

READING BOROUGH COUNCIL

REPORT BY THE CORPORATE MANAGEMENT TEAM

TO:	POLICY COMMITTEE		
DATE:	15 FEBRUARY 2016	AGENDA ITEM:	8
TITLE:	BUILDING A BETTER READING: CORPORATE PLAN AND BUDGET 2016-19		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	POLICY & FINANCE
SERVICE:	ALL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	IAN WARDLE	TEL:	0118 937 2067
JOB TITLE:	MANAGING DIRECTOR	E-MAIL:	ian.wardle@reading.gov.uk
LEAD OFFICER:	ALAN CROSS	TEL:	0118 937 2058
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	alan.cross@reading.gov.uk

At the time of despatch of this report we had not received the Final Local Government Finance Settlement for 2016/17 or notification of the Fire Authority Precept. When these become available it may be necessary to re-issue an updated version. (The LGFS is expected to be available by the time of Council despatch).

1. PURPOSE AND SUMMARY OF REPORT

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

- Building a Better Reading - The Corporate Plan for 2016-19; and
- The Council's budget for 2016-19 to support the delivery of the Council's service priorities within the Corporate Plan.

1.2 Reading continues to grow, adapt and change. The Council delivers some great services every day to support the growth of the town and to provide for residents and businesses. The Council has a fair and caring ethos. The Council is passionate about making a difference. The Council is clear on its priorities which are based on robust data and analysis. Where the Council needs to make improvements to services and outcomes - clear plans have been put in place and are included in the new Corporate Plan 2016-19.

1.3 The Government will reduce the Revenue Support Grant income Reading receives by 92% over the next four years - this is a reduction of £22m (from £24m to less than £2m). The Government has made significant alterations to the way local government is funded without advance warning. This is unfair and unprecedented. This means we are over £5m worse off in 2016/17 than expected.

- 1.4 The Council will continue to meet its responsibilities, but will have to do so with significantly reduced resources. Despite the challenges the Council faces - making savings of over £115m between 2011 and 2020 - the Administration continues to have a positive vision for the future of Reading.
- 1.5 The Council will continue to adapt and survive and become even more entrepreneurial, working in partnership, innovating, improving services to help those that are vulnerable and to reduce inequalities where we can. The Administration is focused on helping to build a better Reading.
- 1.7 This report seeks to ensure that Councillors are properly advised on:
- The context for service delivery;
 - A range of national and local financial matters affecting the Council's services for residents and businesses;
 - Proposals about how to address these issues;
 - Revenue budgets for service delivery, pressures, savings solutions and proposed fees and charges;
 - A risk analysis;
 - The capital programme; and
 - Equality Impact

2. RECOMMENDED ACTIONS

Policy Committee proposes the following recommendations to Council:

2.1 Approve the Corporate Plan 2016-19.

2.2 The General Fund Budget and Council Tax in 2016/17 as follows:

SETTING THE COUNCIL TAX FOR THE READING BOROUGH COUNCIL AREA

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

- a) The Council Budget & Financial Plan 2016-19
- b) The specific revenue estimates for 2016/17
- c) The capital programme for the period 2016-19

2) It be noted that on 26 January 2016 the Council calculated

The Council Tax Base 2016/17 for the whole Council area as 51050 [item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")].

3) Calculate that the Council Tax requirement for the Council's own purposes for 2016/17 as £1,419.59.

4) That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act.

- a) £400,631,324 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- b) £328,161,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- c) £72,470,324 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(4) of the Act).
- d) £1,419.59 being the amount at 4(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
946.39	1104.13	1261.86	1419.59	1735.05	2050.52	2365.98	2839.18

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

- 5) That it be noted that for the year 2016/17 Police & Crime Commissioner for the Thames Valley has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Valuation Bands

<u>Authority</u>	A	B	C	D	E	F	G	H
	£	£	£	£	£	£	£	£
Police & Crime Commissioner	111.31	129.86	148.41	166.96	204.06	241.16	278.27	333.92

- 6) That it be noted that for the year 2016/17 Royal Berkshire Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Valuation Bands

<u>Authority</u>	A	B	C	D	E	F	G	H
Royal Berkshire	£	£	£	£	£	£	£	£
Fire & Rescue Service	41.25	48.12	55.00	61.87	75.62	89.37	103.12	123.74

- 7) That, having calculated the aggregate in each case of the amounts at 4(d), 5 and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2016/17 for each of the categories of dwelling shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1098.95	1282.11	1465.27	1648.42	2014.73	2381.05	2747.37	3296.84

- 2.3 Committee/Council is requested to note the savings and income proposals outlined in appendices 2 & 3 were approved at an earlier stage, and authorise officers to implement the additional savings and income proposals outlined in Appendix 4 subject to any necessary consultation and equality impact assessments being undertaken and the outcomes being reported back for consideration by the relevant committee;
- 2.4 Council is requested to AGREE that, after considering the advice of the Head of Finance on the adequacy of balances and reserves and the robustness of the Budget as set out in Section 5 below and Appendix 7, the minimum level of General Fund balance to be maintained over the year to 31 March 2017 be set at least £5m.
- 2.5 In the event that the Council decides to set a General Fund balance which is less than that advised by the Head of Finance of a minimum £5m then the reasons for this difference be recorded in the Minutes of the Council Meeting.
- 2.6 Council is requested to AGREE the Treasury Management and Investment Strategy and the Prudential Indicators set out in Appendix 8, and approve the revised MRP Statement to apply from 2015/16 in Annex D of the strategy.
- 2.7 Council is requested to APPROVE the Fees and Charges outlined in Appendix 6 of the report, and set out in detail on the Council's website and authorise officers to take the action necessary to implement these changes.
- 2.8 That the HRA budget for 2016/17 set out in Appendix 12 is approved, and that the Head of Housing & Neighbourhoods, in consultation with the Heads of Finance and Legal & Democratic Services be authorised to implement a rent change in line with the agreed rent policy or legislation as appropriate as set out in section 4.33 of the report.

3. CONTEXT

What have we done so far?

3.1 Over the last five years the Government has cut the Council's income (Revenue Support Grant) by £39m and there have been major changes at the Council as a result of this.

3.2 By the end of this financial year, the Council will have saved almost £65m from its budget since 2011. Nearly 700 staff roles have been lost from the Council and some difficult decisions have been made such as:

- Reviewing care packages for vulnerable people to often reduce high-cost care packages by promoting independence and reablement;
- Reducing support for childcare providers and early years settings;
- Reducing support provided to residents to manage their accommodation and live independently;
- Reducing funding to the Voluntary and Community Sector;
- Considering the future services provided by our libraries and reduced the amount we spend on Library Books;
- Reducing the Council Tax support scheme for those on low incomes;
- Closing the post office run by the Council within the Civic Centre; and
- Considering the future of the South Street Arts Centre.

3.3 Despite the amount of money the Council has had to save, the Council has still been delivering important services and making a difference across the town. Some of the key developments since the Corporate Plan was approved last year include:

- The number of good or outstanding schools increasing;
- Caring for 239 vulnerable children;
- Providing Adult Social Care services to 4,100 vulnerable adults;
- Continued to work towards creating 2,520 new primary school places in the Borough;
- Agreed proposals to create more temporary housing facilities to cope with increasing demand;
- Delivered the Local Sustainable Transport Capital Programme and Pinch Point substantially from grant to deliver the following schemes:
 1. Opened the new Pedestrian and Cycle Bridge over the Thames
 2. Built and opened two new Park and Ride facilities at Mere oak and Winnersh, creating nearly 1,000 new spaces
 3. Completed essential works to strengthen Reading Bridge
 4. Opened the new Napier Road underpass
 5. Restored the listed churchyard wall at St Laurence's and confirmed future funding for the Reading Abbey Revealed project
- Council-owned Reading Buses won UK Bus Operator of the Year Award;
- Announced proposals for two new swimming pools for the town;
- Helped 186 vulnerable people last winter to heat their homes using the Council's Winter Watch project;

- Committed to £350,000 worth of improvements to local parks and open spaces, with Green Flags for Forbury Gardens and Caversham Court Gardens again;
- Won a national award at the 2015 Clean Britain Awards for Love Clean Reading 1 and started work on Love Clean Reading 2;
- Received accreditation as a Living Wage Employer by the Living Wage Foundation;
- Started the process to help deliver a new and large performance theatre for Reading;
- Resurfaced 8 main roads and 17 residential streets;
- Completed work to reduce congestion and delays along the A33; and

Where are we now?

- 3.4 The Council is in the midst of making further significant changes with less money. The town is growing and some teams are seeing increasing demand for services - particularly from people who are vulnerable and in need. For instance, this includes paying for specialist accommodation for children to be looked after and residents with learning disabilities who need care. New responsibilities are also being passed to local authorities by Government with insufficient resources such as the cost implications of the Care Act and the Supreme Court judgement on Deprivation of Liberty Safeguards.
- 3.5 The Government has chosen to change the way it calculates local government income - the Revenue Support Grant. The Government has made this change without proper detailed consultation. The Government have made very optimistic assumptions about how much Council Tax income the Council will receive. The Government have assumed that the Council will raise Council Tax every year and they have then built this into the amount they reduce the RSG funding in the future. This means we are at least £5m worse off in 2016/17 than we expected.
- 3.6 Councillors should note that these are significant alterations to the way local government is funded and there was no advance warning. Officers have had insufficient time to safely recommend additional savings that are needed to bridge a funding gap for next year. It also means the Council would not have enough time to consult properly on any additional proposals to make these savings. As a result, your Officers are having to recommend using some one-off funding to close next year's (16/17) budget gap (outlined in section 4.15 below). If approved by Council, these proposals will allow the Corporate Management Team time to bring forward additional savings proposals to be considered by Councillors, and can be properly consulted on, that are needed to set a budget in future years. These proposals are outlined in further detail in Section 4.
- 3.7 Together with the cuts that were already being forecast, this means that the Council's main grant income from Government will reduce from this financial year to the next by £7.4m from £24.2m to £16.8m. This is a 30% cut in income from the Government. This cut is the highest 'cash cut' in Berkshire, despite Reading having more residents, more visitors and significantly more demand on most council services than our neighbours.

- 3.8 Alongside this cut in funding; increasing costs due to inflation, paying for service pressures, national insurance changes etc. means the Council needs to have savings or other budget reduction measures of over £18.3m next financial year.

What are we going to do next?

- 3.9 Because care for the elderly and those with disabilities has not been funded properly by Government, officers believe they have no other option but to request that Councillors consider introducing an Adult Social Care Precept to help offset some of the financial pressures the Council has to fund to look after older residents. This will generate £1.4m of income. Half the Council Tax increase is for this, but the extra money only pays for 3.6% of the Social Care costs. It should be noted, that even if Councillors are minded to approve this proposal, service teams will still have to target support to those in most need, and on specific service responses that help vulnerable people regain independence. This could mean that people who do not meet national eligibility standards would not get Council funded support.

- 3.10 To ensure that the Council will have the additional income to provide services for the increasing population such as collecting the bins within Reading, Officers are also asking the Council to consider increasing Council Tax by 1.99%. Overall, it is proposed that the Reading Council Tax would go up 3.99%, subject to Council approval, including the Adult Social Care Precept and general Council Tax increase. Councillors should note, as outlined in the sections above, that the Government has already assumed that local authorities will do this in any event when they have calculated the Revenue Support Grant available, but clearly is a decision for Councillors to make each year.

- 3.11 The budget position means that Officers are clear in their advice that the Council cannot afford to continue spending money on outdated community facilities in order to keep them running potentially for only a limited period of time. Instead, officers have recommended that the Council should utilise the strength of the local economy to attract new investment to provide modern, quality facilities that may have otherwise had to close. Councillors will recall that last year we have started a process to:

- Seek partners to work with us to provide modern new leisure and swimming facilities; and
- Seek a partner to provide a new theatre to replace the Hexagon.

A report is also being prepared for Councillors to consider a proposal to create a housing company to increase housing supply for homeless people that will also save us money.

- 3.12 We recommend within this report, shown in Appendix 4, that Councillors need to consider making savings in these areas. Some of these proposals can be delivered by management action whilst others will need to be brought back to Councillors in more detail for consideration. In some cases detailed public consultation, or consultation with partners will be needed.

3.13 In summary, Officers are requesting that Councillors consider increasing income in the following ways:

- Increasing Council Tax by 1.99%;
- Introducing the Adult Social Care Precept (a 2% increase to Council Tax);
- Changing (mainly increasing) some fees and charges; and
- Securing funding from health organisations for costs that they can pay for.

What after that?

3.14 Government has offered to provide local authorities a 4 year settlement on the proviso that we submit an efficiency plan. No detail has been provided by the Government on the detailed timescale and requirements for this efficiency plan, but your Corporate Management Team could bring forward a new four year medium financial plan before the summer to meet this requirement. Officers will need to offer additional options for savings, particularly in the later years.

The outlook for the next 4 years

3.15 The Government will reduce the Revenue Support Grant income Reading receives by 92% over the next 4 years. This is a reduction of £22m - from £24m to less than £2m. Some other grants, such as the New Homes Bonus are also being reduced substantially, and we estimate we'll be losing more than £2.75m of other grants over the period. We will need to secure savings or increased funding of £39m over the next three years - a 31% reduction in the money we have available now. This means that between 2011 and 2020 the Government will have reduced its funding to the council by £62m. The Council also needs to deliver the £12m of savings that have already been agreed by Councillors over recent years. In total, this amounts to further savings of £51m over the next few years - a reduction of 31% in our spending.

New Corporate Plan 2016-19

3.16 Based on the key issues facing Reading, the Corporate Plan has been updated and is attached at Appendix 1 for consideration. As Councillors are aware, this is a forward looking document focusing on the Council's key service priorities over the next three years. The Plan will continue to drive the activity of the Council and is linked to the performance of all staff providing:

- The focus to their work;
- A framework for Service Delivery Plans;
- Team goals; and
- Individual targets and appraisal.

