

**READING BOROUGH COUNCIL**  
**REPORT BY DIRECTOR OF FINANCE**

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>19 FEBRUARY 2018</b>	<b>AGENDA ITEM:</b>	<b>15</b>
<b>TITLE:</b>	<b>BUDGET 2018/19 &amp; MEDIUM TERM FINANCIAL STRATEGY</b>		
<b>LEAD COUNCILLOR:</b>	<b>CLLR JO LOVELOCK</b>	<b>PORTFOLIO:</b>	<b>LEADER / FINANCE</b>
<b>SERVICE:</b>	<b>FINANCE / CORPORATE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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**1. PURPOSE OF REPORT**

- 1.1. To present to members proposals for the General Fund revenue budget for 2018/19 & Medium Term Financial Strategy (MTFS) for the period to 2020/21, alongside proposals for capital expenditure over the same period. Councillors are asked to consider the proposals and the formal recommendations set out below, some of which are for Council to resolve.

**2. SUMMARY OF THE REPORT**

- 2.1. The Council is proud of its track record of delivering good quality services that support the aspirations & requirements of the residents and businesses of Reading. This is especially so when set against the ongoing impact of Government funding reductions and the increasing demand pressures upon services, especially in children's and adult social care.

- 2.2. It is essential that the Council has robust plans to be financially sustainable so that it can continue to shape and influence the future of Reading and play its part in protecting the most vulnerable by:

- Ensuring that Reading achieves sustainable growth, which provides a wide range of job opportunities for people living in Reading and beyond.
- Ensuring that there are enough new homes and associated infrastructure to meet local needs.
- Protecting and enhancing the life outcomes of vulnerable adults and children.
- Keeping Reading's environment clean, green and safe.

- Ensuring that there are good education, leisure and cultural opportunities for people in Reading.

More detail of these priorities and plans will be set out in the Corporate Plan, which is being developed and will be presented to the Council later in the year.

2.3. Delivering these priorities against funding and demand pressures will require the Council to act effectively, efficiently and with clear focus and determination. Indeed the Policy Committee in January 2018 resolved to require officers to develop more radical proposals to close the financial gap, including steps to:

- Alter service levels where current ones are no longer affordable;
- Look for locally developed alternative delivery models in appropriate service areas;
- Positively test existing services against the market;
- Restrict the growth of employment costs

2.4. The report to the January Policy Committee noted that in order to deliver everything that the Council does now, in largely the way that it is currently done, then the Council would need £43.2m more than is forecast to be available over the period to 2020/21. Proposals, including those presented to the July 2017 Policy Committee, have been developed to seek to bridge that gap. In order to make swift progress, savings proposals of £3.7m, £4.4m & £3.3m, for 2018/19, 2019/20 and 2020/21 respectively, were presented to and agreed by the Policy Committee in January 2018 with appropriate delegation to Directors to implement as soon as possible (after undertaking any necessary consultation).

2.5. Further proposals for savings and/or income generation have continued to be developed and are presented in this report for councillors' consideration. These proposals amount to £3.6m in 2018/19, £3.9m in 2019/20 and £4.4m in 2021/21. If agreed then these proposals will allow a balanced budget to be set for 2018/19 and they will provide for a balanced MTFS. However, as explained in the report, it has not been possible to identify ongoing savings for each year of the MTFS, so some use of balances is required to enable one-off funding and the over-achievement of savings in earlier years to address deficiencies in later years. Overall, it is expected that the proposals, if agreed, will underpin the "going concern" statement that needs to be provided to our external auditors, EY, shortly.

2.6. In addition to the details of the General Fund revenue budget and MTFS, this report also presents proposals for the Housing Revenue Account (HRA). This is a ring-fenced account, which deals with the finances of council housing. Budgets have been prepared in accordance with the business plan for the HRA and taking account of variations required due to the impact of any changes in 2017/18. There are also details of the proposed capital programme within this report, the related treasury management strategy, and an outline capital strategy. In addition the report includes details of the Council's proposed deployment of the Dedicated Schools Grant and an update on the implementation of the Government' 2017 budget Discretionary Rate Relief Scheme. All

these are also for approval and are referred to in relevant appendices (see list at end of the main report)

- 2.7. Councillors will be aware that the Council has not yet achieved a complete and audited set of accounts for 2016/17. Work continues and a further update will be given at the meeting. To date no errors have been found that would lead to concerns about the amount of money spent or received in 2016/17, which in turn would undermine or alleviate the position in subsequent years.
- 2.8. Final Settlement - the Local Government Finance Settlement 2018/19 was approved in Parliament on 7 February. While it confirmed the figures that we already knew about there was also a welcome late addition to funding in the form of a £150m Adult Social Care Grant nationally for 2018/19 only. This translates into £0.355m for Reading Borough Council. Due to the lateness of the announcement, this sum, which must be earmarked for Adult Social Care, is likely to be added to the contingency but is not reflected in any of the tables within the report. These will be amended for the presentation to the Council in due course.

### **3. RECOMMENDED ACTIONS**

#### **3.1. Policy Committee proposes the following recommendations to Council:**

##### **SETTING THE COUNCIL TAX FOR THE READING BOROUGH COUNCIL AREA**

1. That the following, as set out in this report by the Strategic Director of Finance and in the Budget Book, noting the Equality Impact Assessment, be approved:
  - a) The Council's General Fund Budget for the period 2018/21 (Appendix 6)
  - b) The specific revenue estimates for 2018/19
  - c) The capital programme for the period 2018-21
2. It be noted that on 23 January 2018 the Council calculated the Council Tax Base 2018/19 for the whole Council area as 54,850 [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 2018/19 as £1,579.99 (as set out below).

That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act.

