK
- The number of people eligible to use the Nationality checking service
- The number of people becoming British Citizens

To mitigate some of these factors, a number of Register Office fees for marriages & approved premises have been increased in line with benchmarking and meeting the cost of delivering the service.

Certificate production fee for counter service has increased in line with benchmarking, but we remain the cheapest borough from which to obtain a birth certificate with same day service.

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Fees for renewal of vows; naming ceremonies; and the approval of venues as a place of marriage have been reduced, anticipating this will attract more business to Reading

A new booking deposit fee of £40 has been introduced for all ceremonies. This fee is deducted from the full fee on receipt of full and final payment, in the event of cancellation; this fee is retained by the service to cover associated costs. This fee has been introduced by a number of local authorities to deter late cancellations.

A premium appointment booking service for giving notice of marriage on Saturdays with an administrative fee which covers the cost of opening is being introduced. The service will only be available on a published but restricted number of Saturdays each year.

15) Customer Services (Blue Badge Scheme)

No fee increase proposed through this process.

16) Regulatory Services

A nominal increase of around 2.3% has been applied to non statutory services. No increase proposed to the majority of fees as a result of either; benchmarking or fee being set by statute.

C) Directorate of Education Adults & Children's Services

17) Adult Social Care Charges

Adult Social care is going through a major change process with the implementation of the Care Act. This has required an extensive review of the Council's policies around how clients contribute to their care costs.

This review has been undertaken and is currently subject to a public consultation. The results of this consultation will be presented to the Adults Children and Education committee on Wednesday 4 March to agree any charging changes at this meeting.

The charges included with this report are excluded from the consultation as they are the charges that a self funder or another local authority would pay for the costs of services provided by the Council.

18) Bridge Hall

The charges for hiring Bridge Hall have been increased broadly in line with inflation.

As indicated above, further details of all individual charges can be found in the Finance Section of the Council's Web site.

Robustness of & Risks within the Proposed Budget for 2015/16
Statutory CFO Report & Advice on the Robustness of the Budget and Adequacy of Reserves
& Balances

1. Introduction

- 1.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves in setting its budget. The Council in setting the Budget is required to "have regard" to the report when making its Budget decisions.
- 1.2 This appendix, which has been prepared by the Head of Finance, with a comment from the Managing Director to fulfil this duty. Its key points are summarised in Section 7.1 of the covering committee report. To give the required advice, a consideration of all the financial risks facing the Council in the 2015/16 financial year is required. The advice principally covers the 2015/16 financial year.
- 1.3 CIPFA Guidance (an extract of is available on the website as a background paper) recommends that if the Council sets its balances at a different level to that recommended, then its decisions and the reasons for any variance from the advice given should be recorded in the minutes of the Council Meeting.
- 1.4 This Appendix discusses the Council's approach to budget risk management, and assesses the particular risks associated with the 2015/16 budget to inform the advice on robustness.

2. Budget Context

- 2.1 The Council is a multi-million pound organisation providing a wide range of statutory as well as discretionary services, which can often be subject to external influences outside the Council's direct control. To help manage the potential risks the Council faces in delivering its objectives and the budget underpinning its activities, the 2015/16 Budget has been drawn up to reflect forecast trends in expenditure and income, which have been subject to the risk assessment process outlined below.
- 2.2 The Council has well established Budget Monitoring and Internal Control arrangements, and these normally act as an effective early-warning system in identifying potential problems and for managing potential areas of risk. In particular the 2015/16 budget has been adjusted to reflect the main adverse trends that have impacted the Council during 2014/15. The Corporate Management Team (CMT) has considered on several occasions during the development of the budget the financial pressures the Council is likely to face during 2015/16, and £3.5m has been built into the budget to deal with identified pressures. Many of these pressures are closely aligned to the Council's Corporate priorities.
- 2.3 With regard to the savings built into the budget CMT has considered the profile to ensure that it is realistic. In some cases the saving proposal included in the 2015/16

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budget are being phased in over 2-3 years. Lead councillors have been fully briefed on savings and budget pressures in their areas of responsibility.

3. Consideration of the Robustness of the Budget

3.1 The Council has an established financial risk assessment process, and it has been applied to formulate advice on the robustness of the 2015/16 Budget and the adequacy of the proposed minimum general fund balance. The position has been discussed and endorsed by the Corporate Management Team.

3.2 The risk management framework (details available on the website) has been applied to the perceived risks associated with the 2015/16 budget. The inherent risk scores are set out in the table in Annex A, with the 2014/15 scores for comparison. Last year, when the budget was set the total inherent risk score was 177, and the changes for the assessment of the 2015/16 budget have led to an increased overall score of 183. This supports the Corporate Management Team's view is that in 2015/16 overall inherent budget risks are higher than in the present year.

3.3 As well as inherent risk, the Council also considers residual risk after the mitigating impacts of its management and other control processes. In March 2014, the total score assessed on this basis was 124, as also set out in Annex A. For the 2015/16 budget the total residual score is currently assessed as 132. This is also higher than was the case at the start of 2014/15. Whilst pay inflation risk has reduced, in a strengthening economy there remain pay and cost pressures, and income risks. In very recent months economic uncertainty appears to have increased; so far this is only noticeable in the lower oil (and petrol) price.

3.4 The higher overall risks recognise three key issues

- Because of the resource/grant reductions the Council has experienced over 5 years there is reduced managerial and operational capacity to deliver identified savings, and indeed develop further proposals to ensure the Council can continue to operate within its available resources, although to some extent this is currently being addressed through changes set out in the report to Policy Committee in December on "capacity and resilience";
- Over the past 18 months the Council has undertaken a "reshape" programme which has altered many staffing structures, in some cases making significant changes which will take time to bed in. Whilst the reshape programme is now in its final stages, it is clear that during 2015/16 further change will need to be developed to meet the likely 2016/17 resource envelope; and
- Over the last two years the Council has experienced some income budget pressures, and whilst this has substantially been adjusted in preparing the budget, in an uncertain economic climate, the Council's increasing reliance on income is a growing risk over time.

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3.5 In past years our budgetary performance having provided for all expenditure has been as follows:

Year	Net Expenditure £000	Variance from Budget £000	Variance %
2014/15 (Estimate)	126,793	295	0.2
2013/14 (Actual)	130,863	-1,891	-1.4
2012/13 (Actual)	120,135	-1,347	-1.1
2011/12 (Actual)	124,443	-497	-0.4
2010/11 (Actual)	122,055	- 849	- 0.7

3.6 The Council’s budget since 2010/11 has been within the £120m-£130m range and in that context, taking account of historic Audit Commission advice that suggested balances around 5% of annual expenditure might be reasonable for most authorities. During the past year the (new) Chief Executive of CIPFA has been reported as observing that a 5% of expenditure figure represents about 2 week’s net expenditure. The Council has consistently been advised that we should operate within a budget framework with a minimum General Fund Balance of £5m over this period.

3.7 Based on an assessment of the risk in the 2015/16 budget, and budgetary performance in recent years, a £5m minimum continues to be recommended. Were the balance to fall below that level the Head of Finance would need to advise the Council to implement measures to bring it back to the minimum as soon as reasonably practical. A practical issue that arises with the present budget framework is that it requires compensating measures to be identified and brought forward to Policy Committee immediately once budget monitoring has identified a prospective shortfall (or potentially an additional Council meeting needs to be called).

3.8 The recommended minimum level of £5m provides some “cover” against potential variances which in recent years have been quite low due to the sound budgetary control arrangements in place across the Council although over the past three years it has taken most of the year to deliver agreed savings, and budget monitoring for the present financial year continues to identify some more significant risks than in previous years of adverse variance.

Maintaining this level of “cover” each year will provide flexibility to deal with:

- Adverse budget variations.
- New demands which were unforeseen when the budget was set.
- Ability to respond to opportunities requiring financial commitment from the Council which were not identified when the budget was set.
- Emergency situations which might require funding.

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- “Bridging” or pump priming funding which might be needed pending receipt of grant funding, other contributions, or generation of capital receipts.
- 3.9 Maintaining a reasonable balance is a key element underpinning the sound financial management of an organisation. Whilst we might ideally have a minimum General Fund Balance at 5% of budget (£6-6.5m), taking account of the budget outturn record over recent years, and our wider experience of budget management, and the position with other reserves and balances discussed below, £5m is a sufficiently adequate balance in present circumstances to support a robust budget.
- 3.10 The budget for 2015/16 includes overall expenditure savings and income generation of over £9.6m, including £9m identified in earlier years or last September, where implementation is already under way. An additional problem facing all local authorities is that 2015/16 is the final year of the present local government finance settlement (LGFS). Following the Autumn Statement and LGFS, taking account of the government’s published very high level plans for future public spending we have updated our forecast for RSG in the years after 2015/16. A new government following the General Election will have a range of options, and consequently the range of the potential forecast are quite wide, but all forecasts are now lower than those we had 12-18 months ago.
- 3.11 Other issues impacting the risk assessment are that the 2015/16 budget includes some one off measures that it will not be possible to consolidate into the baseline, and these add £1.6m to the budget in 2016/17. Overall it is currently estimated additional savings of £28.8m are needed for the two subsequent years after 2015/16. The development of savings for those future years is currently at an early stage.
- 3.12 Finally in respect of the robustness of the budget, it should be noted that the overall budget has no real capacity to meet unforeseen costs or income shortfalls. Therefore careful monitoring and early corrective action will be essential to keep net expenditure within the Budget overall next financial year.
4. Consideration of the Adequacy of Proposed Financial Reserves
- 4.1 In order to fulfil the duty to advise on the proposed financial reserves, my comments in respect of the minimum £5m general fund balance set out above should be noted. The Council should also recall that in January it approved the HRA budget for 2015/16 and rent increase, as well as a rent policy linked to the business plan, subject to the required annual review of the account. The report to Council explained that in the context of the Council’s present HRA business plan, the present HRA balance should be adequate (after allowing for the rent increase), taking account of the long term (30 year) plans/projection for the account. This section considers other reserves and balances.
- 4.2 By way of introduction, it is helpful to recognise that the council holds various balances; some of which in its accounts are classed as reserves, and others as provisions. From an accounting point of view a reserve is money that has been set aside for an identified purpose, but may not have a present contractual or other liability that will result in its

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use. A provision is money set aside for a known liability whose timing and/or potential value is uncertain.