Corporate Plan Priorities



Looking Forward

- 3.17 Despite the continued uncertainty and challenging financial context, the Administration are determined to ensure that the Council can continue to provide essential frontline services to everyone across the town - all residents and the 69,000 households - with street cleaning, collecting rubbish, providing school places etc. In addition, the Council will need to provide all these services to the extra 700 properties a year that get built in the town and the people who will live in them.
- 3.18 The Administration also wants to continue to provide some specialist, but often more expensive services, for a fewer number of people. These include services such as caring for older people, residents with learning disabilities and children who need our protection or are looked after by us. Getting the balance right between paying for these specialist services and the universal services across the town is at the heart of what the

Administration is continuing to do. Officers have tried to find the best options to save money with the least impact. Councillors will appreciate that this is increasingly difficult with the scale of the savings required.

3.19 The Council has some strong services but there are others that need to be improved. The Corporate Plan outlines ambitious plans to do this.

4. GENERAL FUND BUDGET

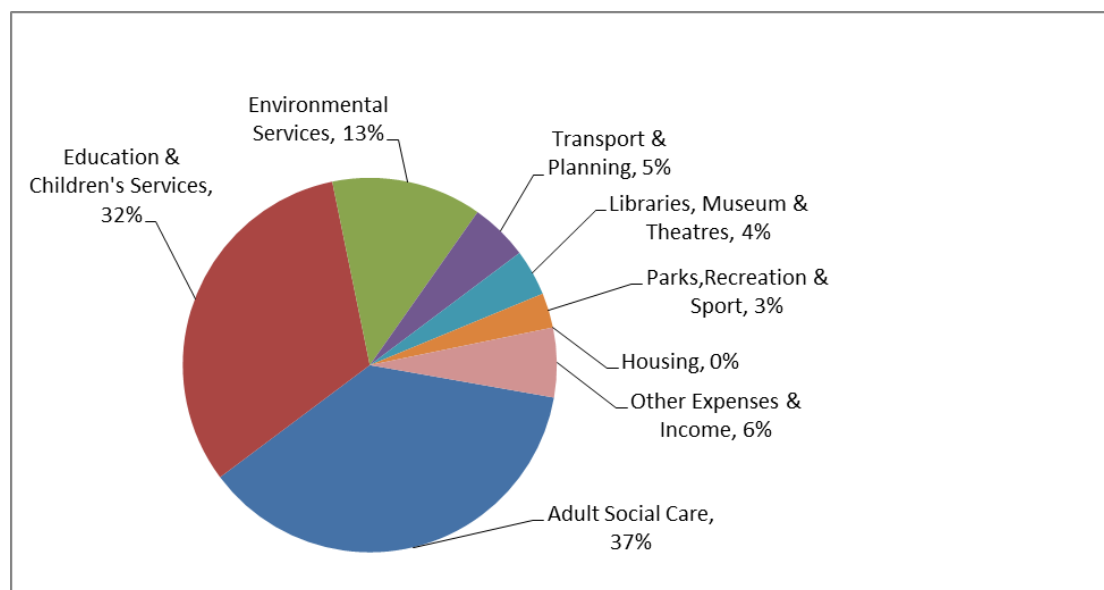
4.1 The Council is required to set a budget for day-to-day expenditure for the financial year starting on 1 April. This is called the revenue budget and it is the amount of money the Council needs to provide services during the year.

4.2 It is a legal requirement for the Council to set a balanced budget within its Budget Framework by 17 March 2016.

4.3 Funding comes to us in four ways:

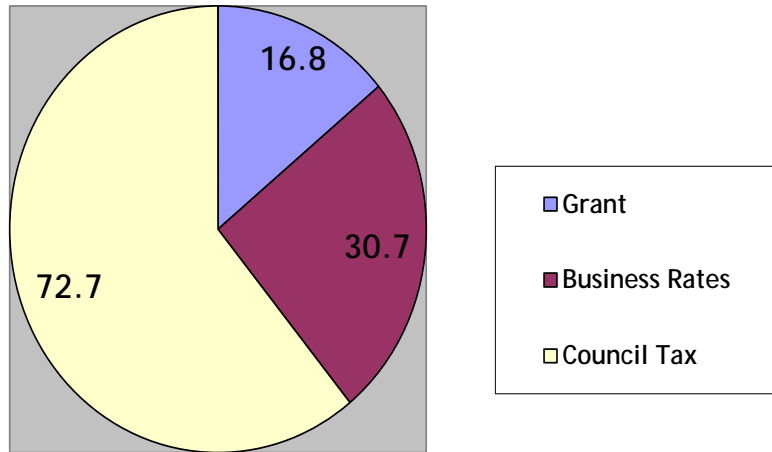
- Central Government Grant;
- Council Tax;
- Business Rates; and
- Income from fees, charges and rents.

The chart below shows where the Council's budget is spent.



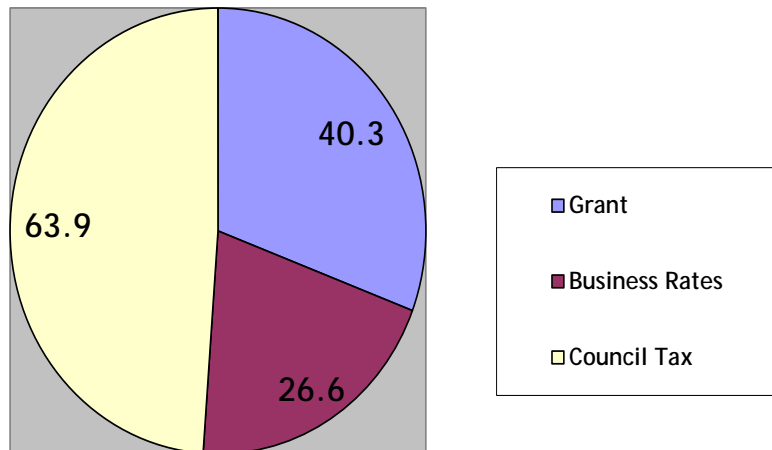
4.4 The chart below shows the proportion of Council spending funded by main grant and tax income for the new financial year, subject to approving the recommendation regarding Council Tax.

Funding of Budget Requirement 2016/17 (£m)



4.5 The table below shows the proportional split of Council income in 2013/14 to show how the income is changing.

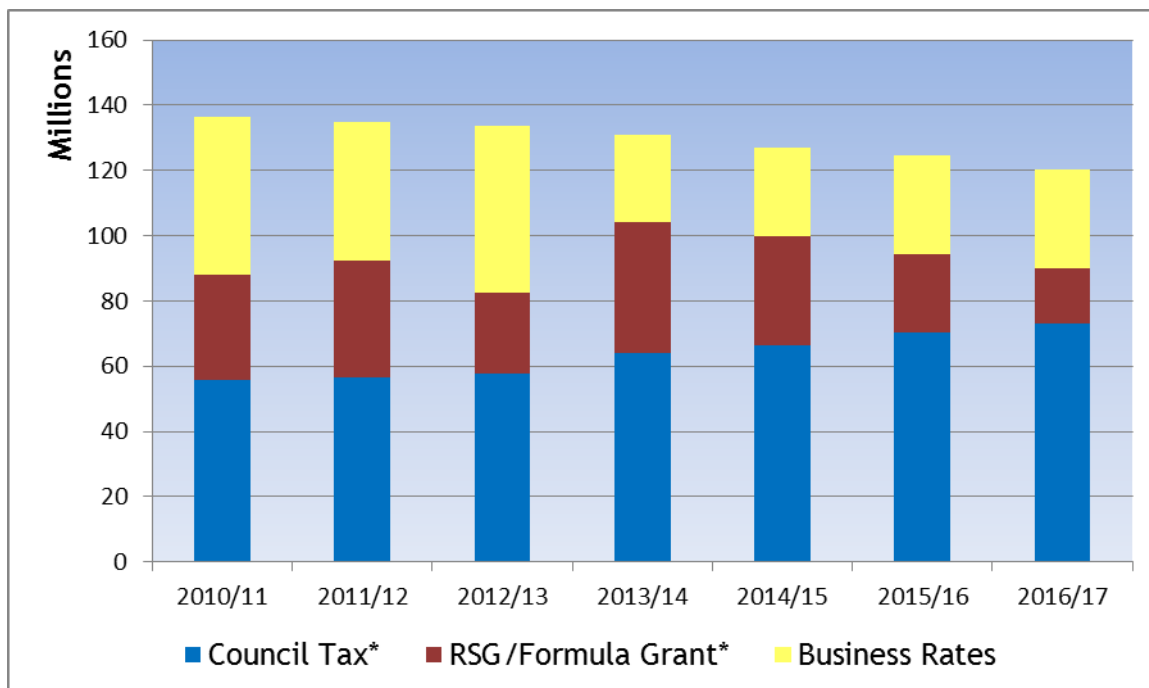
Funding of Budget Requirement 2013/14 (£m)



By comparing the graphs it is immediately apparent that Council Tax Payers are carrying an increasing burden of funding a reducing Council budget, with grant more than halving in the last three years.

4.6 The chart below shows how the composition of the Council's income has been changing over time.

Budget Funding over Time



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

- 4.7 Since 2010, the amount of money we receive from the Government has reduced significantly. The Local Government Finance System was changed substantially in 2013/14 with the localisation of half of business rate income. The following table shows how our funding from central government - Revenue Support Grant - has already fallen over the last few years.

	RSG (from 2013/14) £m	Change from previous Year	Percent change
2011/12		*-£5.5m	- 7.6%
2012/13		*-£3.1m	- 4.3%
2013/14	£40.3m	*-£6.9m	-14.6%
2014/15	£33.2m	-£7.1m	-17.6%
2015/16	£24.3m	-£8.9m	-26.8%
2016/17	£16.8m	-£7.5m	-30%
Total		-£39.0m	

*changes in formula and other grants as reported in budget reports

- 4.8 In moving to a firmer 3 year service and planning horizon in 2014, we had planned ahead and already built in to our budget some savings for future years. Committee in November also agreed a number of savings and income proposals. In total, this amounts to over £12m of savings. All of these agreed savings are outlined in Appendices 2 and 3 and need to be delivered by service areas otherwise they will add to the forecast funding gap.

Service growth and pressures

- 4.9 The Council is not receiving additional funding to compensate for additional cost pressures arising from:

- General inflation;
- Cost pressures in the care sector, particularly caring for the elderly;
- Increases in the number of children and young people needing support and rising levels of need;
- Increases in demand for everyday services as the population grows;
- Pressure on homelessness budgets; and
- Increases in core costs such as the major change to National Insurance in 2016/17, the National Living Wage and pension contributions.

4.10 We need to cater for these increased costs. Members will recall that last year we included approximately £4m of service pressures when setting the budget. We have just completed a similar exercise looking at:

- Growth due to demand;
- Invest to save needs;
- Invest to protect costs;
- Income shortfalls; and
- Unachieved Savings.

4.11 We are recommending that £6.4m is allowed within the budget for service growth and pressures.

Council Tax

4.12 If councillors decide to, the proposed level of Council Tax for Reading is £1,419.59 at Band D an increase of £54.59 over the 2015/16 Council Tax of £1,365.00. This represents an increase of £1.05 per week at Band D. After taking account of the increases set by the Police and Crime Commissioner Thames Valley (PCCTV) (1.99%) and assuming an increase by the Royal Berkshire Fire and Rescue Service (1.99%) the overall increase in Council Tax at Band D will be £59.06 equivalent to £1.14 per week.

4.13 Most properties are in band C or below, so the Reading tax will be £24 a week a day for most households and the increase about less than £1 a week. The Council Tax increase, half of which arises from the Government's expectation that Councils will raise tax by 2% specifically to spend on adult social care raises (matched by a reduction in grant), additional income of £2.8m in 2016/17 and future years.

4.14 The table below outlines the forecast budget requirement and funding available to the Council to show the funding gaps.

2016-19 Financial Forecast

	2016/17	2017/18	2018/19
	£'000	£'000	£'000
Budget Requirement (previous year):	124,867	120,197	114,279
One off measures from previous year	1,543	7,503	-
Grant Changes	755	-25	1,720
Pay Award and Increment (& Pension change)	2,016	2,087	1,916
National Insurance Change (2016/17)	3,024		
National Living Wage (pay costs)	100	650	700
Non pay inflation	1,588	1,965	1,940
Regulatory change	175	0	
Capital financing cost	-1,900	700	2,800
Service Pressures	6,378	0	0
Draft Budget before Savings	138,546	133,097	123,351
Savings measures agreed in 2014 (Appendix 2)	-2,802	-2,778	
Savings measures agreed in 2015 (Appendix 3)	-2,261	-4,176	-146
Savings measures now proposed (Appendix 4)	-6,460	-11,213	-3,400
One off Funding Measures	-6,800	800	
Further Savings needed in future years		-1,451	-7,554
Use of Balances	-26		
Budget Requirement	120,197	114,279	112,251
<i>includes savings of (subject to agreement of this report)</i>	<i>-11,523</i>	<i>-18,167</i>	<i>-3,546</i>
Funding of Budget Requirement			
Estimated Government Grant (RSG)	16,825	10,367	6,313
Estimated NNDR Local Share	30,209	30,821	32,201
Council Tax Income at proposed 16/17 tax rate	72,471	73,071	73,671
Collection Fund Council Tax Surplus	202		
Collection Fund NNDR Surplus	490		

Recommendations for a safe budget next year

4.15 In order to set a safe budget for next year (2016/17), the Council will have to resort to using some one-off funding measures to bridge the immediate gap we are now faced with, as outlined above, due to the significant alteration without prior warning to the way local government is being funded. With having additional savings to find for the new financial year, this does not provide adequate time for officers to safely recommend additional savings and income options. Along with changes to capital financing to help ensure the budget is robust, these measures include:

- The Council holds earmarked cash reserves/provisions that it knows it will need to cover the cost of future redundancies and compensation in

relation to Equal Pay claims. In order to maintain and/or build up these reserves the Council normally makes a contribution to them each year, as part of the budget. In order to help close the gap in next year's budget the officer proposal is that we should not make a contribution to these reserves/provisions this (2015/16) and next financial year (2016/17) and that this money be used instead to help close the gap in the 2016/17 budget; and

- As part of the Council's wider asset review and rationalisation, the Council has also been ramping up its programme of asset disposals in order to secure capital receipts. Financial rules mean that the Council cannot normally use these receipts to directly help close the budget gap. They are normally used to help pay for capital investment such as building new schools, etc., thereby reducing the revenue cost of borrowing money to fund the programme. However, the rules also allow capital receipts to be used to cover the cost of equal pay liabilities and repay debt.