- a) £390,542,725 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- b) £303,880,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

c) £86,662,725 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) £1,579.99 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
£	£	£	£	£	£	£	£
1053.33	1228.88	1404.44	1579.99	1931.10	2282.21	2633.32	3159.98

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 2018/19 the 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 Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Police & Crime Commissioner	121.52	141.77	162.03	182.28	222.79	263.29	303.80	364.56

6. That it be noted that for the year 2018/19 the 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 Authority	Valuation Bands							
	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Royal Berkshire Fire & Rescue	42.90	50.06	57.21	64.36	78.65	92.96	107.26	128.72

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 2018/19 for each of the categories of dwelling shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1217.75	1420.71	1623.68	1826.63	2232.54	2638.46	3044.38	3653.26

- 3.2. Committee/Council is requested to approve the Treasury Management, Investment Strategy, Initial Capital Strategy and the Prudential Indicators set out in Appendix 4 and approve the MRP Statement to apply from 2018/19 in Annex A of the strategy, and in particular in connection with the apportionment of interest between the HRA & General Fund. Committee/ Council is asked to authorise the appropriation of non-residential shop units and garage blocks currently held within the HRA (and listed in the background paper on the Council's website together with a borough map showing locations) be appropriated from being held for housing purposes under the Housing Act 1957, to being held for the benefit, improvement and development of the Borough under Section 121 of the Local Government Act 1972, and for land in Norcot currently held under Section 121 of the 1972 Act to be appropriated for housing purposes under the Housing Act 1957, noting that these appropriations will impact the apportionment of interest as set out in the strategy.
- 3.3. Committee/Council is requested (in connection with its consideration of the budget and calculations of Council Tax above) to take account of the statutory advice of the Strategic Finance Director in accordance with S25 of the Local Government Act 2003 on the robustness of the budget and adequacy of financial reserves in Section 6.1 of the report and in particular paragraph 6.1.f.
- 3.4. Council is requested to approve the changes to Fees and Charges outlined in Appendix 3 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.
- 3.5. Policy Committee RESOLVES to agree the savings proposals in Appendix 1. for inclusion in the 2018/19 revenue budget and MTFs, and authorises directors, in consultation with the responsible lead councillor and the statutory officers, to implement the savings in their service areas as soon as practicable, and before the start of the 2018-19 financial year where possible, subject to: a) undertaking and considering the outcome of any necessary statutory consultation for the service in question; b) complying with the Authority's duties under Section 149 of the Equality Act 2010, including undertaking and considering the outcome H1 of an Equality Impact Assessment where appropriate.
- 3.6. Committee/Council is asked to approve the Housing Revenue Account budget for 2018/19 set out in Appendix 10, and in line with the Government mandatory requirement authorise a 1% rent reduction from the week beginning Monday 2 April to all HRA tenancy rents (noting that re-let of vacant HRA housing properties will be at target (formula) rent on all relets as agreed last year).
- 3.7. That the permitted PFI stock exemption to the annual 1% rent reduction for social rented housing is not applied for the financial year 2018/19, but the position be

reviewed for 2019/20 in due course.

- 3.8. That Policy Committee RESOLVES to approve a 4.0% garage rent increase, in line with normal rent policy for garages (CPI + 1%).
- 3.9. That the appointment of Jackie Yates' to the post of Director of Resources, starting from 19 March 2018, be noted;
- 3.10. That the post of Director of Resources be designated to act as the local authority's Chief Finance Officer and Section 151 Officer with the statutory responsibilities under the Local Government Act 1972 and also be the Responsible Officer under Section 113 of the Local Government Finance Act 1992 with effect from 26 March 2018; and the Council's Constitution and Delegations' Register be amended accordingly to reflect this change.
- 3.11. Policy Committee RESOLVES to agree that the first calls on capital receipts for the MTFS period, including 2017/18, be to cover the estimated remaining equal pay settlement and the Delivery Fund set aside to provide the capacity required to enable sustainable changes in the Council to be implemented and savings to be delivered and that the Chief Executive has the delegated authority in consultation with the Director of Resources to deploy this Fund in accordance with the Council's constitution.

#### 4. BACKGROUND AND ASSUMPTIONS

- 4.1. In July 2017 the Policy Committee agreed a revised budget for 2017/18 and a MTFS for the period to 2019/20, the final year of the Government's four year local government finance settlement. The revised budget for 2017/18 was based upon more robust assumptions and more realistic and extensive savings proposals and a much reduced reliance on reserves compared to the February Council report. In addition, savings were proposed over the medium term that, if delivered, nearly balanced 2018/19, but left a larger gap of £5.3m to be resolved in 2019/20.
- 4.2. Since July 2017 there has been much progress made in delivering savings (over 90% of those due to be achieved in 2017/18 are expected to be delivered) with progress also made against savings planned for 2018/19 and 2019/20. However, there has been increased pressure on the 2017/18 budget from rising demand (volume and price) in both adult and children's social care. This required mid-year mitigating action to avoid an overspend and the current overall Council position (small underspend) has been reported in the regular budget monitoring reports to Policy Committee.
- 4.3. In the light of this 2017/18 experience and the predicted impact of the in-year pressures on subsequent years, the Administration Group and senior officers have been working together over the Autumn/Winter period to address the budget gap. It is estimated that if the Council continues to do everything it does now in the way it currently does it then there will be a £43.2m budget gap in 2020/21.

4.4. Larger elements of this £43.2m comprise:

- £14.9m of demand pressures. Of these pressures approximately £8.7m is in Children's Services and £3.6m in Adults Services;
- £9.5m in pay awards and increments, providing for pay awards at the level of the offer made by the management side in November 2017;
- £7.8m of contract inflation;
- £4.9m of capital financing costs;
- £3.6m arises from savings that were resolved in July to be undertaken, but cannot now be delivered, including the £2m in regard of redefining some staff terms and conditions.

4.5. In preparing this MTFS, every effort has been made to keep annual revenue spending within the limit of ongoing income sources within each year, only using one-off funding to support change and investments which then contribute to closing the financial gap in a sustainable manner. This principle was endorsed by the Policy Committee on 15 January 2018. It has not, however, been possible to fulfil this requirement across all years and a Funding Equalisation Reserve is required to enable funds available in the earlier years (one-off and over-achievement of savings) to move to the later years for the purposes of balancing the MTFS. More details are explained later in this report.

4.6. Before proceeding to describe the assumptions upon which the MTFS is built, it is appropriate to describe the outcome of the considerable work undertaken in recent weeks by members and officers.

	2018/19	2019/20	2020/21
	£000's	£000's	£000's
<b>Gross Budget</b>	£ 159,964	£ 142,360	£ 136,150
<b>Funding</b>	-£ 142,891	-£ 126,709	-£ 128,501
<b>Savings Agreed July 2017</b>	-£ 10,449	-£ 7,420	£ -
<b>Savings Agreed January 2018</b>	-£ 2,973	-£ 4,377	-£ 3,253
<b>Savings Proposed within this Report</b>	-£ 3,651	-£ 3,854	-£ 4,396
<b>Balanced MTFS with Agreed and Proposed Savings</b>	£ -	£ -	£ -

Note: In paragraphs 5.8/5.10 of this report, the 2018/19 saving agreed in January 2018 adds up to £3.7m; here it is £2.973m. This difference arises because £0.761m of measures agreed relate to increased funding so are shown in the funding line here.