- 4.3 As at 31 March 2014 the Council's accounts showed the following reserves and provisions:

Reserves as at 31/3/2014	£'000
Range of Earmarked Reserves	950
-Emergency Planning (£200k)	
-Legal & Taxation (£250k)	
-Pension Liabilities (£300k)	
-Property Liabilities (£200k)	
Civic Centre relocation	1,104
Self Insurance	4,546
Redundancy Reserve	3,800
Prudential Reserve	3,300
Revenue Grants Unapplied (& other specific)	10,617
DEACS Strategic Reserve	2,730
HRA - North Whitley PFI	8,800
Sub total (Reserves)	35,847
Provisions as at 31/3/2014	
Equal Pay Back Pay Provision (£1.5m addition in budget)	9,400
Homelessness Costs & Rent Deposit Guarantee	320
Sub Total (Provisions)	9,720
Total (Reserves & Provisions (exc. GF/HRA balance))	44,567

- 4.4 The first four earmarked reserves above exist to mitigate costs that will arise from time to time, but are of uncertain value and timing. They need to be retained for the foreseeable future.
- 4.5 The Civic Centre relocation reserve was established to meet the dual running costs associated with moving to Plaza West. It is estimated that just over £600k of this will remain at 31 March 2015, and it is proposed to close this reserve at the end of 2014/15, transferring the balance to the General Fund as the move has been completed.
- 4.6 The self insurance reserve is part of the council's insurance arrangements. We undertook an actuarial review last year, that identified that only £4.4m should be needed, but that we may need up to an additional £200k pa in the revenue budget for sustainability. At present we have allowed for an additional £100k centrally.

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- 4.7 We budget to add £800k pa to the redundancy reserve each year, and taking account of redundancies in 2014/15 to date and those that are planned (at an individual level) for the future, based on the position at the end of January 2015, around £3.9m would remain at the year end. We plan to increase the transfer by £500k in 2015/16, so we will have £5.2m available next year. The table below assumes that the money in the budget each year will need to be used annually, and 80% of this will be committed by the end of 2015/16.
- 4.8 The Prudential Reserve had been scheduled to mitigate increasing borrowing costs over the three years from 2014/15 to 2016/17, and in our February 2014 Financial Plan we expected to have only £1.625m by 31 March 2016. Some of the pressures that have emerged that need adding into the 2015/16 budget have only arisen in the final quarter of last calendar year and it has not yet been possible to identify sustainable matching savings, and therefore as part of the overall proposal to balance the budget it is proposed to re-phase this usage so that an additional £1.125m is used by 31 March 2016, with the remaining £500k transferring to the redundancy reserve as above. Our three year plan includes the estimated increase in capital financing costs that we currently face, though we will be reviewing our options here to mitigate these costs.
- 4.9 The revenue grant unapplied reserve exists largely for accounting reasons, in that we are required to account for most grant as we receive it, but sometimes the matching expenditure is in a later financial year. The various balances that make up this total are therefore committed. It is very difficult to estimate the end of year position, but we currently have a working estimate of £5m. (The actual for 31/3/13 was 6.8m and as above at 31/3/14 £10.6m (there was an exceptional one off factor that led to this higher amount)).
- 4.10 We also hold the HRA PFI smoothing reserve, established as part of the HRA business plan, and PFI business plan. This reserve is expected to be stable/slightly increasing for the next few years before being released over the second half of the PFI scheme. It ensures the net cost (after grant) to the HRA of PFI scheme rises only by inflation
- 4.11 In summary, all other reserves apart from the £950k of earmarked reserves are offsetting liabilities, or anticipated future costs that need to be provided for and would otherwise have to be charged to the General Fund.
- 4.12 As indicated in the table above we also hold a provision against equal pay back pay costs. The liability here is estimated to increase, so there is a strategy to increase the reserve by £1.2m annually so it should match the eventual forecast liability. It is also possible to meet this liability using capital receipts (but not borrowing), but that would be at the expense of needing to increase the treasury revenue budget further. However, the Council will in due course need to consider using this flexibility when the settlement is concluded.
- 4.13 The final provision mitigates homelessness costs and the rent deposit guarantee scheme. By their nature, both provisions have liabilities against them and are expected to reduce.

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4.14 The table shows my present forecast of these reserves at each year end 2014-2017:

Forecast as at	31/3/14 £'000	31/3/15 £'000	31/3/16 £'000	31/3/17 £'000
Earmarked Reserves	950	950	950	950
Civic Offices Dual Running	1,104	504	0	0
Self Insurance	4,546	4,400	4,400	4,400
Redundancy Reserve	3,800	3,900	1,000	0
Prudential Reserve	3,300	3,000	0	0
Revenue Grants Unapplied	10,617	5,000	5,000	5,000
Total General Fund	15,600	17,754	11,350	10,350
HRA - North Whitley PFI	8,800	8,900	9,000	9,000
Total	23,563	26,654	20,350	19,350

- 4.15 In addition we will have the DEACS strategic demand reserve (see 4.11). This will start financial years with a balance of at least £1.1m (so £2.5m is available allowing for the £1.4m in the revenue budget annually). Within DEACS the strategic demand management reserve has been established to help mitigate the risk of variable and growing demand for certain education and social care services. The Directorate has a strategy continuously to seek efficiency improvements to mitigate the impact of long term rising cost demand, and the Directorate (and its predecessor directorates) has a good track record in recent years of managing these high volatility risk budgets within the overall agreed level of resources. In the event this new balance sheet reserve were used up, it would be necessary to increase the revenue budget to manage likely service demand. The strategic demand reserve is currently forecast to be £3.5m at 31 March 2015, falling to £1.9m by 31 March 2016.
- 4.16 Therefore, overall whilst the council holds various reserves, most of them are scheduled for use over the next three years (or will need to operate continuously, as in the case of insurance), less than £1m is not committed over the lifetime of the financial plan.
- 4.17 After 2015/16, the medium term financial plan included in the report assumes no general use of balance will be made. It will be necessary for the Council to keep its level of balances and reserves under review to take account of changing circumstances and risk in particular the outcome of equal pay claims which remains a significant financial risk to the Council.
- 4.18 In overall terms, as all significant liabilities (insurance, equal pay, rising borrowing costs) are in part mitigated by these balances, and that there are no known material liabilities that may arise before 31 March 2016 which are not covered by a reserve, the Head of Finance considers that balances are adequate on their projected 31 March 2015 amounts and throughout 2015/16.

Risk Issues Identified by the Managing Director

4.19 Whilst there is no statutory requirement at the time of setting the budget for the Council to receive advice from other statutory officers, in discussing the draft of this report at CMT, it became apparent that the CFO's advice needed to be set in context of the operating and other statutory risks as perceived by the Managing Director, as Head of Paid Service.

4.20 Managing Director, as Head of Paid Service:

4.20.1 It is the duty of every relevant authority (Local Government & Housing Act 1989) to provide the Head of Paid Service "with such staff, accommodation and other resources as are, in his opinion, sufficient to allow his duties... to be performed."

The Head of Paid Service has to ensure that the Council is organised to fulfil its various functions, and resources are sufficient to do this. A risk analysis has been undertaken to check whether this still remains the case with funding reductions and considerable change within the organisation. At this time, the Council will continue to have sufficient resources to ensure that there are safe operating methods and systems in place in 2015/16. The Head of Paid Service undertook a capacity and resilience review during the autumn of 2014. This reviewed whether the way we are organised remains 'safe' and robust to deal with the many and varied challenges services for children and adults face. The proposals recommended moving to a new operating model that would restructure the Council to ensure that we have additional capacity and resilience to meet service needs and opportunities. The proposals were about ensuring we remain fit-for-purpose to deliver our duties. This was reported to Personnel Committee in December 2014 and was then consulted upon with staff and partners. These proposals are now being implemented.

4.20.2 Staff workloads have increased in many parts of the organisation significantly and this will continue to be monitored and appropriate support for staff will be put in place. With additional savings required a more fundamental review of what services the Council can still maintain will be required through the course of 2015/16.

5. Conclusion of the Chief Finance Officer in Respect of Statutory Duties

5.1 In providing this assessment, the Head of Finance would make the following further points:

5.1.1 Overall, the Council's Budget has no significant capacity to meet unforeseen costs or income shortfalls. Therefore careful monitoring and early corrective action will be essential to keep net expenditure within the approved Budget next year.

5.1.2 Overall expenditure savings and income generation, of over £8.1m, including £3.5m identified in earlier years have been built into the 2015/16 budget, and the estimated need for further savings of £28.8m has been identified for the two subsequent years.

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- 5.1.3 It is essential that the savings and additional income identified for the 2015/16 budget are delivered in accordance with the budget assumptions made, and an early start made to identifying further savings for subsequent years. In the event that variances are identified then prompt remedial action will be necessary.
- 5.1.4 Government funding is scheduled to continue to fall probably to at least the end of the present decade, and this is coupled with an aspiration of no, or a low increase in Council Tax. This will result in reduction in the resources available to fund expenditure. Therefore the Council will need to continue to drive cost reduction and efficiency and to maximise income generation, and in some areas will need to reduce services. The financial plan sets out our present forecast and identifies the need for estimated further savings of in 2016/17 and 2017/18.
- 5.1.5 The new (from 2013/14) Local Government Finance regime, in particular the arrangements for retention of Business Rates, has significantly shifted risk from Central Government to Local Government. Variations in collection and the impact of appeals is now shared with the Government. Any reduced income in Business Rates need to be recognised in year and must be taken account of in setting the following year's budget. Last year we estimated that liability may be around £13m, but through the NNDR1/NNDR3 process (with Government) we appear to be establishing provisions to be able to pay this sum over the period of time that it is likely to fall due. Although many appeals have been settled our most recent forecast of this liability remained over £12m. There is however a risk that appeals are settled more quickly than resources are available which will require additional budget reductions in future years.
- 5.1.6 Whilst the economy has emerged from UK recession seen about 5 years ago, recent global economic data tends to confirm the considerable uncertainty as to the pace of growth, and risk remains high in this area.

7. OVERALL CONCLUSION

- 7.1 Taking all of these factors into account and the proposed minimum level of the General Fund balance of £5 million, the Council is setting a very tight, but overall robust budget for 2015/16 which contains a continuing high level of risk.
- 7.2 The minimum level of balance of £5m and reserves of £20.4m (by 31/3/16) provides sufficient finances to help robustly manage the corporate budget risks facing the council, bearing in mind the sound budget management arrangements in place. However, the Council will need during 2015/16 to identify deliverable plans to ensure we remain operationally viable and balances remain robust in the medium term.