4.16 The Council is already holding over £3.5m in capital receipts we have received by 2015/16 and it is proposed that these receipts be used to effectively replace £3.5m of revenue that currently sits in the Equal Pay provision. In other words, we can release £3.5m of revenue from the provision and replace it with the same amount of capital receipts, so as not to deplete the provision. The remaining provision, together with some of the expected future capital receipts are estimated to provide sufficient resources to meet the equal pay liabilities as they fall due for payment. We expect to start using the equal pay provision during the new financial year.

4.17 Taken together, these one-off funding measures will help the Council set the budget for next year. They will provide us time during the coming months to consult on and deliver the further compensatory savings that are needed to enable us to set safe budgets in future years. These savings will form part of the 4 year Financial Plan that the Government has now asked councils to prepare, in order to provide some certainty over future RSG settlements.

Reading's estimated grant

4.18 Reading's estimated revenue support grant loss per head of population next year is £46 which is the highest loss in Berkshire. Most other authorities lose around the Berkshire average of £38 per head, only Windsor & Maidenhead, losing £30 per head being significantly better than the County average. Therefore, Reading has the worst settlement within the County area, our position is actually a little better than the national average grant loss which is around £49 per head.

Business Rates income

4.19 Looking forward there remains considerable uncertainty regarding the impact that retention of business rates will have in funding our budgets beyond next year and the outlook remains difficult to predict. Put simply, at this stage we do not know how much of our business rates will be clawed back by central government to be redistributed.

- 4.20 Government have announced that Business Rates will be retained locally by 2020, but this is at a national level. The Council currently only keeps 27p for every £1 of business rates generated in the town. Government officials have acknowledged that they have no clear plan how business rates will work in the future and whilst there may be opportunities to retain more of the business rates from 2020, there may also be significant risks for places like Reading with a large business rate income.
- 4.21 The forecast for 2015/16 includes a share of locally retained business rates income. In the Autumn Statement in both 2013 and 2014 the Government decided to limit increases to 2% rather than RPI, which has been used, in line with the legislation every previous year since business rates were nationalised in 1990. Government also made changes to the Small Business Rate supplement. Both of these changes continue to be compensated for through a government grant, and the initial estimate is that grant in Reading will be £1.3m. However, this grant is substantially wiped out by the 44% levy on Reading's share of business rate growth.
- 4.22 We estimate that after allowing for losses and the impact of appeals we will collect £107.3m of business rates, of which the Council will keep £29.3m.

The detailed apportionment is as follows:

Apportionment of Business rate Income	£m
Central Share to DCLG (50%)	53.650
Tariff to DCLG	22.368
Levy to DCLG	0.939
Fire Authority Share (1%)	1.073
Reading BC share (49% less tariff & levy)	29.270

- 4.23 Since 2013/14, when the Local Government Finance regime was changed to localise up to 50% of rates income, retention of Business Rates has significantly shifted risk from Central Government to Local Government. Variations in collection and the impact of appeals are now shared with the Government. Any reduced income in Business Rates need to be recognised in year and must be taken account of in setting the following year's budget. During the year we have estimated that liability may be around £12m. The above estimate of business rate income allows for most of this; however, there is a risk that appeals are settled more quickly than resources are available which will require additional budget reductions in future years.

Public Health grant

- 4.24 The Government will make savings in local authority Public Health spending averaging annual real terms savings of 3.9 per cent over the next five years. It will also consult on options to fully fund local authorities' Public Health spending from their retained business rates receipts, as part of the move towards 100 per cent business rate retention. Although the ring-fence on public health spending will be maintained in 2016/17 and 2017/18, reductions to the Public Health budget will have a significant negative

impact on the essential prevention and early intervention services provided by the Council.

Capital Investment Programme

- 4.25 We will deliver a £124m capital programme over the next three years to provide new school places, homes, transport infrastructure and investment to consolidate our buildings and improve ICT to deliver services as efficiently as possible including enabling residents to self-serve. Much of the capital programme will be paid for by grant that cannot be used for day-to-day council services. In some cases we will need to borrow money which will add to our day-to-day costs. Target levels of borrowing are consistent with our revenue budget forecasts.
- 4.26 The Capital Programme for 2016-19 is outlined in Appendix 10 and key areas of investment in the proposed Capital Programme include:

Additional School Places

- 4.27 The Council's major Primary School expansion programme will complete in Autumn 2016, having invested over £43m by the end of 2015/16 and 1000 permanent new school places have been delivered to date. A further £19m of investment is planned to complete the construction of a further 1500 places. To finance the total £62m programme, the Council will have to borrow over £34m. High construction costs and shortages of skills and materials continue to place considerable pressure on the programme.

Homes for those in most need

- 4.28 The Council's ambitious Council House building programme (initially to build 205 new homes over the next 5 years) has been severely curtailed by central government's decision in July last year to reduce social housing rent levels. However, the capital programme does include a £23.8m investment in existing housing stock via the HRA over the next 3 years. In addition we will have a £8.2m programme of new build, including a Supported Living Scheme and temporary accommodation, as well as general needs housing at Conwy Close. Right to Buy receipts from the sale of council houses will be utilised wherever possible.

Providing Infrastructure and Remaining Financially Sustainable

- 4.29 This year saw the completion of major investment in the town's transport infrastructure, made possible by grants from the Local Sustainable Transport and Pinch Point Funds. While the scale of investment has reduced, the Council continues to invest in maintaining its highway assets, including a £9.8m "invest to save" street light replacement programme.
- 4.30 As already outlined in Section 3 above, in the autumn the Council announced a major review of its leisure facilities, commencing with repairs to Central Pool and the provision of additional temporary pool at Rivermead, pending the future replacement of Central and Arthur Hill Pools through a competitive process to secure a commercial operator. The

successful bid to the Heritage Lottery Fund will see a £2.8m investment in the Abbey Quarter over the next 3 years, along with a rolling programme of developer-funded improvements to parks and open spaces.

- 4.31 A range of “Invest to Save” initiatives, costing approximately £20m, is a key component of the capital programme, and includes investment in Digitisation and ICT, replacement fleet vehicles, and the continued rationalisation of council buildings, including the creation of community hubs.

Housing Revenue Account

- 4.32 The HRA is a ring-fenced account where we handle the finances of council housing. Budgets have been prepared in accordance with the budget guidelines and planned work and capital programmes updated to take account of progress during 2015/16. The detailed works plans which are normally considered when Policy Committee & Council consider the rent increase will be published on the website when they are available, and Councillors will be advised of the detail.

- 4.33 Last year we agreed a rent policy in line with national guidance. Subsequently the Spending Review announced that Government was requiring rents to be reduced by 1% pa for each of the next 4 years. The legal power to require this has appeared in the draft Welfare Reform & Work Bill which is currently in the parliamentary process. The draft legislation says that

“In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.”

- 4.34 This could be done in various ways; rents could be reduced in April, or by a larger percentage later in the year to achieve 1% overall. However, towards the end of January Government announced that in recognition of the special factors that applied, supported housing including sheltered (and similar) housing would be exempt from the 1% reduction in 2016/17 whilst the Government is considering the longer term position for supported housing. The Council has over 400 such homes and around 85% of those tenants have at least part of the rent rebated by Housing Benefit.

- 4.35 Since the Chancellor’s announcement, the Council’s HRA Business plan has been updated to reflect the proposed 1% pa reduction (with the consequence that almost all of the previously planned new build Council housing programme is unaffordable), and the draft HRA budget prepared accordingly. However, the Welfare Reform & Work Bill has not yet passed into legislation, though we understand it may do so during March. Tenants are required to have 4 weeks’ notice of rent changes. In the circumstances you are advised to resolve to approve the HRA budget set out in Appendix 12 for 2016/17, and you are asked to decide your approach and authorise officers to implement the required (minimum) change should the legislation

pass into statute, and otherwise apply the existing rent policy. Service charges are already delegated to officers, and the previously agreed approach will continue to apply.

5. RISK MANAGEMENT

5.1 The Council's Head of Finance is required to report on the robustness of the estimates made for the purposes of setting the 2016/17 budget and the adequacy of the proposed financial reserves. The report outlines the risks facing the Council in implementing the budget.

5.2 The report is included at Appendix 7, and observes that both the inherent and residual risks in the Council's budget plans are higher than they were for the 2015/16 year. We can set a legally balanced budget for the new financial year, but the position is very tight and the Head of Finance has concluded that overall the budget is robust provided the established regular monitoring arrangements remain properly resourced and remedial action promptly taken should an adverse variance be identified and that the Council will need, during 2016/17 to identify deliverable plans to ensure we remain operationally viable and balances remain robust in the medium term.

5.3 With regard to balances, the report discusses the various reserves and provisions the Council holds and observes that almost all of them are earmarked against liabilities or costs that have arisen, or are expected to arise during the next three years.

5.4 Nevertheless, the report concludes, given the Council's good track record in delivering its budget in recent years and that all significant known liabilities are covered during 2016/17 that:

- The proposed minimum level of the General Fund balance will be £5 million. The Council is setting a very tight budget for 2016/17 which contains a continuing high level of risk; and
- The minimum level of balance of £5m and reserves of up to £8.8m (estimated for 31/3/17) provides adequate balances to help robustly manage the corporate budget risks facing the council.

6. RESERVES

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

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

6.2 The assessment of reserves is based on the following:

- The level of risk within the budget;
- Judgement on the effectiveness of budgetary control with the Council; and

- The degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.
- 6.3 The level of risk within the budget is clearly increasing. Whilst this does not necessarily mean we need to increase reserves, it sets the context in which the Council needs to consider the level of reserves it holds. As Councillors will see, reserves are forecast to fall over the next 3 years.
- 6.4 At the end of 2015/16 (excluding self insurance and revenue grants unapplied) it is proposed to have earmarked general fund reserves of £9.5m which is a reduction of £3.9m compared to the 31 March 2015 position (mainly because the Social Care Demand reserve has been fully utilised in 2015/16).
- 6.5 The General Fund balance should be at least £5m.

7. TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS)

- 7.1 There is a requirement for the Council to have all of the following:
- Treasury Management Strategy for 2016/17;
 - Annual Investment Strategy for 2016/17;
 - Prudential Indicators for 2016/17, 2017/18 and 2018/19; and
 - Minimum Revenue Provision Statement (in connection with debt repayment) - this has been revised to move the approach on MRP on historic debt from to an annuity method, as explained in the appendix, and make various other detailed changes.
- 7.2 The Treasury Management Strategy, enclosed within Appendix 8, brings these together and the statement explains:
- how the Council tries to minimise net borrowing costs over the medium term;
 - how we ensure we have enough money available to meet our commitments;
 - how we ensure reasonable security of money we have lent and invested;
 - how we maintain an element of flexibility to respond to changes in interest rates; and
 - how we manage treasury risk overall.
- 7.3 In line with recommended practice, a draft of the statement was presented to Audit & Governance Committee, at its January meeting. The "liability benchmark" graph included in the Treasury Management Strategy identifies that within the next couple of years the Council will need over £50m additional long term borrowing for around 15-20 years to finance its present capital plans. The cost of funding this additional borrowing has been built into the Financial Plan.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 We have based what we will deliver in the Corporate Plan on the things residents and businesses have told us via a variety of consultation and involvement events and initiatives that we have held.
- 8.2 We have looked again at what people have told us and made sure we continue to focus our resources on the things that matter most to residents and businesses.
- 8.3 During Summer 2015 we held a budget consultation and the responses were reported to Policy Committee in November 2015. We will continue to seek views on specific proposals as they arise.

9. OTHER OPTIONS

- 9.1 A variety of budget options have been considered by Administration Councillors in order to propose the savings that have been required to date.
- 9.2 The building of the Council's service priorities and budget involves input from a whole range of employees, members and partners. There has been time to focus and refine the Council's priorities and budget.
- 9.3 This is a proposed report on the Corporate Plan, Council Budget including the Revenue budget, the Capital Programme and the 2016/17 Council Tax levels to allow the Council can deliver its service priorities as a time of considerable change.
- 9.4 The proposals outlined within the report and the appendices are believed to be the best options for the Council and are based on professional advice.

10. EQUALITY IMPACT ASSESSMENT

- 10.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.2 The equality duty is relevant to the development of the Corporate Plan and the Budget. Specific savings and income proposals set out in this budget were reported, for public consultation, to Policy Committee in 20th July 2015. The results of the public consultation and equality impact assessment, where appropriate, were reported to Policy Committee on 30th November 2015.
- 10.3 The savings proposals identified for further development (Appendix 4) will be subject to any necessary consultation and equality impact assessments

being undertaken and the outcomes being reported back for consideration by the relevant committee.

11. IMPLICATIONS

How this could impact on residents, businesses and partners

- 11.1 Reducing the Council's budget by a further 31%, on top of what we have already saved, means that future savings and service options will need to be significantly altered. It is clear that this will have a further impact on residents, businesses and partners. As part of the proposals that will be developed for councillors to consider through 2016, we will outline in more detail what the potential impacts could be, how we can try and mitigate this and in some cases perhaps not be able to mitigate any impacts.
- 11.2 We will also be clear about the positive impact of what we are doing with the money we will still have to provide services.

Legal

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

Financial

- 11.5 Our financial situation is challenging. Over the next year, officers will need to continue to provide councillors with options to reduce spending further and to increase income.
- 11.6 The priorities within the Corporate Plan form the basis of our spending plans over the next three years with an on-going need to reduce our budget further. Therefore, this plan and the budget will continue to be updated every year to take account of changes.