This table illustrates a balanced budget for 2018/19 and a balanced MTFS taking account of the further savings being proposed for consideration by councillors in this report. As indicated above and described below, the opportunity presented by the Business Rates Pilot means that the Council can use these one-off funds in 2018/19 to address the small budget gap that would otherwise be apparent in 2020/21. The funding is moved between years by means of the proposed Funding Equalisation Reserve described below within the section on the Pilot. The unusually large gross budget and

funding figures in 2018/19 are a consequence of the Business Rates Pilot and the way that the increased value of rates retained will flow through the Council's accounts.

4.7. In paragraphs below there is narrative on the savings required and the contingency for unmet savings and unexpected pressures. It is appropriate to highlight at this stage that full delivery of the savings and strict control of the budget in the first year or two of the MTFs will reduce the pressure on the contingency for the later year or two. In this case the contingency could be reduced thereby enabling the release of funds back to the core budget for planned service delivery. This would then reduce the need for one-off funded solutions.

4.8. **Assumptions:** the key assumptions made in support of these budget proposals are set out below.

- **Pressures** - given recent experience of in-year budget pressures leading to potential overspends, even greater effort has been committed in this round to understanding the cost drivers behind the major elements of expenditure and how they might be influenced. The impact of this is shown in paragraph 4.4 above. In particular, in Children's Services there has been much more detailed modelling of trends, volumes of cases and cost per case to build the budget. While forecasting in this area is subject to significant influence by external forces, a greater understanding will enable greater control. Interventions are being designed to seek to moderate the pressure on the budget in future years.

In respect of Adult Services, in addition to a better understanding of the demographics of our population, the officer team has been focussing on case reviews, more detailed scrutiny of proposed care packages and improved commissioning to secure cost effective services. Each of these will make a contribution to improved spending control.

- **Government Funding** - the four-year settlement information has been applied - this originally showed Government funding in the form of Revenue Support Grant (RSG) as being due to reduce from £10.4m in 2017/18 to £6.2m in 2018/19 and then below £2.0m in 2019/20. This will now change in 2018/19 when there will not be RSG, but there has been a matching tariff adjustment because of the Business Rate Pilot as explained below. 2020/21 is beyond the four-year settlement and it is known that the Government intends to reform the local government finance system by that year; an outline timetable has been published to show the key stages of the work. At the start of the review the stated aim was to move to a 100% business rate retention scheme, with local government as a whole only being funded by business rates with removal of central government grant and some reallocation of responsibilities between central and local government.
- A "reset" of the system is due to occur that will redistribute available business rates. In the reset Government will estimate the total resources (from business rates and council tax) available to Local Government as a whole. A revised needs formula will determine the relative need of each local authority and the total



resources nationally will then be redistributed according to relative need. From the resources determined in this way the amount of council tax each authority has will be deducted to leave the amount of business rates an authority needs. Authorities that collect less business rates will (as now) receive a top up, paid for by charging a tariff to authorities that collect more rates than they need. As now (in 2017/18) where we pay about 75% of rates to the Government, Reading will be a tariff authority, and be required to pay a significant proportion of the rates collected to Government for redistribution.

- The change to the needs formula may mean that the tariff is different to that which would arise if Government simply rolled the existing formula on for one more year. When major transitions from one formula to another have occurred in the present system, an arrangement of safety nets and caps, on losses and gains respectively, has operated. As a consequence almost no authority has actually reached the level of resources a pure operation of the formula would suggest. The current thinking (in the joint LGA/MHCLG working group) is that a transition scheme will operate that does get most authorities to the “correct” level of resources after year 4. However, it is also thought likely that all authorities will get to keep locally some (reasonably significant) element of business rates growth since the last reset. The combination of all of these likely changes makes it very difficult to predict the level of funding that might be available to the Council in 2020/21. At this stage it is estimated that Government funding will fall to £0 in 2020/21, from £2.0m in 2019/20. While £0 might seem a natural minimum, there are some authorities who have been calculated to receive negative RSG before the end of the four-year settlement, so the Borough Council’s settlement could be worse than is assumed. As indicated above, the government will implement change by changing the business rates tariff. For this reason a balancing reserve is proposed in a later section.
- **Berkshire Business Rate Pilot** - the Government announced 10 new pilots of “100% business rates retention” including Berkshire as part of the local government finance settlement in December 2017. This is positive news for Berkshire and for Reading Borough Council. The pilot is announced for one year (2018/19) only at this stage, although it is hoped that it might be carried forward into 2019/20 until the changes described above occur in 2020/21.
- The pilot means that Berkshire authorities will as starting point retain 99% of business rates rather than 49% with 1% to the Fire Authority. However, Government has recalculated the tariffs Berkshire authorities are required to pay and in doing so made an adjustment because the Government will not be paying any RSG - the £6.2m (for 2018/19) referred to above - to the Council. The tariff increases from £27.5m in 2017/18 to (that would ordinarily have risen to £28.3m in 2018/19) to £81.0m. Although this represents an increase of £53.5m, which is coupled with the loss of £6.2m RSG as we are actually estimating business rates income of £130m in 2018/19, £65m of which would be paid to the Government, the Council is £5.3m better off from this aspect of the Pilot. Overall the pilot bid estimated a net gain to Berkshire of £35m for the year, and £25m of that

was reserved for allocation by the Local Enterprise Partnership (LEP) to help generate further economic (and hence business rates and council tax) growth. The remainder is kept by each local authority. For Reading Borough Council this produces one-off gains of approximately £2.6m as there is no levy to pay to Government in regard of business rate growth. There is also a further gain of about £1.7m due to receiving the Government's share of the Section 31 grant calculated to compensate local government for constraining business rate growth to CPI (as opposed to RPI) in 2018/19 and other changes government has made over the past 4 years that have reduced business rates income.

- While the Berkshire pilot is to be welcomed, it has certainly made the calculation of the national non-domestic rates (NNDR) funding element of the Council much more complicated, and especially so due to the current one-year pilot. Reading officers have had to work very closely with other Berkshire finance colleagues to make sure that our assumptions align in an appropriate manner, and there will be a need to review progress during the year, as the final position will not be known until after the end of the 2018/19 financial year. The impact of unwinding the pool in 2019/20 (if it is not extended) may yet produce uncertain impacts, hence the proposal for a reserve to be created in order to smooth this transition.
- **Council Tax** - the Government still maintains a significant amount of control over council tax levels by applying a referendum limit; that is, the maximum increase that is allowed before a referendum of council tax payers is required to consider any higher increase. This year the Government reaffirmed the "normal" referendum limit as 2% for 2018/19, but has allowed a further 1% to recognise the pressures on local government. In addition, from previous settlements, the Adult Social Care precept remains in place for 2018/19; this is the last year for this Council as we have taken the option of advancing the 2% per annum for three years into 3% for two years. This has two impacts:
  - The proposals in this report are based on a (just below) 6% increase in council tax (detailed calculations are shown in Appendix 2);
  - Beyond 2018/19, under current known permissions, the Council will only be able to increase the council tax by a maximum of 2%, which will not be enough to maintain pace with the currently experienced growth in pressure on the services of the Council.
- **Savings** - as indicated above, if we made no further savings then the budget gap would be over £43m to 2020/21. Therefore, savings, efficiencies and income generation have been proposed that will bridge the gap in 2018/19 and will largely bridge the gap over the MTF5. More detail of those savings are set out below, but in summary the Council needs to deliver savings of:

	July 2017	Jan/Feb 2018	Total
2018/19	£ 10,449	£ 6,624	
2019/20	£ 7,420	£ 8,231	
2020/21	£ -	£ 7,649	
<b>Total</b>	<b>£ 17,869</b>	<b>£ 22,504</b>	<b>£ 40,373</b>

- This volume of savings is clearly significant and will be challenging to deliver; to be successful, and hence avoid in-year pressures on the budget, will require pace, determination, discipline and adequate funding of any additional resources required. This last point is covered by the Delivery Fund mentioned below. In addition, at the Policy Committee in January 2018, members resolved that directors were authorised, in consultation with the responsible lead councillor and the statutory officers, to implement the savings in their service areas as soon as practicable, and before the start of the 2018-19 financial year where possible, subject to:

  - undertaking and considering the outcome of any necessary statutory consultation for the service in question;
  - complying with the Authority's duties under Section 149 of the Equality Act 2010, including undertaking and considering the outcome of an Equality Impact Assessment where appropriate;
- Each saving has been assessed for confidence in deliverability. It is not surprising that, after so many years of finding savings, further savings are more challenging to deliver. In addition, those savings that are in the later years of the MTFs are currently less well planned and will therefore have lower confidence ratings. In addition to the Delivery Fund, it is essential that the Council maintains an appropriately sized contingency; this is referred to below.
- Delivery Fund** - the Council, in 2017/18, took advantage of the Government's flexibility to allow the use of capital receipts for the purpose of "transformation" (in a similar way to the earlier change that permits their use for settling historic equal pay settlements). The Government announced in December 2017 that this flexibility will continue until April 2022. With that in mind is proposed that the first calls on capital receipts for that period will be to cover the estimated remaining equal pay settlement and to support the Delivery Fund, set aside to provide the capacity required to enable sustainable changes in the Council to be implemented and savings to be delivered. There is no revenue funding available for this purpose.
- The Delivery (formerly "Change") Fund was presented to members in the report to the July Policy Committee; at that time a fund of £7.8m was planned across three years, with £2.4m being contributed from the revenue organisational change fund and £5.4m from capital receipts. The Delivery Fund will need to be extended and supplemented to ensure that the savings and changes now required can be delivered successfully. The Delivery Fund is now intended to be:

2017/18	£2.557m
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2018/19	£5.593m
2019/20	£3.840m
2020/21	£2.260m
Total	£14.250m

- Now that the Government has agreed the extension of the facility to use capital receipts flexibly for “transformation” type activity that leads to long term savings, and given the lack of available revenue funding, then capital receipts will be directed towards the Delivery Fund in the first instance. At the end of the 2017/18 financial year, it is expected that there will be £13.2m of receipts remaining with a further £13.3m expected in 2018/19. This will be at least sufficient to support the Delivery Fund commitments as above bearing in mind the estimated remaining equal pay settlements.
- **Contingency and General Balance** - as mentioned above, each of the savings proposals has been assessed for deliverability, with confidence factors applied. While some of the assessments may appear low, for some of them at least, this is because detailed planning has not taken place rather than an outright assessment that they only have a limited chance of success of being delivered. However, applying the confidence factors produces the following reductions in savings:

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
<b>Reduction in Savings if confidence factor applied</b>	<b>5,891</b>	<b>6,416</b>	<b>3,069</b>	<b>15,376</b>

- The table above suggests that we need contingencies for non-delivery of savings of: £5.9m in 2018/19, £6.4m in 2019/20 and £3.0m in 2020/21. The last year is a lower amount as there are no savings emanating from 2017/18 in that year, whereas there are in 2018/19 and 2019/20. Any unmet savings, if not mitigated by other means, will drain the contingency on an ongoing basis, hence full delivery of savings or other ongoing mitigations is the target.
- Current proposals are to aggregate any identified contingencies across the Council, as it is estimated that one larger contingency will be more efficient than several smaller ones. With that in mind, the following comprises the planned contingencies for the respective years:

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
<b>Contingency</b>			
General	3.276	4.276	4.276
Additional Pressures on Children's	2.000	2.000	2.000

Creation of Children's Company	1.000	0.000	0.000
Learning & Workforce Development	0.100	0.100	0.100
Housing Benefit Subsidy	0.150	0.025	0.025
<b>Total</b>	<b>6.526</b>	<b>6.401</b>	<b>6.401</b>

- While it is intended to use the contingency flexibly, it is acknowledged that the recent experience of pressures on Children's Services and the need to create the children's company will consume at least some of the total. It is also acknowledged that there is a fixed total budget, so an increased revenue contingency will require more savings to be found; perhaps a vicious circle. Therefore, it is proposed to moderate the requirement for the contingency by setting aside the additional, one-off benefit from the Berkshire Business Rate pool (£2.5m) into the general balances. These are just above the minimum acceptable level (£5m) at this time and any draw on them will require a swift plan for replenishment, which would add more pressure to the revenue budget. Therefore, setting aside this one-off sum is prudent, does not impact ongoing revenue expenditure and mitigates the need for further sums to be added to the contingency. It is therefore not proposed to add further sums to the contingency at this time provided that the General Balances can be improved in the manner described above.
- **Fees and Charges** - through December and early January officers have been reviewing the fees and charges levied by the Council for various services; more details are contained in an appendix to this report. Given that this was a more holistic review of the current and potential fees and charges, it has been possible to add a further anticipated £60k of income in each year of the MTFs. Beyond this there is additional income being generated that is separately identified within other savings proposals. As has become customary in recent years, the full schedule of new fees & charges is published on the Council's website with Appendix 3 setting out in narrative showing the key changes.