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ANNEX A 2015/16 BUDGET RISK ASSESSMENT

The table compares inherent and residual risks for the 2014/15 and 2015/16 budgets

Risk	Inherent Score		Residual Score	
	Last Year	This Year	Last Year	This Year
Overall Budget: Expenditure				
Inadequate allowance made for inflation (inc. pay award)	9	9	6	6
Underassessment of service demands from Customers	9	12	9	9
Unexpected increase in cost of Partnership Arrangements	6	6	4	4
Unexpected increase in Contract Payments	8	9	4	6
Increased costs due to Legislative Change	12	12	9	9
Increase in Project and other Workloads (capacity)	12	12	12	12
Impact of the economy	12	12	9	9
Overall Budget: Achievement of Income				
Stakeholder resistance leading to Modified Proposal	9	9	3	6
Delay in implementing Fee Increases	6	6	1	1
Customer resistance/reduced customers	12	12	6	9
Underachievement of grant funding	6	6	4	4
Increased/unexpected competition	6	6	3	3
Impact of the economy	12	12	9	9
Savings Options				
Delays in implementing/modified proposals	16	12	12	12
Unexpected or increased one-off costs	6	8	6	6
Value of saving proves to be too high	12	16	9	9
Lack of capacity to deliver - option delayed	12	12	9	9
Measures identified to deliver efficiency savings are not achieved	12	12	9	9
TOTAL Risk Score	177	179	124	132

Treasury Management Strategy Statement 2015/16

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10. Policy on use of Financial Derivatives
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Annexes

- A. Arlingclose Economic and Interest Rate Forecast January 2015
- B. Existing Investment & Debt Portfolio Position @ 31/12/2014
- C. Prudential Indicators 2015/16
- D. MRP Statement 2015/16

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1 Introduction

1.1 The Treasury Management Strategy Statement (TMSS) is an annual statement the Council is required to approve each year of our intended treasury activity, setting constraints under which that activity will (usually) operate. Given the technical nature of the subject, by way of introduction the statement is intended to explain

- how the Council tries to minimise net borrowing costs over the medium term
- how we ensure we have enough money available to meet our commitments
- how we ensure reasonable security of money we have lent and invested
- how we maintain an element of flexibility to respond to changes in interest rates
- how we manage treasury risk overall.

1.2 The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. DCLG guideline requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

1.3 The purpose of this TMSS is, therefore, to approve the:

- Treasury Management Strategy for 2015/16
- Annual Investment Strategy for 2015/16
- Prudential Indicators for 2015/16, 2016/17 and 2017/18
- MRP Statement (in connection with debt repayment)

1.4 The Authority has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2 External Context

2.1 Economic background: There is momentum in the UK economy, with a continued period of growth through domestically-driven activity and strong household consumption. There are signs that growth is becoming more balanced. The greater contribution from business investment should support continued, albeit slower, expansion of GDP. However, inflationary pressure is currently extremely benign and is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.

2.2 The Bank of England focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Monetary Policy Committee (MPC). Despite two MPC members having voted for a 0.25% increase in rates at each of the meetings from August-December 2014, the minutes of the January 2015 meeting showed unanimity in maintaining the Bank Rate at 0.5%

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as there was sufficient risk that low inflation could become entrenched and the MPC became more concerned about the economic outlook.

- 2.3 Credit Risk Outlook: The transposition of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies into these schemes. The combined effect of these two changes is to leave public authorities and financial organisations (including pension funds) as the first, and possibly only senior creditors likely to incur losses in a failing bank after July 2015.
- 2.4 The continued global economic recovery has led to a general improvement in credit conditions since last year. This is evidenced by a fall in the credit default swap spreads of banks and companies around the world. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Council.
- 3 Interest rate forecast
- 3.1 Our treasury management advisor, Arlingclose, currently forecasts the first rise in official interest rates in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%. The risk to the upside (i.e. interest rates being higher) is ultimately more towards the end of the forecast horizon. On the downside, Eurozone weakness and the threat of deflation have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year. CCLA, one of our money market fund managers recently advised that a consensus “city” view was that Bank Rate would rise very steadily over the next 4-5 years to 1.75-2%. With regard to longer term yields, Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 2.7%. A key theme of all these forecasts is that there is likely to be short term money available to borrow at low interest rates for the foreseeable future.
- 3.2 A more detailed economic and interest rate forecast provided by the Arlingclose is attached at *Appendix A*.
- 3.3 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that new long-term loans will be borrowed at an average rate of 1%.

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4 Local Context

- 4.1 The Council currently (31 December) has £316.7m of borrowing and £47.8m of investments. This is set out in further detail at *Appendix B*. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.14 Actual £m	31.3.15 Estimate £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m
General Fund CFR	208.2	214.0	245.5	262.5	275.0
HRA CFR	194.9	194.2	194.9	192.9	195.0
Total CFR	403.1	408.2	439.4	455.4	460.0
Less: Other debt liabilities *	-34.0	-33.4	-32.6	-31.9	-31.0
Borrowing CFR	369.1	374.8	406.8	423.5	429.0
Less: External borrowing **	319.9	316.7	307.2	300.7	294.5
Maximum External Borrowing Requirement	49.2	58.1	99.6	122.8	134.5
Less: Other Cash Balances (Working capital & reserves)	83.5	80.0	75.0	65.0	60.0
Cumulative Investments/ New Borrowing Requirement	-34.3	-21.9	24.6	57.8	74.5

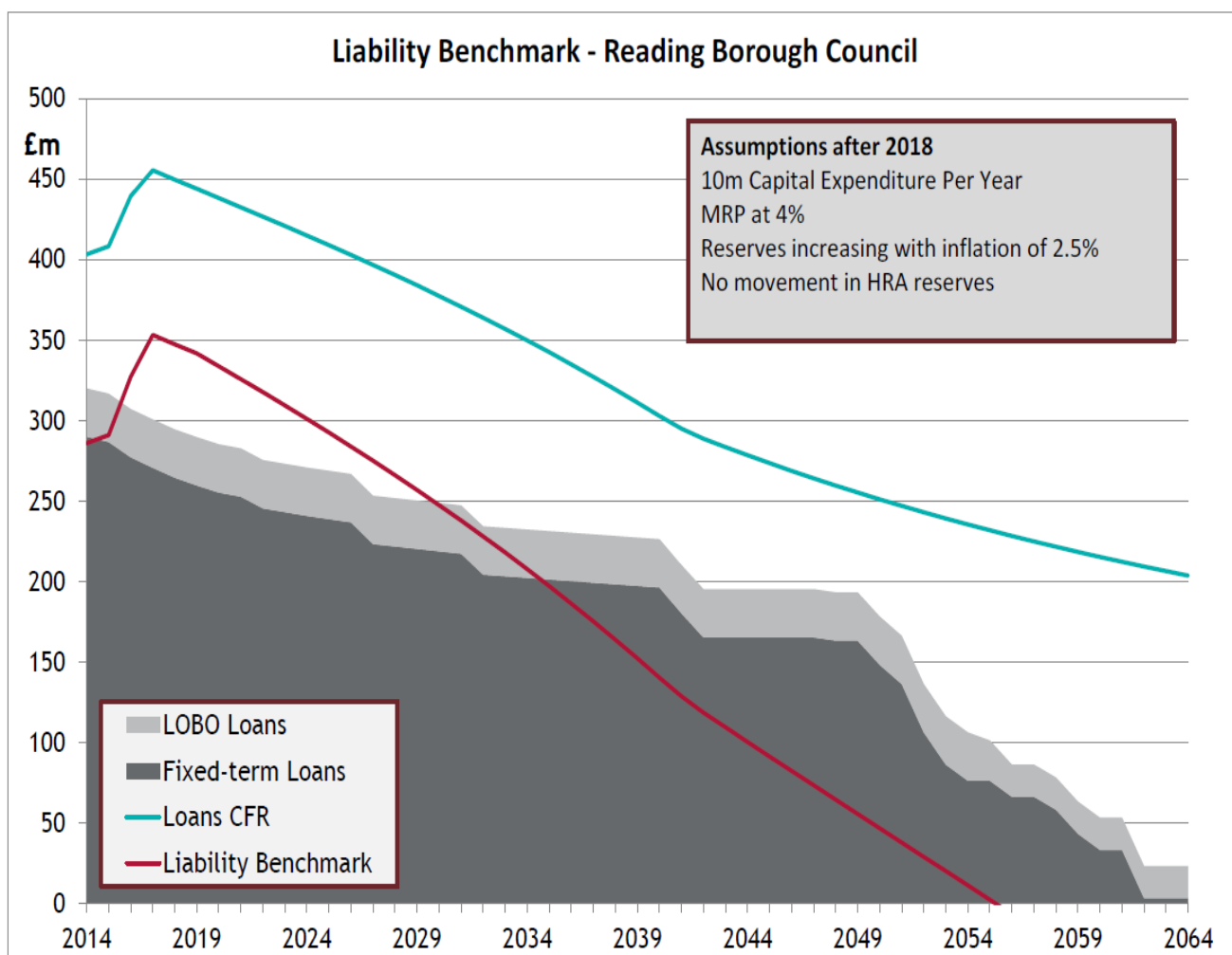
* finance leases and PFI liabilities that form part of the Authority's debt

** shows only loans to which the Authority is committed and excludes optional refinancing

- 4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to normally holding a minimum investment balance of currently £10m.
- 4.3 The Authority has an increasing CFR due to borrowing funding the capital programme and reducing other cash balances, that over time will use up the cash currently invested, and we will need to borrow up to £75m over the forecast period, though at most £25m of this will be required in 2015/16.
- 4.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2015/16 and the subsequent years.
- 4.5 To assist with its long-term treasury management strategy, the Authority and its advisers have created a liability benchmark, which forecasts the Authority's need to borrow over a 50 year period. Following on from the current 3 year capital programme forecasts in table 1 above, the benchmark assumes:

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- capital expenditure funded by borrowing as set out in table in Section 2 of Annex C
- minimum revenue provision on new capital expenditure based on an average 25 year asset life
- income, expenditure and reserves all increase by 2.5% inflation a year



4.6 The chart shows that we’ll have an increasing borrowing requirement over the next 3-4 years, but after that our borrowing needs will fall. This implies that the borrowing we need to do should be of a relatively short term nature, subject to developments in the interest rate environment.

5 Borrowing Strategy

5.1 The Council currently holds £316.7 million of loans, a decrease of £11.5 million over the last year, reflecting our present strategy for funding the capital programme by using “internal borrowing” and reducing investments. However, the balance sheet forecast in table 1 (and our detailed treasury budget analysis) suggests we will need to borrow up to £25m towards the end of 2015/16. The Council may also borrow additional sums to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £400 million.

