APPENDIX 1. Additional savings proposals for 2018/19 to 2020/21 (by Directorate)

2.a Corporate Support Services

	SAVINGS AND INCOME PROPOSAL	Category	Draft Proposal for Change submitted?	SAVINGS TOTAL	2018/19	2019/20	2020/21	% Confidence	DESCRIPTION OF SAVINGS AND INCOME OPTIONS - What would we stop, reduce or do differently?
CSS2b-C	Further stretch of income from event sponsorship and selling advertising within event publications/e-publications/email bulletins.	Increasing Productivity / Fees & Charges	Yes	15	5	5	5	70%	Further stretch of income from event sponsorship and selling advertising within event publications/e-publications/email bulletins.
CSS7b-C	Increase current court summons cost	Managing Demand	Yes	10	5	5		90%	Increase current court summons cost by £10, from £150 (£80 summons £70 Liability Order) to £160 (£90 Summons £70Liability Order) for Business Rates Payers.
CSS10-C	Increased use of Apprenticeship Levy to fund training	Service Delivery Models	Yes	300	150	100	50	20%	It is proposed that the drawn down money from the levy is used to offset spend against the revenue Learning and Development budget for the Council. It is proposed that £300k over the next three years is used to offset against the overall budget, currently standing at £500k per annum. This will result in the L&D budget being reduced to £200k
CSS11-C	Revenues and Benefits Service Market Testing	Service Delivery Models	Yes	300	0	150	150	70%	An option appraisal of alternative models concluded that either full market testing or the use of an extensive transformation partner afforded the greatest opportunity for savings. In July 17, members approved the proposal to identify an external transformation partner to work alongside the in-house team in 18/19. This proposal recommends that we proceed to market test the service in order to deliver a higher level of savings as identified in the original options appraisal.
CSS12-C *(CSS22-B)*	Christmas closure	Managing Demand	Yes	200	200			20%	Compulsory closure of Civic Offices for non-essential services
CSS15-C *(CSS13-A)*	Further savings in redesigning of council wide services to maximise digitisation	Managing Demand	Yes	150	50	50	50		Current savings initiative underway for 2017-2020 for £490k, these are further savings for the proposal.
CSS17-C *(CSS1112-B)*	Narrowing the Gap II Commissioning Funding Reductions	Reductions in Services	Yes	150	57	0	93	30%	Review effectiveness and options available to achieve outcomes in the commissioned programme
CSS18-C *(CSS1-1718)*	Over-achievement of income in Legal Services	Managing Demand	Yes	35	35	0	0	70%	Income being achieved
CSS21-C	Housing Benefit Staffing saving (reduce 1 FTE HB Officer)	Increasing Productivity / Fees & Charges	Yes	41	41			80%	Reduction 1 FTE. Via mini restructure in response to predicted reduction in workload, following the introduction of universal credit
CSS22-C	Long Term Empty Property Premium	Increasing Productivity / Fees & Charges	Yes	80		80		90%	Properties which have been unoccupied and substantially unfurnished for over two years may be charged up to 150% of the normal liability. In Reading we introduced this premium in 2015 as part of our review of Local Discounts and exemptions. Local Authorities would be able to increase this charge by an additional 50% making this a 200% liability charge. This will require a change in legislation which is expected to take effect from 1st April 2019
CSS23-C	Voluntary Sector Team Leader - reduction in size of policy and voluntary sector team. Removing one management level	Reductions in Services	Yes	60	60			100%	Voluntary Sector Team Leader - reduction in size of policy and voluntary sector team. Removing one management level
CSS24-C	Additional savings will be made across the ICT service including reducing spend on applications and contract spend and achieving a staff reduction in the Corporate Team	Increasing Productivity / Fees & Charges	Yes	78	38	20	20	100%	Additional savings will be made across the ICT service including reducing spend on applications and contract spend and achieving a staff reduction in the Corporate Team
CSS25-C	Increase Income from fees and charges across the registration and bereavement service	Increasing Productivity / Fees & Charges	Yes	15	15			50%	Increase Income from fees and charges across the registration and bereavement service

CSS28-C	This will be an invest to save proposal to increase adult social care income by supporting residents to apply for eligible benefits and contribute further to care costs	Managing Demand	Yes	100	100			95%	This will be an invest to save proposal to increase adult social care income by supporting residents to apply for eligible benefits and contribute further to care costs
CSS31-C	Reducing availability of consultancy budget in CEX office	Managing Demand	Yes	10	10			100%	Reducing availability of consultancy budget in CEX office
CSS32-C	Reduce supplies and services	Reductions in Services	Yes	19	19			100%	Reduce supplies and services
CSS33-C	Convert Locum solicitors into Permanent Solicitors	Service Delivery Models	Yes	33	33			75%	JLT proposal to convert Locum solicitors into Permanent Solicitors as a result of Slough choosing to remain in the joint arrangement. I estimate a £30k saving regarding Reading as the above will see a reduction of the hourly rate.
CSS34-C	Increased income in legal services	Managing Demand	Yes	15	15			50%	Increased income in legal team including land charges
CSS36-C	Software no longer used	Service Delivery Models	Yes	5	5			100%	Software no longer used
CSS42-C	VAT & Treasury combined post	Reductions in Services	Yes	40	40			100%	VAT & Treasury combined post
CSS43-C	Management and Staffing Review	Increasing Productivity / Fees & Charges	Yes	592	148	444		50%	It is proposed that we review numbers of managers, management layers and spans of control across the Council with a view to aligning them with best practice principles for managing and decision making. We will undertake a review in 2018/19
CSS44-C	Proposal to put in place a number of changes to staff terms and conditions and update the policy framework to reflect modern and best practice	Increasing Productivity / Fees & Charges	Yes	100	0	50	50	70%	Proposal to put in place a number of changes to staff terms and conditions and update the policy framework to reflect modern and best practic
CSS45-C	Charging Financial Analysts to transformation pot for two years to support commercialisation work	Service Delivery Models	No	0	90		-90		The financial analysts will primarily be overseeing, enabling and initiating business cases and projects that will deliver the change programme, some of which is set out elsewhere in this savings schedule. As such the costs of these posts may be charged to capital receipts (under the permissions granted by Government). It is estimated that these posts will be occupied on change initiatives for two years after which they need to be budgeted for on an ongoing basis.
CSS46-C	Delay initiation of strategic ICT projects to realise a one-off saving in 2018-19	Reductions in Services	Yes	0	100	-100			The proposed change is to delay initiation of key ICT projects to realise a one off saving in 18/19. The IT and Digital Programme is being developed as a key element of the Council's Corporate Programme of Change and to deliver our IT and Digital Strategy. Projects are prioritised for inclusion within the programme that are needed to modernise or refresh our technology, ensure data is secure and systems compliant and provide the capability to support service transformation and new ways of working.
CSS47-C	Vacancy Factor for CSS Directorate - 0.5%	Service Delivery Models	No	75	75				Corporate Support Services has historically had a low turnover of staff, hence it is proposed to have a vacancy factor of 0.5% at this time. This may be further adjusted in later years should it be appropriate to do so
CSS48-C	Reduction in printing and scanning costs due to Fusion Upgrade	Service Delivery Models	No	10	10				New elements of the Fusion ledger system are being implemented to enable the Accounts Payable team to handle supplier set up and invoicing more efficiently. In particular, it is intended that there is a significant uptake of e-invoicing instead of receiving paper copies that require scanning. There is already a future staff saving built into the MTFS for the Accounts Payable team, and this saving reflects the reduction in print and scanning costs
CSS49-C	Reduction in Treasury Management Costs through Reduced Capital Programme	Reductions in Services	Yes	400	0	400	0		The capital programme was reviewed with the intention of examining and then reducing the schemes that require funding through borrowing. Some schemes in IT and some provisions for maintenance were reduced or re-profiled, while any schemes in Education that were not grant funded were removed in 2018/19 only.
CSS50-C	Increased Fee income following review of Fees and Charges	Service Delivery Models	Yes	180	60	60	60		Increased Fee income following review of Fees and Charges
			TOTAL	**3,013**	**1,361**	**1,264**	**388**		

2.b Directorate of Environment and Neighbourhood Services

	SAVINGS AND INCOME PROPOSAL	Category	Draft Proposal for Change submitted?	SAVINGS TOTAL	2018/19	2019/20	2020/21	% Con-fidence	DESCRIPTION OF SAVINGS AND INCOME OPTIONS - What would we stop, reduce or do differently?
DENS4-C, 5-C & 6-C	Review existing Parking Permit Charges	Increasing Productivity / Fees & Charges	Yes	309	0	256	53	80%	Review existing parking permit charges to support enhancements to the Council's online Residents' Parking Permit systems. This will include a more flexible approach to the issue of visitor permits which will allow residents to manage their visitor permit allocations online.
DENS9-C	Stop Providing Grit Bins on the Public Highway	Reductions in Services	Yes	16	16	0	0	0%	The proposal is to stop providing grit bins on the public highway, which currently forms part of the Winter Maintenance Service from 2018/2019 financial year. There are currently 47 no. grit bins on the Borough's public highway network which have previously been assessed under the formal Grit Bin Assessment Process. These Grit Bins are typically sited on minor residential roads which do not form part of the primary and secondary salting route networks. The grit bins are provided, maintained and replaced (when damaged) by the Council including replenishing with salt as and when required. The salt is provided for local residents to use on the public highway only, on a self-help basis. There is however no control/policing on where the salt is used and no guarantee it is solely used on public highway/Council owned land. The provision of grit bins/self-help salting is discretionary and is not regarded as formal salting/treatment of a road. If agreed, the proposal will be implemented from the 2018/19 winter season, within next Financial Year (2018/19).
DENS14-C	Develop and implement a new borough-wide Car Parking and Air Quality Management Strategy and the associated action plan.	Increasing Productivity / Fees & Charges	No	800	0	100	700	80%	This proposal is to develop and implement a borough-wide car parking and air quality management strategy and action plan. Core elements of the action plan are: 1. Develop and implement a new Local Transport Plan to cover the period 2018 to 2033 incorporating a review of existing transport strategies and policies such as the Parking Strategy. 2. A parking strategy action plan - the overall policy aim is to reduce congestion and improve alternatives to the car. 3. Review of public off and on street parking arrangements and charges - this will include Residents Parking schemes and further charged on street parking to ensure that any displaced parking does not occur as a result of any new initiatives. Whilst there are significant areas of Reading with RP parking, schemes will need to be expanded, for example in south Reading, subject to full local public consultations. 4. Consideration of measures to improve air quality on top of the proposals in the parking strategy – to be determined depending on detailed measurements and DEFRA requirements.
DENS16-C	Further Reducing Library Expenditure NB: additional to DENS53	Reductions in Services	Yes	45	0	45	0	90%	These proposals are further to the DENS53 savings target of £115k listed in the July 2017 budget report. A report to February Policy Committee outlines in one comprehensive report the proposed service reductions to deliver DENS53 together with additional reductions detailed below, together with consultation plans proposed.
DENS24-C	Alternative Delivery Models - Market Testing	Service Delivery Models	Yes	1,200	0	600	600	60%	Undertake a prioritised Best Value Testing work programme that includes hard market testing. In order to be robust, the process will need to include hard market testing when there are reliable alterative suppliers, in order to establish true comparators to help inform future decisions. Market testing has a number of discrete stages which can be run in parallel with supporting in-house teams to reduce their costs and increase productivity in order to better compete with other suppliers. This can help minimise externalisation of services and help support and further develop our traded services.
DENS25-C *(DENS54-B)**	Investigate Options for a Cultural Trust Model	Service Delivery Models	Yes	250	0	0	250	50%	Look to change the delivery model for cultural services to a Charitable Trust with linked trading arm (or similar alternative delivery model). This is a piece of work requiring specialist legal and financial advice. It has been looked at previously in relation to a much wider range of service but did not proceed. The most obvious financial advantage relates to NNDR (business rates) savings of 80% - approximately £400k saving. However there are potential dis-benefits with regard to VAT treatment and high set-up costs that mean it is not as straightforward as it might appear. The experience of Cultural Trusts across the country is also very mixed. It does though have the potential to enable services to operate more commercially and diversify funding streams that could enable costs to the local authority to be reduced.

DENS27-C	Explore creation of coordinated enforcement operation across Regulatory & Transportation services	Service Delivery Models	Yes	58	29	29	0	50%	Transport and Streetcare and Regulatory Services carry out a wide range of enforcement actions relating to a number of pieces of primary legislation covering the following areas: • Waste, litter and fly-tipping • Highways • Environmental Health The initial proposal is to engage with an external enforcement agency on a two year trial basis to carry out the following enforcement activities: • Littering – Section 87 EPA, covering dropping of litter, chewing gum and cigarette butts. • Dog control orders • Public Space Protection Orders (PSPO's) • Duty of care • Fly-tipping This will take place whilst other contract options and opportunities are explored and evaluated with the intention of procuring a coordinated enforcement operation contract for the Council in 2019/20.
DENS28-C *(DENS54-A)*	Reading Buses – further increased dividend/market test following review.	Increasing Productivity / Fees & Charges	Yes	250	0	100	150	40%	The Council and RTL have jointly commissioned a financial reviewof the Bus Company. The proposal is to Increase the current approved target for a dividend to the Council by a further £100k in 19/20 and £150k in 20/21. That would mean a total dividend target of £200k in 19/20 and £250k in 20/21.
DENS29-C	Continue to review existing property holdings e.g. Old Civic Site and Southside.	Increasing Productivity / Fees & Charges	Yes	500	0	250	250	60%	Review and undertake options around key assets, including Civic Area site and Southside to bring forward capital receipts and/or income earlier in the development process. In addition the Council, in line with its Asset Management Plan, continues to make the best use of assets to secure additional income / capital receipts. A review of minor leases is taking place to ensure that income is maximised from all assets. This work is due to complete in the Spring / Summer 2018.
DENS30-C *(DENS32-A)* *(DENS22-B)*	Review public car parking provision borough-wide	Increasing Productivity / Fees & Charges	No	400	0	200	200	60%	Undertake a comprehensive review of the operation and level of all public car parking, in order to inform the development of the Council's new borough-wide Car Parking and Air Quality Management Strategy and increase income.
DENS31-C	Continue to invest to save in Reading Commercial Services to increase trading surplus.	Increasing Productivity / Fees & Charges	Yes	100	0	50	50	70%	Commercial Services primarily consists of the following services, all of which carry out commercial works for both internal and external customers: • Highways and Drainage. • Parks and Open Spaces • Streetcare • Waste Operations. However, within Transportation and Streetcare there are other opportunities to develop commercial services within: • Fleet management • Network Management • Transport Planning • Parking Services • Neighbourhood Services • Re3
DENS32-C (DENS55-B)*	Achieve Full Cost Recovery & review Fees and Charges council wide.	Increasing Productivity / Fees & Charges	No	75	0	25	50	70%	To add greater rigour to the process of reviewing and setting fees & charges across the organisation.
DENS33-C	Extension of mandatory houses in multiple occupancy (HMO) licensing or development and implementation of a discretionary scheme	Managing Demand	Yes	40	0	20	20	50%	Mandatory HMO licensing currently covers properties of 3 or more stories (including basements, loft conversions and commercial) with 5 or more residents not forming one household. The Government's proposed extension of the mandatory scheme would cover all HMOs irrespective of the number of storeys, but the HMO would still need 5 or more residents to fall into the revised scheme. It is expected that subject to parliamentary time, that changes to the law would be introduced by April 2018 with implementation later in 18/19. Should the Government not conclude to implement an extension of the mandatory scheme it is proposed that a discretionary scheme is investigated which would provide the same outcomes. If the Council's current fee model was applied to an extended scheme, it would generate an additional fee income, which would need to be applied over the course of the licence fee period (5 years). There would be upfront costs associated with extending the scheme, including IT and additional enforcement staff. In order to have an effective regime, that additional enforcement staff would be required, with estimated costs in the region of £150k p/a. Overall, taking into account the cost of additional staff and the existing saving commitment there would be a net saving of £20k in 19/20 and a further £20k in 20/21.