## 5. GENERAL FUND BUDGET

- 5.1. The Council is required to set a budget for day-to-day expenditure for each financial year starting on 1 April and it is a legal requirement that this budget must be balanced. The result of the detailed estimates and the assumptions above is a proposed General Fund budget as below:
- 5.2. The detailed budgets by directorate are set out in Appendix 6, and summarised in the table below:

	2018/2019 £'000	2019/20 £'000	2020/21 £'000
Corporate Support Services	12,279	12,467	12,787

Environment & Neighbourhood Services	23,812	19,517	17,997
Children's, Education & Early Help Service	41,569	41,868	41,337
Adult Care & Health	37,479	37,950	41,267
<b>Total Directorate Requirements</b>	<b>115,139</b>	<b>111,802</b>	<b>113,388</b>

5.3. The movements in each year of the MTFs are set out in the table below:

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
<b>Funding Previous Year</b>	<b>125,327</b>	<b>142,891</b>	<b>126,709</b>
One off measures from previous year	4,531	0	0
Contribution to the LEP	6,250	-6,250	
Equalisation Reserve	3,275	-3,708	-1,994
Additional to General Fund Balances	2,500	-2,500	
Grant and Levy Changes	79	-226	1,625
Pay Award and Increment	2,848	3,131	3,495
Non Pay Inflation	2,497	2,600	2,670
Capital Financing Cost	1,300	2,400	1,200
Service Pressures	10,381	3,735	2,394
Recharge of GF to HRA	-1,000		
Contingency - LAC Placements	2,000		
Contingency - Children's Company		-1,000	
Other Corporate Budget Changes	-24	287	50
<b>Draft Budget Before Savings</b>	<b>159,964</b>	<b>141,360</b>	<b>136,150</b>
Savings measures agreed July 2017	-11,449	-7,420	0
Savings measures agreed Jan 2018	-2,973	-4,377	-3,253
Savings proposed within this report	-3,651	-3,854	-4,396
Addition to General Contingency	1,000	1,000	
<b>Funding Available in Year</b>	<b>142,891</b>	<b>126,709</b>	<b>128,501</b>

5.4. It should be noted that this table works cumulatively; that is, for example, an entry in 2018/19 flows through the other years until changed. An entry in one year followed by the same, but negative, number in the next year, means that the entry in the first year has been reversed and so was one-off.

5.5. The proposed level of council tax for Reading for 2018/19 at Band D is £1,579.99, an increase of 5.99% on the previous year; this represents an increase of £1.72 per week at Band D. It should be noted that the Governments assumptions about local government funding imply that council tax is raised up to the referendum limit each year. The overall increase with fire & police precepts is also 5.99%.

5.6. It should be noted that in January the Council agreed to revise the Local Council Tax Support (LCTS) scheme. It was resolved, from 1 April 2018 for 2018/19 and future years to:

- increase the minimum contribution from 25% to 35%;
- reduce capital level from £6,000 to £3,000;

- increase levels of Non-Dependant deductions (based on income) from £7.50 to £10.00 for those non-dependants not engaged in remunerative work (working less than 16 hours per week) and/or have gross earnings less than £196.95 per week;
- increase levels of non-dependant deductions (based on income from £12.50 per week to £15.00 per week for any non-dependants engaged in remunerative work (16 hours or more) with gross weekly earnings of £196.95 per week and above.

5.7. As described above, the Council will benefit from the Berkshire Business Rates Pilot in 2018/19 and this has been taken into account in the calculations. The Council will retain an extra £5.3m in business rates in 2018/19, after the loss of £6.2m RSG and other grants. Given the one-off nature of much of the gain it is proposed that a proportion of it is utilised to support the General Balances (and hence reduce the contingency as described above) and a further proportion is used to create a Funding Equalisation balancing reserve. This will enable the Council to deal with the anticipated removal of pilot, should that occur, and with the change to the new funding system in 2020/21. It is this latter event that causes most concern as it is likely to see those areas most able to generate their own funding, through NNDR, losing some of it in equalisation to support those areas less able to support their areas within the business rate income. The outcome of this redistribution is at this stage very unpredictable, hence the proposal to create an equalisation reserve to smooth the transition.

5.8. An intensive exercise to develop, propose and agree savings has taken place over the autumn and winter periods. This resulted in one batch of savings being agreed by the Policy Committee in January 2018, with a further set of proposals included as Appendix 1. to this paper. In considering savings proposals, much effort has been committed to protecting front-line services wherever possible. The following table illustrates the value of savings by category:

Savings Agreed at January 2018 Policy Committee				
Category	18/19	19/20	20/21	Total
Managing Demand	1541	1497	1983	5021
Increasing Productivity / Fees & Charges	1269	2339	415	4023
Service Delivery Models	824	390	604	1818
Reductions in Services	100	151	251	502
<b>Total</b>	<b>3734</b>	<b>4377</b>	<b>3253</b>	<b>11364</b>

Savings presented to February 2018 Policy Committee				
Category	18/19	19/20	20/21	Total
Managing Demand	505	75	70	730
Increasing Productivity / Fees & Charges	1298	1968	2119	5305
Service Delivery Models	580	1258	1840	3678
Reductions in Services	1269	553	367	2189
<b>Total</b>	<b>3651</b>	<b>3854</b>	<b>4396</b>	<b>11902</b>

Note: In paragraph 4.6 of this report, the 2018/19 saving agreed in January 2018 is shown as £2.973m. That is £0.761m less than shown here as some savings relate to increased funding so are shown in that line (as Council Tax Income) elsewhere.

5.9. It is noteworthy that out of over £23m of savings, only £2.7m is classed "reductions in service". During the creation of this MTFs every effort has been made to protect

services and to find even more efficient means of service delivery, including through early intervention to manage demand.

5.10. The distribution of savings by directorate is illustrated in the table below:

Savings Agreed at January 2018 Policy Committee				
Directorate	18/19	19/20	20/21	Total
DENS	1096	604	350	2050
DACHS	1050	850	100	2000
DCEEHS	395	2303	2753	5451
CSS	1193	620	50	1863
<b>Total</b>	<b>3734</b>	<b>4377</b>	<b>3253</b>	<b>11364</b>

  

Savings presented to February 2018 Policy Committee				
Directorate	18/19	19/20	20/21	Total
DENS	1170	2172	3223	6565
DACHS	810	442	235	1487
DCEEHS	310	-24	550	836
CSS	1361	1264	388	3013
<b>Total</b>	<b>3651</b>	<b>3854</b>	<b>4396</b>	<b>11901</b>

5.11. The Public Health budget forms part of the overall budget proposals and a more detailed report on this specific area will be presented at a forthcoming Policy Committee.