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- 5.2 Objectives: Our main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 5.3 Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is currently expected to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4 By doing so we are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist us with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional costs in the short-term.
- 5.5 In addition, the Council may borrow short-term loans (normally for up to one month) to cover cash flow shortages.
- 5.6 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and its successor body
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds
 - capital market bond investors through the Local Capital Finance Company (the Municipal Bond Agency) and other special purpose companies created to enable local authority bond issues
 - any other party that establishes a presence in the LA market not covered by the above categories.
- 5.7 In addition, capital finance may be raised by the following methods that are not borrowing, subject to the Head of Finance being satisfied the use of the method provides value for money to the Council/ These are generally classed as other debt liabilities:
- operating and finance leases
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback

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- 5.8 We have previously raised the majority of our long-term borrowing from the PWLB but continue to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 5.9 LGA Bond Agency: In particular we subscribed as one of 37 founding shareholders in the Local Capital Finance Company (LCFC) which was launched last year by the Local Government Association and is expected to be formally established in 2014 as an operating alternative to the PWLB. LCFC plans to issue bonds on the capital markets and lend the proceeds to local authorities. Because LCFC is structured as a company, rather than being a “government agency”, borrowing will be slightly more complicated than via the PWLB; borrowing authorities will be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be different lead times, probably initially several weeks between committing to borrow and knowing the exact interest rate payable. As part of our commitment to the launch the Head of Finance has indicated that in principle, and subject to a final consideration at the time we will participate as a smaller borrower in an early bond issue by the Agency. Key issues and progress will be reported to Policy Committee and/or Audit & Governance Committee as appropriate.
- 5.10 The Authority holds £30m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £25m of these LOBOS have options during 2015/16, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £50m. We also understand that because banking regulation has impacted how banks account for these loans, some LOBO lenders have been approaching local authorities offering early settlement terms. Should such an approach be received we will evaluate it with the assistance of Arlingclose as treasury advisor.
- 5.11 Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

6 Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The way the PWLB formula works makes this relatively unlikely to be pursued.

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7 Investment Strategy

- 7.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £34.0m and £74.2 million but lower levels are expected to be maintained in the forthcoming year.
- 7.2 Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.
- 7.3 Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2015/16. All of the Council's surplus cash is currently invested in short-term unsecured bank deposits, call accounts and money market funds. At the end of 2013/14 our working capital was almost £40m, and whilst this fluctuates during the year, a figure of this magnitude is not unusual. In the circumstances we propose examining the case before 31/3/15 of beginning to invest up to half this sum, i.e. up to £20m that in a longer-term investment, with a 5 year+ view. Initially CCLA's Property Fund, which is an investment vehicle designed solely for collective investments by local authorities in the UK property market, in which an increasing number of authorities have invested over the last 12 months. This diversification will therefore represent a substantial change in our investment strategy over the coming year. The long term performance of such funds has been to yield up to around 5%pa, though with the risk that from time to time the capital value may be eroded in the short term. Such investments will only be undertaken after taking treasury advice from Arlingclose and on the specific authority of the Head of Finance.

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Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits

Counterparty	Cash limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	10 years*
	AA+	5 years*
	AA	4 years*
	AA-	3 years*
	A+	2 years
	A	1 year
	A-	
The Authority's current account bank Lloyds Bank plc should circumstances arise when it does not meet the above criteria	£1m	next day***
UK Central Government (irrespective of credit rating)	unlimited	50 years**
UK Local Authorities (irrespective of credit rating)	£20m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher	£5m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings	£2m each	5 years
UK Building Societies without credit ratings	£10m each	1 year
Money market funds and other pooled funds (including the CCLA Property Fund)	Up to £20m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Authority's treasury management adviser	£5m each	3 months
	£1m each	1 year
	£100k each	5 years

† the time limit is doubled for investments that are secured on the borrower's assets

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments

***this category was previously provided to enable overnight urgent lending to the Co-Operative Bank - we do not expect Lloyds Bank to fall into this category.

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Table 3: Current Counterparty List as at 31st December 2014

Country/ Domicile	Counterparty	Maximum Counterparty Limit %/£m	Maximum Group Limit (if applicable) %/£m	Maximum Maturity Limit (term deposits and instruments without a secondary market)	Maximum Maturity Limit (negotiable instrument)
UK	Co-operative Bank (for banking & liquidity purposes only)				
UK	Clydesdale Bank (for banking & liquidity purposes only)		10%		
UK	Santander UK Plc (Banco Santander Group)	10		2 years	5 years
UK	Bank of Scotland (Lloyds Banking Group)	20	22.5%	2 years	5 years
UK	Lloyds TSB (Lloyds Banking Group)	20		2 years	5 years
UK	Barclays Bank Plc	20		2 years	5 years
UK	HSBC Bank Plc	20		2 years	5 years
UK	Nationwide Building Society	10		2 years	5 years
UK	NatWest (RBS Group)	0		2 years	5 years
UK	Royal Bank of Scotland (RBS Group)	0		2 years	5 years
UK	Standard Chartered Bank	10		2 years	5 years

2 years is the maximum approved duration for term deposits and illiquid investments (those without a secondary market), although in practice the Authority may be investing on a shorter term basis depending on operational advice of the authority's treasury management adviser.

5 years is the maximum approved duration for negotiable instruments such as Certificates of Deposits, Medium Term Notes and Corporate Bonds, although in practice the Authority may be investing for shorter periods depending on operational advice of the authority's treasury management adviser.

7.4 These tables must be read in conjunction with the notes below

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- 7.5 Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.
- 7.6 Banks and Building Societies ascribed by Arlingclose Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank.
- 7.7 Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the
- 7.8 Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 7.9 Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- 7.10 Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.
- 7.11 Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

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- 7.12 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 7.13 Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 7.14 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 7.15 Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are any significant doubts about its credit quality, even though it may meet the normal credit rating criteria for lending.
- 7.16 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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7.17 Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

7.18 Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 4: Non-Specified Investment Limits

	Cash limit
Total long-term investments	Higher of £30m or 30% of total investments
Total investments without credit ratings or rated below A-	Lower of £30m or 40% of total investments
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£30m

7.19 Investment Limits: The Authority’s revenue reserves available to cover investment losses are forecast to be c. £11.4 million on 31st March 2016. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will normally be £20 million (though the Head of Finance may increase this for very short periods should cash flow and market conditions require a temporary increase. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts (e.g King and Shaxson), foreign countries and industry sectors as below:

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Table 5: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£20m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£20m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m in total
Registered Providers	£5m in total
Unsecured investments with Building Societies	£5m each
Loans to unrated corporates (including loans to small business via a pooled fund)	£5m in total
Money Market Funds	£10m each

8 Liquidity Management

8.1 The Council uses purpose-built (web-based) cash flow forecasting software to help determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

9 Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

9.1 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target
Portfolio average credit score	6.0

9.2 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

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	Target
Total cash available within 3 months (above estimated cash flow requirements)	£10m

- 9.3 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments, as percentage of fixed rate debt).

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	120%	120%	120%
Upper limit on variable interest rate exposure	50%	50%	50%

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 9.4 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity Structure of Borrowing	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and within 20 years	100%	40%
20 years and within 30 years	100%	
30 years and within 40 years	100%	
40 years and within 50 years	100%	
50 years and above	100%	

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment

- 9.5 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£20m	£20m	£10m

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- 10 Policy on Use of Financial Derivatives
- 10.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 10.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 10.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 11 Policy on Apportioning Interest to the HRA: Reform of the Housing Revenue Account Subsidy system was completed at the end of 2011/12, when we were required to pay DCLG £147.8m. Prior to 2012/13 we were required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by DCLG. The Council has adopted a policy that it will continue to manage its debt as a single pool using the same regime that applied prior to self financing which will set out how interest charges attributable to the HRA will be determined, because self financing did not result in a material change to the average interest rate paid. However, it is intended to review this approach during the course of 2015/16.
- 11.2 The HRA also has a notional cash balance which may be positive or negative. This balance is measured each month and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short-term borrowing.
- 11.3 Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

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- 11.4 **Investment Advisers:** The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. We have at least two meetings per annum with Arlingclose, and make contact whenever advice is needed.
- 11.5 **Investment of Money Borrowed in Advance of Need:** The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.
- 11.6 The total amount borrowed will not exceed the authorised borrowing limit of £400 million. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.
- 12 **Financial Implications**
- 12.1 The estimate for investment income in 2015/16 is £100k, based on an average investment portfolio of at least £25 million at an interest rate of 0.4%. The budget for debt interest paid in 2015/16 is £11.3 million, based on an average debt portfolio of £307 million at an average interest rate of 3.7%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.
- 13 **Other Options Considered**
- 13.1 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance (as Chief Financial Officer), having consulted as necessary, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties and/or for longer times	Interest income may be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default;

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		however long-term interest costs will be more certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain and there will be premature repayment costs that are likely to exceed any gain, at least in the short term

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Annex A - Arlingclose Economic & Interest Rate Forecast January 2015

Underlying assumptions:

- The UK economic recovery slowed towards the end of 2014, with economic and political uncertainty weighing on business investment. However, the Q3 growth rate of 0.7% remains slightly above the long run average, suggesting the recovery remains robust.
- Household consumption is key to the recovery in 2015. While we expect consumption growth to slow, given softening housing market activity and slower employment growth, the fall in inflation and resulting rise in both real (and nominal) wage growth and disposable income should support spending.
- Inflationary pressure is currently low (annual CPI is currently 0.5%) and is likely to remain so in the short-term. The fall in oil prices has yet to feed fully into the prices of motor fuel and retail energy and CPI is expected to fall further. Supermarket price wars are also expected to bear down on food price inflation.
- The MPC's focus is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee.
- Nominal earnings growth is strengthening, but remains relatively weak in historical terms, despite large falls in unemployment. Our view is that spare capacity remains extensive. The levels of part-time, self-employment and underemployment are significant and indicate capacity within the employed workforce, in addition to the still large unemployed pool. Productivity growth can therefore remain weak in the short term without creating undue inflationary pressure.
- However, we also expect employment growth to slow as economic growth decelerates. This is likely to boost productivity, which will bear down on unit labour costs and inflationary pressure.
- In addition to the lack of wage and inflationary pressures, policymakers are evidently concerned about the bleak prospects for the Eurozone. These factors will maintain the dovish stance of the MPC in the medium term. The MPC clearly believes the appropriate level for Bank Rate for the post-crisis UK economy is significantly lower than the previous norm. We would suggest this is between 2.5 and 3.5%.
- The ECB has introduced outright QE as expected. While this may alleviate some of the anxiety about the economic potential of the Eurozone, political risk remains significant (e.g. Greek election). Therefore fears for the Eurozone are likely to maintain a safe haven bid for UK government debt.

Forecast:

- We continue to forecast the first rise in official interest rates in Q3 2015, but the risks to this forecast are very much weighted to the downside. The February Inflation Report will be key to our review of the possible path for Bank Rate.
- We project a slow rise in Bank Rate. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.
- Market sentiment (derived from forward curves) has shifted significantly lower in the past three months; market expectations are now for a later increase in interest rates and a more muted increase in gilt yields.