12. BACKGROUND PAPERS

12.1 Appendices:

1. Corporate Plan 2016-19
2. Savings income proposals agreed in previous years
3. Savings and income proposals agreed at Policy Committee in November 2015
4. Savings and income proposals for 2016-19
5. Calculation of Council Tax
6. Fees and Charges Summary Statement
7. Robustness & Risks within the Proposed Budget for 2016-19
8. Treasury Management Strategy Statement
9. General Fund and Summary Cost Centre Budget
10. Capital Programme
11. Dedicated Schools Grant
12. HRA Budget 2016/17

Corporate Plan 2016-19

Building a Better Reading

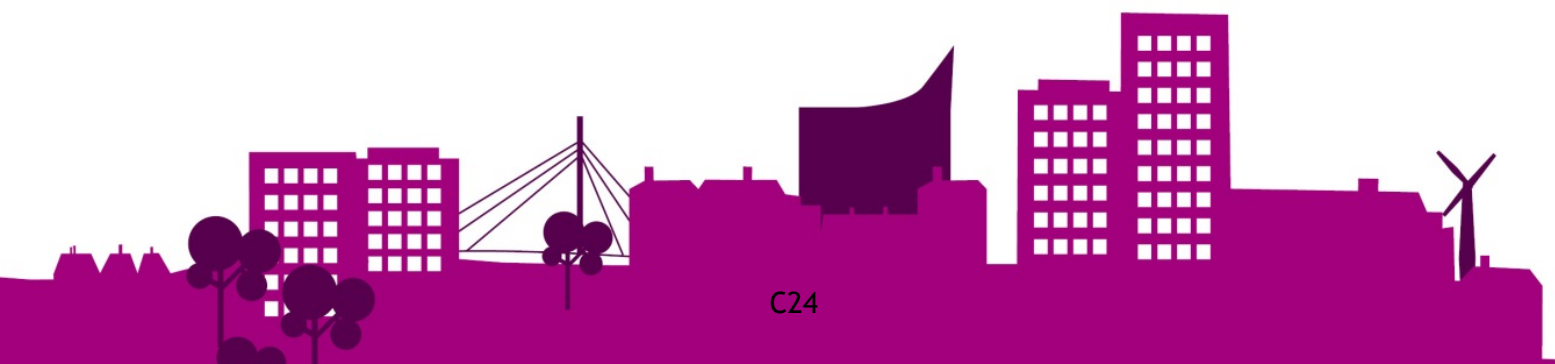


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Reading
Borough Council
Working better with you

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Welcome

Delivering our priorities...

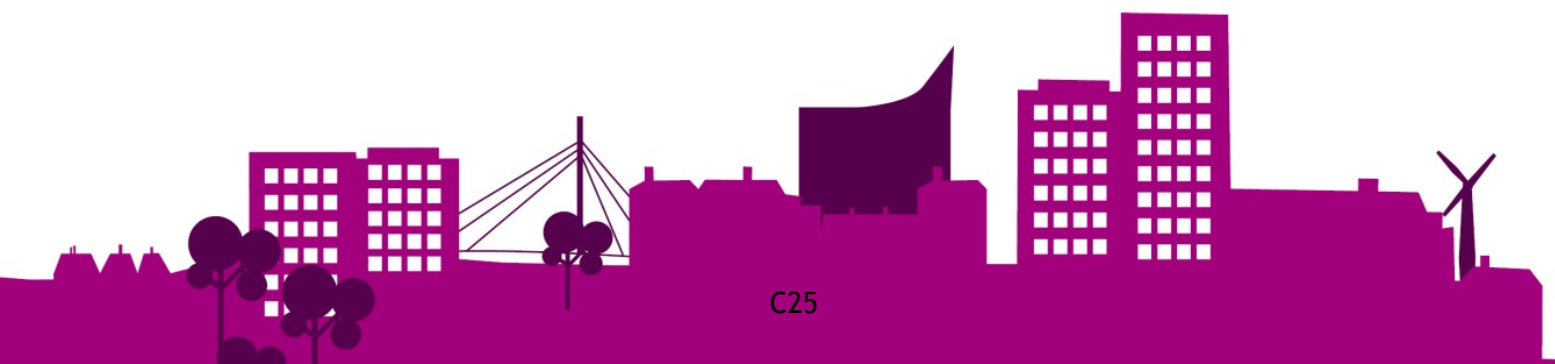
We are continuing to deliver services to create a better Reading. Our ambitions and priorities reflect the needs of residents and businesses. Despite the challenging financial context, we know our job is to ensure that we can continue to provide essential frontline services to everyone across the town - all residents and the 69,000 households - with street cleaning, collecting rubbish, providing school places etc. In addition we'll have to provide all these services to the extra 700 properties a year that get built in the town and the people who move in to live in them.

We also have to provide some specialist, usually more expensive services, for fewer numbers of people. These services we often have to provide to meet legal requirements - such as caring for older people, residents with learning disabilities and children who need our protection or have to be looked after by us. Getting the balance right between paying for these specialist

services and the universal services across the town is at the heart of what we are continuing to do. We need to find the best options to save money with the least impact. This is increasingly difficult with the scale of the savings required.

We know we have some strong services but there are others that we need to improve. We have ambitious plans in place to do this. Our organisation is built on a strong platform for further improvement because we have committed councillors and talented staff that always go the extra mile.

Despite the challenges we face - making savings of over £115m between 2011 and 2020 - we have a positive vision for the future of Reading. The Council will continue to adapt and survive and become even more entrepreneurial, working in partnership, innovating, improving services to help those that are vulnerable and to reduce inequalities where we can. We will help build a better Reading.



Introducing the Administration



Cllr Jo Lovelock
Leader of the Council



Cllr Tony Page
Deputy Leader & Lead
Councillor for Strategic
Environment, Planning &
Transport



Cllr Rachel Eden
Lead Councillor for Adult
Social Care



Cllr Jan Gavin
Lead Councillor for Children
and Families



Cllr Paul Gittins
Lead Councillor for Culture,
Sport & Consumer Services



Cllr Tony Jones
Lead Councillor for Education



Cllr Graeme Hoskin
Lead Councillor for Health



Cllr Richard Davies
Lead Councillor for Housing



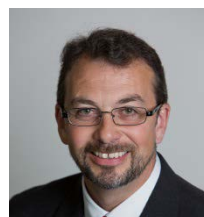
Cllr Liz Terry
Lead Councillor for
Neighbourhoods



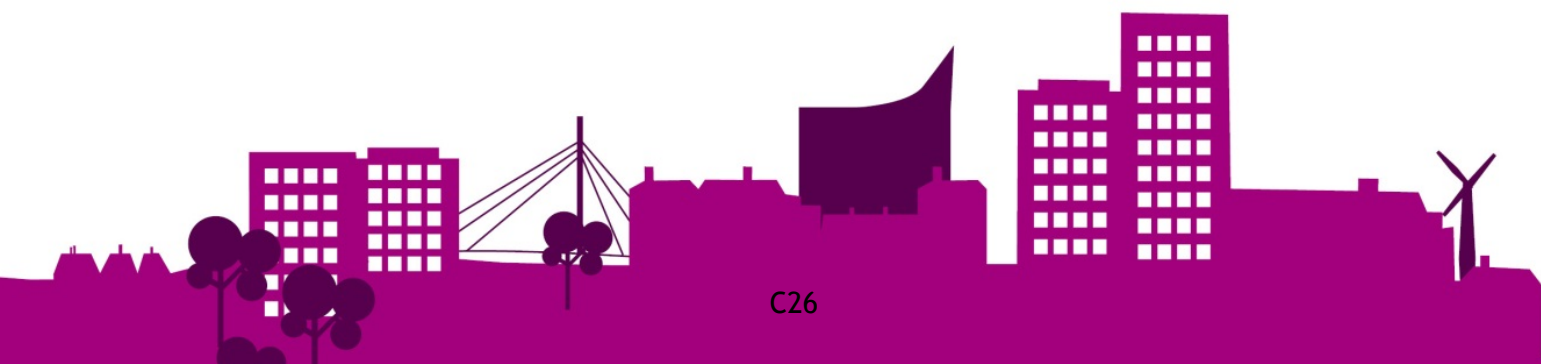
Cllr Eileen McElligott
Chair of Adult Social Care,
Children Services and
Education Committee



Cllr Kelly Edwards
Chair of Housing,
Neighbourhoods and Leisure
Committee



Cllr David Absolom
Chair of Strategic
Environment, Planning &
Transport Committee



1 About this plan

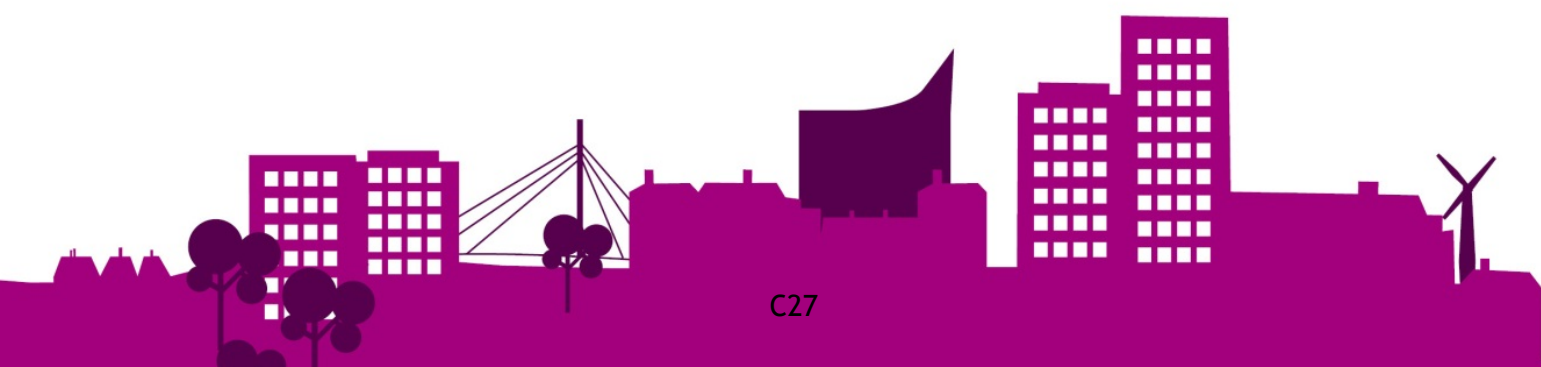
We have a clear long-term strategy to achieve our vision of building a better Reading. Each year we update our corporate plan to ensure it responds to the changing needs in the town and we can prioritise our spending and where our staff focus their efforts. Our values remain the same and our service priorities are still relevant to what we want to achieve:

Our values:

- Fair
 - Tackling inequality and promoting residents rights
 - Ensuring residents are part of decision making
 - Ensuring our staff have the right support
- Caring
 - Putting residents at the heart of what we do
 - Working with residents to look after each other
- Enterprising
 - Unlocking the power of our communities
 - Acting now to create a better future

Our service priorities:

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



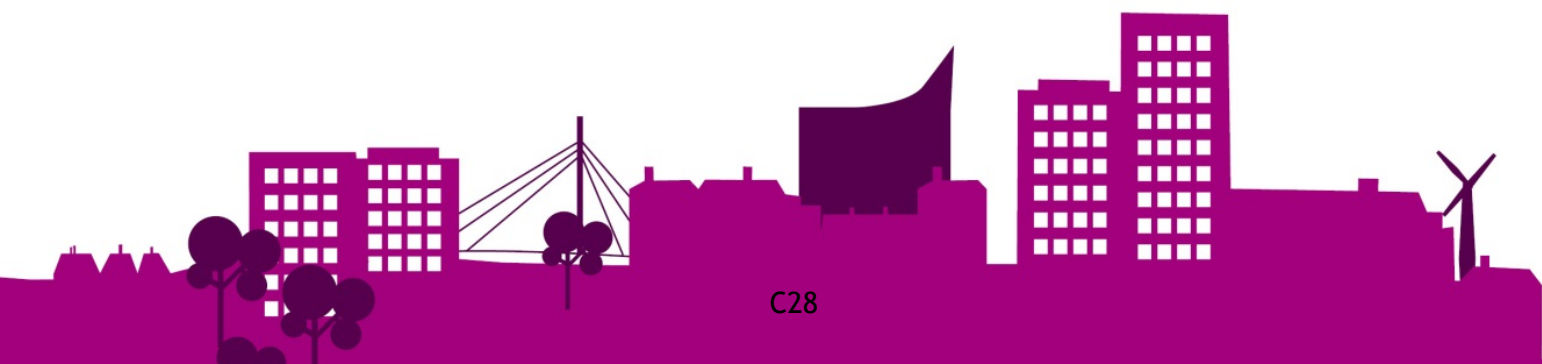
2 The context of our work

Reading is a thriving and diverse town. We are home to 160,825 people comprising around 69,000 households. Our population has grown by 9% over the last 10 years and will continue to grow.

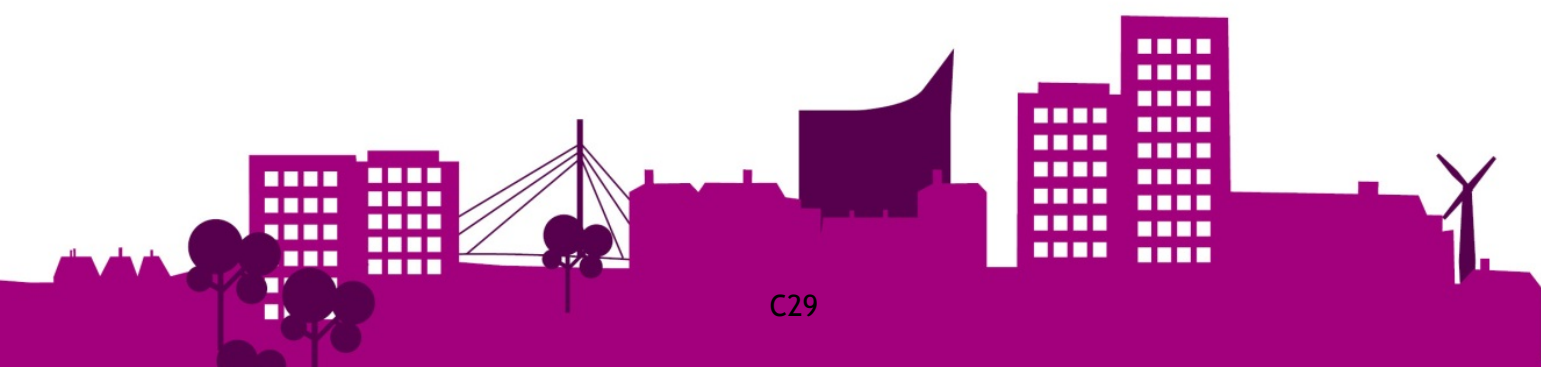
The services and activities the council plans to undertake over the next 3 years has been updated based on new information from our poverty needs analysis and information about how the town is changing as well as about the services we provide. It provides an honest assessment about where we are and what we need to do to provide services. It has also allowed us to plan and cater for increasing demands for some services with significantly less funding.