DENS34-C	Extend residents parking permit areas.	Increasing Productivity / Fees & Charges	Yes	300	0	100	200	70%	Undertake a comprehensive review of Residents Parking Areas across the borough and bring forward proposals for new/extended RP areas in response to resident requests and other potential opportunities. In order to try and avoid abortive costs of the statutory consultation process, it will be important to assess the likely acceptability of introducing new RP areas if a more-widespread blanket approach to introducing RP areas is adopted. This would include carrying out informal consultation first to ascertain demand, in line with Statutory guidance, to ensure that a scheme is not introduced against the overall consensus of residents. This proposal will require a review of current resources to ensure delivery of a focussed work programme. A review of the current substantial service demands through the Traffic Management Sub-Committee, Strategic Environment Planning and Transport Committee, Transport Users Forum and Cycle Forum will also take place to ensure agreed key projects are delivered within the agreed programmes.
DENS35-C	Reassessment of planned staffing levels in Housing Needs to respond to the Homelessness Reduction Act	Increasing Productivity / Fees & Charges	Yes	82	82	0	0	100%	Reassessed planned additional staffing needed to meet new statutory duties under the Homelessness Reduction Act - reduce by 2FTE at RG6.
DENS36-C	Reduce library admin and development support capacity in the Library Service	Reductions in Services	Yes	47	35	12	0	100%	Reduce staffing by 1.5FTE: no capacity to coordinate and develop volunteer offer; reduction in capacity for service to deliver against corporate priorities; reduced capacity to promote Library events, activities and services. Stop loan of sets of music and plays.
DENS37-C	Further reduce library opening hours	Reductions in Services	Yes	11	8	3	0	70%	Reduce branch opening times further: Tilehurst & Battle (27pw to 22 pw), Whitley (21 to 18 hours). Will impact further on useage as reduces access.
DENS38-C	Reduce library stock fund	Reductions in Services	Yes	15	15	0	0	100%	DENS53 removes £25k from stockfund and puts RBC in the lower bottom quartile of English unitaries. A further £15k puts RBC in the bottom 3 for unitary LAs with annual spend of £110k impacting on the quality of the service offer/breadth of choice. Reduces supplier discount by 3-4% so budget doesn't 'go as far'. Average for an English unitary would be about 9% of gross expenditure or £180k.
DENS39-C	Recharge for Service Heads acting as directors to Homes for Reading Ltd	Service Delivery Models	Yes	12	12	0	0	100%	Homes for Reading Ltd (HfR) is a housing company which is wholly owned by the local authority. Currently two Council heads of service serve as directors on the Board of Homes for Reading. The Local Authority has to properly account and charge for officer time directly working for HfR. This includes time which Heads of Service spend operating in the capacity of Directors for HfR – this additional income has not been accounted for thus far, although time spent is being captured.
DENS40-C	Reduction in hours CCTV is monitored	Reductions in Services	Yes	50	50	0	0	100%	The cost of the current CCTV operation per annum is £214K. This is broken down as £137K staff, £37.4K fibre circuits and £40K maintenance. This is part funded by Thames Valley Police who contributed 46k in 2017/18. In addition the Business Improvement District (BID) fund another operator post paid directly to Thames Valley Police. The Council therefore funds the remaining £168K. Staff are employed by Thames Valley Police but based in the Civic Centre CCTV suite. There are currently a total of five members of staff operating the CCTV suite and coverage is currently circa 20 hours per day. The proposal would represent an equivalent reduction of around two operators. This would result in a reduction in the hours when the CCTV is monitored, with hours of cover prioritised based on levels of crime/risk throughout the day/week in consultation with TVP and the BID. The possible impact of this is set out below. CCTV will still record 24-7 and footage will be available to review and the number of cameras will remain the same. With reduced staffing it might be possible to monitor CCTV 12 hours a day on average. That would probably broadly cover 'peak' times when there is most activity between circa 11 am – 6 pm and 10 pm – 2 am – there might for instance be reduced coverage Sunday to afford extended night time coverage Fri and Sat at night. This proposal will need further work and negotiation/consultation with key stakeholders including TVP and the BID. There are also a number of cameras on our housing estate that the general fund is currently subsidising. It is estimated that the cost of these is around £10k based on the running and monitoring costs of four cameras. It is proposed that a recharge of
DENS41-C	Review of Neighbourhood and Streetcare Services fees and charges and enforcement activity.	Increasing Productivity / Fees & Charges	Yes	66	108	-27	-15	90%	Increase fees, charges and enforcement activity for Waste Operations, Environmental Enforcement and Highways Works.
DENS42-C	Introduce Enforcement on the Kings Road and Forbury Road bus lanes	Increasing Productivity / Fees & Charges	Yes	100	100	0	0	70%	To introduce bus lane enforcement on The Forbury and Kings Road (inbound) bus lanes.
DENS43-C	Review and reduce the Council Fleet	Managing Demand	Yes	90	90	0	0	100%	To reduce the Council fleet following a review of current fleet use.
DENS44-C	Increase parking charge at Mereoak Park & Ride	Increasing Productivity / Fees & Charges	Yes	20	20	0	0	100%	To increase the parking charge at Mereoak Park and Ride from 50p to £1.
DENS46-C	Private Rented Sector enforcement – Fixed Penalty Notices	Increasing Productivity / Fees & Charges	Yes	15	15			60%	The Government recently introduced legislation which allows Councils to issue fixed penalty notices (FPNs) on landlords for non-compliance with housing management regulations. Officers are currently preparing a delegations report, policy and procedures to implement FPNs. The Government has set a statutory limit of £30,000 on each FPN. It is proposed to increase projected income by £15,000 in 2018/19.

DENS47-C	Salary Costs to Capital (Private sector renewals)	Service Delivery Models	Yes	18	18			100%	The Private Sector Housing team delivers the Council's Private Sector Renewal Policy and the Housing Adaptations Policy. The delivery of the service was brought back in house in 2016 and the private sector strategic and operational management of the team is partly charged to capital. Since the service was brought back in house with additional staffing, management demand has increased and therefore it is proposed that this is charged to capital, providing a revenue saving.
DENS48-C	Increase income from commercial property acquisitions – additional stretch target	Increasing Productivity / Fees & Charges	Yes	1,050	550	250	250	40%	Continue to invest in the Council's property investment portfolio.
DENS49-C	Corporate Facilities Management reductions	Reductions in Services	Yes	25		25		65%	Saving arise from a reduction in costs associated with a number of building and a restructure within the Corporate FM Team.
DENS50-C	Town Centre Street Trading -New Pitches	Increasing Productivity / Fees & Charges	Yes	42	12	30	0	60%	To increase town centre street trading to generate additional income.
DENS51-C	Planning - increased income	Reductions in Services	Yes	50	50			90%	The proposal is to review income and resources within the team in order to achieve the savings specified. Planning income has remained high and while base budgets have been increased to take account for this additional income, further additional income over planned budgets are likely to transpire. In addition a recent increase in planning fees has been implemented and a further proposed increase may come forward later in the year. Should income targets not be delivered a review of resources and budgets within the team will be undertaken in order to make savings.
DENS53-C	Delete current vacant Business development post	Increasing Productivity / Fees & Charges	Yes	40	40			100%	Delete currently vacant Business Development Officer post in the Business development team and deliver advertising sales (roundabouts, street columns and other opportunities) in a different way with an outsourced delivery partner.
DENS55-C	Review the school crossing patroller function	Service Delivery Models	Yes	25	0	0	25		This proposal is for Reading Borough Council to undertake a review of the School Crossing Patroller function.
DENS58-C	Reduce contract value for housing related support to young people	Increasing Productivity / Fees & Charges	No	35		35			A review of the contract for supported housing for young people is proposed with an aim of reducing the contract value by 10% (£35,000) from April 2019. The Reading YMCA currently provides accommodation and support to 40 individuals aged 16 – 24 years old, including dedicated separate units for young parents. Support is provided by, and the property is owned by, YMCA England. Current occupants have largely been referred via the Council's Housing Needs department or Children's Services. The contract value is £354k p.a.. The contract, which is managed jointly across Children's Services Commissioning and Housing Services, has been extended for a further two years to end March 2019 and there will be a need to re-commission the service therefore over the coming financial year. Officers propose to undertake a strategic review of support and accommodation for young people aged 16+. This will include consideration of current and projected needs; utilisation of current provision and needs met; effectiveness/provision of move-on; cost benchmarking; options to access or increase funding from other sources; and best practice. This will inform future commissioning plans and will determine the potential for achieving the target level of saving.
DENS59-C	Theatres to break even through working with other operators.	Service Delivery Models	Yes	150		0	150		Seek to bring in an alternative commercial operator to run Reading Arts Venues – primarily the Hexagon and South Street, although future programming of the Concert Hall at the Town Hall & Museum will also need to be considered. This proposed saving is separate and additional to the existing proposal to explore the development of a Cultural Trust with a view to delivering a potential saving of £250k. The exploration of a Cultural Trust will need to be completed prior to committing to a procurement process for a new operator for the theatres. How the two proposals could potentially fit together will also need to be worked through but a commercially operated theatre providing best value for money would be beneficial to a Trust.
DENS63-C	Review of Public Conveniences	Reductions in Services	No	50	0	50			The proposal is to review the current provision of public conveniences in the Borough. A review would need to consider usage levels, charges, options for alternative provision and the implications of any closure. A detailed equalities impact assessment will be needed. The service has made savings in the past which has meant that closure of conveniences has not been necessary. However, further savings can now only be made by considering the closure of some services.
DENS65-C	Revert to the statutory minimum Concessionary Fares Scheme	Reductions in Services	No	0	-80	20	60		This proposal is for Reading Borough Council to revert to the standard English National Concessionary Travel Scheme for access (disabled) pass holders from 1st April 2019. The Council reverted to the statutory scheme for elderly pass holders on 1st April 2017. The English National Concessionary Travel Scheme (ENCTS) is a statutory requirement, however the ability for access pass holders to travel at all times, to travel with a companion and to use local dial-a-ride services for free are currently offered by Reading Borough Council as additional discretionary elements of the scheme.
DENS66-C	Revenue savings arising from the closure of Darwin Close, Hamilton Centre and more efficient use of Bennet Road	Increasing Productivity / Fees & Charges	Yes	230			230		Phase 2 of the Property Rationalisation programme seeks to invest in works to increase the capacity of the Civic Office and Whitley Health Centre to facilitate the co-location of Children's Services teams as part of the new Children's Company and enable the release of the Hamilton Centre for disposal. Phase 2c of the programme seeks to invest in the refurbishment and adaptation of 19 Bennet Road to improve the current utilisation and address significant maintenance liabilities in order to extend the asset life. 2-4 Darwin Close would be vacated as part of the project. The proposed savings set out would come from the reduced property running costs.
			TOTAL	**6,566**	**1,170**	**2,172**	**3,223**		

2.c Directorate of Adult Care and Health Services

	SAVINGS AND INCOME PROPOSAL	Category	Draft Proposal for Change submitted?	TOTAL	2018/19	2019/20	2020/21	% Con-fidence	DESCRIPTION OF SAVINGS AND INCOME OPTIONS - What would we stop, reduce or do differently?
DACHS4-C	Review of alternative delivery models for Public Health	Reductions in Services	Yes	775	438	123	214	80%	This proposal is in addition to savings already agreed which total £1,577m over the three years (£890k PH Grant reduction at source and £667k RBC savings). The savings will reduce the specific delivery of Public Health commissioned services as stipulated by Public Health England, mandated and non mandated services. We will look to reallocate grant funding across the council where public health outcomes can be delivered to meet the health outcomes of our population, based on the priority needs of the Council and identified within the Joint strategic needs assessment.
DACHS6-C	Adult Social Care Provider Services	Reductions in Services	Yes	150	150	0	0	50%	The Council delivers a number of in-house provider services and reviews of these form part of the existing Adult Social Care Transformation Programme. However soft market testing on a small number of these services teamed with ageing buildings (e.g. consideration to be made that sites could potentially yield Capital receipts or provide development land for housing) suggest more savings could be generated than had previously been committed to. By not providing these services or changing the way they run (e.g. outsourcing to another provider), there is more potential to achieve savings. The needs of the people using the services would still be met through alternative provision on the back of a care review.
DACHS8-C	Commissioning Team Realignment	Service Delivery Models	Yes	47	47	0	0	85%	Reduction of vacant posts prior to formal restructure planned later in 2018
DACHS9-C	Implementation of Business Support restructure	Service Delivery Models	Yes	135	51	84		60%	A restructure and reconfiguration of the Business Support function within DACHS will be implemented. This will ensure we maximise the use of digitisation and ensure any changes reflect the recent changes in team structure and the evolving needs of the business.
DACHS10-C	Locality Team Realignment	Service Delivery Models	Yes	380		235	145	70%	A restructure and reconfiguration of the Mental Health function will be implemented to ensure a safe and efficient service whilst reflecting the diverse needs of the client group. The wider Locality teams will continue to be reviewed in line with the opportunities posed by integrated working with Health and the priorities within the business.
DACHS12-C	Transformation focused staff funded from capital receipts	Increasing Productivity / Fees & Charges	Yes	0	124	0	-124		The Transformation Team within DACHS is assisting in driving forward the transformation of services in the directorate to deliver service improvements and savings. The team consists of a mix of permanent and other staff who are funded through the Council wide Change Management programme. There are two permanent project managers within the team who are funded through the DACHS base budget who are driving transformation and can be funded through capital receipts, which are funding the Change Programme. This funding will be available over two years (2018-19 and 2019-20) and will deliver a revenue savings for those year. After this period the posts will need to funded through the DACHS base budget.
			TOTAL	**1,487**	**810**	**442**	**235**		

2.d Directorate of Children, Education and Early Help Services

	SAVINGS AND INCOME PROPOSAL	Category	Draft Proposal for Change submitted?	SAVINGS TOTAL	2018/19	2019/20	2020/21	% Con-fidence	DESCRIPTION OF SAVINGS AND INCOME OPTIONS - What would we stop, reduce or do differently?
DCEEHS11-C - Option 2	Full cost analysis to determine best use of Pinecroft/Cressingham	Service Delivery Models	yes	500	0	0	500	75%	Operate selling places for Pinecroft and Cressingham but retain a service for Reading. This options is for a total saving of £500k to be delivered in 2020/21.
DCEEHS16-C	Further reduction in Early Help Service - deletion of posts, plus various minor budget reductions	Reductions in Services	yes	176	200	-24	0	100%	Full year effect from April 2018 - potential delay
DCEEHS17-C	Deletion of the Multi-Systemic Therapy (MST) Service	Reductions in Services	yes	110	110	0	0	100%	Full effect from April 2018 but consultation with staff would be required
DCEEHS20-C	Income generation for the Youth Service	Increasing Productivity / Fees & Charges	yes	50	0	0	50	100%	Full effect from April 2018 but consultation with staff would be required
			TOTAL	**836**	**310**	**-24**	**550**		
		TOTAL ALL DIRECTORATES		**11,902**	**3,651**	**3,854**	**4,396**		

Calculation of Council Tax
2018-19

Policy Committee 19 February 2018 and Council 28 February 2018

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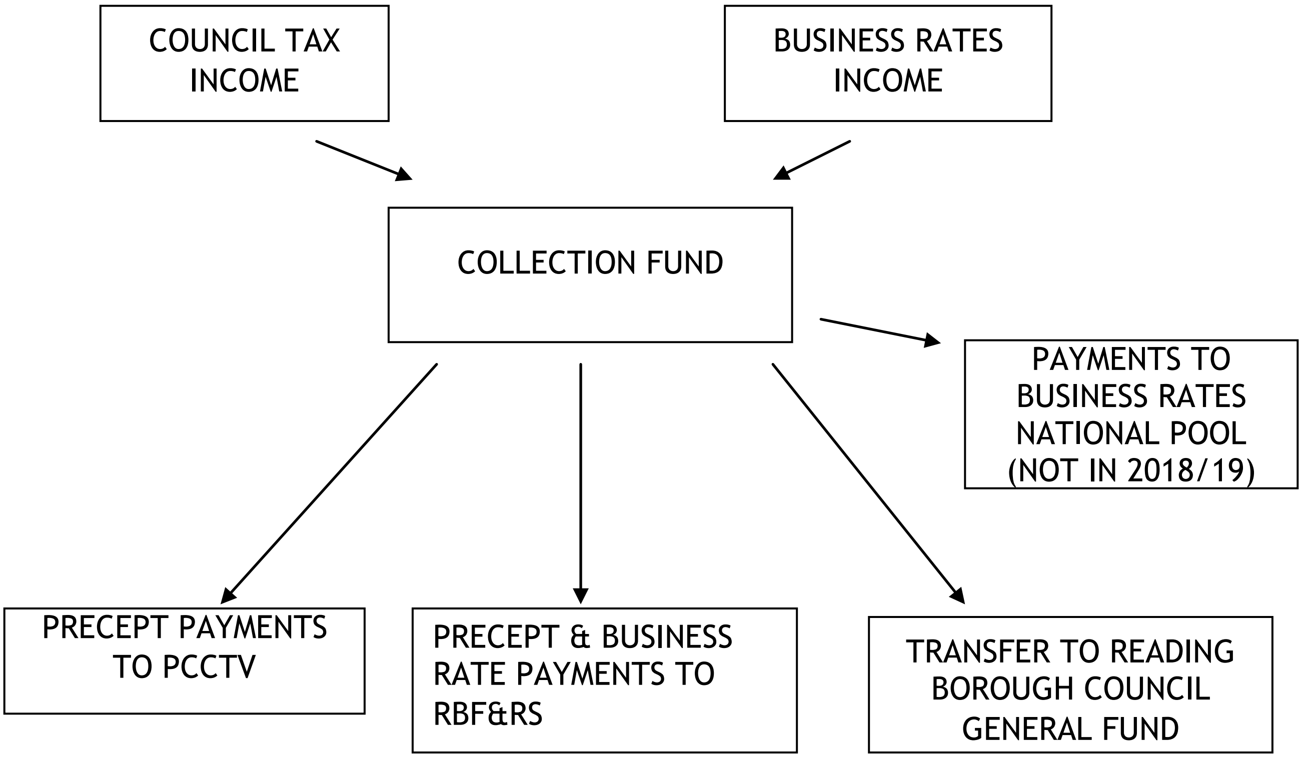
1. COUNCIL TAX COLLECTION FUND

Collection Fund

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

COLLECTION FUND INCOME AND EXPENDITURE



Business Rate Income

1.2 Normally, business rate income, including the impact of all adjustments (except transitional relief, where Government meet the cost or take the benefit) is normally 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).

1.3 In 2018/19, Berkshire Authorities are piloting 100% local retention, so 1% of rates transfers to the fire authority as usual but the basic position being is that the Council retains 99%. However, that is reduced by a revised tariff, and as part of the Berkshire pilot we agreed that part of the gain, estimated as £25m would be paid to the LEP to support projects that would generate further economic growth. Formal in year transfer for 2018/19 to the General Fund are as set in the NNDR1, submitted to Government in January, so actual variations to this will produce an in year surplus or deficit, which will need to be estimated in January 2019, and taken account of in setting the budget and tax for 2019/20. At the current time the pilot is for 2018/19 only, but the Government may decide at a later stage to extend it to 2019/20 before the planned reforms and reset of the system now expected in 2020/21. Therefore, were there to be a deficit in comparison to the £130m business rates available forecast on our NNDR1 form the 2019/20 budget would need to be reduced to take account of the position, and vice versa were a surplus to arise. In connection with the pilot we will not receive RSG into the General Fund in 2018/19.