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- The short run path for gilt yields has flattened due to the sharp decline in inflation expectations. We project gilt yields on an upward path in the medium term.
- The short run path for gilt yields is flatter due to the deteriorating Eurozone situation. We project gilt yields on an upward path in the medium term.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Official Bank Rate													
Upside risk				0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.75
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month LIBID rate													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.55	0.60	0.80	0.90	1.05	1.15	1.30	1.40	1.55	1.65	1.80	1.95	2.00
Downside risk	0.15	0.20	0.30	0.40	0.55	0.65	0.75	0.85	0.95	0.95	0.95	0.95	1.00
1-yr LIBID rate													
Upside risk	0.10	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.95	1.00	1.20	1.30	1.45	1.55	1.70	1.80	1.95	2.05	2.20	2.35	2.40
Downside risk	0.15	0.20	0.30	0.50	0.55	0.60	0.65	0.70	0.75	0.80	0.80	0.80	0.80
5-yr gilt yield													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50
Arlingclose Central Case	1.10	1.20	1.30	1.40	1.50	1.65	1.80	1.95	2.10	2.20	2.35	2.40	2.50
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.75
10-yr gilt yield													
Upside risk	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50	0.55	0.55
Arlingclose Central Case	1.60	1.70	1.80	1.90	2.00	2.15	2.30	2.45	2.60	2.70	2.85	2.90	3.00
Downside risk	0.35	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.65	0.70	0.70	0.75	0.80
20-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	2.10	2.20	2.30	2.35	2.45	2.50	2.65	2.75	2.90	3.00	3.15	3.20	3.30
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90
50-yr gilt yield													
Upside risk	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55	0.55
Arlingclose Central Case	2.15	2.25	2.35	2.40	2.50	2.55	2.70	2.80	2.95	3.05	3.20	3.25	3.35
Downside risk	0.35	0.40	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.85	0.85	0.90	0.90

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Annex B - Existing Investment & Debt Portfolio Position

	31/12/14 Actual Portfolio £m	31/12/14 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	281.9	3.60
PWLB - Variable Rate	4.8	0.57
LOBO Loans	30.0	4.18
Total External Borrowing	316.7	3.60
Other Long Term Liabilities:		
PFI	33.8	n/a
Finance Leases	1.0	n/a
Total Gross External Debt	351.5	n/a
Investments:		
Short-term investments	47.8	0.7
Total Investments	47.8	0.7
Net Debt	303.7	n/a

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Annex C - Prudential Indicators 2015/16

1 Background

The council is required to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

- 2 Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows

Capital Expenditure and Financing	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	59.96	65.51	33.03	13.38
HRA	9.53	13.89	10.87	9.89
Total Expenditure	69.49	79.40	43.90	23.27
Capital Receipts	16.68	13.92	7.87	6.89
Government Grants	32.54	18.09	6.09	5.39
S106	1.87	3.53	1.25	0.75
Borrowing	18.40	43.86	28.69	10.24
Total Financing	69.49	79.40	43.90	23.27

- 3 Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	214.0	245.5	262.5	275.0
HRA	194.2	194.9	192.9	195.0
Total CFR	408.2	439.4	455.4	460.0

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The CFR is forecast to rise by £50m over the next three years as capital expenditure financed by debt exceeds resources put aside for debt repayment.

- 4 **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council will ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	316.7	326.8	343.5	349
Finance leases	1.0	0.9	0.8	0.7
PFI liabilities	33.7	32.8	31.8	31.0
Total Debt	351.4	360.5	376.1	380.7

Total debt is expected to remain below the CFR during the forecast period

- 5 **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	390	400	400	400
Other long-term liabilities	40	40	40	40
Total Debt	430	440	440	440

- 6 **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Borrowing	400	410	410	410
Other long-term liabilities	40	40	40	40
Total Debt	440	450	450	450

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- 7 **Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Approved %	2014/15 Revised %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund	9.9	9.3	10.1	12.5	16.5
HRA	26.9	26.3	25.9	25.7	25.3

- 8 **Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2014/15 Budget Estimate £	2014/15 Revised Estimate £	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
Increase in Band D Council Tax (in-year)	11.69	6.81	15.80	10.30	3.65
Increase in Band D Council Tax (on-going)	49.34	28.75	66.57	43.29	15.33
Increase in Average Weekly Housing Rents	0.63	0.35	0.49	0.32	0.32

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Annex D - MRP Statement 2015/16

This statement has been revised - the main revision is to move to an “annuity based” MRP system for new capital from 2013/14. Over the life of assets all debt will be repaid, but the annuity method seeks to equalise total financing costs over the asset life with the consequence that generally less debt will be paid off in early years.

1. In 2008/09 and subsequent years identify the general fund adjusted CFR as at 31 March 2008 (excluding the amounts therein in relation to assets under construction) and then apply the 4% reducing balance method to the remaining portion of the CFR in subsequent years. {This continues the practice we had before 2008/09 for historic debt}
2. From 2009/10 where we were able to identify the use of “supported borrowing” we will also apply the CFR (reducing balance) method. {This reflected how supported borrowing was funded at that time in the grant system}
3. For new borrowing from 2008/09 to 2011/12, in respect of asset lives where assets were not funded by borrowing (including assets under construction as at 31 March 2008) we will use an asset life method. We set standard categories of asset life to streamline processes, and these included.
 - major new buildings on Council owned land where a 40-60 year asset life (unless the design life is demonstrably shorter) will be appropriate
 - freehold land - 60 years
 - leasehold land - the life of the lease
 - major extensions to existing buildings, or major remodelling of infrastructure - where a 20-40 year asset life may be more appropriate (according to the design life of the extension/remodelling)
 - major refurbishment of existing buildings - where a 20 year life can reasonably be presumed
 - major transport infrastructure or regeneration schemes (i.e. new roads or major remodelling of junctions) - 30 years (or according to the design life of the infrastructure/regeneration if materially different)
 - other transport capital expenditure - 15 years
 - small items capitalised revenue expenditure - 10 years
 - vehicles, where typically a 5 year life will be reasonable for smaller vehicles; in some cases (e.g. refuse freighters 7-8 years, in line with maintenance contracts) a longer life will be appropriate

We will keep this categorisation under review

4. The asset life method will be used for assets under construction at 31 March 2008 when they are eventually completed unless we are able to identify that their funding was from “supported” borrowing, in which case the CFR method will be used
5. Where investments are made in financial instruments that score as capital expenditure where the Council expects full repayment, no MRP will be made
6. No new borrowing financed capital expenditure was incurred in 2012/13 and no new “supported” borrowing arose after that time. We changed the approach for borrowing financed assets after that time to an annuity method, using asset lives (largely as

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above) and an assumed constant interest rate at the average rate of interest we incurred in the year the expenditure was incurred.

7. From 2013/14 the Council makes an MRP in the HRA of 2% of outstanding HRA debt plus unused “notional” major repairs allowance from the “self-financing” settlement.
8. In addition to MRP determined as above the Council makes MRP in respect of leased and PFI assets that are on balance sheet, which will be equal to the notional debt repayment implicit in the lease/PFI agreement due in each financial year.

Based on the Authority’s estimate of its Capital Financing Requirement on 31st March 2015, the estimate for MRP is as follows:

	31.03.2015 Adjusted CFR* £m	2015/16 Estimated MRP £m
Capital expenditure before 01.04.2007	68.425	2.737
Capital expenditure after 31.03.2007	101.193	6.066
Finance leases and Private Finance Initiative	33.400	0.300
Total General Fund	203.02	9.103
Housing Revenue Account	194.227	3.885
Total	397.25	12.988

*MRP is required to be made on the basis of the adjusted CFR; the adjustment reflected the position at the start of the Prudential System in 2003. The adjustment is a reduction.

GENERAL FUND & SUMMARY COST CENTRE BUDGETS 2014-2015 & 2015-2016

	PAGES	ESTIMATE 2014/2015	PROBABLE 2014/2015	ESTIMATE 2015/2016
		£'000	£'000	£'000
Corporate Support Services	4	12,504	12,198	12,053
Environment & Neighbourhood Services	5	30,102	31,128	34,046
Education, Adult Care & Children Services	6 - 7	72,694	72,694	68,948
Total Directorate Requirements		115,300	116,020	115,047
Capital Financing Costs		12,100	11,795	11,200
Insurance Costs		791	841	891
Property & Pensions Liabilities, Environment Agency Levy, Other Provisions & Cross Council Savings		1,870	1,992	2,187
Redundancy Provision		800	800	800
		130,861	131,448	130,125
Budget Funding Measures				
Use of Reserves		0	604 cr	1,075 cr
Grants		3,851 cr	3,701 cr	4,041 cr
Use of General Fund Balance		217 cr	350 cr	142 cr
Budget Requirement		126,793	126,793	124,867
Less				
Reading Share of Business Rate Income		49,087	49,087	51,556
Business Rate Tarrif Payment		21,767 cr	21,767 cr	22,183 cr
Business Rate Levy Payment		400 cr	400 cr	0
Revenue Support Grant		33,179	33,179	24,295
Reading's Share of Collection Fund Surplus/Deficit		1,617	1,617	2,738
Council Tax Requirement		65,077	65,077	68,461
<u>Forecast General Fund Balance</u>				
<i>1 April</i>		5,230	5,503	5,153
<i>Use of Balances</i>		217	350	142
31 March		5,013	5,153	5,011

	2014-15	2014-15	2015-16 Budget Breakdown				2015-16
	Estimate	Probable	Employee		Gross	Income	Estimate
	Budget	Budget	Costs	Running Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>MANAGING DIRECTOR & CUSTOMER SERVICES</u>							
Reading UK CIC	156	156	223	0	223	-89	134
Managing Director's Office	234	234	192	42	234	0	234
Business Improvement Team	858	858	1,146	160	1,306	-262	1,044
IT Services	4,087	4,137	376	4,200	4,576	-156	4,420
Customer Services	1,884	1,900	1,654	206	1,860	-90	1,770
Entitlement and Assessment	1,568	1,501	2,283	972	3,255	-2,578	677
Housing Benefit & Council Tax	-175	-175	0	82,632	82,632	-82,807	-175
Registration & Bereavement Services	-1,039	-1,154	572	455	1,027	-2,192	-1,165
Berkshire Records	132	132	557	363	920	-804	116
Voluntary Sector Support Team	1,561	1,561	110	1,468	1,578	-91	1,487
MANAGING DIRECTOR & CUSTOMER SERVICES TOTAL	9,266	9,150	7,113	90,498	97,611	-89,069	8,542
<u>FINANCIAL SERVICES</u>							
FINANCIAL SERVICES TOTAL	3,523	3,503	2,383	1,114	3,497	-76	3,422
<u>LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES</u>							
Legal Services	1,494	1,324	2,586	1,410	3,996	-2,782	1,214
Committee Administration	340	340	333	10	343	-8	335
Human Resources & Payroll	1,384	1,384	1,111	426	1,537	-165	1,372
Elections/Electoral Registration	394	394	178	336	514	-103	411
LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES TOTAL	3,612	3,442	4,208	2,182	6,390	-3,058	3,332
<u>COMMUNICATION</u>							
Marketing + Pub.Relations-	543	543	325	150	475	-6	470
Mayoralty & Lord Lieutenant	82	82	69	64	132	-50	82
COMMUNICATION TOTAL	625	625	394	214	607	-56	552
PUBLIC HEALTH TOTAL	0	0	400	7,812	8,212	-8,212	0
Corporate Support Services Directorate Services TOTAL	17,026	16,720	14,498	101,820	116,317	-100,471	15,848
Recharge to non General Fund Services	-4,522	-4,522				-3,795	-3,795
Corporate Support Services Directorate TOTAL	12,504	12,198	14,498	101,820	116,317	-104,266	12,053