We have made some real progress over the last year to narrow gaps and we remain ambitious to do more for the communities that we serve.

The tables over the next few pages summarise some key changes in Reading and are informing our actions to help the Council deliver its priorities.



Changes in Reading between 2014 and 2015	
<p>Deprivation Reading is the 146th most deprived of all 326 Local Authorities. This has improved from a ranking of 129th most deprived in 2010. 9.3% of the overall Reading population and 13% of children live in the 20% most deprived LSOAs nationally.</p>	Getting Better ↑
<p>However, there are 2 Lower Super Output Areas (LSOAs) of approximately 1,000 - 3,000 residents in the 10% most deprived nationally, whereas there were none in 2010.</p>	Got Worse ↓
<p>Children in poverty 17.8% (over 6000) of children in Reading are in poverty, which is less than the England average but more than the regional average. This rate is better than it was in the previous period.</p>	Getting Better ↑
<p>Homelessness Statutory homelessness is significantly worse than the England average and the regional average. However figures for 15/16 indicate that the rate is improving.</p>	Getting Better ↑
<p>Foundation stage attainment Foundation stage attainment is not significantly different from the England average and is just below the regional average. This rate is better than it was in the previous year.</p>	Getting Better ↑
<p>Key Stage 2 attainment Key Stage 2 attainment is not significantly different from the England average. This rate is worse than it was in the previous year.</p>	Got Worse ↓
<p>GCSEs GCSE attainment (5A*-C inc. Eng & Maths) is not significantly different from the England average. This rate is worse than it was in the previous year.</p>	Got Worse ↓
<p>Violent offences The number of violent offences is significantly worse than the national average and worse than the regional average. This rate is worse than it was in the previous period.</p>	Got Worse ↓
<p>NEETs The latest NEET monthly rate is the lowest in the last four years.</p>	Getting Better ↑
<p>JSA claimant count The claimant count rate is lower than the rate for England, but higher than the regional rate. This rate is better than it was in the previous period.</p>	Getting Better ↑
<p>Fuel poverty The percentage of households in fuel poverty is higher than both the national and regional averages. This rate is worse than it was in the previous period.</p>	Got Worse ↓



Changes in Reading between 2014 and 2015	
<p>Smoking status and prevalence Smoking status at time of delivery for children and young people is significantly better than the England average and better than the regional average. This rate is worse than last year. However, the rate of smoking prevalence is not significantly different from the England average and about the same as the regional average. This rate is better than last year.</p>	<p>Got Worse ↓ Getting Better ↑</p>
<p>Rate of under 18 conceptions The rate of under 18 conceptions is not significantly different from the England average but worse than the regional average. This is a significant improvement compared to recent years when we were significantly worse than the national average. This rate is better than the previous period.</p>	<p>Getting Better ↑</p>
<p>Physically active adults The percentage of physically active adults is not significantly different from the England average but below the regional average. This rate is better than last year.</p>	<p>Getting Better ↑</p>
<p>Obese children (Year 6) The number of obese children (Year 6) is not significantly different from the England average but worse than the regional average. This rate is worse than last year.</p>	<p>Got Worse ↓</p>
<p>Obese adults The number of obese adults is significantly better than England average and better than the regional average. There is no change in the rate since the previous period.</p>	<p>No change →</p>
<p>Excess winter deaths Excess winter deaths (three year) are not significantly different from the England average and better than the regional average. This is better than the previous period.</p>	<p>Getting Better ↑</p>
<p>Under 75 mortality rate: cardiovascular Under 75 mortality rate: cardiovascular is significantly worse than the national average and worse than the regional average. This is worse than last year.</p>	<p>Got Worse ↓</p>
<p>Life expectancy at birth (Male) Life expectancy at birth (Male) is significantly worse than the England average and the regional average. This is worse than in the previous period.</p>	<p>Got Worse ↓</p>



Changes in Reading between 2014 and 2015

Life expectancy at birth (Female)

Life expectancy at birth (Female) is not significantly different from the England average but worse than the regional average. This is better than in the previous period

Getting Better



Public Transport

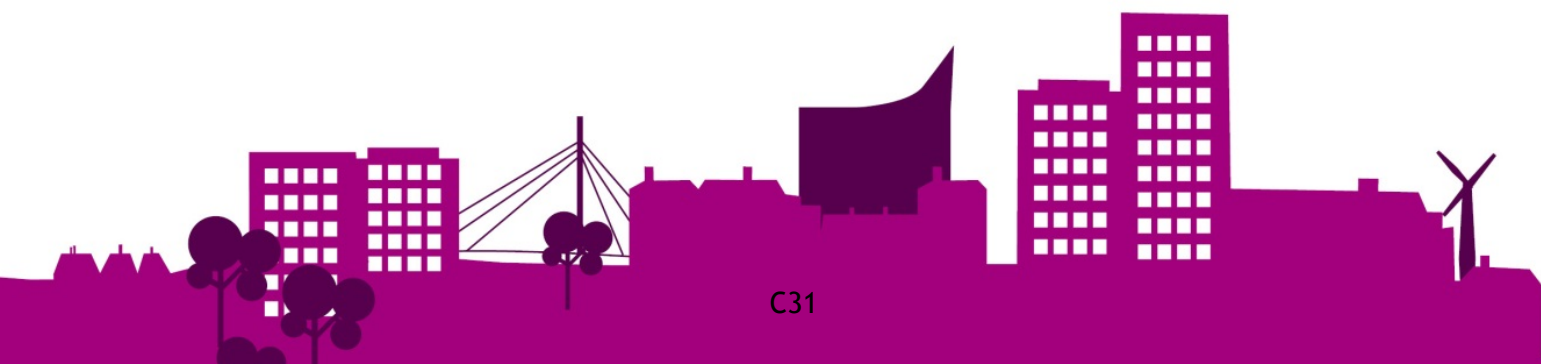
Reading Buses, which is wholly-owned by the Council, was declared UK Bus Operator of the Year with an 8% increase (1.6million) in passenger journeys carrying an average of 60,000 passengers every day

Getting Better

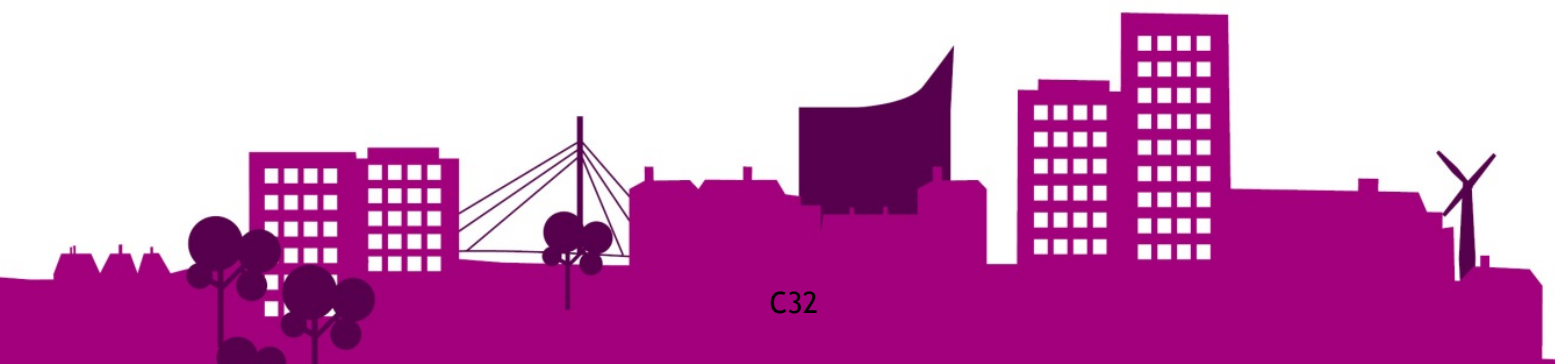


The number of journeys into the town centre by bus during 2015 has increased by over 16% since 2014, and the proportion of trips into the town made by bus has increased to 26.8% of all journeys in 2015

Getting Better



3 Our vision, service priorities and values



4 What we'll do

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

Progress that we have made in Adult Care:

- Opened Cedar Court providing 40 new 'extra care' housing flats for older people, offering a modern approach to living independently in the community



↑ Cedar Court

- Completed Supported Living Accredited Provider List
- New Home Care Provider list completed which means that people can choose from a range of providers that are judged as high quality by the Council
- Developed a Market Position Statement with local care providers setting out our priorities for care and support
- We have published a new Domestic Abuse Strategy and improved the identification and support to those experiencing domestic abuse
- Started constructing a new Supported Living Scheme
- Commenced procurement for new nursing care accommodation at Alice Burrows (Dwyer Road) and Extra Care Housing at Arthur Clarke
- Audited safeguarding practice to make sure that vulnerable people get the best possible response
- We have embedded Making Safeguarding Personal as the council's way of working with people who are vulnerable and experienced abuse to ensure that we listen to the individual and that their voice is at the

centre of the safeguarding support they can expect to achieve from the Council

- We have supported 234 people through reablement between April '15 and October '15. 193 of these people continue to be independent 91 days after their reablement.
- Achieved 'GOOD' status from CQC for all registered services inspected during the year
- Developed an Autism Strategy across Adults and Children's Services
- We were the first local authority in the South East (outside London) to sign up to the Unison Ethical Care Charter - providing guaranteed working conditions
- Introduced a Discharge to Assess scheme as part of the Better Care Fund so that people are not staying in hospital longer than they need to



↑ Cllr Eden signing the Unison Ethical Charter

Progress that we have made in Children's Services:

- Increased the number of children who were adopted
- Implemented a single Early Help Pathway
- Increased engagement from key targets groups in our Children's Centres
- Ensured that all children missing from home or care are offered an interview on return home
- Progressed our work to protect children and young people at risk of child sexual exploitation in conjunction with Thames Valley Police
- Successfully achieved agreed outcomes for 93% of our Troubled Families
- Delivered the Multi Agency Safeguarding Hub (MASH) to improve communication sharing to keep children and young people safe
- Through our early years strategy we have developed 522 additional nursery places for two year olds in our communities

Key issues:

- The over 65 population, and particularly the over 85 population, is expected to rise steadily in Reading.
- We need to deliver a 30% reduction in the Adult Services budget
- Ensure that children and young people receive a high quality service which keeps children within their families where it is safe to do so and ensure that permanent and stable homes are found for children in our care
- Continue to deliver the Children's Service improvement plans and embed improvements in Children's Social Care
- Children's Services spending is above the benchmark with statistical neighbours
- The integration of Health and Social Care needs to be delivered by 2020 with agreed plans in place by 2017
- The Care Act has new duties on the local authority including a change to eligibility and the inclusion of wellbeing as a central part of the assessment process for Adult Social Care this area of change stretches beyond Adult Social Care and includes the whole council in helping to improve people's wellbeing through prevention and advice and information
- Continue to develop options for people to remain independent and part of their neighbourhood and networks

Our Service Priority: Safeguarding and protecting those that are most vulnerable

Key actions:

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>We have a high number of Delayed Discharges from the Royal Berkshire Hospital</p> <p>Residents' experience when leaving hospital and ensuring they get appropriate support is not as good as we would like</p>	<p>Deliver an extra care scheme at the former Arthur Clarke site in Caversham</p>	<p>Entered into a contract with A2 Dominion in order to develop the site; public consultation undertaken and planning application submitted</p>	<p>Head of Commissioning and Improvement/ Head of Planning Development and Regulatory Services</p>	<p>Commencement on site - 2016 and completion in 2017</p>	<ul style="list-style-type: none"> • Arthur Clarke - commence development subject to gaining planning permission • Alice Burrows - Procurement of care contract and submission of planning application • Green Park - commencement of development • Develop Better Care Fund plans for 2016/17
	<p>Provision of more suitable accommodation to meet older residents' needs and reduce admissions to hospital Deliver a nursing scheme at the former Alice Burrows site</p>		<p>Head of Commissioning and Improvement/ Head of Planning Development and Regulatory Services</p>	<p>2019 / 2020</p>	
	<p>Development of extra care accommodation at Green Park Village including 56 social rented and 24 shared ownership units</p>	<p>Agreement signed with developers; development of care and catering contracts; planning permission granted</p>	<p>Head of Commissioning and Improvement / Head of Planning Development and Regulatory Services</p>	<p>2017/2018</p>	
	<p>Complete the supported living scheme at Cedar Court</p>	<p>Commencement of construction</p>	<p>Head of Planning Development and Regulatory Services</p>	<p>Summer 2016</p>	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	Deliver the Better Care Programme Decrease in length of stay in hospital Decrease the number of avoidable winter deaths	The Discharge to Assess service has supported 126 people. Only 8 of these people required a permanent placement at the end of the service.	Head of Adult Care	2016	Scope options for health partners to be part of the assessment process
	We will establish a single team to oversee care plan design and management and patient transfers between different parts of the system	Single point of Assessment service for Older People implemented and embedded uses one phone number for referrals for Older Person's services	Head of Adult Care	2016	
	Deliver the Adult Social Care Strategy 2015-18 Reduce Permanent admissions to residential and nursing homes <ul style="list-style-type: none"> • Increase the % of older people (65+) who are still at home 91 days after discharge from hospital • More people choose to use personal budgets and direct payments • Higher levels of satisfaction from service users • % of adults who use 	Project now in place to review the way that the council offers Direct Payments to make them more accessible	Head of Adult Care	2016	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	social care service who say that those services made them feel safe and secure				
Areas of improvement for children's services following Ofsted inspection and self-assessment activity	<p>Deliver the Children's Services Improvement Plan</p> <ul style="list-style-type: none"> • Quality and timely assessments • Sufficiency of placements • Appropriate staffing ratios with managed caseloads • Clear pathways for Children in Need • More care leavers will secure apprenticeships, further education or University places <p>Reading's looked after children exceed national average measures for Early Years, Key Stage 2 and Key Stage 4</p> <p>Deliver a New Operating Model for Children's Social Care</p> <p>Develop our work to safeguard children young people at risk of child sexual exploitation through work with schools, community groups and families</p>	<p>Children in Need pathways and clarity of Thresholds are confirmed.</p> <p>Introduced a Children's Services Improvement Board</p>	Head of Safeguarding	2016	<p>Ensure that the step down from statutory social work services into Early Help services results in sustained change, leading to decreased re-referrals to children's social work and reducing the need for statutory intervention</p> <p>Ensure that we have recruited additional foster carers who are able to meet the needs of Reading Children and Young People</p> <p>Ensure that Pupil Premium Plus is used to ensure that Children in care can continue make good progress</p>