1.4 In comparison to most other authorities Reading collect a high amount of Business Rates. A simple localised system of Business Rates where each authority kept 99%/100% of what they collect would leave many authorities short of sufficient resources, so there is a process of applying tariffs to the local 99% share (in the pilot year) and Reading's tariff (in 2018/19) is £81.0m (increased from £27.5m in 2017/18, because of the move from a 49% local share to a 99% share). However, as a pilot authority we do not pay a levy on growth above a government set baseline (which in 2018/19 would be £2.9m if we were not a pilot).

1.5 Government also pay a grant to compensate for limiting the rise in business rate to CPI rather than RPI and in connection the small business and other relief schemes in past years), which ordinarily would also be subject to the levy. The estimated grant in 2018/19 is just below £4m.

1.6 Business Rates (Non Domestic Rates) Payable

1.7 All business properties were revalued by the Valuation Office Agency during 2015 & 2016 to produce a new rating list that was introduced in 2017/18 (based on the 1 April 2015 position). This list replaced the 2008 list which lasted 7 years from 2010/11. The Government adjusted the 2017/18 Local Government Finance Settlement to take account of the impact of revaluation, and in 2018/19 has simply rolled figures forward for inflation (and then separately made the pilot adjustments). New properties are valued on the basis of 2015 rental values. To mitigate the impact of the 2017 revaluation there is a transition scheme that limits increases over RPI to RPI + 12.5% for properties with (new) RV £10,000-£100,000 and to RPI + 42.5% for properties with new RV over £100,000. The Council has used Government funding to reduce further some of these increases in last year's Budget Discretionary Rate Relief Scheme (see Appendix 7).

1.8 Rate Multiplier

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 2018/19 is to be 48.0p (46.6p in 2017/18).

The Secretary of State has estimated that the supplement to fund small business rate relief should be at 1.3p in 2018/19 (1.3p for 2017/18).

The provisional non-domestic multiplier will therefore be 49.3p in 2018/19 (47.9p in 2017/18).

In accordance with Schedule 7 to the 1988 Act, the multipliers will be confirmed after the Local Government Finance Report for 2018/19 has been approved by Parliament (which occurred on 7 February).

For 2018/18 we expect to collect around £130.0m in Business Rates (up from £124.0m in 2017/18.

Council Tax Income

1.9 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 2019 and taken account of in setting the budget and tax for 2019/20.

1.10 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	8/9	9/9	11/9	13/9	15/9	18/9

2.2 The Council at its meeting on 23 January 2018 set a Council Tax base for 2017/18 of 54,850.

2.3 Policy Committee also received a report explaining the need to estimate the Collection Fund position as at 31 March 2018. This was done in accordance with Government Regulations and a neither a surplus nor deficit was estimated in respect of Council Tax transactions. The split between the Council and precepting authorities as follows:

	£'000
Reading BC	0
Thames Valley Police	0
Royal Berkshire Fire & Rescue Authority	0
	0

2.4 A surplus was also estimated for NNDR transactions of £9.36m which is be apportioned according to Government rules as follows:

	£'000
Reading Borough Council	4,680.0
DCLG	4,586.4
Royal Berkshire Fire & Rescue Authority	1,393.6
	9,360.0

2.5 Table A sets out the amount to be collected from Tax Payers in 2018/19.

Table A

Budget	138,912,270
Council Tax Collection Fund surplus	0
NNDR Collection Fund surplus	-4,586,400
Business Rates Income	-128,700,000
Tariff Payment	81,036,855
Revenue Support Grant	0
Council Tax collected for Reading BC	86,662,725
Police and Crime Commissioner Thames Valley Council Tax	9,998,058
Royal Berkshire Fire & Rescue Authority Council Tax (tbc)	3,530,146
Total amount to be collected from Council Tax payers	**100,190,929**

Forecast of Council Tax for 2018/19

2.6 The Council Tax at each Band (with property numbers per Band) is set out below:

Table B

		Reading	PCCTV £	RBFRS £	Total £
A	6,533	1,053.33	121.52	42.90	1,217.75
B	14,134	1,228.88	141.77	50.06	1,420.71
C	28,756	1,404.44	162.03	57.21	1,623.68
D	10,883	1,579.99	182.28	64.36	1,826.63
E	5,434	1,931.10	222.79	78.65	2,232.54
F	3,277	2,282.21	263.29	92.96	2,638.46
G	1,843	2,633.32	303.80	107.26	3,044.38
H	83	3,159.98	364.56	128.72	3,653.26
Total Properties	70,943				

Proposals for revised Fees and Charges by Directorate / Service Area

The commentaries below set out the broad approach to fees and charges adopted in each service area.

1. <u>Directorate of Corporate Support Services:</u>

1.1 ICT Support Services

The service has increased the fees charged to schools to ensure the recovery of costs, which include administration of the education SLA portal.

1.2 Bereavement Service

Concessionary services historically provided at no cost remain FOC.

Discretionary fees have been reviewed and benchmarked, with proposals to increase fee by between 3 – 14% to ensure cost recovery.

A number of fees have been held at current rates as a result of benchmarking and consideration of associated costs.

Several new services introduced to meet customer demands.

1.3 Registry office

The service has increased a number of fees between 1 - 20%, with some services remaining unchanged following benchmarking and consideration of cost recovery.

The service predicts a decline in nationality checking services but an increase in face to face services at their new location within Reading Town Hall.

1.4 HR & Payroll

HR fees have been increased by 10% to move towards a cost recovery position. The service believes a subsidy remains per transaction. Efforts will be made to recover the full cost over subsequent fee reviews.

Payroll fees have increased by 3% to reflect inflation. The service believes that costs are recovered from the fee charged.

1.5 Occupational Health

The service has increased the fee by 10% to move towards a rate that reflects full cost recovery.

1.6 GIS Mapping

The service has increased fees by 10% to recover costs associated with the provision of the service.

The service is demand led and dependent upon the scale of development that takes place annually within the Borough. Transactions are forecast to increase in 2018-19 based on figures provided by the Council's Planning Team.

1.7 Legal Services

Fees increased between 3 – 25% to reflect cost recovery and inflation.

1.8 Income & recovery

The service has increased controllable fees by 6% as a result of benchmarking and consideration of market rates.

1.9 Democratic Services

The service has increased the fee for both school admission appeals and School Exclusion Review Hearing's to reflect the cost of service provision.

1.10 Berkshire Record Office

Services are provided under a joint Berkshire arrangement and the amendment of fees requires the approval of all 6 participating authorities; Reading, Slough, Bracknell, Wokingham, West Berkshire and the Royal Borough of Windsor and Maidenhead.

Fees for 2018/19 were extensively agreed in January 2017, with revised fees front-loaded to account for inflation and the recovery of associated costs. Fees will be reviewed during 18/19 for 19/20, taking account of corporately specified criteria.

The service have increased the fee for the Copy of certificates (baptism, burial, pre 1837 marriage) by 7.76% as governed by statute, which is forecast to return a modest additional income.

2. <u>Directorate of Adult Care & Health services:</u>

2.1 Adult Social Care

The service proposes increases of between 3 – 25% to a range of support services on the basis of cost recovery.

3. <u>Directorate of Children's Education & Early Help Services:</u>

3.1 Caretaker Services

The service has reviewed the fee charged to schools for the maintenance of caretaker properties to ensure the recovery of contracted costs.

3.2 CAT – Sure Start

Fees have been increased by approx. 7% to enable recovery of costs, following a review of market rates.

3.3 Pinecroft Children's Residential Care

The service has proposed to increase the weekly fee by 4.1% to recover the costs of service provision.

The fee is charged to other local authorities that buy the service from Reading Borough Council. The provision of the service to other local authorities is at the management team's discretion and is subject to capacity being available.

There are currently no other local authority service users at this time.

3.4 Kennet Day Nursery

Fees have been increased by 5% to move towards full cost recovery, following the benchmarking of other providers and consideration of affordability to service users.

3.5 Early Years

Following benchmarking activity the service has increased fees by a minimum of 3% across the board, with some fees increased by up to 50%.

The service provides both statutory and discretionary services and believes that subsidy is provided in the delivery of both. The increase in fee will narrow this gap and the service is committed to further review within year.

3.6 Reading Play

The service has increased all fees by 10% to recover the associated costs of delivery. Fees have been benchmarked with comparable market providers and remain competitive.

3.7 School performance data

The service has increased a number of fees between 0.8 – 5% to recover associated costs, with some fees remaining unchanged.

3.8 School Standards Traded

The service has increased a number of fees in order to recover the cost of service provision, whilst remaining competitive with the market.

3.9 School Kitchen Service

The SLA is split into package 1 & 2 and is calculated based on attendance numbers, kitchen size etc. The service has increased the charge by 5% to reflect cost recovery.

The income collected from schools is used to provide a programme of preventative maintenance (PPM) and fund the cost of reactive repairs.

3.10 School Admissions

The service have increased the fee for provision of an appeal map to £50 to reflect established market rates and associated costs.

4. Directorate of Environment & Neighbourhood Services:

4.1 Sustainability

The service has increased solar energy costs in line with contractual arrangements.

4.2 Private Sector Housing

Fees have been reviewed and increased to recover associated costs.

A HMO licence lasts 5 years and the fee charged is to cover the administrative and enforcement costs over the term of the licence period. The service forecast the number of new licences and renewals and accounts for income over the term of the licence period to enable costs to be covered and the service provided on a cost neutral basis, as required by the legislation.

4.3 Housing GF & HRA

The service has adjusted the fees in relation to B&B to ensure costs are recovered.

4.4 Leisure

The service propose a range of fee increases of between 3 – 10% as a result of benchmarking and consideration of cost recovery.

Concessionary fees, such as FOC swimming have been retained for Council operated facilities.

4.5 Museum

The service has an internal pricing policy for its services, which is followed in the review of fees.

The service proposes to freeze a number of fees at existing rates and increase others by between 1.5 – 100%. The rationale for proposed increases is the recovery of associated costs and the benchmarking of service fees with the wider market.

4.6 Berkshire Archaeology

The service has increased the fee for the provision of historic record data by 10% to reflect established market rates.

4.7 Licensing

Service has undertaken a significant level of cost recovery work and has proposed increases of 3 – 100%.

4.8 Trading standards

Many fees are set by statute with limited ability for the Council to review.

Increases of between 3 – 10% have been proposed on a number of controllable fees in order to recover the cost of service provision.

4.9 Highways

The service has increased all fees by between 3 – 50% to reflect inflation and ensure the recovery of costs.

4.10 Streetcare Services

The service has increased fees between 6-20% following consideration of cost recovery and market rates.

4.11 Emergency Planning

The service has reviewed fees on the basis of cost recovery and market rates.

Following a successful subsidised pilot of school lockdown procedure training, the service intends to role this out at a fee that recovers associated costs.

Inflation of 2.7% added to shared services agreement, which runs to 2020.

4.12 Libraries

The service has increased a small number of fees between 8 – 16% to benchmarked rates.

The vast majority of fees have not been increased as a result of benchmarking and ongoing review of service provision.

4.13 Environmental Protection

The service predominantly undertakes statutory functions, with a small number of services provided on a discretionary basis.

Fees have been reviewed to ensure that they permit the recovery of costs, with some fees retained and others increased to reflect a changing cost base.

4.14 Arts Venues

The fee for the administration and posting of tickets has increased to match market rates and recover costs.

The service is introducing a membership offer at a fee of £25 + vat, mirroring services provided by other venue operators.

4.15 Planning

The service has increased all discretionary fees by between 4 & 25% to recover costs associated with service provision.

4.16 Public toilets

The service has increased the fee for use of automated public toilets to 40p following benchmarking activity. The increase will permit more of the cost of service provision to be recovered.

4.17 Concessionary Fares

The service has increased the fee for a replacement concession pass to reflect the cost of provision, whilst remaining in line with other local authority practices.

The service has introduced a new charge for access to transport modelling information, in line with the charging practices of neighbouring local authorities.

The fee for parking at the Mereoak Park and Ride site has increased to reflect market rates.

Treasury Management Strategy Statement 2018/19

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

The context of the Council's borrowing is set out in the Initial Capital Strategy Statement, which is a new Statement recommended by CIPFA to provide a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services in the context of the Council's wider financial position. The TMSS primarily deals with the treasury management aspects of the Capital Strategy, but inevitably has to take account of the Council's capital expenditure plans and wider financial plans as they will impact the cashflow, and hence the treasury position.

1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. In addition, the Department for Communities and Local Government (DCLG) issued revised Guidance on Local Council Investments in March 2010 that requires the Council to approve an Investment Strategy before the start of each financial year. During the Autumn of 2017 both CIPFA and DCLG consulted on revisions to the Code and statutory guidance, but at the time of drafting this TMSS, whilst the final CIPFA Code had been published, the final revised statutory guidance was not available, and only became available a week before publication (with some changes from the consultation draft that do not have to be implemented until 2019/20). 2018/19 is seen as a transition year, and whilst CIPFA's Treasury & Capital Management Panel has issued a statement recommending both CIPFA codes are implemented as soon as possible, but recognised that the new formal requirement to have a capital strategy may not be fully implemented until 2019/20. In this code we have implemented changes to the practical extent reasonably possible[1] at the time of

[1] As usual the TMSS has been based on a template provided by Arlingclose. For practical reasons their *template covered the requirements of the 2010 CLG Investment Guidance and the 2011 CIPFA TM Code of Practice, including the Treasury Management Indicators. It could not reflect changes to DCLG*

preparation. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the DCLG Guidance.

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

- Treasury Management Strategy for 2018/19
- Annual Investment Strategy for 2018/19
- Approve a (newly required) Initial Outline Capital Strategy (which is a separate Appendix)
- Prudential Indicators for 2018/19, 2019/20 and 2020/21 (with some updates to 2017/18)
- MRP Statement (in connection with debt repayment)

2. Introduction

2.1 The Council has 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 Council's treasury management strategy.

2.2 Revised strategy: In accordance with the DCLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

3. External Context

3.1 Economic background: The major external influence on the Council's treasury management for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

3.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy

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Guidance which were published after the template was issued. We have made reasonable practical additions and amenments to take account of the later published guidance.

Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

3.3 In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

3.4 Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

3.5 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

3.6 Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19**,** following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

3.7 Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

3.8 A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

3.9 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.3%, and that new long-term loans will be borrowed at an average rate of 1.5% rising to 1.75% by the end of the year (reflecting short term borrowing at up to 0.75% and long term borrowing at 1.75%%. (In practice we are not budgeting for significant lending beyond that needed for MIFID and cash flow management reasons, and these borrowing rates are higher than is currently achievable, so include some cover for possible (modest) interest rate rises.

4. Local Context

4.1 On 31 December 2017, the Council held £352.2m of borrowing and 23.4m of treasury investments. This is set out in further detail at ***Annex B***. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £m	**31.3.18 Estimate £m**	**31.3.19 Forecast £m**	**31.3.20 Forecast £m**	**31.3.21 Forecast £m**
General Fund CFR	301.7	339.1	424.7	468.6	494.1
HRA CFR	191.3	187.2	190.3	191.0	190.2
Total CFR	493.0	526.3	615.0	659.6	684.3
Less: Other debt liabilities *	- 31.8	- 30.8	- 29.8	- 28.8	- 27.0
Borrowing CFR	461.2	495.5	585.2	630.8	657.3
Less: External borrowing **	- 353.4	- 339.2	- 286.7	- 282.3	- 278.0
Internal borrowing	107.8	156.3	298.5	348.5	379.3
Less: Usable reserves	- 81.4	- 80.0	- 80.0	- 80.0	- 70.0
Less: Working capital	- 26.4	- 25.0	- 25.0	- 20.0	- 20.0
Forecast New borrowing Need	-	- 51.3	- 193.5	- 248.5	- 289.3

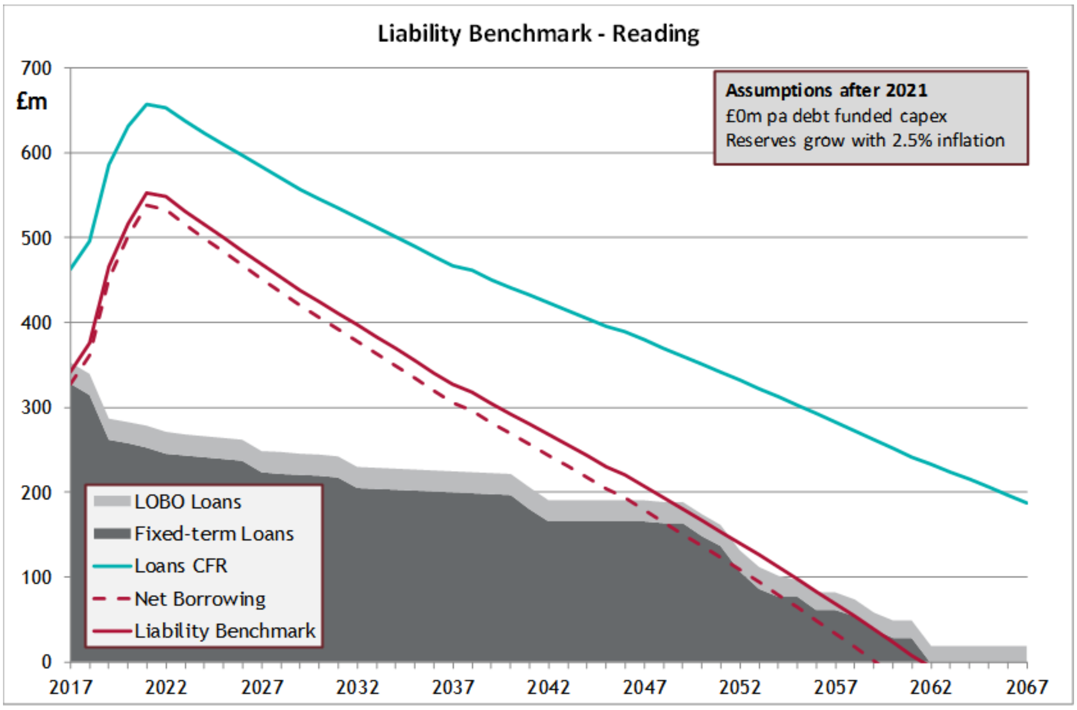
* PFI liabilities & Finance Leases that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing

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 Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. In recent years this has helped minimise net financing costs.