	2014-15	2014-15	2015-16 Budget Breakdown				2015-16
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHILDRENS SERVICES							
Children's Social Care General	1,527	1,669	2,109	-87	2,022	-24	1,998
CAT Teams and Childrens Centres	3,671	3,501	4,369	100	4,469	-1,117	3,352
Family Placement	2,751	2,822	2,524	395	2,919	-70	2,849
Locality Teams	2,963	3,116	2,589	427	3,016	0	3,016
Childrens LAC Placement	8,806	8,957	0	9,825	9,825	-151	9,674
Service Improvement	1,523	1,583	1,438	165	1,603	0	1,603
Asylum Seekers	26	26	70	106	176	-149	27
Intensive Support	1,383	1,383	1,712	1,015	2,727	-1,228	1,499
CHILDRENS SERVICES TOTAL	22,650	23,057	14,811	11,946	26,757	-2,739	24,018
ADULT SERVICES							
ASC Management	1,621	1,398	820	2,082	2,902	-5,223	-2,321
ASC Group Homes and Properties	-64	-76	19	77	96	-200	-104
Learning Disability Services	16,028	16,411	2,811	14,095	16,906	-1,354	15,552
Mental Health Services	4,270	4,209	1,473	3,146	4,619	-332	4,287
Physical Disability Services	3,532	3,738	0	3,923	3,923	-545	3,378
Older People Services	9,957	10,161	0	14,358	14,358	-4,789	9,569
OP/PD Managed Services	7,303	7,155	6,588	1,343	7,931	-603	7,328
DAAT and Safeguarding	228	333	564	2,307	2,871	-2,526	345
ADULT SERVICES TOTAL	42,875	43,329	12,275	41,331	53,606	-15,572	38,034
EDUCATION SERVICES							
Education General	593	615	2,519	-76	2,443	-1,662	781
Early Years	7,460	7,333	1,260	6,825	8,085	-984	7,101
School Improvement	1,314	1,334	1,307	596	1,903	-762	1,141
Special Education Needs	14,821	14,821	220	14,754	14,974	-100	14,874
School Support Services	494	494	683	515	1,198	-675	523
EDUCATION SERVICES TOTAL	24,682	24,597	5,989	22,614	28,603	-4,183	24,420
COMMISSIONING & IMPROVEMENT SERVICES							
Head of Commissioning	-327	-327	229	-547	-318	0	-318
Performance and Data Services	297	262	455	-47	408	-151	257
Commissioning Services	1,813	1,663	911	1,046	1,957	-100	1,857
Operation and Support Services	167	167	545	47	592	-92	500
COMMISSIONING & IMPROVEMENT SERVICES TOTAL	1,950	1,765	2,140	499	2,639	-343	2,296
DIRECTORATE OTHER TOTAL	1,209	618	476	378	854	0	854

	2014-15	2014-15	2015-16 Budget Breakdown				2015-16
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
SCHOOLS							
Schools - ISB	51,365	51,365	0	52,628	52,628	0	52,628
Schools Block	-72,037	-72,037	550	1,438	1,988	-75,290	-73,302
SCHOOLS TOTAL *	-20,672	-20,672	550	54,066	54,616	-75,290	-20,674
DIRECTORATE OF EDUCATION, ADULT & CHILDREN SERVICES TO	72,694	72,694	36,241	130,834	167,075	-98,127	68,948

* For further detail on the overall Schools budget please see Appendix 9

	2014-15	2014-15	2015-16 Budget Breakdown				2015-16
	Estimate	Probable	Employee	Gross			Estimate
	Budget	Budget	Costs	Running Costs	Expenditure	Income	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>TRANSPORTATION AND STREET CARE</u>							
Neighbourhood Services	4,362	4,494	4,123	2,791	6,914	-2,464	4,450
Streetcare Services	4,758	4,693	2,875	3,291	6,166	-1,467	4,699
Network and Parking Services	-4,202	-3,502	1,148	4,752	5,900	-9,522	-3,622
Waste Disposal	7,543	7,663	169	9,288	9,457	-1,393	8,064
Transportation Services	6,101	5,696	874	5,945	6,819	-723	6,096
TRANSPORTATION AND STREET CARE TOTAL	18,562	19,044	9,189	26,067	35,256	-15,569	19,687
<u>PLANNING, DEVELOPMENT & REGULATORY SERVICES</u>							
Sustainability	55	96	200	92	292	-225	67
Building Maintenance	1,033	1,033	1,325	971	2,296	-1,369	927
Corporate Buildings	2,034	2,134	873	1,493	2,366	-320	2,046
Office Services	591	671	247	1,062	1,309	-715	594
Youth Buildings	230	230	242	278	520	-280	240
Land & Property Development	-893	-780	252	253	505	-1,386	-881
Regulatory Services	1,297	1,195	2,459	941	3,400	-2,016	1,384
Planning	532	492	1,090	229	1,319	-819	500
Building Control	101	101	477	62	539	-429	110
Health & Safety	143	143	175	64	239	-35	204
Building Cleaning and Public Conveniences	78	78	1,261	178	1,439	-1,337	102
PLANNING, DEVELOPMENT & REGULATORY SERVICES TOTAL	5,201	5,393	8,601	5,623	14,224	-8,931	5,293
<u>HOUSING & NEIGHBOURHOOD SERVICES</u>							
Libraries	1,526	1,526	1,123	533	1,656	-230	1,426
Community Safety and Neighbourhood Initiatives	358	338	374	-184	190	-86	104
Housing Building Maintenance	26	26	3,949	5,464	9,413	-9,414	-1
Housing GF	1,871	2,341	723	4,921	5,644	-1,308	4,336
Property Development	48	48	97	2	99	-46	53
HOUSING & NEIGHBOURHOOD SERVICES TOTAL	3,829	4,279	6,266	10,736	17,002	-11,084	5,918
<u>ECONOMIC & CULTURAL DEVELOPMENT</u>							
Sports & Leisure	919	1,021	1,695	1,143	2,838	-1,780	1,058
Business Development	0	0	155	20	175	0	175
Arts Venues	502	430	1,073	2,797	3,869	-3,475	394
Town Hall & Museum	837	809	1,049	678	1,727	-863	864
Culture & Sport Grants	74	74	0	74	74	0	74
New Directions	213	213	1,359	398	1,757	-1,477	280
ECONOMIC & CULTURAL DEVELOPMENT TOTAL	2,545	2,547	5,331	5,110	10,440	-7,595	2,845
DENS Directorate-	-35	-135	644	-140	504	-201	303
Environment & Neighbourhood Services Directorate TOTAL	30,102	31,128	30,031	47,396	77,426	-43,380	34,046

Appendix 8

CAPITAL PROGRAMME 2015-18

	2015/16	2016/17	2017/18	Funding 2015/16 £' 000				Total	Funding 2016/17 £' 000				Total	Funding 2017/18 £' 000				Total
				Grant	S106s	Receipts	Borrowing		Grant	S106s	Receipts	Borrowing		Grant	S106s	Receipts	Borrowing	
Service Priority: Safeguarding and protecting those that are most vulnerable																		
Voluntary Sector Support	100	100	100				100	100			100	100			100	100		
Oxford Rd Community Centre	150						150	150										
Supported Living - Avenue Site (Ringfenced Grant)	1,750						1,550	1,750										
Disabled Facilities Grants (Private Sector-Ringfenced Grant)	700	500	500	380			320	700	380		120	500	380		120	500		
Disabled Facilities Grants (Local Authority Tenants)	550	390	390			550		550		390		390		390		390		
Multi Agency Safeguarding Hub	45						45	45										
	3,295	990	990	580	-	550	2,165	3,295	380	-	390	220	990	380	-	390	220	990
Service Priority: Providing the best life through education, early help and healthy living																		
AMU	700	700	700	700				700	700				700	700			700	
Schools - Fire Risk Assessed remedial Works	300	300	300	300				300	300				300	300			300	
Critical Reactive Contingency: Health and safety (Schools)	350	350	350	350				350	350				350	350			350	
Primary School Expansion Programme (Ringfenced grant)	33,777	17,197	1,000	12,449	500	3,500	17,328	33,777			17,197	17,197			1,000	1,000		
Basic Need (Schools)	286	300	300	286				286	300			300	300				300	
	35,413	18,847	2,650	14,085	500	3,500	17,328	35,413	1,650	-	-	17,197	18,847	1,650	-	-	1,000	2,650
Service Priority: Providing homes for those in most need																		
Housing Revenue Account-Major Repairs	8,587	7,480	6,500				8,587	8,587		7,480		7,480			6,500		6,500	
Housing Revenue Account-New Build	2,000	3,000	3,000				2,000	2,000			3,000	3,000				3,000	3,000	
Housing Revenue Account-Solar Panels	1,000						1,000	1,000										
Private Sector Renewals	500	500	500				500	500			500	500			500	500		
Dee Park Regeneration	350	350	350				350	350		350		350			350	350		
Kenavon Drive Units	595				385	210		595										
	13,032	11,330	10,350	-	385	8,797	3,850	13,032	-	-	7,480	3,850	11,330	-	-	6,500	3,850	10,350
Service priority: Keeping the town clean, safe, green and active																		
Central Club	220						220	220										
Hosier Street Regeneration	6,500	1,000					6,500	6,500		1,000		1,000						
Safer Communities	110	80	80				110	110		80		80		80		80		
The Keep	100						100	100										
Mapledurham	90				90			90										
Small Leisure Schemes	500	500	500		500			500		500		500		500		500		
Abbey Quarter	85	1,875	1,085	30	55			85	1,125	750		1,875	475	250	360	1,085		
Tree Planting	50	50	50				50	50			50	50			50	50		
Invest to Save Salix (match funding for Energy Efficiency Schemes)	250	250	250				250	250			250	250			250	250		
Invest to Save Energy Savings (excluding Street Lighting)	600	1,500					600	600			1,500	1,500						
	8,505	5,255	1,965	30	645	-	7,830	8,505	1,125	1,250	-	2,880	5,255	475	750	-	740	1,965
Service Priority: Providing infrastructure to support the economy																		
LSTF Large	3,000				2,000		1,000	3,000										
Integrated Transport Block (LSTF Match funding)	1,580	1,580	1,580	1,580				1,580	1,580				1,580	1,580			1,580	
Pinch Point Schemes (Ringfenced grant)	870					870		870										
Station Interchange	200					200		200										
Bridges and Carriageways	1,472	1,350	1,309	1,472				1,472	1,350			1,350	1,350	1,309		1,309		
Car Parking Equipment	80						80	80										
Lease to RTL (Bus Purchase)	3,390						3,390	3,390										
Culture & Leisure facilities	200	200	200				200	200			200	200			200	200		
Cemeteries and Crematorium	80						80	80										
Rivermead Essential Works	805	115					805	805			115	115						
	11,677	3,245	3,089	3,052	2,000	1,070	5,555	11,677	2,930	-	-	315	3,245	2,889	-	-	200	3,089
Service Priority: Remaining financially sustainable to deliver these service priorities																		
ICT Infrastructure (Invest to save)	2,400	1,000	1,000				2,400	2,400			1,000	1,000			1,000	1,000		
Replacement Vehicles	500	500	500				500	500			500	500			500	500		
Invest in council buildings & maximise use to create efficient services	1,255	1,000	1,000				1,255	1,255			1,000	1,000			1,000	1,000		
Health & Safety works to Council buildings	1,500	1,500	1,500				1,500	1,500			1,500	1,500			1,500	1,500		
Community Hubs	700						700	700										
Capitalisation	450	230	230				450	450		230		230		230		230		
Civic Offices Relocation	325						325	325										
Frameworkki' System Upgrade	343			343				343										
	7,473	4,230	4,230	343	-	-	7,130	7,473	-	-	-	4,230	4,230	-	-	-	4,230	4,230
	79,395	43,897	23,274	18,090	3,530	13,917	43,858	79,395	6,085	1,250	7,870	28,692	43,897	5,394	750	6,890	10,240	23,274
Less HRA	13,887	10,870	9,890	200	0	9,137	4,550	13,887	0	0	7,870	3,000	10,870	0	0	6,890	3,000	9,890
Less Lease to RTL	3,390	0	0				3,390	3,390										
General Fund	62,118	33,027	13,384	17,890	3,530	4,780	35,918	62,118	6,085	1,250	-	25,692	33,027	5,394	750	-	7,240	13,384