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Ensuring targeted and universal intervention is appropriate	<p>Early Help Review to ensure the offer for children and young people will be targeted at need and 'joined up' as part of a whole system approach to delivering good outcomes for children and young people</p> <p>Embed a targeted youth offer that covers specific vulnerable Young people</p>	<p>Continued targeting of Children's Centre offer to vulnerable families</p> <p>Early Help pathway reorganised so its simpler to access</p>	Head of Early Help Services	2016	Embed a targeted youth offer that covers specific vulnerable Young People Delivery of Troubled Families outcomes plan to 1220 families by March 2020
Our commissioning of care services needs to be better aligned to the future needs of people and the Care Act	<p>Work with partners to deliver the Market Position statement</p> <p>Deliver Commissioning Priorities for 2016-17 and beyond, in alignment with Health's Commissioning priorities</p>	More effective, integrated and safe quality services	Head of Commissioning	2017	<p>Implementation of Ethical Home Care Charter</p> <p>Commissioning plans to deliver the Market position statement and Commissioning Intentions</p>
Safeguarding adults in Reading - Including those with Mental Health and Learning Disabilities	<p>Undertake an independent audit of safeguarding work, develop an action plan</p> <p>Embed making safeguarding personal approach to all safeguarding work</p>	<p>Adult Social Care social worker is now a part of the MASH function</p> <p>Making safeguarding personal training has now been rolled out to all staff</p>	Head of Adult Care	2016	Explore further options for closer working with the Multi Agency Safeguarding Hub (MASH) service

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>A range of services are offered to identify and support those experiencing domestic abuse</p> <p>We need to build on our effective partnership working to further optimise opportunities for prevention, better understand changing needs and make the best use of resources</p> <p>We need to ensure targeted support and intervention for people suffering or at risk of domestic abuse</p>	<p>Implement a new Domestic Abuse (DA) Strategy, and associated MARAC action plan.</p> <p>Monitor prevalence and trend data to ensure the CSP remains informed and responsive to the needs of the town</p>	<p>New DA strategy for Reading produced by the CSP, adopted by all parties and launched as part of the events on the International Day for the Elimination of Violence against Women</p> <p>Data reviewed quarterly with highlights reported to CSP</p> <p>Coordinated promotion of training has ensured increased take up of training; additional training has been provided to meet increased demand from children's services</p> <p>4 successful DA forums for front line staff held and attended by excess of 150 front line workers.</p>	<p>Head of Housing and Neighbourhoods</p>	<p>2018</p>	<p>Develop a public information and awareness raising campaign to be used in areas of footfall and usage.</p> <p>Improve information available online, including a clear pathway of support.</p> <p>Tailored programme of awareness raising and targeted information to be produced to ensure Lesbian, Gay, Bisexual & Transgender (LGBT), disabled and vulnerable adults and individuals have an increased understanding of Domestic abuse and are aware of where and how to seek support</p> <p>Tailored programme of activity to be implemented to support people who are experiencing abuse and have additional complex needs.</p>

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
We need to ensure targeted support and intervention for people suffering or at risk of domestic abuse					In partnership with the LSCB a refreshed programme of healthy relationship/ preventative activity will be offered to Reading schools
Care Act - application of eligibility	This places new duties on the local authority including a change to eligibility and the inclusion of wellbeing as a central part of the assessment process	The Care Act has now been in place since April 2015. Quarterly audits are undertaken to measure the application of our wellbeing duties and fed back to the teams	Head of Adult Care	Quarterly: June September December March	Audit responsibility to be transferred to ASC as business as usual
Welfare Reform	Model the impact of Welfare Reform changes and work with effected residents to maximise income particularly by helping them to get into employment	Modelling and identifying the impacts for Reading	Head of Customer Services	2016	Mitigating the impacts for Reading
Meet our duty under the (Counter-Terrorism and Security Act 2015) to have due regard to the need to prevent people from being drawn into terrorism.	Ensure that all staff working with young people can access national resources for training and referral in order that all young people have somewhere to turn if they require support	On line training has been sent to all staff and schools through the LSCB Schools have participated in the Thames Valley Police 'train the trainer'	Head of Education and Head of Customer Services and Head of Adult Social Care	2016	Quality assure to ensure that this training is being used and staff are confident in the processes set out in the agenda

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>Meet our duty under the (Counter-Terrorism and Security Act 2015) to have due regard to the need to prevent people from being drawn into terrorism.</p>		course			
	<p>Work with partners to assess the risk of radicalisation and deliver a proportionate action plan</p> <p>Ensure staff understand the risk and implement the duty effectively</p> <p>Identify, refer and provide interventions for individuals at risk through Channel Panel</p>	<p>Multi-agency partnership in place. Channel Panel meets regularly</p> <p>Online training provided for all staff</p>	<p>Head of Customer Services</p>	<p>Nov 2016</p>	<p>Review risk and prepare action plan</p>

Supporting Strategies & Action Plans

- Adult Social Care Strategy 2015-18
- Children’s Services Improvement Plan
- Domestic Abuse Strategy 2015-18
- Early Help strategy
- Child Sexual Exploitation Strategy
- Neglect Action Plan
- Sufficiency strategy
- Tackling Poverty Strategy

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

Progress that we have made in education:

- Increase in educational attainment including a 10% improvement in Key Stage 2 since 2013 means that Reading is in line with national average and one of the fastest improving local authorities in England
- 1500 new school places provided in September 2015 as part of our Primary School Expansion Programme to ensure every child in Reading was offered a school place



↑ New school facilities provided at Geoffrey Field School

- 90% of local authority maintained schools are judged to be good or outstanding
 - The percentage of young people who are Not in Employment, Education or Training has improved to 4.5% (Target 5% by March 2016)
 - Completed all statutory assessments in the Education Health and Care (EHC) plan format in last Academic Year and on track to transition existing statements to new EHC plans
 - Over the last 10 years, all-cause mortality rates have fallen. The early death rate from heart disease and stroke has fallen and is now close to the England average
 - Continued reduced rate of Teenage Pregnancy - The most recent annual figure for Reading is 23.1 for 2013 which is lower U18 conception rate than the UK average
 - Child and Adolescent Mental Health Services (CAMHS) tier 3 waiting times (must) reduce to 5% of cases waiting more than 6 weeks to access the service, apart from the Autism Spectrum Disorder (ASD) pathway where 5% will be waiting more than 12 weeks
 - The Central Library has been re-launched as a community and learning hub providing a base for
- 77% of all Reading schools are judged to be Good or Outstanding by OfSTED with fewer schools requiring

- special measures than at any point in recent years
- Reading schools have committed to join a voluntary partnership which will lead the work of all schools and the local authority in further driving up the levels of attainment of all pupils, with a particular focus on those groups doing less well than their peers, specifically those: eligible for the pupil premium; with Black and mixed heritage; and with special educational needs. The local authority's School Partnership Advisors will lead on the development and delivery of targeted action plans overseen by the partnership
- Young people whose first language is not English achieve as well in Reading as their peers
- Secured a 'City Deal' with Government which provides additional resources on reducing the numbers of young people out of work



↑ Central Library has been re-launched as a community and learning hub

- 'Elevate', Reading's multi-agency one-stop service providing improved information, advice and guidance for job and training opportunities for 16-24 year olds
- The Children's Library has been refurbished with a castle theme, providing a stimulating and accessible space for children's literacy activities in the town centre
- We have upgraded the public access IT equipment across all of Reading's libraries and successfully bid for funding to install public Wi-Fi in four more libraries - so that all of our branch libraries will have Wi-Fi coverage, increasing digital inclusion
- Working with partners we secured funding for and launched a digital volunteer scheme, initially based at Central Library, to help people who are 'digitally excluded' to enjoy the benefits of getting online
- We have been successful in securing £2.4m of European funding to match fund Elevate across Berkshire. These additional resources will be used in Reading to increase front-line capacity to provide more intensive support to those facing greater barriers to getting and sustaining a job
- Our adult learning service, New Directions, is rated 'Good' by Ofsted and achieved 79% success in exam results for the last academic year with 65% of its part-time learners coming from the most deprived parts of the town
- Commissioned 'Eat for Health' to provide a weight management programme. Local GPs referred 299 patients in the last year with 63% achieving weight

- Winter Deaths have improved and are now not similar to the England Average which is better than last year
 - Developed Older People's clubs to connect older people with their neighbourhood and combat social isolation
 - Set-up a Sports and Physical Activity Partnership to provide a mechanism to increase participation rates and to support the many sports clubs and volunteers active in Reading
 - Invested over £1m in improvements at Rivermead Leisure Centre to provide a new outdoor pitch, refurbished wet changing rooms and a new heating system
- loss of at least 3% and 76% achieving 5 x 30 minutes of physical activity each week
 - Established a walking scheme across the Borough with trained volunteer walk leaders, with 3635 participants in the scheme from Jan - Aug 2015 over the year, with 48% of walkers
 - Supported and expanded the delivery of 'Beat the Street' with 23,992 players (11% of the population) clocking up 306,599 miles either walking or cycling

Key issues:

- Closing the gap in attainment, for vulnerable and disadvantaged children, including those in care and with learning disabilities, is vital to ensure equality of life chances later on
- Reading is characterised by extremes of wealth and poverty in a small geographic area. Patterns of inequality are complex with poor health outcomes for some communities
- The starkest statistic is that life expectancy is 10.2 years lower for men and 5.2 years lower for women in the most deprived areas of Reading than in the least deprived areas
- Long term conditions such as Cancer and circulatory diseases cause relatively high numbers of deaths in people in Reading aged under 75, particularly for people living in deprivation, who may smoke, have a poorer diet or low levels of physical activity
- Reading has a higher percentage of residents reporting good or very good health than either in the South East or nationally (Census 2011). However, there are geographical differences. We want to ensure that the gaps in health inequality are reduced
- Whilst Reading has a highly skilled workforce overall there remains a significant cohort of low and unskilled people
- The rate of sexually transmitted infections and TB is significantly worse than the England average
- Approximately a third of all children aged 10 or 11 and half of all adults are overweight, with about 1 in 5 adults being obese

Our Service Priority: Providing the best life through education, early help and healthy living

Key actions

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
All 3 to 4-year-olds in England can get 570 hours of free early education or childcare per year. This is usually taken as 15 hours each week for 38 weeks of the year. Some 2-year-olds are also eligible	Target support to those children in the bottom 30% of the Early Years Foundation Stage Profile (EYFSP) to ensure they reach a good level of development	In 2014/15 the Good Level Development increased to 66.6% from 64% in 2113/14. The gap was 31.4% increased from 31.5% in 2013/14	Head of Education	September 2016	Implement the targeted support to schools and settings for 2015/16
	Work with the foundation stage lead teachers in schools to target programmes and undertake moderation	Over the two year period of the project to create new places for two year olds a total of 474 new places were created over four bidding rounds. In June 2015 the take up of places for two year olds was 65% or 542 places	Head of Education	September 2016	Continue the marketing for two year old places
We require more primary school places from September 2016	Complete the delivery of the £64m Primary Schools Expansion Programme	1500 more places are available in local communities for families to consider when applying for their children. Every pupil	Head of Education	2016	A further 1000 places will be delivered by September 2016 and every pupil will be offered a primary school place on national offer

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
		seeking a place for September 2015 was offered one on national offer day			day with increasing proportion of families getting a school of their preference
Gaps in educational attainment - the general educational quality in Reading is considered broadly in line with the England average, at Key Stages 1 and 2	Deliver a new Education partnership with all schools that will drive further improvement in schools, with higher attainment for all pupils to build on the current 77% of schools judged Good or Outstanding by OfSTED	Reading has been ranked as one of the five fastest improving local authorities for the Key Stage 2 benchmark over the last three years. Overall attainment is still average however and the rate of improvement has to continue	Head of Education	2017	Increasing proportion of schools are judged good and outstanding Pupils exceed national average measures at all Key Stages and are comparable with other top quartile local authority areas
	Develop further the Special Educational Needs (SEN) Strategy to enable schools to meet the needs of children and young people with higher levels of need	Working with mainstream schools, a local offer has been published while a working group of Headteachers has made a number of proposals to accompany the recommendations of an external review	Head of Education	2016	A short-term set of actions introduced and the Head teacher working group, led by the local authority's SEND team, will develop proposals during the autumn term for consultation in 2016
Reading has a higher proportion of pupils eligible for free school meals than the South East and other Berkshire authorities. Those in receipt of	Prepare and deliver a new Improvement Plan for this group, driven by a network of in-school "champions"	Young people living in poverty will have a better chance to access a wider range of options in their futures	Head of Education	2017	Educational attainment at Foundations Stage, Key Stage 2 and GCSE for those children having free school meals is closer to Reading average than the national average