4.3 The Council has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £290m over the forecast period, including c.£50m net during 2017/18 by the end of this financial year, and a further £144m next year. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19, and throughout the forecast period.

4.4 To assist with its long-term treasury management strategy, the Council and its advisers have created a liability benchmark, which forecasts the Council's need to borrow over a 50 year period. Following on from the medium-term forecasts in table 1 above, the benchmark assumes:

- No significant capital expenditure funded by borrowing each year after 2021 (so the Liability Benchmark only covers the debt planned to the end of the present MTFS period in three years' time. Annex C shows an alternative benchmark assuming £20m borrowing each year thereafter, which leads to a need for up to £600m long term borrowing.
- minimum revenue provision on new capital expenditure based on a 25 year asset life
- income, expenditure and reserves all increase by 2.5% inflation a year (i.e. in real terms the Council's financial position is broadly stable)



4.5 The chart shows borrowing needing to rise from the current £350m level to around £550m by the early years of the next decade before then falling away. This very large increase reflects the Council's strategy to have a large capital programme funded by borrowing (which in a significant part is revenue generating, to fund the borrowing, and make a contribution to the Council's overall budget).

4.6 We should primarily plan to meet the above benchmark, assuming capital expenditure proceeds broadly as set out in the capital programme over the next couple of years; but be mindful that the longer term need may be more significant.

5. Borrowing Strategy

5.1 At 31 December, the Council held £352 million of loans, a slight decrease from the £359 million 12 months ago. The balance sheet forecast in table 1 shows that the Council expects to borrow up to c.£190m in 2018/19. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £520 million (and the operational boundary of £500m will only be exceeded on the specific approval of the CFO).

5.2 Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

5.3 Strategy: Given the significant real 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 likely 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, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk at least in the immediate financial year. The benefits of internal and short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring longer term (fixed rate) borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. However, we anticipate some longer term borrowing during 2018/19. Hitherto, we have financed our investment property purchases using short term borrowing, although appraisals are done taking account of longer term financing costs. Arlingclose have advised that we should consider financing at least some of this expenditure using fixed rate longer term borrowing, so that the expected returns do crystallise and we eliminate excessive treasury risk.

5.5 Alternatively, should market conditions warrant, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. This would help mitigate the risk that borrowing costs were significantly higher than today at the peak of the liability benchmark above. We are also considering investigating this type of solution to manage the financing needs of Homes for Reading.

5.6 In addition, the Council may borrow short-term to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- 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
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- Any other party that establishes a presence in the LA market not covered by the above categories (as agreed by the CFO on advice of Arlingclose)

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

Operating and finance leases and hire purchase

Private Finance Initiative

Sale and leaseback

The Council has historically raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local council loans and bank loans that may be available at more favourable rates.

5.7 **Municipal Bonds Agency:** The UK Municipal Bonds Agency plc (MBA) was established in 2014 by the Local Government Association as an alternative to the PWLB. The Council, along with about 60 other authorities are shareholders. The MBA plans to issue bonds on the capital markets and lend the proceeds to local authorities. The Council approved the necessary cross guarantee arrangements to be able to participate in a bond issue some time ago. The MBA has been moving towards its initial bond issue for some considerable time, and provided our original rationale for investing remains true, subject to meeting the MBA's criteria the Council may be part of an MBA bond issue during the year. Should the terms of the cross guarantee arrangements have materially changed from those already agreed Policy Committee will need to approve the revised arrangements before proceeding.

5.8 **LOBOs:** The Council holds £25m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £20m of these LOBOS have options during 2018/19, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

5.9 During 2017/18, the Council has been contacted by a lender of £10m of the Council's LOBOS setting out outline terms to repay the loan, in a way that either the LOBO risk could be removed at no long term cost to the Council, or the opportunity taken to refinance the borrowing differently at a lower annual treasury cost, at least for the medium term financial strategy period. The proposal appears to have some merit, and the Council's treasury advisor has prepared a draft due diligence report, with a view to proceeding with a repayment during 2018. The loans are the most expensive LOBO loans the Council currently has and amongst the Council's most expensive long term borrowing (although they were originally arranged at then reasonably low rates in the market). The premium the Council will have to pay to replace these loans can be accounted for over the remaining period of the original loans and on initial inspection appears to offer some long term, and possibly shorter term advantages to the Council. As in previous years, total borrowing via LOBO loans will be limited to £40m, though assuming this restructure proceeds our actual LOBO portfolio will reduce to £15m.

5.10 **Short-term and variable rate loans**: These loans leave the Council 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.

5.11 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 Council 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.

6. Investment Strategy

6.1 The Council sometimes holds significant invested funds, representing income received in advance of expenditure and also has some limited balances and reserves. During 2017/18 to 31 December, the Council's investment balance has ranged between £19.8 and £70.8 million, and in the forthcoming year levels are generally expected to be between £15m and £25m (to ensure that we hold the minimum £10m liquid balance required to meet MIFID2 requirements, as well as the expected continuing holding of the CCLA property fund. Over the course of the year the balance could sometimes reach £50-£70m depending upon cash flow.

6.2 **Objectives:** Both the CIPFA Code and the CLG Guidance require the Council to invest its treasury 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 of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.3 Negative interest rates: Should the UK enter into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

6.4 Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council moved the majority of its short term cash holdings to money market funds in 2015/16. With Arlingclose, we will consider options to further diversify into more secure and/or higher yielding asset classes during 2018/19. This diversification will represent a continuation of the new strategy adopted over the last couple of years.

6.5 **Ethical Policy:** The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Plan and values. This would include institutions with material links to:

- human rights abuse (e.g. child labour, political oppression)
- environmentally harmful activities
  (e.g. pollution, destruction of habitat, fossil fuels)
- socially harmful activities (e.g. tobacco, gambling)

These principles will be applied to investments made by the Council.

6.6 **Approved counterparties:** The Council 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	£20m each #	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		
The Council's current account, 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 Council's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

#In practice balances with individual counterparties are likely to be significantly less than £20m.

6.7 During recent years, Arlingclose have developed criteria for identifying which smaller building societies appear to have the most robust financial position, and the current recommended have been added below. Note that some banks on the list below currently have a nil counter party limit. The Council's S151 officer has authority to amend the list below at short notice on the advice of Arlingclose (subject to the Treasury Strategy as a whole).

Table 3: Proposed Counterparty List

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	Santander UK Plc (Banco Santander Group)	£10m		2 years	5 years
UK	Bank of Scotland (Lloyds Banking Group)	£20m	£20m	2 years	5 years
UK	Lloyds TSB (Lloyds Banking Group)	£20m		2 years	5 years
UK	Barclays Bank Plc	£20m		2 years	5 years
UK	HSBC Bank Plc	£20m		2 years	5 years
UK	Nationwide Building Society	£10m		6 months	5 years
UK	NatWest (RBS Group)	£0m	£5m (in the event the limit is raised)	2 years	5 years
UK	Royal Bank of Scotland (RBS Group)	£0m		2 years	5 years
UK	Coventry Building Society	£5m		6 months	n/a
UK	Leeds Building Society	£5m		100 days	n/a
UK	Darlington Building Society	£1m		100 days	
UK	Furness Building Society	£1m		100 days	n/a
UK	Hinckley & Rugby Building Society	£1m		100 days	n/a
UK	Leek United Building Society	£1m		100 days	n/a
UK	Loughborough Building Society	£1m		100 days	n/a
UK	Mansfield Building Society	£1m		100 days	n/a
UK	Market Harborough Building Society	£1m		100 days	n/a

UK	Marsden Building Society	£1m		100 days	n/a
UK	Melton Mowbray Building Society	£1m		100 days	n/a
UK	National Counties Building Society	£1m		100 days	n/a
UK	Newbury Building Society	£1m		100 days	n/a
UK	Scottish Building Society	£1m		100 days	n/a
UK	Stafford Railway Building Society	£1m		100 days	n/a
UK	Tipton & Coseley Building Society	£1m		100 days	n/a

Arlingclose’s normal guidance is that such lists might be expressed as a percentage of the investment portfolio; however, given the limited size of the Council’s portfolio, and the normal expectations of deal sizes, this list has been prepared to be practical in the market.

6.8 **Credit rating:** Investment limits are set 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. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

6.9 **Banks 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. See 6.16 below for arrangements relating to operational bank accounts.

6.10 **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 higher 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 cash limit for secured investments.

6.11 **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.

6.12 **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 on the specific advice of the Treasury Advisor following an external credit assessment or to a maximum of £500,000 per company as part of a diversified pool in order to spread the risk widely. In practice this form of lending is not currently envisaged, but the possibility of doing it has been included on Arlingclose advice.

6.13 **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 the likelihood of receiving government support if needed.

6.14 **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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility 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.

6.15 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council 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 Council's investment objectives will be monitored regularly. At the current time the Council has not used such funds.

6.16 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore normally be kept below £1m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

6.17 Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council'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.

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.

6.18 Similar arrangements also apply in connection with other public sector organisations, so for example when Northamptonshire CC recently announced a freeze on all spending, given the uncertainty this presents, Arlingclose advised no new investments were made. (In practice this is not a practical issue for us at present as we do not have significant sums available for such investment).

6.19 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 substantive doubts about its credit quality, even though it may meet the credit rating criteria.

6.20 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 Council'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.

6.21 **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:
  - the UK Government,
  - a UK local Council, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities 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.

6.22 **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 are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total long-term investments	£25m (including at least £15m in CCLA property fund)
Total investments without credit ratings or rated below A-	£20m (Including CCLA PF)
Total investments (except pooled funds) with institutions domiciled abroad rated below AA+	£0m
Total non-specified investments	£5m+ CCLA Funds

6.23 **Investment limits**: The Council's reserves available to cover investment losses are forecast to be £80 million on 31 March 2018 (i.e. broadly unchanged from the 31 March 2017 position, though the composition is likely to have changed, with more capital receipts being held, and fewer revenue balances). To avoid putting reserves 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 be £20 million (and normally for only short periods). 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, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit (as last year)
Any single organisation, except the UK Central Government	£15m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£12m 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 in total
Loans to unrated corporates	£5m in total
Money Market Funds	£20m each

6.24 **Liquidity management**: The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

6.25 Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the 2011 CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and equity investments to the Council's subsidiaries. Such loans and investments will be subject to the Council's formally agreed approval processes, which sits separately this treasury management strategy. When the final new MHCLG Guidance is issued the Council may need to review its Commercial Property Investment Strategy. Similarly, the Council's support arrangements for Homes for Reading Ltd may need review, though as was reported when the arrangement was approved, the Company's activities are closely linked to the Council's Housing strategy.

The Council's existing non-treasury investments are set out in Annex B. The Prudential Indicators below have at this stage only allowed for the Council's planned property purchases to the end of the 2018/19 financial year, as it will be appropriate to consider each year whether further purchases are appropriate.

7. Treasury Management Indicators

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

Security: The Council 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. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit score	6.0

Liquidity: The Council 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. This target has been increased from £10m to £15m to take account of the requirement from 3 January 2018 normally to hold £10m for MIFID 2 related reasons

	Target
Total cash available within 3 months (above estimated cash flow requirements)	£15m

7.2 Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. This Council calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments, as percentage of fixed rate debt).

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	110%	110%	110%
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 at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

7.3 **Maturity structure of borrowing:** This indicator is set to control the Council'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%	

For the purpose of this indicator, time periods start on the first day of each financial year and the maturity date of borrowing is the earliest date on which the lender can demand repayment (with the next LOBO option dates treated as the repayment date). Although these limits have not been changed, the under 12 month limit will be reached during 2018/19 (if the whole £193.5m borrowing identified above were taken, together with other borrowing due to mature within a year). To avoid a breach, the Council will normally explore options with our Arlingclose to extend maturities should the under 12 month maturing actual borrowing exceed 20% of all borrowing (i.e. currently when such borrowing reaches about £80m).

7.4 **Principal sums invested for periods longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2017/18	2018/19	2019/20	2020/21
Limit on principal invested beyond one year	£15m	£25m	£15m	£15m

(Note that Arlingclose advise that the limit for 2018/19 is set in line with the long-term investment limit under non-specified investments above. The limits for the later years are smaller, so limiting investments made for longer than 2/3 years).

8. Other Items

8.1 There are a number of additional items that the Council is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on the use of financial derivatives: 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).

The Council 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 Council 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 and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

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.

8.2 **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 a similar 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 by the Council.

However, during 2016/17 and 2017/18 some technical details of the methodology have been adjusted to recognise that in essence the £147.8m of loans the Council borrowed at the time of self-financing were primarily taken for HRA debt, and therefore the operation of the single pool should not lead to the average interest rate being charged to the HRA being less than the average rate on the remaining part of those loans (with the balance of HRA borrowing at the average of all other long term borrowing).

In addition to new borrowing for capital expenditure (which increases HRA debt) and the annual HRA minimum revenue provision (of 2% of the opening HRA debt for the year), the HRA "debt" also changes when assets are moved into or out of the account. In recent years and in the current year, this has included, transfers from the HRA to General Fund

(i) Hostels & temporary accommodation in 2016/17

(ii) The garage portfolio from 1 April 2018 (value £1.5m)

(iii) The shop portfolio from 1 April 2018 (value £4.83m)

Transfer from General Fund to HRA

(iv) Part of Norcot Youth & Community Centre site (for HRA New Build – valuation to be confirmed)

An adjustment of debt outstanding is required is to balance the appropriation in the accounts, and as the garage and shop amounts exceed the normal officer delegation you are asked to approve them as part of the budget setting process.

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 (excluding the CCLA Property Fund) and short-term borrowing

8.3 Investment training: The needs of the Council's treasury management staff for training in investment management are periodically considered especially when the responsibilities of individual members of staff change. Staff regularly attend training courses or seminars provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, or other appropriate organisations. There will need to be a review of overall training needs during 2018/19 because of wider staff changes anticipated within the Finance function. The new Chief Accountant will ensure this review is undertaken.

8.4 Investment advisers: The Council 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 on treasury or related matters (including related capital accounting issues – for example during 2017/18 Arlingclose have provided assistance in resolving audit queries, including those related to PFI financing).

8.5 Investment of money borrowed in advance of need: The Council 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 Council 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 Council's overall management of its treasury risks.

8.6 The total amount borrowed will not exceed the authorised borrowing limit of £520 million. The maximum period between borrowing and expenditure is expected to be less than 2 years, (as we would not normally borrow money that was not expected to be needed within the current or following financial year), although the Council does not link particular loans with particular items of expenditure.

9. Financial Implications

9.1 During 2017/18 the Council expects to earn around £60-70k on its cash balances. The estimate for investment income in 2018/19 is slightly higher (reflecting the November 2017 interest rate rise, but lower forecast cash balances) at c.£75k, based on an average investment portfolio of around £20 million at an interest rate just below 0.4%. The budget for debt interest paid in 2017/18 was £12.1 million but borrowing has been lower than forecast so costs will only be around £11.1m. The 2018/19 budget is £12.2m (of which £10.8m is currently committed), the overall budget being based on an average debt portfolio of £390 million at an overall average interest rate of c.3.15%). If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different. The treasury position is managed as a whole, with the aim of operating within the agreed capital financing budget. A range of other lines are included; income on our CCLA Property Fund Investment, Interest on money lent to others (Reading Buses and Homes for Reading Ltd) as well as our MRP budget. £6.5m interest costs are estimated to be charged to the HRA.

9.2 Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director and Head of Finance, having consulted the Leadership believe 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	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will 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; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less 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 may be less certain

Prudential Indicators and MRP Statement 2018/19[2]

The Local Government Act 2003 requires the Council 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 Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Council's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the Capital Programme in Appendix 8, and discussed in paragraph 7 of the main report.

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
Total Expenditure	79.3	147.8	147.1	113.5
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
Total Financing	79.3	147.8	147.1	113.5

[2] As indicated above the TMSS and this template covers the requirements of the 2011 CIPFA Prudential Code (as amended in 2012). It also covers the requirements of the latest Guidance on Minimum Revenue Provision for an annual MRP statement (England 2012). The latest code removed explicit reference to HRA indicators, but recommended local indicators were used where the HRA was significant. In practice we intend to continue with the original agreed suite, given the HRA' significance in Reading).

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

Capital Financing Requirement	**31.03.18 Revised £m**	**31.03.19 Estimate £m**	**31.03.20 Estimate £m**	**31.03.21 Estimate £m**
General Fund	339.1	424.7	468.6	494.1
HRA	187.2	190.3	191.0	190.2
Total CFR	526.3	615.0	659.6	684.3

The CFR is forecast to rise by £160m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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 should 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	**31.03.18 Revised £m**	**31.03.19 Estimate £m**	**31.03.20 Estimate £m**	**31.03.21 Estimate £m**
Borrowing	390.5	480.2	530.8	567.3
Finance leases	<1.0	**<1.0**	<1.0	<1.0
PFI liabilities	30.8	29.8	28.8	27.0
Total Debt	**422.3**	**510.0**	**560.6**	**595.3**

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

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's 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 Council's debt.