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Dedicated Schools Grant & Other Education Funding

The Dedicated Schools Grant (DSG) is a ring fenced grant to fund Education Services, the vast majority of which goes to schools and education providers for pupils and early years children, via a funding formula which the Authority and Schools Forum a decision making body on funding (which includes local academies and free schools) can exert some influence over, although much of this formula is nationally determined.

The DSG is split into three notional blocks: the Early Years Block, the Schools Block and the High Needs Block. Councils can transfer funding between the blocks but should generally consult with Schools Forum.

Please see table below for information regarding the amount of funding available for each block and the agreed transfers for the 2015/16 financial year. The table shows allocations published by the EFA on their website on the link also below.

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2015-to-2016>

2015-16 DSG funding available as at January 15 (£m)
(before academy recoupment)

	Early Years (Provisional)	Schools Block	High Needs	2015-16 Total
DSG as per DfE	9.3	78.8	17.0	105.1
Delegation of mainstream special needs funding		1.1	-1.1	0.0
Cumulative transfer of funding for new nurture groups		-0.1	0.1	0.0
Cumulative transfer to High Needs block for pressures		-0.9	0.9	0.0
Total funding available	9.3	78.9	16.9	105.1

In terms of a comparison the DSG was £97m in 2014/15. Of the £8.1m increase between years, £5.7m relates to funding which effectively goes directly to pre 2010 academies and post 2010 free schools who are being fully incorporated into the local funding formula. The residual increase between years largely relates to pupil numbers increases between years.

We consider each of the blocks in turn.

Schools' Block

The Schools Block funding levels and schools funding formula for 2015-16 are based on the October 2014 count of pupil numbers in schools across the borough.

Schools Funding Formula

There was no new full national formula for schools introduced for 2015/16 as had been widely anticipated. However, following consultation with Schools Forum and schools in the borough, there have been some changes to the schools funding formula between 2014-15 and 2015-16. This included increasing the secondary age weighted pupil funding rates to minimum national suggested levels and by also introducing a factor on low prior attainment in the formula for both secondary and primary levels, reducing the over-reliance on deprivation-only factors in line with the majority of local authorities nationally, and in particular given the introduction of pupil premium grant. The “notional SEN” budget was also increased to 10% of the overall individual schools budget in recognition of the increasing need for all settings to support children with additional needs. These latter two changes are targeted on local ‘narrowing the gap’ priorities for children with special needs.

Academies receive funding using the same local formula as maintained schools and from the September academic year (this is the basis on which the EFA funds academies) the pre 2010 academy, John Madejski Academy and post 2010 free schools All Saints Junior, The Heights and Reading UTC will receive funding on largely the same basis.

Despite the changes to the formula, the Minimum Funding Guarantee, provides some protection to schools from changes to formula funding from one year to the next, ensuring that no loss greater than the level of -1.5% per pupil between years. This means that Schools are protected to a great extent from funding losses caused by changes in the formula. However this will not protect schools if there is a reduction in the number of pupils in the census.

The total formula funding, before certain retentions, including de-delegations (which is explained below), by phase is: Primary £48.4m and Secondary £27.9m.

Centrally Retained Funding

Local Authorities can retain funding centrally from DSG; however, it has to meet certain criteria imposed by the EFA and also be approved by the Schools Forum. Most expenditure in these areas cannot be increased other than that for a provision for equal pay back pay in schools and the growth fund, which reflects the revenue effects of the planned primary school expansion programme and also any falling rolls. The equal pay back pay provision and the growth Fund for 2015/16 remained at their 2014/15 levels, namely £0.5m and £1m levels respectively.

De-delegation, if agreed by maintained schools by phase, involves the taking back of funding from maintained schools on the same basis as the formula allocation in order for a certain service to be managed centrally by the

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Council. This year there were a small number of new de-delegations in particular on School Improvement Services (£250k) and for Schools in Financial Difficulty (£50k) reflecting the priority of 'narrowing the gap' in attainment in schools across the borough.

All of the central retentions and de-delegations proposed by the Authority were agreed by Schools Forum on 15 January 2015. The table below shows the amount of retained funding agreed by Schools' Forum and also de-delegations agreed by members representing maintained schools: -

DSG retentions and De-delegations	Amount £m
Retentions: -	
Growth Fund	1.027
Contribution to Council Services meeting government criteria	0.630
Equal pay back pay claims	0.531
Contribution to capital borrowing costs	0.050
Redundancy costs	0.025
School Admissions service contribution	0.109
Schools' Forum costs	0.020
Capital Expenditure from Revenue (costs of providing Kitchen Equipment to schools)	0.142
Copyright licences (CLA and MPA) in schools	0.080
Total retentions	2.614
De-delegations: -	
Behaviour Support	0.135
Support for under-achieving and EAL ethnic groups	0.085
Staff Supply cover - Union duties	0.051
School Improvement Service Contribution	0.250
Help Schools in Financial Difficulty	0.050
Total de-delegations	0.571

The total level of retentions agreed by Schools' Forum is £2.6m. The Maintained School Members of Schools' Forum have also agreed de-delegations totalling £0.6m.

Headroom and Transfers

There is an element of funding received on the DSG which is over and above what is required to be retained and paid to schools is called headroom. The allocation of headroom is a matter for the Council but there is a duty to consult Schools Forum. This year the priority for this funding is the high needs block (see later section). The Schools Forum was consulted at the December 2014 & January 2015 about the Authority's proposal to transfer an increase of £0.5m from schools block headroom into the high needs block in 2015/16 given the pressures in that area. The Council has proceeded with this decision in the absence of any objections from Schools Forum.

Early Years Block

The provisional Early Years Block funding published by the DfE is based on January 2015 school census numbers. However, the allocations will be updated during 2015-16 so that by the end of March 16 Early Years block funding will be based on a combination of the January 15 and January 16 census counts. The funding of free entitlement of 3 and 4 year olds through the Early Years Single Funding Formula (EYSFF) to providers will be based on participation each term. Funding for 2 year olds will now move onto the same census basis as the rest of the early years from 1 April 2015.

The bulk of funding from the Early Years block will be used to fund the 15 hours per week free entitlement for three and four olds through the Early Years Single Funding Formula. Funding is also provided for free entitlement for two year olds from deprived backgrounds which was being phased in over previous years but is now moving to a participation basis from April 2015 (based upon January 15 census). Schools' Forum have in principle agreed to approve an additional retention of £100k for rising 3s and as a contribution towards the cost of running the early years team, the details of which are being decided by a Schools Forum sub group in March 2015.

High Needs Block

The High Needs Block is the funding the Council will receive from the Education Funding Agency (EFA) for high needs children based upon 2012/13 historic allocations plus an element of growth. This includes the funding previously allocated through the formula for Special Schools, Resource Units and funds held centrally for the Pupil Referral Unit. Other services such as post 16 SEN funding and Transport are funded from this block.

The Council has agreed the number of places at the SEN and alternative provision within the borough's boundaries which will guarantee a certain amount of funding per place (between £8 and £10k) for providers. The Council is a commissioner of specialist provision, having responsibility for providing 'top up' funding for those children and young people assessed as requiring this and hold a central budget for SEN Services as part of the High Needs Block. These 'top ups' may also apply to children in mainstream provision and a new system of school cluster based panels have been set up to moderate and make determinations on funding top ups in line with the recommendations made by an independent consultant commissioned by, and agreed, with Schools Forum.

The high needs block has come under significant financial pressure in 2014/15 with an expected overspend of £1.3m. In consultation with Schools Forum it has been agreed that £0.4m of DSG surplus carried forward from 2013/14 be applied to this, together with an expected £0.1m forecast underspend on the Schools Block for 2014/15. The balance of £0.8m is expected to be funded by savings to be transferred from an under spend on

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the early years block in 2014/15 due to phasing of 2 year old places. The Authority will take the proposed decision, which will balance the position on the high needs block at the 2014/15 financial year end, to the March 2015 meeting of Schools Forum for consultation.

For 2015/16 after the application of £0.5m of schools block headroom, as noted above, the budget gap on the high needs block is £0.9m. Schools Forum and the Authority have formed a working group charged with developing system-wide proposals to reshape provision to bridge that funding gap for discussion and agreement at the Schools Forum meeting in March 2015.

Post 16 Funding

This funding is identified separately by the EFA and is pass-ported to post 16 provision in the borough including the base element for special schools.

Pupil Premium Grant

Pupil premium is a ring fenced grant outside the DSG determined by children meeting certain criteria including children registered for free school meals and looked after children with funding passed directly to relevant settings. The 2015/16 illustrative allocation tables have not yet been published by EFA and publication is likely to be close to the end of the current financial year, although no significant increases in rates from 2015/16 are expected. Final pupil premium allocations will be determined by numbers of children on roll at the January 2015 census. There is also a separate grant for Universal Infant Free School Meals which is pass-ported to Primary Schools with Infant Classes for that purpose.

Pupil premium for early year's children is being introduced at a rate of £300 per eligible pupil, with the borough expected to receive £167,000 in 2015/16. The premium will be offered on an hourly rate and will be based on the participation and take up of the child. Not all children take the full entitlement, so those children taking reduced hours will receive less than the estimated £300 per child per annum.