## 6. ROBUSTNESS OF ESTIMATES, ADEQUACY OF RESERVES AND THE MANAGEMENT OF RISK

6.1. Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their Chief Financial Officer's reports when setting the level of council tax. The Strategic Director of Finance (Chief Finance Officer for the Council) has provided the following report:

- As a relatively small unitary authority on the outskirts of London, Reading Borough Council needs to confidently deal with a number of challenges if it is to be successful in delivering its priorities. These challenges include service demand pressures in Children's Services and Adults Services, supporting economic growth in the area, delivering a large and complex capital programme and ensuring that all of this can be done within very constrained finances. The first two of these challenges in combination with the last one has led, in previous years, to revenue budget overspends that have caused an unplanned drain on reserves. There is strong determination amongst Administration members and officers in 2017/18 to contain the unexpected in-year pressures within the revenue budget agreed in July 2017.*
- The pressures arising in 2017/18 have led to a review of the Medium Term Financial Strategy (MTFS) for 2018/19 to 2020/21 to seek to ensure that projected future demand is supported by adequate funding, while remaining within the overall, very constrained, budget envelope. Without delivering substantial savings, it is projected that the budget requirement would exceed the funding available by £43.2m over the MTFS period. The Council has taken*



*very seriously the requirement to prepare and agree a balanced budget for 2018/19 and a balanced MTFs. This has resulted in the preparation of a further £22.5m of savings proposals in addition to the £17.9m of savings that were agreed in July 2017; over the period to 2018/19 to 2020/21 £40.4m of savings will need to be successfully delivered, in full and on time; this will require determination, focus and adequate supporting resources to achieve.*

- *During the preparation of this MTFs there has been a review of all assumptions and underlying budgets to ensure that they are tightened wherever possible. While this will moderate the level of savings required, it will also mean that there is less resilience in the budget in order to meet unexpected, in-year pressures. This fact needs to be reflected in the contingency provision.*
- *To balance the MTFs, members and officers have attempted to offer and agree proposals for savings that do not stop the Council from delivering on its priorities and also that do not introduce longer term difficulties through, for example, reducing preventative work. This is in the context of already finding and delivering over £80m of savings between 2010 and the end of 2017/18.*
- *Some of the pressures of service demand and reduced Government funding will be offset in 2018/19 by additional funding that will flow through from the Berkshire Business Rates Pilot. However, as this extra funding is only one-off, at this time, it must be used carefully to build resilience against non-delivery of savings and future funding system changes, including the end of the Business Rates Pilot facility in 2019/20 and the expected changes to funding in 2020/21.*
- *Given the high level of savings required over the next three years and the tightness of the budget described above, it is essential that there is an adequate provision for unexpected budget pressures and unmet savings targets. I am satisfied that, with the proposals set out in this report for a revenue contingency and the addition to the General Balances and Funding Equalisation Reserve, the Council has made adequate provision to be able to deal with moderate, unexpected financial demands without the need to resort to in-year savings. It is crucial that these provisions, balances and reserves continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget in each year.*
- *With a robust savings plan that is delivered with determination and pace, alongside an adequate contingency and increased balances, then I believe that there is adequate evidence to offer to EY, our external auditors, to support their consideration of Reading Borough Council's "arrangements for securing economy, efficiency and effectiveness in its use of resources" and hence its status as a going concern.*
- *All of the above comments are made in the context of a planning assumption that the council tax will increase at the referendum limit over the MTFs period.*
- *This budget reinforces the need for on-going, robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, with processes in place to promote these.*
- *In assessing the robustness of the estimate and savings proposals, I have drawn on the advice of service directors that their service priorities for 2018/19 can be delivered within the available resource envelope. These colleagues include, but*

*are not limited to, the statutory chief officer roles of Director of Adult Services and Director of Children's Services.*

**Peter Lewis CPFA**  
**Chief Financial Officer**

## 7. CAPITAL INVESTMENT PROGRAMME 2018-2021

- 7.1. The Council continues to invest in Reading to provide new school places, homes, transport infrastructure and to improve our facilities to meet the needs of the community and to support continued economic growth. However, the Council's financial position requires all capital spend projects to contribute directly to achieving the Council Corporate Plan objectives and to be supported by a robust business case. The programme is funded by various means, including ring-fenced grant from central government or other organisations, and development-related receipts such as CIL and S106, neither of which can normally be used to run day-to-day council services. If the Council has to borrow to support capital funding, then there is a revenue cost arising, which needs to be provided for in the Council's overall budget. Therefore where projects are proposed to be funded by borrowing, they are required to either make a positive return and/or contribute to reducing the Council's revenue costs in the longer term. There will be an overall, strategic approach to funding the capital programme, with all sources of funding other than borrowing deployed, where permitted by grant or other conditions, in a non-earmarked manner to reduce the pressure on borrowing and its consequent revenue costs. Any local CIL funding (15% of the total) will continue to be allocated through member discretion to schemes that address corporate priorities.
- 7.2. In summary the overall capital programme and its financing is set out in the table. The more detailed programme is set out in Appendix 8.

Capital Expenditure and Financing	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	67.2	122.5	132.6	104.9
HRA	12.1	25.3	14.5	8.5
<b>Total Expenditure</b>	<b>79.3</b>	<b>147.8</b>	<b>147.1</b>	<b>113.5</b>
Government Grants	17.0	28.6	25.2	13.9
Capital Receipts	1.7	5.3	4.2	1.0
S106	1.6	5.7	7.2	0.5
CIL	1.7	2.0	1.7	1.7
Borrowing	20.5	29.0	15.8	5.4
Investment Borrowing	30.6	71.0	85.0	85.0
Major Repairs Allowance	6.2	6.2	6.0	6.0
<b>Total Financing</b>	<b>79.3</b>	<b>147.8</b>	<b>147.1</b>	<b>113.5</b>

- 7.3. The extensive use of borrowing to finance the programme will lead to an increase in the Council's Capital Financing budget, which will rise from £11.68m in 2018/19 to £14.88m in 2020/21. Further details of the Council's treasury plans and related treasury management indicators are set out in the Treasury Management Strategy Statement in Appendix 4. In addition the CIPFA Prudential Code has set out a new requirement to have a capital strategy, and an Initial Outline Strategy for 2018/19 is set out in Appendix 5. This will undergo further development during the financial year.
- 7.4. As this report was being finalised, MHCLG announced the outcome of some bids we had submitted in the autumn to the Housing Infrastructure Fund. We have two successful bids, for the next phase of Dee Park Regeneration, and for the regeneration of the Central Pool area following the closure of the pool. Key areas of investment are set out in the paragraphs below.