Operational Boundary	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Borrowing	**470**	500	530	560
Other long-term liabilities	**40**	40	40	40
Total Debt	**510**	**540**	**570**	**600**

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 Council can legally owe. The authorised limit provides headroom over the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £m	2018/19 Limit £m	2019/20 Limit £m	2020/21 Limit £m
Borrowing	480	**520**	540	570
Other long-term liabilities	40	**40**	40	40
Total Debt	**520**	**560**	**580**	**610**

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	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	7.3%	**8.4%**	10.6%	11.4%
HRA	25.1%	26.6%	26.8%	25.9%

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	**2018/19 Estimate £**	**2019/20 Estimate £**	**2020/21 Estimate £**
General Fund - increase in annual band D Council Tax	116.28	63.37	52.18
HRA - increase in average weekly rents	1.30	0.53	0.07

In 2018/19, around £94.50 of the incremental General Fund Increase is expected to be met from additional income sources.

Annex A – Annual Minimum Revenue Provision Statement 2018/19

Summary Introduction

This statement was last substantially revised in 2016/17. The revised approach was considered similarly prudent to the previous one overall as debt will be paid off over the same period of time (albeit to a different profile, or in the case of older debt and historically supported borrowing over a 50 year fixed period, (rather than never being fully repaid).

In addition the policy was extended to include a similar approach with PFI assets, and in connection with a funding strategy for our equal pay liability. The revised policy included some discretion in relation to capital receipts and making additional provisions. 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. These MRP arrangements have been applied since the 2015/16 financial year. Only minor changes have been made for 2018/19.

Statement of MRP approach

1. The Government's Capital Finance and Accounting Regulations require local authorities to make 'prudent annual provision' in relation to capital expenditure financed from borrowing or credit arrangements. This is known as Minimum Revenue Provision or MRP, but it is often referred to as a provision for "debt repayment" as a shorthand expression. The Government has also issued statutory guidance on MRP, to which the Council is required to have regard.

2. This policy applies to the financial years 2017/18 and 2018/19, and is intended to apply for years thereafter subject to annual review as part of the budget. Any interpretation of the Statutory Guidance or this policy will be determined by the Chief Finance Officer (taking advice as necessary from the Head of Legal & Democratic Services and the Council's treasury advisor, Arlingclose).

3. Principles of debt repayment provision - The term 'prudent annual provision' are not defined by the Regulations. However, the statutory Guidance says "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant". The Guidance does not prescribe the annual repayment profile to achieve this aim, but suggests four methods for making MRP which it considers prudent, and notes that other methods are not ruled out. The Council regards the broad aim of MRP as set out above as the primary indicator of prudent provision, whilst recognising the flexibilities which exist in determining an appropriate annual repayment profile.

4. The Council considers that ‘prudent’ in this context does not mean the quickest possible repayment period, but has regard to the prudent financial planning and management of the of the overall financial position, recognising the flow of benefits from the capital expenditure, and other relevant factors.

5. This MRP Policy therefore takes account of the financial forecast in the Council’s medium term plans, and a general assessment by the Director of Finance of the likely position in the years after that in determining what is a prudent MRP in the circumstances. In particular, this takes account of the Council’s funding approach to equal pay settlements (paragraph 14 below) and the need for an orderly financial transition as the Council manages the grant reductions announced by Central Government through to 2019/20 (that in 2018/19 are linked to the NNDR Berkshire Pilot).

6. Consistent with the Statutory Guidance, the Council will not normally review individual asset lives used for MRP as a result of any changes in the expected life of the asset or its actual write off. Inevitably, some assets last longer than their initially estimated life, and others will not; the important thing is that the Director of Finance is satisfied that a reasonable estimate has been made at the time of capital expenditure. (Normally this will range between 5 years for some vehicles and IT equipment, though some assets in these categories could be longer, to 60 years for major new buildings (such as new school buildings). As a guide we use the following standard asset lives
   - 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 – 20 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

   but we will keep this categorisation under review, and individually consider all material asset additions funded from borrowing

7. General Fund - Borrowing funded assets from prior to 2007/08 – For this historic borrowing the Council does not hold detailed records that match borrowing to assets, and until 2015/16 had been making MRP at 4%pa on a reducing balance basis. For the reasons outlined in 3 & 5 above the Council now considers that an approach consistent with paying the remaining debt off at 2% of the 31/3/11 level pa for 50 years would now be appropriate, but for

the period 2015/16-2019/20 considers an annuity approach based on a 46 year annuity from 2011/12 provides an appropriate transition from its approach hitherto to the long term intended approach. Therefore from 2020/21 the annual MRP will be fixed at the same cash value so that the whole debt is repaid after 50 years (from 2007/08), subject to adjustment in the event of appropriation of land between the HRA and General Fund. Debt for this purpose is measured on the historic "credit ceiling" basis, so includes repayment of the adjustment in the basis of MRP on moving from the 1989 Act system in 2004 ("Adjustment A"). The total of MRP subject to this process can be adjusted when appropriations occur between the HRA and General Fund.

<u>General Fund MRP policy: borrowing funded assets after 2007/08</u>

8. The general repayment policy for new prudential borrowing is to repay borrowing within the expected life of the asset being financed. Normally asset lives will be a maximum of 20 years in the case of major refurbishment or transport infrastructure, but longer periods may be used for new buildings or other major assets where the council puts in place an appropriate long term funded cyclical maintenance programme. This is in accordance with the "Asset Life" method in the Guidance. The repayment profile will follow an annuity repayment method, (like many domestic mortgages) which is one of the options set out in the Guidance.

   This is subject to the following details:

   8.1 An average asset life for each project will normally be used. There will not normally be separate MRP schedules for the components of a building (e.g. plant, roof etc.), unless other component accounting requirements (which rarely apply in Reading) indicate such an approach would be appropriate. Asset lives will be determined by the Director of Finance, taking advice from appropriate technical experts (within the Council wherever possible). A standard schedule of asset lives will generally be used, but where borrowing on a project exceeds £5m, specialist advice from appropriate external advisers may also be taken into account.

   8.2 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except for single assets where over £1m financed from borrowing is planned, where MRP will be deferred until the year after the asset becomes operational. (In connection with this, the MRP for the Civic Offices was adjusted in 2015/16 so all the borrowing finance is repaid over the same (60 year) period starting in 2015/16, as the asset became operational in late autumn 2014.

   8.3 Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, as justified by the circumstances of the case, at the discretion of the Director of Finance.

   8.4 If appropriate, shorter repayment periods (i.e. less than the asset life) may be considered for some or all new borrowing.

8.5 Where the Council incurs debt on the purchase of an investment property, in the event of a vacancy of tenancy, the Director of Finance may suspend MRP for up to 2 years, provided it is reasonable to assume a new tenant will be identified.

Housing Revenue Account MRP policy

9. The statutory MRP Guidance states that the duty to make MRP does not extend to cover borrowing or credit arrangements used to finance capital expenditure on HRA assets. This is because of the different financial structure of the HRA, in which depreciation charges have a similar effect to MRP. However, since the Government's HRA self-financing settlement, which introduced a cap on HRA borrowing, which was established in April 2012, the Council has made a minimum revenue provision of 2% of outstanding debt. This will continue (though is seen as part of the depreciation charge in the HRA business plan). The charge in any year will also take account of the HRA business plan, and the context of HRA debt within the authority as a whole (taking account of the Council's single debt pool approach to managing its borrowings. (For the immediate future this means the charge will be at least the 2% minimum). In principle, the Council will also seek to deliver a reduction in HRA debt per dwelling (though our ability to do this may depend upon RTB volumes). Additional voluntary HRA debt repayment provision may be made from revenue or capital resources (that have been derived from the disposal of housing assets).

Concession Agreements and Finance Leases

10. From 2015/16 MRP in relation to concession agreements (e.g. General Fund PFI contracts) and finance leases will be calculated on an asset life method using an annuity repayment profile, consistent with the method for prudential borrowing in paragraph 8 above. The Director of Finance may approve that such debt repayment provision may be made from capital receipts rather than from revenue provision (subject to Policy Committee approval of the draft accounts outturn report).

MRP & Capital Receipts

11. Local authorities may also use capital receipts to repay any borrowing that was incurred to fund capital expenditure in previous years. The Chief Finance Officer will determine annually the most prudent use of Capital Receipts, taking into account forecasts for future expenditure and the generation of further receipts, and the Council's wider financial plans. If capital receipts are utilised to repay debt in year, the value of MRP chargeable will normally be reduced by the value of the receipts utilised.

13. Statutory capitalisation - Expenditure which does not create a fixed asset, but is statutorily capitalised, will follow the MRP treatment in the Government guidance, apart from any exceptions provided for below.

Cash flows

14. Where a significant difference exists between capital expenditure accrued and the actual cash flows, MRP may be charged based on the cash expended at the previous year end, as agreed by the Director of Finance. The reason for this is that, if expenditure has been accrued but cash payments have not yet been made, this may result in MRP being charged in the accounts to repay borrowing which has not yet been incurred.

Equal Pay settlements

15. During 2017/18 the Council has begun making payments in respect of its equal pay settlement liabilities. The MTFS envisages they are funded using capital receipts. Based on our current estimate of the liability, we currently hold enough receipts, but it is feasible that our estimate may change, as may use of receipts and we may find that not all the required receipts have yet been received. As there are risks to the timing and quantum of future capital receipts, as a risk management mechanism, MRP may be reduced in 2017/18 or 2018/19 if there are insufficient capital receipts to fund equal pay settlement costs in that (or the following year in the case of 2017/18). The revenue saving will then be used to meet the settlement costs.

16. Any such reduction will be made good by setting aside equivalent future capital receipts to provide for debt repayment, when there is a surplus of capital receipts available after funding equal pay settlements. As a minimum, any such reduction in MRP will be repaid over 20 years as a charge to revenue account on an annuity profile.

Capitalised loans to others

17. MRP on capitalised loan advances to other organisations or individuals will not normally be required. Instead, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. (i.e. MRP will be made and funded from the agreed debt repayment) However, revenue MRP contributions would still be required equal to the amount of any impairment of the loan advanced.

Investments

18. Where investments are made in financial instruments that score as capital expenditure where the Council expects full repayment, no MRP will be made

Voluntary repayment of debt

19. The Council may make additional voluntary debt repayment provision from revenue or capital resources. In this case, the Director of Finance may make an appropriate reduction in the same or the following year's levels of MRP.

20. Where it is proposed to make a voluntary debt repayment provision in relation to prudential borrowing from 2007/08 under the asset life method, it may be necessary to decide which assets the debt repayment relates to, in order to determine the reduction in subsequent MRP. The following principles will be applied by the Director of Finance in reaching a prudent decision:

- where the rationale for debt repayment is based on specific assets or programmes, any debt associated with those assets or programmes will be repaid;
- where the rationale for debt repayment is not based on specific assets, debt representative of the service will be repaid, with a maturity reflecting the range of associated debt outstanding;

Subject to the above two bullet points, debt with the shortest period before repayment will not be favoured above longer MRP maturities, in the interests of prudence, to ensure that capital resources are not applied for purely short term benefits.

Capital expenditure incurred during 2017/18 will not be subject to a MRP charge until 2018/19.

Based on the Council's latest estimate of its Adjusted Capital Financing Requirement estimated[3] at 31 March 2018, the budget for MRP has been set as follows:

	31.03.2018 Estimated Adjusted CFR £m	**2018/19 Estimated MRP £**
Historic capital expenditure prior to 31.03.2008	**67.2**	677
Capital expenditure after 2008/9-2016/17	**154.7**	6,278
Estimated capital expenditure 2017/18	**44.5**	977
Total General Fund	**266.4**	**9,932**
Total Housing Revenue Account	**187.2**	**3,745**
Total	**453.6**	**11,677**

[3] Adjustments were made to the CFR when the system changed in 2008 to ensure a smooth transfer from the previous system involving the credit ceiling (a slightly different measure of debt) and MRP.

Annex B – Arlingclose Economic & Interest Rate Forecast January 2018

Underlying assumptions:

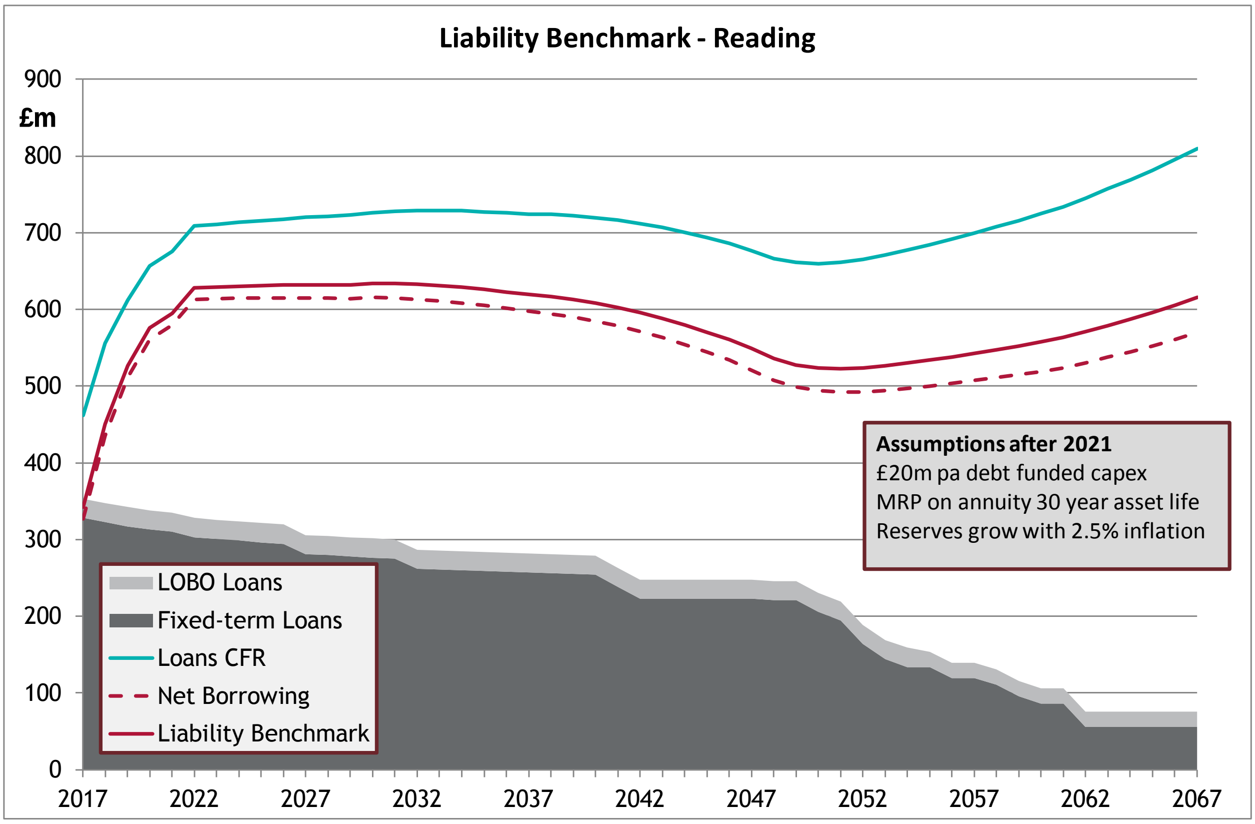
- The MPC increased Bank Rate in November 2017 to 0.5%. The rise was questionable based on the available economic data. Market rate expectations are broadly unchanged since the rise and policymakers continue to emphasise that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have revised lower the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2. Forecasts for future GDP growth have generally been revised downwards.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- More recent labour market data suggested that employment has plateaued, although house prices (outside London) appear to be relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger global and Eurozone economic expansions.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- The MPC increased Bank Rate largely to meet expectations they themselves created. Expectations for higher short term interest rates are now relatively subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.17**
3-month LIBID rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.23**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.22**
1-yr LIBID rate														
Upside risk	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.28**
Arlingclose Central Case	**0.70**	**0.70**	**0.70**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.78**
Downside risk	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	**0.33**
Arlingclose Central Case	**0.75**	**0.80**	**0.80**	**0.80**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.92**
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.35**
10-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	**0.33**
Arlingclose Central Case	**1.25**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.55**	**1.60**	**1.38**
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.34**
20-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	**0.33**
Arlingclose Central Case	**1.85**	**1.85**	**1.85**	**1.85**	**1.90**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.05**	**2.05**	**2.10**	**1.95**
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.41**
50-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	**0.33**
Arlingclose Central Case	**1.70**	**1.70**	**1.70**	**1.70**	**1.75**	**1.80**	**1.85**	**1.90**	**1.95**	**1.95**	**1.95**	**1.95**	**2.00**	**1.84**
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.41**

Annex C – Alternative Liability Benchmark

The graph in 4.4 shows the position over the present MTFS period, but assumes no significant borrowing after that. Arlingclose also recently prepared the benchmark assuming £20m per annum is spent on per annum thereafter.