Education Service Grant

The Council also receives Education Services Grant for a number of statutory and legacy services and ongoing education liabilities on the basis of a standard amount for maintained school pupils and a much smaller amount for academy pupils. This grant reduces as more schools convert to Academy status and the overall funding rates have also been reduced from £113 per pupil to £87 per pupil for mainstream pupils from 2014/15 to 2015/16. The Council will receive £1.48m in 2015/16 as compared to £1.79m in 2014/15, a £0.31m reduction in grant. Academies receive a separate grant for services which they either provide or buy back.

Equality Impact Assessment

Name of proposal/activity/policy to be assessed

COUNCIL BUDGET 2015-18

Directorate: All

Service: Council-wide

Name and job title of person doing the assessment

Name: Clare Muir

Job Title: Policy and Voluntary Sector Manager

Date of assessment: 3rd February 2015

What is the aim of your policy or new service?

To set the Council's Budget for 2015-18. The Council's Financial Plan sets out:

- How the Council's resources will be used to deliver the Administration's priorities within a challenging financial environment;
- The agreed changes for delivering a sustainable revenue budget and capital programme over the medium term for the Council to ensure services can be delivered for residents; and
- The broad process we will use to deliver savings solutions as a result of government grant reductions and service pressures; over time this means that the shape of council services will continue to change.

Our plan covers a rolling period of three years but will be reviewed at least annually by Policy Committee/Council. Updates will reflect the changing nature of our service delivery and changes in funding.

Because central government has not published details of the amount of grant after 2015/16 either at a national or individual authority level, that is an area of uncertainty, but following the Autumn Statement the direction of travel is clear.

Who will benefit from this proposal and how?

Setting a budget benefits residents and businesses because they will be clear about how we will pay for things in the future; and how we will manage the change where we won't be able to afford to do things in the coming years.

What outcomes will the change achieve and for whom?

The Finance Chapter of the Corporate Plan sets out the Council's financial strategy and describes how the Council plans to use available resources to deliver the priorities of the Corporate Plan which focuses our efforts to help narrow the gaps within Reading around 6 service priorities:

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Appendix 10

1. Safeguarding and protecting those that are most vulnerable
2. Providing the best life through education, early help and healthy living
3. Providing homes for those in most need
4. Keeping the town clean, safe, green and active
5. Providing infrastructure to support the economy
6. Remaining financially sustainable to deliver these service priorities

Who are the main stakeholders and what do they want?

Residents/communities, businesses, councillors and council staff in Reading. Stakeholders have told us their views and what matters most to them through consultations, feedback we receive in forums such as the Neighbourhood Action Groups, Access and Disabilities Working Group, among others. Through this we know that reducing level of crime; good schools; good neighbours; clean streets; affordable decent housing; health services; and public transport are important to people. We know from the numbers attending our annual Council community events over the last three years that people are concerned about tackling poverty.

Assessment of Relevance and Impact

Specific savings and income proposals set out in this budget were reported to Council in February 2014 and Policy Committee in September 2014 along with an equality impact assessment. Further savings proposals have been identified since that date. Appendix 1 provides an initial assessment of relevance and likely equality impact of these additional proposals, along with updated information on the equality impact assessments identified in the September report.

Signed Clare Muir

Date 6th February 2015

Signed Ian Wardle

Date 6th February, 2015

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Appendix 10a
Equality Impact Assessment Update

Saving Proposal	Equality Impact Assessment
Increase independent travel to schools where most children receive transport, parents who choose to place their children in faith schools will no longer be eligible for free transport (subject to consultation).	Pilot underway in place in one school to test with parents, inform the development of policy and identify any equality impact.
Achieve efficiencies resulting from the colocation of CCTV monitoring associated with the Reading town safe initiative and the traffic control centre in the Plaza West Civic Offices.	Reshape exercise - included an Equality Impact Assessment, as part of the formal staff consultation process and considered by management in their decision.
Expand the geographical coverage of on-street Pay & Display in the town centre and the surrounding area where there is high parking demand.	A full Equalities Impact Assessment will be undertaken as plans are developed.
Withdraw financial support of the Nighttrack bus service and subsidy for evening bus services.	Equality Duty not relevant - service continued by Reading Buses as a commercial undertaking.
Optimise the use of digital technologies, both for the provision of customer services and to engage with residents.	An Equality Impact Assessment was completed and attached to the Digital Strategy when signed off at Policy Committee on the 4th November 2013.
Reduce the budget for purchasing new Library lending stock and reference resources to reflect reducing borrowing; reduce spend in areas of lowest demand; rebalance spend so that proportionately more is spent on children's stock - reflecting the pattern of demand; minimising the impact on groups with protected characteristics. Within existing resource a new e-book offer will be introduced making more efficient use of budget. This will include ceasing purchase of new music scores and play sets, and microfilming of local newspaper formats.	The Equality Implications of this proposal have been considered. Whilst a negative impact was identified for users of community language books, users of large print books and spoken word books this was proportionate to or less than the overall impact that the reduction in the stock fund is likely to have on all library users. Stock levels and issues of specific stock areas will continue to be measured in order to monitor the impact on those areas, and to revise spending patterns if necessary. Measures which are currently taken to maximise the use of all stock across all sites - i.e. stock circulation and the request system - will continue.
Public Health: a. Achieve efficiencies by jointly procuring a sexual health service for Berkshire. b. Explore opportunities for achieving efficiencies through the delivery of the National Healthy Children Programme across Berkshire.	a. An Equality Impact Assessment was completed in March 2013 and went through the appropriate Bracknell Forest route as the Berkshire shared Public Health team led on the procurement. b. An Equality Impact Assessment will be completed when commissioning starts in October 2015 but will be managed by the shared Public Health team in Bracknell Forest.
Limit the focus of the Sustainability Team to energy management for the organisation, fuel poverty and housing energy efficiency.	Reshape exercise - included an Equality Impact Assessment, as part of the formal staff consultation process and considered by management in their decision.

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Appendix 10a
Equality Impact Assessment Update

Reduce support for childcare providers and early years settings, with the exception of Safeguarding training, to focus on those that need to improve their quality as judged by OfSTED	A full Equalities Impact Assessment will be undertaken as plans are developed.
Reconfigure Learning Disability Day Services with greater emphasis on day opportunities and independence.	A full Equalities Impact Assessment will be undertaken as plans are developed.
Management review of LD providers services and to generate additional income by allowing other local and health authorities to use available bed spaces (Learning Disability respite)	Reshape exercise - included an Equality Impact Assessment, as part of the formal staff consultation process and considered by management in their decision.
Control the rate at which new adult social care packages (residential and nursing) are commissioned, reduce the number of higher cost placements and offer new service users needing a care home placement options from a wider geographical area. Reduce care packages as people achieve greater independence.	Equality Duty not relevant - proposals included in the Social Care Strategy agreed by ACE Committee in July 14.
Review mental health day services in Prospect Hospital.	The equality implications of this proposal have been considered and a full Equalities Impact Assessment will be undertaken as plans are developed.
Reprovide specialist day service for vulnerable or very frail older people and promote day opportunities within the community	The equality implications of this proposal have been considered and a full Equalities Impact Assessment will be undertaken as plans are developed following consultation which, subject to approval of ACE Committee, will be launched in March 15
Reconfigure the Personal Budgets Support Service to meet requirements of the Care Act.	Reshape exercise - included an Equality Impact Assessment, as part of the formal staff consultation process and considered by management in their decision.
Introduce criteria for use of ASC transport based on assessed need.	The equality implications of this proposal have been considered and a full Equalities Impact Assessment will be undertaken as plans are developed.
Review of care packages for people receiving Mental Health services; supporting greater independence and changes to way care is provided.	Equality Duty not relevant - proposals included in the Social Care Strategy agreed by ACE Committee in July 14.
Review care packages for people receiving Learning Disability services; supporting greater independence and changes to way care is provided.	Equality Duty not relevant - proposals included in the Social Care Strategy agreed by ACE Committee in July 14.
Continue to move away from Residential placements by supporting older people through Extra care and care and services provided at home.	Equalities Impact Assessment are undertaken as each site is identified for potential development as an extra care facility.

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Changed model of support and increased focus on prevention reduces workforce requirements in social care.	Equality Duty not relevant - proposals included in the Social Care Strategy agreed by ACE Committee in July 14.
Commission a new Nursing Home with a reduction in costs compared to current activity.	Equality Impact Assessment included in report approved by Policy Committee in January 15
<p>Crematorium Bereavement and Registration service</p> <p>Enable on-line booking by funeral directors. Increased memorial sales. Only opening the cemetery office on a Saturday morning, when it is required. Additional income from better use of rooms and offering new services. Additional income by increasing the number of Register Office ceremonies. Reduce certificate production through increased online and phone ordering.</p>	<p>No Negative impact</p> <p><u>Bereavement Service:</u> There will a small impact of those members of the public who have called into the office at the weekend. However, the weekend customer numbers have always been low and this demand can be covered in the Monday-Friday hours. There will be minimal impact to both funeral directors and their customers as Saturday morning burial and cremation services will be available. In those circumstances, staff will be deployed for the required amount of time as opposed to being on site as part of the weekly demand. Improved well-being and work life balance for staff who currently are required to work on Saturday having worked for a full week. The saving will arise in the reduction of overtime payments to full-time staff.</p> <p><u>Registration Service:</u> The basic statutory option will still be available to those sections of the community who would want to access to a very simple ceremony and so impact to the community would be minimal. There will be no impact to staff. The fee will better reflect the cost of wedding ceremonies while allowing for the statutory basic ceremony to be available.</p>
Regulatory Services (Licensing) Management Saving from process review and improvement, increased digitisation and self-serve	The equality implications of this proposal have been considered risks mitigated in approach to implementation.
Children's Services Increased income following the review of the universal Children's proposal	The equality implications of this proposal have been considered and a full Equalities Impact Assessment will be undertaken as plans are developed.
Theatres Reduced subsidy for the Classical Music Alive Season through better targeted orchestra mix and programme	No negative impact A small reduction in the number of classical concerts
Archives - Management Restructure	Equality Duty not relevant
Neighbourhoods - Police and Crime Commissioner funding of RBC ASB activity is expected to continue for foreseeable future	Equality Duty not relevant

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Policy - Management saving in the Policy Support budget; more focused activity enabling some (largely supply & service) budgets to be reduced by 50%	Equality Duty not relevant
Fleet management - Reduce the Transport and Streetcare fleet	Equality Duty not relevant
Libraries - Additional income from renting out the two vacated floors at Central Library	Equality Duty not relevant
Development - External Recharge of financial modelling, site scoping work, development appraisals, project support, scheme design & option appraisal where appropriate	Equality Duty not relevant
Legal Services - Management saving by reducing supply and services budgets by 50%	Equality Duty not relevant