### **Education and Early Help**

- 7.5. There are 3 main work streams: Sufficiency of Pupil Places, condition related improvements to school buildings and ensuring compliance of statutory Health and Safety matters.
- 7.6. The Primary Schools expansion programme has completed its first two phases, and provided over 3000 new pupil places. One substantial expansion is taking place at Moorlands Primary School, providing 210 additional places - due for completion by September 2019, at a cost of circa £4.15m. Capacity at the Avenue school has been lifted to 150 places from 123, with the recent modular building installation at a cost of £276k, and work will commence in 2018 to replace the existing life expired buildings at Blessed Hugh Faringdon school and develop a new 30 place unit at an estimated cost of £2.1m for Asperger syndrome children. Capacity at The Avenue School will be increased through further conversion of upper floor of The Avenue Centre during 2018.
- 7.7. The Council has begun work to facilitate up to 1200 additional secondary school places in conjunction with partners in neighbouring authorities and the Education Skills and Funding Agency (ESFA).
- 7.8. The proposed work at Crescent Road Playing Field in East Reading will complete the campus improvements enabling use by over 2000 pupils as the 3 schools fill to capacity. There is a limited contingency of £2.6m to help manage potential school place capacity problems, including the secondary school bulge classes and current needs of The Heights School.
- 7.9. In December 2017 agreement in principle was reached with Berkeley Homes and the ESFA to develop a new 2 form entry Primary School with an estimated cost of £8m within the Green Park Village development in South Reading. Under this agreement the Council will contribute £500k of education capital grant to the development, and will own the asset on completion. The ESFA will then enter into a 125 year lease with the Council, and the Academy Sponsor, Reach 2, will operate the school and nursery class.

- 7.10. Condition-related works will include 3 schools funded through the government Priority Schools Building Programme (PSBP) at Caversham Primary School, Phoenix College, and St Michaels School. This follows a successful bid in 2015.

### Housing

- 7.11. Homes for Reading Ltd, the Council's wholly-owned housing company, is now trading and is actively buying residential property in order to rent to those in housing need. The company's business plan envisages that it will borrow, or receive in share, capital of around £90m over the 3 year life of this capital programme. The company will pay interest on its borrowing that will at least meet the Council's financing costs associated with financing loans in, or purchasing the share capital of the company over the business plan period.
- 7.12. The council house building programme is on track to deliver 57 new affordable homes at Conwy Close, over two phases, in autumn 2018 and autumn 2019. In addition, 28 additional temporary housing units at Lowfield Road have recently been completed and will provide temporary accommodation for homeless families. The Council plans to continue to invest between £7m and £9m per annum in its existing housing stock via the Housing Revenue Account over the next 3 years. This includes a £4m programme of fire safety works over the next 5 years, with a particular focus on high-rise residential accommodation.

### Strategic Transport

- 7.13. A programme of major transport schemes is planned and for which the vast majority of funding has been secured through central Government grants and match-funded by developer contributions. These schemes will provide significant benefits to Reading in terms of enabling economic growth and housing development; alongside increased public transport and cycling usage resulting in benefits in journey times, decongestion, air quality, social inclusion, public health and safety.
- 7.14. The Council has been very successful in securing major Growth Deal Funding through the Local Enterprise Partnership (LEP) which, combined with developer contributions has enabled it to commence delivery of a new £13.75m station and interchange at Green Park. Further funding of £10.0m has been secured via the LEP to help fund phases 3 and 4 of the Southern Mass Rapid Transit (MRT) and provide additional capacity for fast and frequent bus services along the A33 corridor. Similarly, LEP funding of over £19m has recently been confirmed to fund the East Reading MRT scheme, costing £24m. A further total investment of £1.3m is being made to the National Cycle Network number 422 which runs east-west through Reading.

### Highways

- 7.15. Bridges and carriageways maintenance is included within the Capital Programme, with the vast majority of funding from central Government grants and a small proportion of borrowing. There is a statutory duty under the Highways Act 1980 for the Council to maintain the public highway.

- 7.16. The Council receives an annual grant from the DfT for highway maintenance work with the amount calculated through a needs-based formula. This settlement covers the general headings of bridges, highways and lighting, and is expected to be £1,185,000 each year, until 2020/21.
- 7.17. There is an opportunity to secure additional funding dependent on the authorities pursuit of efficiencies and use of asset management; and/or from a competitive Challenge Fund for major maintenance projects. Reading is currently rated in the middle band of authorities for asset management and has therefore been allocated an additional £110,000 in funding for 2017/18. There is the potential for Reading to achieve an additional £247,000 funding per annum to 2020/21 if we are able to achieve the highest band for efficiencies and asset management.
- 7.18. The remainder of the capital budget for bridges and carriageways is made up from the DEFRA Lead LA Flood Reduction grant (£12.4k), Pothole Fund Grant (£97k) and borrowing (£208k).
- 7.19. The Council has been successful in securing grant funding via the LEP of almost £2m for a Smart City Cluster Project - to create an Internet of Things (IoT) communication platform to gather and distribute data such as environmental and traffic information.
- 7.20. Two challenge fund opportunities encourage innovative solutions to real life issues such as assisted living. The project will offer direct benefits to the Council, businesses and residents.
- 7.21. The successful bid to the Heritage Lottery Fund has enabled a £2.8m investment in the Abbey Quarter over the next 3 years. A programme of developer-funded improvements to parks and open spaces is planned for 2018/19. The Council continues to undertake a reduced street tree replacement programme of £25k per year in order to help mitigate the effects of climate change and air pollution.
- 7.22. The ICT Capital Programme is valued at £6m over the next 3 years and makes provision for the delivery of an ICT and Digital Strategy that continues to modernise the way we work, helps deliver more services digitally and supports business transformation. It includes funds for a phased programme of investment in the technology, infrastructure and platforms needed over the next three years.
- 7.23. Individual projects and initiatives are included in the programme to meet the needs of the council and specifically:
- Enable delivery of savings that are directly dependent on new technology and the digitisation of services
  - Implement technical solutions to allow new ways of working across the Council that deliver indirect savings by making us more efficient and productive
  - Ensure we have sufficient data storage and network capacity and that we can connect and work securely with partners

- Refresh and replace hardware and software so that it is secure, supported and compliant with required standards
- Invest in security measures needed to protect our systems and data at a time of ever increasing cyber-security threats

## **8. DEDICATED SCHOOLS GRANT**

- 8.1. The Schools' Budget is funded through a combination of the Dedicated Schools Grant (DSG) and income from the Education & Skills Funding Agency (ESFA). The DSG is ring-fenced in order to fund education provision and from 2018-2019 is split into four blocks:
- the Schools Block;
  - the new Central Block;
  - the Early Years Block; and
  - the High Needs Block
- 8.2. Local Authorities can transfer funding between the 4 blocks after consultation with schools and Schools Forum but cannot divert funding away from the DSG. The ESFA have restricted movement of funds from the Schools Block up to the limit of 0.5% of the total Schools Block.
- 8.3. The total DSG in 2017/18 is £120.9m. Appendix 9 sets out in some detail how this money is distributed between blocks and between schools. In due course the detailed distribution will be published on the Council's website.