This shows a long term debt around £600m from the beginning of the next decade

Annex D - Existing Investment & Debt Portfolio Position

	31/12/17 **Actual Portfolio** **£m**	31/12/17 **Average Rate** **%**
External Borrowing:		
PWLB – Fixed Rate	**259.4**	**3.65**
PWLB - Variable	**4.8**	**1.03**
Other Local authorities (short term)	**58.0**	**0.43**
LOBO loans from banks	**25.0**	**4.21**
Banks – Fixed Rate (ex Barclays LOBO)	**5.0**	**3.99**
Total External Borrowing	**352.2**	**3.12**
Other Long Term Liabilities:		
PFI	31.0	
Finance Leases	0.7	
Total Gross External Debt	383.9	
Investments:		
Money Market Funds	2.5	0.33
Bank Call Accounts	5.9	0.40
Pooled Funds (CCLA Property Fund)	15.0	c.4.86
Total Investments	23.4	
Net Debt	360.5	
Non-treasury investments:		
Investment property	**45.0**	
Shares in subsidiary	**1.7**	
Loans to subsidiary	**1.7**	**3.13%**
Lease to subsidiary	**7.8**	
Total non-treasury investments	**56.2**	
Total investments	79.6	

OUTLINE CAPITAL STRATEGY 2018/19

There is a new explicit requirement that has been introduced in the 2017 revision of the (Chartered Institute of Public Finance and Accountancy) CIPFA Prudential Code for authorities to publish a capital strategy. The code says

> *"The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability"*

In the consultation paper introducing the code changes CIPFA made it clear that the strategy was intended to be quite a short document written in accessible language.

It was not possible to draft this strategy in time for pre-budget scrutiny at Audit & Governance (A&G) Committee. Nevertheless, A&G's scrutiny of the draft Treasury Management & Investment (TM&I) Strategy Statement identified several issues that are intended to be covered within this document.

Given the detail in the TM&I Strategy, the new code permits it to be considered and agreed by a committee, rather than needing to be approved by Council as a whole, though a small number of Prudential Indicators, (such as the Authorised Borrowing Limit; the maximum amount of money the Council is permitted to borrow) remain formally a Council decision as part of the budget.

The Code guides that the chief finance officer (CFO) must report on the affordability and risk associated with the capital strategy. The strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives consideration to risk, reward and impact on the achievement of the Council's priorities.

The capital strategy should form a part of the authority's medium to long term forward financial planning processes as it provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. CIPFA intend that all councillors should have a full understanding of the overall strategy, governance procedures and risk appetite. There should be sufficient detail to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.

The code sets out 5 areas that should be included

- Capital Expenditure
- Debt and Borrowing and Treasury Management
- Commercial Activities
- Other long-term liabilities
- Knowledge and skills

The following sections set out the present position in these areas

Capital expenditure

Capital Expenditure is expenditure that will provide benefits for several forward years. It ranges from the purchase of vehicles and equipment where the benefit may only last 3-5 years to new buildings where the benefit should be at least 40-60 years, and the purchase of freehold land where the benefit might continue indefinitely. It includes public infrastructure works, such as the road network, parks and public open spaces, and may also include grant expenditure to others to provide such things.

The Council has a forward capital programme, which is agreed each financial year as part of the budget, but subject to periodic updating in-year as plans change and are updated. In principle all capital expenditure must have Policy Committee or Council approval, though the CFO has a delegation to approve expenditure that is funded by grant where the grant requires reasonably specific use of the money.

Capital expenditure generally supports the Council's wider service delivery strategies, for example by ensuring there are sufficient, quality school places in the town, the road network operates as efficiently and effectively as possible, and at a more basic level ensuring we have sufficient vehicles and IT to meet day to day service needs. Currently the programme is normally presented in groupings linked to the Council's Strategic Priorities.

Expenditure is monitored throughout the year and progress reported at each Policy Committee alongside revenue budget monitoring. In principle, if only at year end, the Council considers accounting for all items that meet the capital definition as capital expenditure.

Capital expenditure is funded through various sources of finance:

- Capital Grants from Government (or others)
- Section 106 Planning Income
- Community Infrastructure Levy (also related to Planning)
- The HRA Major Repairs Reserve for expenditure on Council Housing
- Capital Receipts arising from the sale of the Council's assets
- Borrowing, which has to be repaid (with interest) over the expected life of the asset from revenue
- Revenue, including contributions from schools towards capital schemes in the school

Normally the preferred order of using finance available is broadly as above. However, up until 2022 Government rules permit capital receipts to be used to meet equal pay settlements and the revenue costs of reforming services that then reduces on-going running costs. Given the lack of available revenue funding, the use of receipts for these purposes (rather than for capital expenditure) is being prioritised. The CFO will finally determine the funding of the capital programme as part closing the accounts and determining the outturn expenditure each year.

Some items within the capital programme are linked to the Council's asset management planning processes to ensure the Council's operational infrastructure (operational buildings, vehicles and IT estate) remain fit for purpose. If we did not include these items, in general higher revenue costs (on repairs, vehicle maintenance, arising from IT failure and inefficient staff time use) would tend to result.

The Housing Revenue Account (HRA) capital programme includes both some new build housing as well as major repair programmes to the existing stock. Within the HRA there is a formal government set debt cap of £209m, whereas General Fund borrowing is constrained by locally determined affordability considerations.

Debt, Borrowing and Treasury Management

The Council's Treasury Management Strategy Statement deals in detail with debt & borrowing. At the end of 2017 the Council had over £300m borrowing outstanding and the Council's 2018/19 strategy shows that increasing over the next 3-4 years to over £600m. Much of this significant increase is associated with the Council's financial strategy, which includes the purchase of income generating property within the Borough, including housing for rent through the Council's Homes for Reading subsidiary and commercial investment properties.

Whilst these are clearly large sums of money it should be observed that the Council's assets are valued at over £1bn on the balance sheet. Although borrowing is not secured on assets (but instead on the Council's future income) these include all Council Housing (£466m), the road network (£215m) as well as all the Council's other operational land and buildings (£337m), so present borrowings are more than three times covered by our asset base.

Government rules however require us to calculate our historic debt through the "capital finance requirement"(CFR), which is basically a measure of unpaid historic borrowing associated with the purchase of capital assets. The CFR is normally higher than actual borrowing, as the Council holds some (limited) reserves, but also normally has a positive cash flow, so holds "working capital". As at 31/3/17 the CFR was £493m, and it is scheduled to rise to over £700m by 31/3/21. A large part of the difference between the CFR and actual borrowing outstanding is accounted for by "internal debt"; effectively the use of working capital and reserves to avoid borrowing, and the financing costs that go with it.

Forecasts for the next few years are as follows;

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
Total CFR	493.0	526.3	615.0	659.6	684.3
Less: Other debt liabilities (PFI)	- 31.8	- 30.8	- 29.8	- 28.8	- 27.0
Borrowing CFR	461.2	495.5	585.2	630.8	657.3
External borrowing	353.4	339.2	286.7	282.3	278.0
Internal borrowing	107.8	105.0	105.0	100.0	90.0
Forecast New borrowing Need	-	51.3	193.5	248.5	289.3

The TM&I statement includes a “liability benchmark” graph which shows how debt is expected to rise over the MTFS period in comparison with existing borrowing. Linked to these forecasts the Council is required by law to set a limit on its borrowing, known as the authorised limit, which is the maximum amount of borrowing that can be outstanding at any point in time.

The Council’s budget is required to include a provision for the repayment of debt (minimum revenue provision - MRP) over the life of the assets. The full MRP statement appears as an Annex to the TM&I Strategy. However its key requirement includes the repayment of debt using an annuity based approach over the asset life (so effectively this will work like a repayment mortgage, though as the debt reduces interest payment reduces, and therefore principal payments will rise over time).

Commercial Activities

There are two broad developing strands to the Council’s commercial activities; Reading Direct Services offers a service to residents and businesses in and near the borough, as well as providing some services for other local authorities. Generally these are moderate to lower risk commercial activity built upon the Council’s internal capability to deliver its own services. In relation to capital expenditure, Direct Services will need some capital assets to deliver to its customers.

More significantly in relation to capital and with a different risk profile the Council has approved a property investment strategy, and formed Homes for Reading Ltd (HfR). In both cases the Council borrows money to purchase property on which a rent will be received. Whether directly (commercial property) or indirectly through the HfR company there is the risk that rental income may not be sufficient to meet borrowing and other costs. Therefore, the Council has developed appraisal models and tools to assess risk and forecast net income in each case, and only proceeds with purchases that meet the agreed criteria. In the case of commercial property purchases the Council normally operates via an agent independent of the Council and carries out external due diligence before proceeding including taking independent expert advice.

Other long-term liabilities
In addition to traditional borrowing, the Council also has liabilities associated with its private finance initiative (PFI) contracts and some leasing liabilities. These will slowly decline over their contract lives.

Knowledge and skills
Within the Finance function the Council employs a range of staff with the necessary skills to manage the Council's treasury position. This includes staff able to manage day to day movements on the Council's bank account; staff who ensure that capital assets are accounted for properly; and staff who assess complex investment property opportunities. The Council also has access to Treasury Advisors who offer proactive guidance and advice with almost all aspects of the Council's capital activity. As a typical local authority, we have a relatively low risk appetite, but recognise that no capital/treasury activity is without risk and therefore we undertake appropriate risk assessments as a matter of routine.

This outline capital strategy is intended to strike a balance between detail and accessibility to councillors. The strategy suggests some initial and on-going A&G scrutiny so that the strategy is developed over time between councillors and officers. In preparing the Chief Finance Officer's statement on the robustness of estimates, adequacy of reserves and the management of risk (contained in the main budget report), the CFO has considered the affordability and risk associated with the capital strategy, which has informed his conclusions set out in section 6.1 of the report.

GENERAL FUND & SUMMARY COST CENTRE BUDGETS
2018-2019, 2019-2020 & 2020-2021

	PAGES	ESTIMATE 2018/2019	ESTIMATE 2019/2020	ESTIMATE 2020/2021
		£'000	£'000	£'000
Resources	2	12,279	12,467	12,787
Environment & Neighbourhood Services	3	23,812	19,517	17,997
Childrens, Education & Early Help Service	4	41,569	41,868	41,337
Adult Care & Health	5	37,479	37,950	41,267
Total Directorate Requirements		115,139	111,802	113,388
Capital Financing Costs		11,680	13,680	14,880
Insurance Costs		1,143	1,200	1,260
Property & Pensions Liabilities, Environment Agency Levy, NNDR Levy, Other Provisions & Cross Council Savings		1,734 cr	1,383	1,600
Contribution to LEP		6,250		
Savings Contingency		3,322	4,322	4,322
Redundancy Provision		800	800	800
		136,600	**133,187**	**136,250**

Budget Funding Measures

Equalisation Reserve Transfers	3,275	433 cr	1,994 cr
Grants	3,464 cr	3,585 cr	3,205 cr
Use of General Fund Balance	2,500	0	0
Budget Requirement	**138,911**	**129,169**	**131,051**

Less			
Reading Share of Business Rate Income	128,700	66,548	68,212
Business Rate Tarrif Payment	81,037 cr	28,977 cr	29,701 cr
Revenue Support Grant	0	1,998	0
Reading's Share of Collection Fund Surplus/Deficit	4,586	0	0
Council Tax Requirement	**86,662**	**89,600**	**92,540**

COUNCIL TAX LEVELS

2017-2018 £		2018-2019 £
1,148.88	Council Tax at Band A	1,217.75
1,340.36	Council Tax at Band B	1,420.71
1,531.85	Council Tax at Band C	1,623.68
1,723.33	Council Tax at Band D	1,826.63
2,106.29	Council Tax at Band E	2,232.54
2,489.25	Council Tax at Band F	2,638.46
2,872.21	Council Tax at Band G	3,044.38
3,446.66	Council Tax at Band H	3,653.26

RESOURCES SERVICES DIRECTORATE

DIRECTOR - JACKIE YATES (wef 19/3/18)

	2018-19 Budget Breakdown				2018-19	2019-20 Budget		2019-20	2020-21 Budget		2020-21
	Employee Costs	Running Costs	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MANAGING DIRECTOR & CUSTOMER SERVICES											
Managing Director's Office	187	101	287	0	287	295	0	295	304	0	304
Business Improvement Team	1,666	90	1,755	-348	1,407	1,803	-350	1,453	1,852	-350	1,502
IT Services	314	4,730	5,044	-138	4,906	5,426	-138	5,288	5,513	-138	5,375
Customer Services	1,208	264	1,471	-146	1,325	1,504	-146	1,358	1,536	-146	1,390
Entitlement and Assessment	2,252	662	2,914	-2,061	852	2,447	-2,066	381	2,362	-2,066	296
Housing Benefit & Council Tax	0	78,080	78,080	-77,930	150	77,955	-77,930	25	77,955	-77,930	25
Reading UK CIC	0	0	0	0	0	0	0	0	0	0	0
Registration & Bereavement Services	643	406	1,049	-2,586	-1,537	1,076	-2,586	-1,510	1,097	-2,586	-1,489
Voluntary Sector Support Team	26	318	344	0	344	329	0	329	238	0	238
MANAGING DIRECTOR & CUSTOMER SERVICES TOTAL	**6,296**	**84,651**	**90,944**	**-83,209**	**7,734**	**90,835**	**-83,216**	**7,619**	**90,857**	**-83,216**	**7,641**
FINANCIAL SERVICES											
FINANCIAL SERVICES TOTAL	**2,756**	**831**	**3,588**	**-645**	**2,944**	**3,653**	**-195**	**3,458**	**3,808**	**-195**	**3,613**
LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES											
Legal Services	3,837	2,634	6,471	-4,417	2,054	6,555	-4,417	2,138	6,640	-4,417	2,223
Committee Administration	318	18	336	-14	323	342	-14	328	348	-14	334
Human Resources & Payroll	2,209	491	2,700	-928	1,773	2,752	-956	1,796	2,807	-971	1,836
Elections/Electoral Registration	204	321	525	-103	422	529	-103	426	533	-103	430
LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES TOTAL	**6,568**	**3,464**	**10,032**	**-5,462**	**4,572**	**10,178**	**-5,490**	**4,688**	**10,328**	**-5,505**	**4,823**
COMMUNICATION											
Marketing + Pub.Relations	362	71	433	-20	413	434	-30	404	445	-35	410
Mayoralty & Lord Lieutenant	66	36	102	-55	47	104	-55	49	106	-55	51
COMMUNICATION TOTAL	**428**	**107**	**535**	**-75**	**460**	**538**	**-85**	**453**	**551**	**-90**	**461**
Resources Directorate Services Total	16,048	89,053	105,099	-89,391	15,710	105,204	-88,986	16,218	105,544	-89,006	16,538
Recharge to non General Fund Services				**-3,431**	**-3,431**		**-3,751**	**-3,751**		**-3,751**	**-3,751**
RESOURCES DIRECTORATE TOTAL	**16,048**	**89,053**	**105,099**	**-92,822**	**12,279**	**105,204**	**-92,737**	**12,467**	**105,544**	**-92,757**	**12,787**

ENVIRONMENT AND NEIGHBOURHOOD SERVICES DIRECTORATE

DIRECTOR - ALISON BELL

	2018-19 Budget Breakdown				2018-19	2019-20 Budget		2019-20	2020-21 Budget		2020-21
	Employee Costs	Running Costs	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TRANSPORTATION AND STREET CARE											
Neighbourhood Services	4,348	1,782	6,130	-2,930	3,200	5,620	-3,240	2,380	5,607	-3,257	2,350
Streetcare Services	2,917	2,319	5,238	-2,793	2,444	5,224	-2,743	2,481	5,261	-2,768	2,493
Network and Parking Services	1,125	4,769	5,892	-10,916	-5,025	6,005	-11,766	-5,761	6,168	-12,919	-6,751
Waste Disposal	236	25,518	25,753	-17,658	8,096	25,449	-17,658	7,791	25,954	-17,658	8,296
Transportation Services	696	7,104	7,800	-876	6,924	7,637	-876	6,761	7,545	-876	6,669
TRANSPORTATION AND STREET CARE TOTAL	**9,322**	**41,492**	**50,813**	**-35,173**	**15,639**	**49,935**	**-36,283**	**13,652**	**50,535**	**-37,478**	**13,057**
PLANNING, DEVELOPMENT & REGULATORY SERVICES											
Sustainability	117	77	193	-219	-26	197	-219	-22	200	-219	-19
Corporate Facilities Management	3,386	5,213	8,598	-4,651	3,948	8,715	-4,651	4,064	8,588	-4,651	3,937
Land & Property Development	287	286	573	-4,955	-4,382	592	-5,455	-4,863	618	-5,955	-5,337
Regulatory Services	3,187	1,104	4,289	-2,395	1,895	4,339	-2,676	1,663	4,440	-2,689	1,751
Planning	1,183	259	1,442	-1,324	119	1,485	-1,434	51	1,529	-1,434	95
Building Control	558	54	612	-429	183	625	-429	196	639	-429	210
Health & Safety	196	23	219	-67	152	226	-67	159	232	-67	165
Property Development	296	220	515	-512	3	524	-512	12	534	-512	22
PLANNING, DEVELOPMENT & REGULATORY SERVICES TOTAL	**9,210**	**7,236**	**16,441**	**-14,552**	**1,892**	**16,703**	**-15,443**	**1,260**	**16,780**	**-15,956**	**824**
HOUSING & NEIGHBOURHOOD SERVICES											
Libraries	768	462	1,230	-203	1,027	1,207	-203	1,004	1,248	-203	1,045
Community Safety and Neighbourhood Initiatives	564	46	610	-549	61	588	-549	39	602	-549	53
Housing Building Maintenance	4,744	5,517	10,259	-10,259	0	10,287	-10,285	2	10,314	-10,312	2
Housing GF	1,294	7,982	9,276	-6,681	2,595	8,570	-6,391	2,179	8,517	-6,391	2,126
HOUSING & NEIGHBOURHOOD SERVICES TOTAL	**7,370**	**14,007**	**21,375**	**-17,692**	**3,683**	**20,652**	**-17,428**	**3,224**	**20,681**	**-17,455**	**3,226**
ECONOMIC & CULTURAL DEVELOPMENT											
Sports & Leisure	1,879	1,008	2,887	-2,069	818	1,302	-1,089	213	1,348	-1,089	259
Business Development	205	20	225	-475	-250	233	-885	-652	241	-995	-754
Arts Venues	1,175	2,773	3,949	-3,616	332	3,972	-3,636	336	0	0	0
Town Hall & Museum	1,234	761	1,996	-1,094	901	2,077	-1,194	883	2,154	-1,194	960
Records and Archives	639	379	1,018	-900	118	1,052	-900	152	1,090	-900	190
New Directions	1,090	398	1,489	-1,481	8	1,508	-1,481	27	1,529	-1,481	48
ECONOMIC & CULTURAL DEVELOPMENT TOTAL	**6,222**	**5,339**	**11,564**	**-9,635**	**1,927**	**10,144**	**-9,185**	**959**	**6,362**	**-5,659**	**703**
DENS Directorate	**859**	**8**	**867**	**-197**	**671**	**895**	**-473**	**422**	**924**	**-737**	**187**
ENVIRONMENT & NEIGHBOURHOOD SERVICES TOTAL	**32,983**	**68,082**	**101,060**	**-77,249**	**23,812**	**98,329**	**-78,812**	**19,517**	**95,282**	**-77,285**	**17,997**

DIRECTORATE OF CHILDRENS, EDUCATION AND EARLY HELP SERVICES

DIRECTOR - ANN MARIE DODDS

	2018-19 Budget Breakdown				2018-19	2019-20 Budget		2019-20	2020-21 Budget		2020-21
	Employee Costs	Running Costs	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHILDREN'S SAFEGUARDING											
Children's Management and Training	810	136	945	0	945	971	0	971	993	0	993
External Placements	0	12,356	12,356	-51	12,306	12,138	-51	12,087	11,912	-51	11,861
Family Support	4,918	650	5,567	-114	5,452	5,738	-114	5,624	5,913	-114	5,799
Placement Choice	2,530	6,172	8,702	-113	8,589	8,781	-113	8,668	8,858	-613	8,245
Safeguarding	1,232	314	1,545	-80	1,465	1,598	-80	1,518	1,648	-80	1,568
Children's Safeguarding Total	**9,490**	**19,628**	**29,115**	**-358**	**28,757**	**29,226**	**-358**	**28,868**	**29,324**	**-858**	**28,466**
EARLY HELP SERVICES											
Early Help Management	468	9	377	-100	377	403	0	403	436	0	436
Children Centres	1,337	291	1,627	-869	757	1,659	-1,020	639	1,688	-1,229	459
Targetted Youth Services	614	102	716	-165	551	716	-165	551	707	-215	492
Other Early Help Services	2,480	205	2,687	-1,295	1,392	2,717	-1,305	1,412	2,625	-1,320	1,305
Specialist Youth Services	788	119	907	-463	444	922	-463	459	926	-463	463
Early Help Services Total	**5,687**	**726**	**6,314**	**-2,892**	**3,521**	**6,417**	**-2,953**	**3,464**	**6,382**	**-3,227**	**3,155**
EDUCATION SERVICES AND SCHOOLS											
Education General	672	312	985	-114	870	1,007	-138	869	1,029	-150	879
Early Years	798	13,355	14,152	-553	13,601	14,175	-553	13,622	14,200	-553	13,647
School Improvement	743	200	943	-660	129	958	-814	144	974	-814	160
Special Education & Children's Disability Team	1,518	18,813	20,332	-121	20,211	20,365	-121	20,244	20,255	-121	20,134
Asset Management	417	261	678	-627	51	680	-627	53	683	-627	56
Schools - ISB *	0	44,941	44,941	0	44,941	44,952	0	44,952	44,964	0	44,964
Schools Block *	0	5,232	5,232	-79,361	-74,129	5,232	-79,361	-74,129	5,232	-79,361	-74,129
Education Services and Schools Total	**4,148**	**83,114**	**87,263**	**-81,436**	**5,674**	**87,369**	**-81,614**	**5,755**	**87,337**	**-81,626**	**5,711**
GOVERNANCE AND BUSINESS SUPPORT											
Governance and Business Support Total	**1,427**	**-71**	**1,356**	**0**	**1,356**	**1,400**	**0**	**1,400**	**1,443**	**0**	**1,443**
TRANSFORMATION AND IMPROVEMENT											
LSCB & Safeguarding	1,214	34	1,248	-34	1,213	1,200	-34	1,166	1,223	-34	1,189
Performance Data CSC & Education	445	21	466	-90	376	482	-90	392	492	-90	402
Transformation and Improvement Total	**1,659**	**55**	**1,714**	**-124**	**1,589**	**1,682**	**-124**	**1,558**	**1,715**	**-124**	**1,591**
DIRECTORATE MANAGEMENT											
Directorate Management Total	**991**	**0**	**991**	**-319**	**672**	**862**	**-39**	**823**	**1,010**	**-39**	**971**
CHILDRENS, EDUCATION & EARLY HELP SERVICE TOTAL	**23,402**	**103,452**	**126,753**	**-85,129**	**41,569**	**126,956**	**-85,088**	**41,868**	**127,211**	**-85,874**	**41,337**

DIRECTORATE OF ADULT SOCIAL CARE AND HEALTH SERVICES

DIRECTOR - SEONA DOUGLAS

	2018-19 Budget Breakdown				2018-19	2019-20 Budget		2019-20	2020-21 Budget		2020-21
	Employee Costs	Running Costs	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget	Gross Expenditure	Income	Estimate Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT SERVICES											
ASC Management	329	563	893	-2,222	-1,330	904	-2,329	-1,425	1,178	-1,087	91
Group Homes and Properties	19	83	102	-342	-239	102	-382	-280	102	-382	-280
Adult Social Care Activities	8,492	1,088	9,578	-4,695	4,883	9,571	-4,695	4,876	9,785	-4,695	5,090
Safeguarding	422	195	617	-201	416	638	-226	412	656	-226	430
Mental Health Support	329	2,482	2,811	-397	2,416	2,802	-405	2,397	3,169	-405	2,764
Learning Disability Support	1,093	16,001	17,094	-1,411	15,684	17,381	-1,420	15,961	17,897	-1,420	16,477
OP/PD Support	0	19,133	19,133	-5,519	13,615	19,502	-5,537	13,965	20,288	-5,537	14,751
ADULT SERVICES TOTAL	**10,684**	**39,545**	**50,228**	**-14,787**	**35,445**	**50,900**	**-14,994**	**35,906**	**53,075**	**-13,752**	**39,323**
Commissioning and Improvement	855	25	880	0	880	911	0	911	940	0	940
Preventative Services	119	1,055	1,174	-635	540	1,161	-635	526	1,166	-635	531
Public Health	749	9,009	9,759	-9,759	0	9,500	-9,500	0	9,242	-9,242	0
WELLBEING TOTAL	**1,723**	**10,089**	**11,813**	**-10,394**	**1,420**	**11,572**	**-10,135**	**1,437**	**11,348**	**-9,877**	**1,471**
DIRECTORATE OTHER TOTAL	**581**	**64**	**645**	**-31**	**614**	**659**	**-52**	**607**	**535**	**-62**	**473**
ADULT SOCIAL CARE & HEALTH TOTAL	**12,988**	**49,698**	**62,686**	**-25,212**	**37,479**	**63,131**	**-25,181**	**37,950**	**64,958**	**-23,691**	**41,267**

APPENDIX 7

Discretionary Rate Relief 2017/18 update & 2018/19

In the Spring 2017 Budget, the Government announced that it would make available to local government an additional £300m over 4 years to implement discretionary rate relief schemes to help mitigate the impact of the 2017 revaluation of business rates.

Government decided to distribute the money based on properties with rateable values up to £200k, but reminded authorities that allocations to individual businesses are subject to State Aid Rules. (These rules are intended to stop unfair market competition arising from government financial support (in a wide context) being given to a business in excess of a threshold). In effect the rules require us to make appropriate checks with potential recipients of the relief that their receipt of it would not constitute a breach of the rules (which limit support to 200,000 Euro (c. £175k) in any 3 year period).

At September 2017's Policy Committee we explained that each billing authority was required to devise its own local Discretionary Relief Scheme and that there was a requirement to consult with relevant major precepting authorities; (in our case the Fire Authority), but that the precise distribution is at the discretion of the Council as a local authority, though the money was intended to relieve increases in business rates.

Reading's allocation from the £300m is as follows:

2017/18	£1,014k
2018/19	£ 492k
2019/20	£ 203k
2020/21	£ 29k

In connection with revaluation changes introduced in 2017/18 the Government had already set (and funded) a transitional relief scheme, which limited increases in rates for properties with a large rv increase to

12.5% + inflation for properties with a new rv under £100,000
42.5% + inflation for properties with a new rv over £100,000

Taking account of this we initially introduced a scheme that extended the 12.5% + inflation band to properties with an rv £100,000-£200,000. We contacted all relevant ratepayers and 53 from 122 property occupiers responded accepting the relief, and we were able to reduce their increases to 12.5% + inflation (from various higher levels up to the 42.5% + inflation). £474k of relief was given in this way. A small number of property owners declined relief (for State Aid reasons), and about half did not reply, despite reminders.

In order to spend the remaining £540k of the available allocation just after Christmas we broadened the scheme to take in rv's in the range £100,000-£250,000. This extended the potential relief to 41 more properties. These properties together with those who had not replied were contacted in early January and asked to reply by the end of January, indicating whether or not they wished to receive relief. As a result of this we were able to grant relief to 4 more properties using a further £39,148 of the sum available.

In the circumstances of needing to use the money by 31 March (which practically means by the end of February because we need to complete the scheme ahead of needing to bill for the 2018/19 financial year), at this point officers considered how the scheme should be redesigned, and now propose the following to ensure the full allocation is spent in 2017/18

Reason for Allocation	Approx. £ allocated
Relief Already in Place cannot be changed unless ratepayer moves	506,073
Extra Applications Agreed in response to January Mailshot on the same basis	39,148
Relief to the Council's Voluntary Sector Partners	47,000
Relief to small responsible ratepayers known to be struggling to pay (the increase) this year (	33,000
Extending Pub Relief (double the Government's £1,000)	17,000
Other Applications anticipated	50,000
Extending the DRR Scheme to reduce increases to as low an increase above Inflation as possible - up to	351,918
Total, if all the above is done	1,044,140
Allocation	1,013,000
so scale back extension by	-9%

The changes proposed are therefore as follows

(i) We now propose granting relief from business rates in 2017/18 to the Council’s key voluntary sector partners. As these are charitable organisations they already benefit from 80% charity relief, so doing this provides relief to c.28 more properties using c.£47k of the money available.

(ii) Taking account of comments made by Customer Services staff responsible for collecting business rates, we are aware of a number of very small businesses who struggle to pay their rates. These are often one person businesses, operating on a “hand to mouth” basis on a day to day basis (i.e. they are relying on day to day business takings to meet their own living costs and pay their business bills, which they take seriously. We propose making some discretionary awards of the money available (of about 20% of the full bill to help these businesses, as it would appear to make a real difference to them. These will be done at the discretion of the Head of Customer Services in consultation with the Head of Finance. Whilst we do not propose inviting applications because of the time, should other businesses feel they are in this category, they will need to advise Customer Services by a week before the practical deadline for completing this year's scheme, so their circumstances can be considered.

(iii) We are currently checking with a small number of prospective applicants for a response (where we do not immediately think State Aid will be an issue – in general these appear to be Reading based businesses (rather than the Reading office of a much larger business)

(iv) Further extending the Government's pub relief of £1,000 (which we could choose to double to support 17 local pubs who have received relief this year)

(v) Further extending the relief granted to existing applicants; effectively this year we would give more relief to those who have already applied, reducing their rates increase to as close as possible to the 2% RPI inflation that would ordinarily have applied as the available allocation will permit. Based on current estimates these properties would have a 2-3% effective increase, rather than 12.5% after the DRR scheme to date and up to 44.5% in the context of the original Government Transition Scheme. However, we would couple this proposal with a different approach in 2018/19.

The key point to note is that if the money is not used by the end of March, the related grant has to be returned to Government, as there is no year end flexibility.

<u>2018/19</u>

For 2018/19, taking account of the challenges we have faced in 2017/18 we propose a different approach. Instead of focusing the available relief on larger properties with rv above £100,000, those of which are eligible will have received significant relief in 2017/18 (some of which may effectively be a credit on the account at the year end, as many businesses have paid in full by now), we will focus the relief in the first instance on smaller properties with rv's under £100,000. We will continue with the same exclusions as this year's scheme (the Council itself, other public sector and charitable organisations, large chains etc.), but focus the relief on reducing their bills to the equivalent of inflation only increases since 2016/17 (i.e. to make sure the bill is as close to 5% more than 2016/17 whereas in some cases the bill could be up to c. 30% (for those in maximum transition who will have had 14.5% increases in 2017/18 and be facing a further 15.5% 2018/19 increase. We have not yet been able to fully model this scheme, but propose reporting back to Policy Committee (either as a stand alone report or alongside the NNDR collection performance in Budget Monitoring) on progress.

If there is money left over from the reduced 2018/19 allocation once we have done the above we will (subject to State Aid checks) give this relief to the initial cohort of 2017/18 applicants.

For logistical reasons it may be difficult to grant relief in time for the initial billing, and in general we propose that the State Aid position for the smaller properties will be checked om a “negative assurance” basis (i.e. we ill assume it is not an issue and grant the relief, but in advising those eligible that if State Aid is an issue for them they should contract us, so the relief can be adjusted/removed.

We will publish the formal scheme on the website and may update it during the year, but other basic conditions of the scheme (about being in occupation etc.) will be as in 2017/18, set out at Policy Committee in September.

As this scheme is slightly wider, you are asked to put in place a wider delegation to the Head of Customer Service and Head of Finance to operate the scheme which will be used in consultation with the Leadership and Chair of Audit & Governance Committee.

Appendix 8

DRAFT CAPITAL PROGRAMME	2017/18	2018/19	2019/20	2020/21	Funding 2017/18 £' 000					Funding 2018/19 £' 000					Funding 2019/20 £' 000					Funding 2020/21 £' 000				
	revised budget				Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total
Safeguarding and protecting those that are most vulnerable																								
Voluntary Sector Support	50	-	-	-				50	**50**				-	**-**				-	**-**				-	**-**
Oxford Rd Community Centre	66	100				16		50	**66**		100			**100**					**-**					**-**
Supported Living - Avenue Site	100	-						100	**100**					**-**					**-**					**-**
Disabled Facilities Grants (Private Sector-Ringfenced Grant)	1,006	600	630	650	1,006				**1,006**	600				**600**	630				**630**	650				**650**
Disabled Facilities Grants (Local Authority Tenants)	390	500	450	400			390		**390**			500		**500**			450		**450**			400		**400**
Small Adults Services Schemes (incl implementation of ETR and Caspar)	50	47			50				**50**	47				**47**					**-**					**-**
	1,662	1,247	1,080	1,050	1,056	16	390	200	**1,662**	647	100	500	-	**1,247**	630	-	450	-	**1,080**	650	-	400	-	**1,050**
Providing the best life through education,early help and healthy living																								
Mainstream School Schemes																								
Primary Schools Expansion Programme - 2013-2017	1,719	-			1,719				**1,719**					**-**					**-**					**-**
Moorlands Primary School 1FE Expansion - 2016-2018	60	2,300	1,700	40	60				**60**	2,300				**2,300**	235			1,465	**1,700**	40				**40**
Schools - Fire Risk Assessed remedial Works	373	-	200	200	373				**373**				-	**-**				200	**200**				200	**200**
Critical Reactive Contingency: Health and safety (Schools)	200	500	500	500	200				**200**	500				**500**				500	**500**	500				**500**
Ranikhet School Roof - Repair or Renewal (Lease Obligation)	-	-		1,377	-				**-**				-	**-**					**-**	1,280			97	**1,377**
Heating and Electrical Renewal Programme	180	311	700		180				**180**	311				**311**				700	**700**					**-**
Additional School Places - Contingency	59	350	1,548		59				**59**	350				**350**	1,548				**1,548**					**-**
Education Asset Management Unit - Cost to Capital	400	400	400	400	400				**400**	400				**400**	400				**400**	400				**400**
Crescent Road Playing Field Improvements	30	195			30				**30**	195				**195**					**-**					**-**
North Reading School Places feasibility	20	-			20				**20**				-	**-**					**-**					**-**
New ESFA funded schools - Phoenix College	40	75			40				**40**	75				**75**					**-**					**-**
New ESFA funded schools - St Michaels	35	56			35				**35**	56				**56**					**-**					**-**
Additional Secondary School Places / Bulge Classes	-	500							**-**	500				**500**					**-**					**-**
Green Park Primary School	10	500			10				**10**	500				**500**					**-**					**-**
Early Years Schemes																								
Alfred Sutton - additional Nursery Class 30 Hrs Childcare, 26 places	259	20			259				**259**	20				**20**					**-**					**-**
English Martyrs School - additional Nursery Class 30 Hrs Childcare, 26 p	368	20			368				**368**	20				**20**					**-**					**-**
Meadway Early Years Building Renovation	30	-			30				**30**				-	**-**					**-**					**-**
SEND Schemes																								
Blessed Hugh Faringdon - Asperger Unit 30 place expansion (SEN)	100	1,800	50	10	100				**100**	1,800				**1,800**	50				**50**	10				**10**
Avenue Expansion	339	-			339				**339**					**-**					**-**					**-**
SEN Expansion Scheme	51	-			51				**51**				-	**-**					**-**					**-**
Special Provision Fund projects	-	-	274	274					**-**	-				**-**	274				**274**	274				**274**
	4,273	7,027	5,372	2,801	4,273	-	-	-	**4,273**	7,027	-	-	-	**7,027**	2,507	-	-	2,865	**5,372**	2,504	-	-	297	**2,801**
Providing homes for those most in need																								
Housing Revenue Account-Major Repairs	7,248	7,100	6,812	6,387			6,210	1,038	**7,248**			6,100	1,000	**7,100**			5,950	862	**6,812**			6,387	-	**6,387**
Housing Revenue Account-Hexham Road	1,200	1,200	1,400	950			1,200		**1,200**			1,200		**1,200**			1,400		**1,400**			950		**950**
Housing Revenue Account-New Build and Acquisitions	1,000	7,900	4,030				300	700	**1,000**			2,370	5,530	**7,900**			1,209	2,821	**4,030**					**-**
General Fund-New Build and Acquisitions	1,000	4,100	1,870				300	700	**1,000**		1,900	660	1,540	**4,100**			561	1,309	**1,870**					**-**
Housing Revenue Account-New Build - Conwy Close	2,028	7,618	936				608	1,420	**2,028**			2,285	5,333	**7,618**			281	655	**936**					**-**
Lowfield Rd temporary accommodation	1,742	50					523	1,219	**1,742**			15	35	**50**					**-**					**-**
Housing Revenue Account-Fire Safety works	-	900	800	700					**-**				900	**900**				800	**800**			63	637	**700**
Private Sector Renewals	280	300	300	300				280	**280**				300	**300**				300	**300**				300	**300**
Dee Park Regeneration	200	200	200	200				200	**200**				200	**200**				200	**200**				200	**200**
Dee Park Regeneration - Housing Infrastructure Fund (school)	-	-		6,000					**-**					**-**					**-**	6,000				**6,000**
Wholly-owned housing company (set-up costs)	300	-						300	**300**					**-**					**-**					**-**
Wholly-owned housing company	8,000	20,000	35,000	35,000				8,000	**8,000**				20,000	**20,000**				35,000	**35,000**				35,000	**35,000**
St George's Church Affordable Housing scheme	-	-	302						**-**					**-**			302		**302**					**-**
	22,998	49,368	51,650	49,537	-	-	9,141	13,857	**22,998**	-	1,900	12,630	34,838	**49,368**	-	-	9,703	41,947	**51,650**	6,000	-	7,400	36,137	**49,537**
Keeping the town clean,safe,green and active																								
Hosier Street Regeneration	120	-						120	**120**					**-**					**-**					**-**
Community Resilience	179	50	50	50				179	**179**				50	**50**				50	**50**				50	**50**
The Keep	6	94						6	**6**				94	**94**					**-**					**-**
Mapledurham	-	85				-			**-**		85			**85**					**-**					**-**
Whitley Wood Community Art	79	-				79			**79**					**-**					**-**					**-**
Oxford Road Streetscape	110	-				110			**110**					**-**					**-**					**-**
Central Pool Regeneration	25	1,400	75					25	**25**	1,400			-	**1,400**				75	**75**					**-**
Small Leisure Schemes	317	350	500	500		317			**317**		350			**350**		500			**500**		500			**500**
High Ropes Youth Play Initiative	63	-	-					63	**63**				-	**-**				-	**-**					**-**
Abbey Quarter	1,944	366	217		1,466	478			**1,944**		366			**366**		217			**217**					**-**
Tree Planting	62	25	25	25				62	**62**				25	**25**				25	**25**				25	**25**
Invest to Save Salix (match funding for Energy Efficiency Schemes)	142	358	250	250				142	**142**				358	**358**				250	**250**				250	**250**
Invest to save energy savings - Street lighting	3,370	-			2,359			1,011	**3,370**					**-**					**-**					**-**
	6,417	2,728	1,117	825	3,825	984	-	1,608	**6,417**	1,400	801	-	527	**2,728**	-	717	-	400	**1,117**	-	500	-	325	**825**