## **9. HOUSING REVENUE ACCOUNT**

- 9.1. The HRA is a ring-fenced account which deals with the finances of council housing. Budgets have been prepared in accordance with the budget guidelines and planned programmes of works to housing stock have been updated to take account of progress during 2017/2018. An outline of the programme of planned works for 2017/18 is included with Appendix 10, and it is intended to report more detailed information to Housing, Neighbourhoods & Leisure Committee and publish the information on the Council's website.
- 9.2. Following the Grenfell Tower fire the Council appointed an external, qualified Fire Engineer (FireSkills) to carry out a review of fire safety practices in respect of the management and maintenance of Council housing stock, including a view on whether additional fire precautions were advised in any of the building types surveyed, to improve the fire safety standard in the context of recent incidents nationally and the learning from those. Overall FireSkills noted that the Council's Housing Service has a 'forward facing and proactive fire safety strategy' and whilst the Council is fully compliant with current legislation, FireSkills have recommended that the Council consider implementing a number of additional measures. Provision of £5.5m has been made in the capital programme and HRA business plan, profiled over a 5 year period to fully implement additional fire safety measures. A full report will come forward to HNL

Committee setting out the findings of the review. Estimated costs are profiled as follows (£,000's):

2018/19	2019/20	2020/21	2021/22	2022/23
£0.90m	£0.80m	£0.70m	£1.56m	£1.56m

- 9.3. The Welfare Reform and Work Act 2016 required that social housing rents reduce by 1% per annum for 4 years, which started from 2016/17. The Council does have an option to increase rents in line with its normal policy in the PFI area, which is exempt from this reduction (as the contractual arrangement includes an inflationary uprate which cannot be dis-applied). As reported in previous years, the Council effectively has three options in respect of PFI tenants' rents:
- notwithstanding that it is not obliged to, to apply the 1% rent reduction in line with the rest of the Council's directly managed stock;
  - to fix rents at their existing level; or
  - to increase rents by CPI+1% in line with the Council's adopted rent policy.
- 9.4. The Council needs to consider these options each financial year in the context of HRA viability. The decision required at this time is in relation to the current year only. The Council did not apply a differentiated rent for PFI tenants in 2016/17 or 2017/18 and this is not proposed this financial year. This will be reviewed in the next financial year for 19/20. Thereafter Government have announced a return to a national policy of annual increases by CPI+1% for five years.
- 9.5. The Council's HRA Business plan has been updated to reflect the required 1% p.a. reduction. There is sufficient borrowing headroom to continue to fund a new build housing programme currently including the development of 57 homes at Conwy Close, with spend approval to support a further 80+ units in the following phase (largely financed through HRA borrowing, Right to Buy '1-1' receipts, and an element of S106 contributions).
- 9.6. As regards performance, rental income collection is already top quartile and voids performance (and resulting rent loss) has very significantly improved for standard and major voids in recent years (with consequent financial benefits for the HRA). For historic reasons, Reading BC current rents are, on average across the stock, c.6% below the social housing formula rent set by central government, known as 'Target Rent'. As agreed last year, the Council will continue to set the rent levels in line with Target Rent whenever a property is re-let.

## **10. DISCRETIONARY RATE RELIEF**

- 10.1. In the national Spring 2017 budget the Government introduced extra funding for a 4 year discretionary rate relief scheme to enable local authorities to reduce more significant business rate increases arising from the 2017 rating revaluation.
- 10.2. Policy Committee agreed in September an initial scheme and so far about half of the available 2017/18 allocation has been used. Appendix 7 provides an update and includes a proposal to use the remainder of the money this year and provides for the use of the 2018/19 allocation. These allocations can only be used for this purpose and will need to be returned to Government if not used.

## **11. DIRECTOR OF RESOURCES & SECTION 151 OFFICER**

- 11.1. Further to Minute 7 of the Personnel Committee held on 12 October 2017, which established the new post of Director of Resources, in place of the Strategic Director of Finance, and the subsequent appointment of Jackie Yates to that post, the Council is recommended to confirm the necessary consequential changes to its Constitution and the Delegations' Register. The Director of Resources post will be the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972 and also act as the Responsible Officer under Section 113 of the Local Government Finance Act 1992. The Director will be responsible for all services in Finance and Corporate Support Services and five Head of Service posts will report to the Director, as follows:
  - Head of Customer Care and Transformation;
  - Head of Finance;
  - Head of Human Resources;
  - Head of Law and Governance;
  - Head of Procurement and Contracts.
- 11.2. While the Director of Resources commences in post on 19 March, in order to allow for an appropriate handover between the interim Strategic Director of Finance and the Director of Resources, it is proposed that the S151 responsibilities formally transfer to the latter with effect from 26 March 2018. The interim Strategic Director of Finance will complete his contract on Thursday 29 March 2018.

## **12. COMMUNITY ENGAGEMENT AND INFORMATION**

- 12.1. The savings proposals put forward in this report for inclusion in the 2018/19 revenue budget and MTFs will, if agreed, go forward as soon as practicable in consultation with the responsible lead councillor and the statutory officers subject to: a) undertaking and considering the outcome of any necessary statutory consultation for the service in question; b) complying with the Authority's duties under Section 149 of the Equality Act 2010, including undertaking and considering the outcome H1 of an Equality Impact Assessment where appropriate.

## **13. EQUALITY IMPACT ASSESSMENT**



13.1. 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.

13.2. The equality duty is relevant to the development of the Budget. The specific savings and income proposals included in this budget will, if agreed, go forward as soon as practicable in consultation with the responsible lead councillor and the statutory officers subject to consultation and equality impact assessments where required.

#### **14. LEGAL**

14.1. There is a legal requirement to set a balanced budget, and in doing so consider the statutory advice of the Chief Finance Officer on the robustness of the budget and adequacy of balances.

#### **15. FINANCIAL**

15.1. The financial implications are set out throughout this report. Our financial situation is extremely challenging over the MTFS period. Further efforts will be made to review the approach to the budget setting process and to review council functions and services. This will enable officers to provide Councillors with more insight into the cost of services and hence options to manage and reduce spending and to increase income to bring the budget into a sustainable balance.

#### **16. APPENDICES**

- 1) Additional savings proposals for 2018-21
- 2) Calculation of Council Tax
- 3) Fees and Charges Summary Statement
- 4) Treasury Management Strategy Statement
- 5) Outline Capital Strategy 2018/19
- 6) General Fund and Summary Cost Centre Budget
- 7) Discretionary Rate Relief 2017/18 update & 2018/19
- 8) Capital Programme
- 9) Dedicated Schools Grant
- 10) HRA Budget 2018/19