09/02/2018

Appendix 8

DRAFT CAPITAL PROGRAMME	2017/18	2018/19	2019/20	2020/21	Funding 2017/18 £' 000					Funding 2018/19 £' 000					Funding 2019/20 £' 000					Funding 2020/21 £' 000				
	revised budget				Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total	Grant	S106/CIL	Other *	Borrowing	Total
Providing infrastructure to support the economy																								
M4 Junction 11	60	60	60				60		60			60		60			60		60					-
Local Traffic Management and Road Safety Schemes	199	-			149	50			199					-					-					-
South Reading MRT (Phases 1 & 2)	3,120	1,003			3,120				3,120	650	353			1,003					-					-
South Reading MRT (Phases 3 & 4)	500	6,100	6,000		500				500	6,100				6,100	4,000	380	1,620	-	6,000					-
Green Park Station	789	6,032	9,229		789				789	3,732	2,300			6,032	6,929	2,300			9,229					-
East Reading MRT (Phases 1 & 2)	735	5,577	13,188	4,367	735				735	5,577				5,577	9,288		3,900	-	13,188	3,500		867	-	4,367
NCN Route 422	439	680			389	50			439	630	50			680					-					-
Reading West Station	-	200							-		200			200					-					-
CCTV	33	-				33			33					-					-					-
Car Parks Partnership	225	226	226	226				225	225				226	226				226	226				226	226
Bridges and Carriageways	2,035	1,882	1,322	1,259	1,528			507	2,035	1,472			410	1,882	1,322				1,322	1,259				1,259
Car Parking - P&D, Red Routes, Equipment	303	100						303	303				100	100					-					-
West Reading Transport Study - Southcote/Coley Improvements	-	400				-			-				400	400					-					-
Smart City Cluster project and C-ITS	80	1,350	550		80				80	1,350				1,350	550				550					-
Lease to RTL (Bus Purchase)	1,552	1,000						1,552	1,552				1,000	1,000					-					-
Superfast Broadband	-	20							-				20	20					-					-
Culture & Leisure facilities	198	100	100	200				198	198				100	100				100	100				200	200
Demountable Pool	2,205	60						2,205	2,205				60	60					-					-
Leisure Procurement	80	96						80	80				96	96					-					-
Cemeteries and Crematorium	19	80						19	19				80	80					-					-
Rivermead Essential Works	5	-						5	5				-	-					-					-
	12,577	24,966	30,675	6,052	7,290	133	60	5,094	12,577	19,511	2,903	60	2,492	24,966	22,089	2,680	5,580	326	30,675	4,759	-	867	426	6,052
Remaining financially sustainable to deliver these service priorities																								
ICT Infrastructure (Invest to save)	806	3,264	1,708	1,000				806	806				3,264	3,264				1,708	1,708				1,000	1,000
Replacement Vehicles	2,763	1,090	350	460				2,763	2,763				1,090	1,090				350	350				460	460
Invest in council buildings/Health & safety works	2,666	2,500	2,000	1,500				2,666	2,666				2,500	2,500				2,000	2,000				1,500	1,500
Purchase of Commercial Property	21,300	50,000	50,000	50,000				21,300	21,300				50,000	50,000				50,000	50,000				50,000	50,000
Libraries invest to save proposal	30	-						30	30					-					-					-
Community Hubs	1,760	694			500	500		760	1,760				694	694					-					-
Capitalisation	380	230	230	230				380	380				230	230				230	230				230	230
Accommodation Review - Phase 1A	717	25						717	717				25	25					-					-
Accommodation Review - Town Hall	579	1,000						579	579				1,000	1,000					-					-
Accommodation Review - Henley Road Cemetery	302	348						302	302				348	348					-					-
Accommodation Review - Phase 2A & B	-	650							-			350	300	650					-					-
Accommodation Review - Phase 2C (19 Bennet Road)	-	2,690	2,953					-	-				2,690	2,690				2,953	2,953					-
Mosaic' System Upgrade	76	-			76				76					-					-					-
	31,379	62,491	57,241	53,190	576	500	-	30,303	31,379	-	-	350	62,141	62,491	-	-	-	57,241	57,241	-	-	-	53,190	53,190
	79,306	147,827	147,135	113,455	17,020	1,633	9,591	51,062	79,306	28,585	5,704	13,540	99,998	147,827	25,226	3,397	15,733	102,779	147,135	13,913	500	8,667	90,375	113,455
Less HRA	12,066	25,318	14,528	8,537	0	0	8,708	3,358	12,066	0	0	12,455	12,863	25,318	0	0	9,290	5,238	14,528	0	0	7,800	737	8,537
Less Lease to RTL	1,552	1,000	0	0				1,552	1,552				1,000	1,000				0	0				0	0
General Fund	65,688	121,509	132,607	104,918	17,020	1,633	883	46,152	65,688	28,585	5,704	1,085	86,135	121,509	25,226	3,397	6,443	97,541	132,607	13,913	500	867	89,638	104,918
	-	-	-	-																				

* "Funding - Other" includes the Housing Major Repairs Funding, Capital Receipts, and in later years some potential S106/CIL receipts, where the receipt is not yet certain

09/02/2018

Dedicated Schools Grant

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

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.

The Schools Block and schools funding formula for 2018-19 are based on the October 2017 census of pupil numbers. The provisional Early Years Block funding published by the DfE is based on January 2017 census. The funding of free entitlement to 3 and 4 year olds through the Early Years National Funding Formula (EYNFF) will be based on participation each term.

The table below provides information on the funding allocation for each block.

2018-19 DSG funding allocation as at January 18 (£m) (before academy recoupment)	**Early Years (Provisional)**	**Schools Block**	**High Needs**	**Central Block**	**2018-19 Total**
Schools Block Guaranteed unit of funding per pupil		86.824			**86.824**
Central functions				**1.305**	**1.305**
High Needs			19.296		**19.296**
Early Years 15hrs Free entitlement	9.007				**9.007**
Early Years 2 Year old entitlement	1.467				**1.467**
Early Years Pupil Premium	0.138				**0.138**
Maintained Nursery Transition Grant	0.332				**0.332**
Disability Access Fund	0.033				**0.033**
Indicative 30hrs Allocation (Additional 15hrs)	2.454				**2.454**
Total funding available	**13.432**	**86.824**	**19.296**	**1.305**	**120.856**

The DSG for 2017-18 was £114.49m with the agreed split being Early Years (£12.47m), Schools & Central Block (£83.83m) and High Needs (£18.19m).

Schools Block

The council is responsible for the allocation of formula funding from the Schools Block to schools, after consultation with Schools Forum. Following government consultation a national funding formula will be implemented in 2020-2021. The council officers with Schools Forum reviewed the 2017-2018 local formula and agreed steps to move towards the published national formula. The formula in 2018-2019 will look like the national formula but with some national rates not being fully implemented. This is to give schools time to transition from the current funding arrangements to the expected national funding formula in 2020-2021.

The Local Authority received additional grant within the schools block for 2018-2019, and it was agreed by Schools Forum to use this increase:

- to help the transition to the new formula; and
- to make sure that all schools receive an increase in per pupil funding from 2018-2019.

Growth Fund

The growth fund is set at £1.0m (in 2017-18 this was £0.9m) and includes the planned primary schools expansion programme and provision for schools experiencing a short term reduction in pupil rolls. These elements were approved by Schools Forum in December 2017.

Movement between blocks

All Schools were consulted and Schools Forum approved in December 2017 the Local Authority's proposal to transfer 0.5% of the Schools Block to the High Needs Block. This will be used to reduce the continuing deficit, which is estimated to be £3.7m at 31 March 2018.

De-delegation

All of the de-delegations proposed by the Local Authority were agreed by primary and secondary members of the Schools Forum in December 2017. De-delegations will not be allowed within the National formula and so the council has taken steps to reduce some of the de-delegations and to promote service level agreements with schools instead. Schools Forum also made the decision to remove the "Schools in Financial Difficulty" de-delegation for 2018-2019. The table below shows the amount of de-delegated funding agreed by the Schools Forum: -

De-delegations	£m
Behaviour Support (Primary Only)	0.18
Support for under-achieving and EAL ethnic groups (Primary Only)	0.04
Staff Supply cover – Union duties (Primary Only)	0.04
School Improvement (Primary and Secondary)	0.14
Schools in Financial Difficulty (Primary and Secondary)	removed
Education Services Grant – general duties (Primary Only)	0.08
Total de-delegated Retentions	**0.48**

Academies and free schools receive funding using the same local formula as maintained schools. The total formula funding (before de-delegations) by phase is: Primary £53.5m and Secondary £31.9m.

Central Block

The new Central Block does not contain new funding, the funding for this block was previously within the Schools Block.. The change has happened to assist the government in implementing the national formula.

There are set criteria, to be approved by the Schools Forum, for any funding that is centrally retained; the majority of this expenditure cannot be increased, which places additional pressures on the Local Authority's budget. There are exceptions to this which include admissions and Education statutory duties.

All of the central retentions proposed by the Local Authority were agreed by primary and secondary members of the Schools Forum in December 2017. The table below shows the amount of centrally retained funding agreed by the Schools Forum: -

Central Retentions	**£m**
Contribution to combined services	0.63
Prudential Borrowing	0.05
Admissions	0.21
Servicing of Schools' Forum	0.02
Education Services Grant - statutory duties	0.39
Total Central Retention	**1.30**

Early Years Block

The Early Years National Funding Formula (EYNFF) was implemented In April 2017. The national formula consists of a universal base rate with adjustments to reflect the variation in local costs. The rate for all Early Years settings stays at the 2017-2018 level of £4.80 per hour. This is due to the Early Years Block not receiving a funding uplift per pupil within 2018-2019. The rate covers all universal 15 hours entitlement and the additional 15 hours for working parents that started in September 2017.

Two year old funding will continue at the same rate as 2017-2018 (£5.55 per hour)

Early Years Pupil Premium will continue at the same rate as 2017-18 and the criteria will be used to fund the deprivation supplement within the national formula (53p per hour).

High Needs Block

The High Needs Block is funding that the Local Authority receives from the Education and Skills Funding Agency (ESFA). This includes the funding previously allocated for Special Schools, Resource Units and funds held centrally for Cranbury College. Other services such as post-16 SEN funding are also funded from this block.

The Local Authority has agreed the number of places available for SEND and alternative provision within the Borough's boundaries. The Local Authority, as a commissioner of specialist provision, holds a central budget for SEND Services and support that is allowed to be funded by the High Needs Block and to provide top up funding for those children and young people assessed as requiring additional support through an Education, Health and Care Plan. Schools Forum received a detailed report on the use of this budget in October 2017 and an update in December 2017.

Like many other Local Authorities, the High Needs Block has come under significant financial pressure in 2017-2018 with an expected in-year overspend of £2.5m (and a deficit of £3.7m in total due to the £1.2m deficit from 2016-17). This is a result of increased population, limited available provision within the Borough, increased demand and level of need, extending provision to 16 to 25 year olds and that funding for this block is largely set at the 2011/12 level.

The government has introduced a national formula for the High Needs Block in 2018-2019 that uses many current pupil factors and historic spends. The block has increased since 2017-2018.

DSG deficit and recovery plan

At the end of this financial year, it is anticipated there will be a net DSG deficit of £3.7m, which will require approval from the Schools Forum in March 2018. Schools Forum will be asked to partially fund the deficit from the Schools Block which reduces the overall amount that each school receives.

This issue represents a significant risk to the Local Authority and Schools within the Borough as any shortfall is likely to impact significantly on future funding. The new formula will not take account of a historic deficit position. Therefore, the Local Authority and Schools will need to address this in a measured and disciplined way over the short to medium term.

The Local Authority has created a working group of the SEND Strategy Board to review the internal and external processes of all SEND functions. This will support a future plan on how to address the SEND needs for Reading children while reducing the in-year deficit and overall pressure of the High Needs Block.

Other Grants

2018-19 Pupil Premium illustrative allocation tables are expected to be published by the DfE in the summer term 2018. The confirmed rates will remain at the 2017-18 levels except for the looked after children plus rate which will increase from £1,900 to £2,300.

Pupil Premium, Universal Infant Free School Meals (£2.30 per meal) and School Sports Grants, are largely passed directly to schools using the DfE allocation approach.

APPENDIX 10

HOUSING REVENUE ACCOUNT

	2017-18 Budget	2018-19 Budget
Expenditure		
	£'000	£'000
Responsive & Planned Repairs (1)	5,865	5,690
Major Repairs (1)	7,541	8,300
Major Repairs - Hexham Road	1,400	1,200
Major Repairs c/fwd (2)	0	0
Major Repairs - Hexham Road c/fwd (2)	0	0
Emergency Provision	200	200
Total Repairs	15,006	15,390
Managing Tenancies	1,926	1,928
Management, Policy & Support	4,259	5,001
PFI	6,746	6,823
Rent Collection	963	1,013
Building Cleaning, Warden, Concierge & Energy Costs	2,017	2,327
Rents, rates and other	303	276
Total Supervision & Management	16,214	17,368
Capital Financing costs (3)	10,500	10,325
TOTAL HRA EXPENDITURE	41,720	43,084
Income		
Dwelling rents (4)	34,300	33,637
Garages (5)	443	0
Heating Charges	200	140
Shop Rents (5)	200	0
Total Rents	35,143	33,777
PFI Allowance	3,997	3,997
Interest on Revenue Balance	110	110
Service Charges	803	968
Other Income	185	172
Total Other Income	5,095	5,247
TOTAL HRA INCOME	40,238	39,024
Net Expenditure/(Income)	1,482	4,059

(1) Outlined in 2018/19 Programme of Works to Council Housing Stock
(2) There has been a shift in the spend profile for some of the major repairs projects. For example £0.38m previously agreed expenditure is being carried forward into 17/18.
(3) The scope for additional voluntary debt repayment will be reviewed.
(4) Social rents are subject to a 1% reduction (2018/19 is year 3 of 4) as outlined in the Welfare Reform and Work Act 2016
(5) Garages and shops transfer to the General Fund in 2018/19