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
school meals, on average, do less well					KS2 Targets 2016 64-72% 2017 66-75% 2018 72-79%
On average, attainment by young people from Black and Mixed race heritage at Key Stage 2 is lower than that of their peers. This gap continues through to GCSE level	Prepare and deliver a shared action plan led under the auspices of the new Reading Education partnership KS2 Reading, Writing & Maths targets 2016 65-68% 2017 70-78% 2018 71-79%	System-wide review undertaken by external specialists with schools, pupils, the council and the community	Head of Education	2017	Improve Educational Attainment at Key Stage 2 and GCSE
We have a high number of 16 to 18 year old young people who are NEET (Not in Education, Employment or Training) and who are classed as Unknown. Both figures are higher than the national and south east average We have a statutory duty to report on NEET and Unknown figure to the DfE	We have set up a NEET strategy group to set direction and oversee delivery of a NEET action plan. We have set up an operational group to take a person centred approach to moving NEET young people into a positive destination We will ensure resources are focused on this age cohort. We will take a holistic approach to reduce the current 'NEET' and 'Unknown' numbers by	More 16 to 18 year old young people are in education, employment or training	Head of Education Head of Customer Services Elevate Reading	March 2017	Via coordinated multi-agency working, take a case worker approach to young people who are NEET to quickly move them into education, employment or training Revise the contract Framework with Adviza for 15 / 16 and 16 / 17 to quickly move young people into an Employment Education or Training (EET) destination setting challenging targets

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	<p>knitting together relevant internal and external services</p> <p>Engage with secondary and further education providers to ensure that sufficient, appropriate provision is available and that every young person is supported to access that provision</p> <p>We will evolve the Elevate Reading service to coordinate the delivery of the NEET strategy group from April 17</p>	<p>Appointed 14-19 Officer and revised provider contract to secure commitment to two stage performance improvement with the aim of Reading reaching top quartile performance</p>			<p>5% by March 16 2.5% by March 2017 We will set up an employments and skills model with a focus on treating young people as individuals</p>
<p>Despite relative low unemployment rates, there still exists skills gaps and skills mismatch. There are 1958 job seekers in the work ready activity group (September 15)</p>	<p>Continue to target Adult Learning in areas of concentrated need to those who will become increasingly distanced from the labour market as the demand for Level 2 skills and above continues to increase.</p>	<p>Refurbished learning centres.</p> <p>Ofsted judged the service 'Good' at inspection in December 2015.</p> <p>Learning opportunities provided at a range of community venues including Children's Centres.</p>	<p>Head of Economic and Cultural Development</p>	<p>2017</p>	<ul style="list-style-type: none"> • Decrease the number of Adults with no qualifications • Increase the number of Adults sustaining positive destinations • Increase the number of Adults with Level 2 Maths and English qualifications

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Child Poverty reflects the national average with just under 1 in 5 children living in poverty but considering the wealth and opportunities in Reading we want to make in-roads into this further	<p>Deliver the Tackling Poverty Strategy</p> <p>Difference this will make:</p> <ul style="list-style-type: none"> Reducing child poverty Increase benefits take up <p>Ensure that the Government's 30 hours childcare offer is accessible within the Borough</p>	<p>The percentage of Children living in poverty has reduced to 17.8% from 18.8%</p> <p>Benefit take-up surgeries have achieved a potential benefits gain of £50,000pa</p>	<p>Head of Customer Services</p> <p>Head of Education</p>	2017	<p>Strategy built into Corporate Plan and Local Strategic Partnership (LSP) priorities</p> <p>Deliver initial work to prepare for increase to 30 hours of free 3 - 4 year old provision</p>
The rate of excess winter deaths are significantly higher than the England average	<p>Winterwatch (warmer homes for vulnerable households):</p> <p>a) Increase the targeting of Winterwatch to reach those most in need working with Voluntary and Community Sector partners;</p> <p>b) Develop partnership working with the Fire Service and Environmental health making every contact count</p> <p>Promote flu vaccinations to all at risk groups</p> <p>Disseminate relevant health messages and</p>	<p>186 households assisted</p> <p>445 people attended energy advice events through partnership work</p> <p>An additional 60 clients were assisted by the extension of the service through the summer months (April - October) 2015 for the first time</p>	<p>Head of Housing & Neighbourhoods</p> <p>Head of Wellbeing</p>	2018	<p>Review Home (Energy Conservation Association) HECA programme for new policy framework.</p> <p>Continue to assist fuel poor to improve the energy efficiency of their homes.</p> <p>Increase number of grants given to owner occupiers to improve thermal efficiency of their home</p> <p>Office of national statistics data on aging population and total</p>

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	<p>advice</p> <p>Work cross tenure in the private sector to ensure compliance with Energy Performance Certification and the Housing, Health & Safety Rating System in the private rented sector</p>		<p>Head of Planning, Development & Regulatory Services</p>		<p>winter death attributed mortality</p> <p>Improved health & warmer homes</p> <p>Increase number of grants given to owner occupiers to improve thermal efficiency of their home</p> <p>Private Stock Condition Survey (subject to funding) to be carried out in 2018 which will provide a comparison of the improvement across the sector</p>
<p>The rate of conceptions for girls aged 15 to 17 is reducing and is now below the England average'</p>	<p>New sexual health (Genital Urinary Medical) contract for 1 April 2015 with the preferred provider with priority aim to reduce unwanted pregnancies by ensuring that young people have information and advice about risky behaviour Through Early Help Services improve our early</p>	<p>Teenage Pregnancy conception rates are now below the national average.</p>	<p>Head of Wellbeing, Head of Education, Head of Early Help Services (Partnership led approach as detailed in the Teenage Pregnancy Strategy)</p>	<p>2018</p>	<p>Continue to monitor the quarterly figures to ensure that rate is not rising</p>

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	<p>identification of young people who need specialist sexual health provision and ensure they access the Youth Outreach Nurse Specialist (YONs)</p> <p>Review our Condom distribution provision and target distribution points in wards with highest rates of teenage pregnancy and STIs in 16 to 24 year olds</p>				
<p>Levels of Cardio Vascular Disease (CVD) mortality are higher than the England average</p> <p>The gap in life expectancy between men in deprived and less deprived areas has increased to 10.2 years</p>	<p>Provision of lifestyle interventions including weight management, increasing physical activity, access to stop smoking services and safe alcohol consumption programmes, particularly targeting people living in areas of deprivation</p> <p>Continue to commission NHS Health Checks to enable earlier interventions to improve health status'</p>	<p>Promote uptake of lifestyle interventions which contribute to the prevention and early intervention of CVD'</p>	<p>Head of Wellbeing, Head of Economic and Cultural Development, Head of Planning and Regulatory Services</p>	<p>2018</p>	<p>Continue to commission a local Smoking Cessation Service which targets local populations with a high prevalence of smoking</p> <p>Support providers to promote the uptake of NHS Health Checks invites sent to eligible population</p> <p>Commission services that will enable residents to make healthier lifestyle choices to improve their health</p>
Physical activity	Review our leisure offer	Agreed a strategy to	Head of	2016	Agree and commence

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>within adults and young people is lower than the regional average and, whilst better than the national average, obesity and excess weight remain too high</p>	<p>and improve leisure facilities to drive up participation. Re-model our 0-19 'healthy living' programme to increase engagement and to further improve breastfeeding rates. Build on our 'Eat for Health' service and further develop health referral pathways into physical activity to improve health and well-being</p>	<p>develop new leisure facilities, including a new competition standard swimming pool. Introduced an expanded and growing walking programme across the Borough. Continued to support 'Beat the Street' walking campaign with increased participation and impact.</p>	<p>Economic & Cultural Development</p>		<p>procurement strategy for new leisure facilities and operator</p> <p>Reduced levels of obesity and excess weight</p> <p>Increase range of health referral pathways and number of beneficiaries</p>
<p>Reading's Library Service usage reflects the national average but some libraries are better used than others. Issues of books are above average in Reading but adult issues are declining nationally/locally and people are using the service differently than in the past</p>	<p>The library service is being reviewed in the context of the need to make savings across the Council and to ensure the service is fit for the future, as efficient as possible, meets local needs, and that opportunities to contribute to corporate outcomes are maximised</p>	<p>Phase 1: needs analysis and consultation on patterns of use/aspirations completed</p>	<p>Head of Housing and Neighbourhoods</p>	<p>2017</p>	<p>Presentation of options to elected members February 2016</p> <p>Consultation on options February - May 2016 - 12 weeks</p> <p>Final proposals to members Summer 2016</p> <p>Implementation of proposals</p>

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Some residents are digitally excluded and not able to access the internet and online services	Implement the installation of Wi-Fi in four more libraries, so all branches have free public WIFI	Funding bid successful Implementation plan developed	Head of Housing & Neighbourhoods/ Head of Corporate Services	March 2016	Support an increase in digital inclusion and the number of people able to confidently access the Internet
Issues with access to and delivery of comprehensive Child & Adolescent Mental Health Services (CAMHS) offer to children and young people. Main issues are with waiting times for services from Tier 3 CAMHS service offer	A joint health, council and partners transformation plan	Additional in year (0.5m) and recurrent (1m) funding has been agreed	Head of Early Help services and Head of Safeguarding	March 17	Deliver phase 1 of the Reading CAMHS Transformation plan (as taken through Health and Wellbeing Board Oct 15)
Management of the Health visitor contract, alongside existing School Nursing service Performance needs to continue to improve, and to begin to measure impact of service	Regular monitoring and reporting of Healthy child programme Increase impact and focus use of School Nursing Embed the Health Visiting and Midwifery service offers into our Children's Centres for young families	Contract management transfer in place safely. Performance needs to improve ante and post natal visits and is stronger on the 6 week, 9 month and 2 year checks. Staffing levels need constant attention	Public Health and Head of Early Help services	March 17	Embed the Health visiting contract management arrangements and ensure improving performance Build a 0 - 19 (Health visiting and School Nursing) Service for Reading, with a clear outcomes framework
Care Act well-being duty	The Care Act created duties for the local authority to include the wellbeing of an individual	Use of the Reading Services Guide. Neighbourhood clusters	Head of Adult Social Care	From 2015 & ongoing	In place, and to be constantly reviewed

Current position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	<p>within the assessment of need</p> <p>This ensures that individuals are supported with areas such as social isolation, linking in with neighbourhoods and promoting healthy living</p>	<p>New Voluntary & Community Sector commissioning framework focussing on prevention and wellbeing introduced</p> <p>Make every contact count training for social care staff to ensure that conversations about obesity, smoking cessation and health eating are part of the assessment conversation</p>		<p>2016</p>	<p>Bidding process completed</p>

Supporting Strategies & Action Plans

- Raising Attainment Strategy 2015-2018 and implementation plan
- Tackling Poverty Strategy & Action Plan
- Children's Services Improvement Plan
- Leisure Facilities Strategy

Our service priority: Providing homes for those in most need

Progress that we have made:

- Delivered over 300 new affordable homes over the past two years
- Delivered 635 additional homes during 2014/15
- We have commissioned a single provider, Launchpad, to provide housing related support to vulnerable individuals and families who may require assistance in maintaining a tenancy
- We have more than an 8 year housing land supply
- Refurbished and remodelled flats in Wensley Rd to provide additional temporary accommodation for homeless households
- New energy efficiency measures, including installing solar panels on 457 of our council housing stock and completing a pilot programme of external insulation for some council homes at Dee Park



↑ Cllr Richard Davies with new solar panels and also the Dee



Park Regeneration providing new homes



↑ The Housing Crisis summit in November 2015

- Successfully challenged a proposed change in planning rules to prohibit affordable housing contributions from small scale development
- Completed an assessment of our housing requirements in order to inform future plan making
- Completed the first phase of a major £7m refurbishment of Hexham Road flats
- The number of non-decent homes in the private sector has reduced by 40% between 2006 and 2013

- We have improved access to affordable, safe, quality-checked private rented housing for households who are homeless through our new Rent Guarantee Scheme, partnering with private landlords with the Council offering both a guaranteed rent and deposit; collecting rental income; and providing a comprehensive offer of support to both landlords and tenants
- We have further improved advice to private landlords to prevent homelessness and improve standards and

launched a new Housing Charter to seek to improve standards in the private rented sector

- Published a new homelessness strategy which will identify the Council's priorities to prevent homelessness and ensure accommodation and support is available and intervene early to ensure that every contact is optimised to prevent homelessness at the earliest stage possible

Key issues:

- Property prices continue to rise and there is a high level of pressure on the housing we have available. This pressure is particularly acute on more affordable housing options both in the Private Rented and Social Housing sector - fewer new affordable homes are being built; social housing stock is reducing through Right to Buy sales and turnover is lower; land prices are high; and private rented sector housing rents are rising and are increasingly unaffordable for those on Housing Benefits
- The Government has determined that Council housing rents will reduce every year for four years, and our housebuilding plans have had to be curtailed from

1,000 new homes to just 71 due to reduced financial capacity

- Due to a shortage of affordable permanent accommodation, the use of temporary accommodation and B&B has grown significantly in recent years - with an increase in the number of placements and length of stay
- The town has a higher than average number of properties in the Private Rented Sector so driving up quality and ensuring we have the right mechanisms to secure this accommodation for local people is a key part of our approach to support residents to access suitable housing, particularly as the supply of social housing is declining

- Numbers of households in B&B have reduced from 2014 to 2015 as we have increased prevention work and the supply of temporary accommodation. However, at the end of 2015 there were still over 120 households in B&B and we need to do more to reduce length of stay
- The number of homeless households accepted increased sharply year on year from 2011/12 - 2014/15 but has now started to level off whilst remaining high

Our Service Priority: Providing homes for those in most need

Key actions:

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
There is not enough affordable housing supply for the demand	Regenerate Dee Park Estate	Phase 1 of Dee Park project completed and Phase 2 underway, due to complete during 2016	Head of Housing & Neighbourhoods/Head of Planning, Development and Regulatory Services	2020	Commence development of Phase 3 of the Dee Park Regeneration Project.
	Deliver 40 new Council Homes at Conwy Close	Design process in progress		Autumn 2017	Planning permission to be obtained Start on site autumn 2016
	Utilise retained Right to Buy receipts to increase the amount of new affordable housing in the town	8 properties purchased and converted to social housing		2 further properties to complete purchase	
	Continue to negotiate affordable housing contributions as part of housing developments	Homes available to let 6 units on Dee Park let as temporary accommodation		Registered Provider to be grant funded to develop 12 additional units of Affordable housing Remaining units on Dee Park to be let	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Complete Phase 2B of the regeneration of Dee Park	<p>Increase the supply of temporary accommodation:</p> <ol style="list-style-type: none"> 1. Refurbish and relet homes vacated as part of the Dee Park regeneration 2. Develop modular temporary accommodation including at Lowfield Rd <p>Deliver the completion of Phase 2 securing a new community centre</p>	Phase 1 of Dee Park project completed and Phase 2B underway, due to complete during 2016	Head of Planning, Development and Regulatory Services	2020	<p>Planning permission to be obtained for Lowfield Road</p> <p>Commence development of Phase 2C and 3 of the Dee Park Regeneration Project.</p>
Private Rented Properties are not affordable to those on a low income	Develop a new housing company wholly owned by the local authority to acquire a portfolio of properties, and make a proportion of these available at Local Housing Allowance rent levels	Financial modelling completed	Head of Housing & Neighbourhoods	May 2016	Company to be launched
Between 3-500 privately owned homes recorded on the Council Tax register as having been empty unoccupied and unfurnished for 6 months or longer Long Term Empty (LTE's) properties	Identify LTEs and work with Council Tax and owners to bring high priority and problematic properties back into use	Brought back into use 36 long term empty properties	Head of Planning, Development & Regulatory Services	2016	Increase number of high priority/ problematic empty homes brought back into use annually

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Overcrowding in accommodation cross tenure is higher than the national and south east average	Continue to promote the Council's under-occupation scheme to free up larger homes for those in need. Encourage partner housing providers to adopt similar schemes Further improving turnaround times when properties are re-let	21 under occupied properties released	Head of Housing & Neighbourhoods	2016	Increased number of under-occupiers supported to move through the Council's incentive scheme
The Council has a proactive approach to homelessness preventions but this could be strengthened by working across services and with partner agencies to prevent homelessness arising and intervene as early as possible	Working with partner organisations and across services to ensure that every contact is optimised to prevent homelessness at the earliest stage possible. Ensure that housing advice and support is provided at the earliest possible stage and introduce a new 'triage' by specialist staff in the customer hub	Triage established Training delivered for non-housing staff cross service on homeless prevention	Head of Housing and Neighbourhoods	2015/16	Roll out programme of training and awareness raising
12,200 (23.4%) homes in the private rented sector fail to meet the requirements of the decent homes standard compared to 25% for England	Deliver the new Housing Charter to raise awareness about the advice and services available to landlords and tenants Increase the identification of sub-standard properties	Adopted a Housing Charter and action plan.	Head of Planning, Development & Regulatory Services Head of Housing and Neighbourhoods	2018	Reduction in number of Private rented sector homes that fail to meet the requirements of the decent homes standard

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	and vulnerable groups most at risk from rogue landlord activity, to ensure support is focused on those in most need				
Fuel poverty has increased from 5,600 in 2006 to 7,264 households (11.2% which is worse than the England average: 10.40% and South East of England average: 8.1 %	Support our fuel poverty strategy by draught proofing and insulating homes and providing funding to do so as well as continuing to provide grants to bring homes to a decent standard Investigate a district heating scheme for Coley High Rise	Winter watch visited 189 residents in their homes in 2014/15	Head of Housing & Neighbourhoods and Head of Planning, Development & Regulatory Services	2017	Increase coordination of activity with partners including Citizens Advice Bureau (CAB)
Increase the number of residents assisted to repair, adapt and improve their homes through the current Home Improvement Agency (HIA) contract and ensure that the new contract continues to provide an effective HIA service.	Through the Home Improvement Agency contract continue to improve the quality of life and promote independence for residents cross tenure through the provision of major and minor adaptations and Handihelp services To assist residents in the private sector to improve their homes through the provision of grants and loans	Development of a new HIA contract to continue to provide the service working with partner authorities.	Head of Planning, Development & Regulatory Services	2016	Agree a new HIA in June 2016 Continue to monitor and seek improvements to the speed of delivery of the improvements.

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
The Council owns 6,914 homes. Our housing stock meets decent homes standards and we have invested in improving the wider environment on a number of our housing estates. We need to continue to maintain homes for the future and ensure these are sustainable and reduce fuel costs/minimise impact on the environment	The Council will invest in a programme of planned improvements to our homes	3 year programme of planned improvements 2016/19 developed	Head of Housing & Neighbourhoods and Head of Planning, Development & Regulatory Service	2016/17	Continue to invest in: <ul style="list-style-type: none"> • modernisation of Hexham Rd flats • an external insulation programme

This includes bringing forward a proposal to set up a new housing company wholly owned by the local authority to acquire a portfolio of properties to rent, and make a proportion of these available at Local Housing Allowance (LHA) rent levels.

Supporting Strategies & Action Plans

- Housing Strategy
- Preventing Homelessness Strategy
- Tenancy Strategy
- Strategic Housing Market Assessment (SHMA)
- Accommodation in Care

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

Progress we have made in our neighbourhoods:

- We have changed the way we work to ‘Think Neighbourhood’ designing and joining up our services around the needs of neighbourhoods, engaging and enabling local residents and targeting resources so that we can improve outcomes for the most deprived areas
- We were recipients of a Bronze award at the Chartered Institute of Waste Management ‘Clean Britain Awards’, due to our work in the ‘Love Clean Reading’ campaign and our Neighbourhood Working Initiative
- Reading’s Community Safety Partnership (CSP) has achieved significant year on year reductions in crime levels, and is committed to continuing to work alongside our communities in reducing crime, nuisance and anti-social behaviour with a focus on the issues that matter most to them at a neighbourhood level
- Implementing waste minimisation strategy including Trial of Waste Electrical and Electronic Equipment (WEE) collection
- Our 2014/15 carbon footprint was 30% lower than the baseline emissions in 2008/09, ahead of target, which

is significant progress to meet the 50% reduction target by 2020

- The carbon footprint of Reading Borough reduced by 23%, latest UK data (2013) against 2005 levels.
- Reading Borough Council were finalists in the APSE awards for best Renewable Energy or Energy Efficiency Initiative for their work up to 2014/15



↑ Our Award-winning Love Clean Reading Campaign

- The Reading Bus fleet is one of the cleanest and greenest in the country, directly contributing to addressing our Air Quality Management Area
- Between 2013 and 2015 there have been significant falls in most of the priority crimes for Reading
 - All crime fell by 5% which represent 701 fewer victims of crime. Crime per 1000 population is now below the most similar group average
 - For the same period domestic burglary fell by 41%, 295 fewer victims and shoplifting fell by 20%
- We have continued to improve reporting of Domestic Abuse and both racially and religiously aggregated hate crime. Reports of Anti-social behaviour have fallen by 5%
- Partner secured for Kings Meadow Pool in order to bring the listed pool back into use and restoration works underway
- Green flag status retained for Forbury Gardens and Caversham Court
- Continued programme of investment in our open spaces and play areas funded through S106 contributions from the private sector - investing £500k in 2015/16
- We have launched neighbourhood working across the town, with 9 virtual 'patch' teams working together to solve problems and join services up on the ground
- Digital radios have been rolled out across the town centre as part of the Reading Business Against Crime (RBAC) Town Safe Radio scheme, resulting in better communication for the town centre's CCTV room, stores and PCSOs - this is a key tool in preventing crime and managing anti-social behaviour. The National Association of Business Crime Partnership commended the scheme for effective partnership work
- Agreed a new Air Quality Management Plan

Key issues:

- Delivering the Waste Minimisation Strategy
- Reducing Domestic Abuse in the town
- Understanding the reasons for the rise in violent crime
- Implement new Anti-social Behaviour Strategy
- Reduce carbon footprint of Council operations
- Improve Air Quality

Our Service Priority: Keeping the town clean, safe, green and active

Key actions

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
We need to increase recycling rates from 37% to the national average of 44.2% as soon as possible with the aim of achieving a 50% rate by 2020	<p>Continue to Implement the Waste Minimisation Strategy 2015-2020.</p> <ul style="list-style-type: none"> Continue to investigate options for food waste Collection Review and develop the bulky waste service with the aim of increasing patronage, making it more accessible to lower income families, increasing the number of items re-used and recycled and making the service cost neutral. Investigate options around the size of wheelie bins Increasing awareness, participation and capture rates for kerbside recycling by 1% per annum through 	<p>Increased recycling and reduce landfill</p> <p>First iteration of Waste Minimisation strategy 2015-2202 adopted by Committee in March 2015</p> <p>Reviewed service delivery to increase efficiencies and income generation</p> <p>Trial of Waste Electrical and Electronic Equipment (WEE) collection as from October 2015. Funded by DCLG grant. This is being carried out alongside recycling monitoring trial scheme using front line crews</p>	Head of Transportation & Streetcare	2016 & ongoing	<p>Report progress on delivering the first year of the Waste Minimisation strategy 2015/2020</p> <p>Review Waste Minimisation and Recycling strategy</p> <p>Investigate WEE collection Borough wide and roll out of recycling contamination scheme</p>

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	<p>direct communication with residents in target areas by door-stepping and via all available media channels.</p> <p>Increase rate from 37% to 50%</p> <ul style="list-style-type: none"> • Ongoing dialogue with re3 to explore partnership working opportunities to help deliver the EU Waste Directive of 50% by 2020 • Installation of dual purpose litterbins throughout the Town Centre to increase recycling rates 			Oct 2016	
<p>Crime has fallen and Reading now has below average levels of crime when compared to its Most Similar Group (MSG). The major falls in burglary are being maintained which has resulted in Reading moving from worst to fourth best in its MSG. In the last 18 months</p>	<p>Continue with crime prevention and tackling the fear of crime.</p> <p>We will consult on and publish a new Anti-Social Behaviour (ASB) Strategy</p>	<p>ASB Strategy drafted for consultation</p> <p>Strategic assessment completed</p>	<p>Head of Housing & Neighbourhoods</p>	<p>End March 16</p>	<p>New ASB strategy in place and being monitored / performance managed via the CSP - April 16</p>

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>Reading has mirrored the national trend and seen significant increases in both domestic and non-domestic violence</p>	<p>Update Community Safety Partnership data and review priorities publish a new 3 year Community Safety Plan</p> <p>This will include analysis of increased incidence of crimes involving violence against the person and plans to tackle this</p>			<p>April 16</p>	<p>New Community Safety Plan in place by April 16</p>
<p>A Safe Places scheme exists but needs to be refreshed and re-launched</p>	<p>Re-launch the Safe Places scheme with retailers providing places of safety for vulnerable adults if they are scared or at risk while out and about</p>	<p>Review current scheme and membership within the town centre</p> <p>Provide training for businesses</p> <p>Increase awareness of the scheme for those with Learning Disabilities</p>		<p>April 16</p> <p>July 16</p> <p>August-Oct16</p>	<p>Scheme launched November 16</p>
<p>Deliver the Love Clean Reading programme</p>	<p>Develop a balance between the existing cleaning regimes and the additional Love Clean Reading programme to ensure it becomes part of normal cleaning regimes</p>	<p>Love Clean Reading 3 underway</p>	<p>Head of Transportation & Streetcare</p>	<p>March 2017</p>	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>We have reduced the carbon footprint of council operations by 30% since 2008 but the Council needs to reduce this to at least 50% of 2008 levels by 2020. Further monitoring of water is needed</p>	<p>Implement the Carbon Plan. Includes a range of renewable energy projects and improving energy efficiency of Council buildings</p>	<p>Reduce the energy and water consumption and carbon footprint of the Council's operations</p>	<p>Head of Planning, Development & Regulatory Services</p>	<p>2020</p>	<p>Carry out initiatives to carbon emissions and water consumption from council premises and operations</p>
<p>Narrow the gap to the national average (5.3%) of deaths in over 25s linked to air pollution</p>	<p>Implement measures to reduce levels of larger particulates (PM10) Nitrous oxides and most harmful smaller particulates (PM2.5) as part of the Air Quality Action Plan including a Smoke Control Area Study and promoting an alert scheme to warn vulnerable residents of poor air quality</p>	<p>Reducing respiratory illness through the Air Quality action plan</p>	<p>Head of Planning, Development & Regulatory Services</p>	<p>2018</p>	<p>Work with partners to deliver air quality improvement projects and deliver planned changes to the air quality monitoring network</p>
<p>Conservation areas within the Borough do not have updated conservation area statements</p>	<p>Agree a programme to secure updated conservation area statements where local residents are active in its development</p>	<p>Secure the approval of a number of updated conservation area statements</p>	<p>Head of Planning, Development and Regulatory Services working with local residents</p>	<p>March 2017</p>	<p>Agree a realistic and achievable programme focusing on the Castle Hill / Russell Street Conservation Area</p>

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
We need to develop a new Local Plan.	Using up to date evidence review the policies of the plan to reflect the current needs and aspirations of the Borough	Strategic Housing Market Assessment completed to inform housing needs.	Head of Planning, Development & Regulatory Services		Consult on the Issues and options proposals and report outcomes and revised plan in the Autumn.

Supporting Strategies & Action Plans

- Air Quality Action Plan
- Anti- Social Behaviour Strategy
- Community Safety Plan
- Reducing reoffending strategy
- Child Sexual Exploitation (CSE) Strategy
- Waste Minimisation Strategy
- Carbon Plan
- Open Spaces Strategy
- Local Plan

Our service priority: Providing infrastructure to support the economy

Recent Progress

- We delivered a large programme of transport improvements as part of our successful Local Sustainable Transport Fund and Pinch Point projects. This had included completion of the Mere oak and Winnersh Triangle Park and Ride schemes, the new pedestrian and cycle bridge over the river Thames



↑ The opening of Mere oak Park & Ride

- Reading Bridge Structural Maintenance scheme and the A33 Pinch Point scheme completed
- Western Rail Access to Heathrow announced in 2014 to be coming to Reading in 2019/20



↑ The new pedestrian and cycle bridge over the river Thames

- We have completed the first year of operation of the ReadyBike cycle hire scheme
- Cross rail announced during 2014 to be coming to Reading in 2018/19
- Funding and Planning permission secured for a new train station at Green Park on the Basingstoke line, subject to rail industry processes
- Continued partnership working with Reading Buses who have, again, seen a significant increase in passenger journeys

- Supported the economic development company Reading UK CIC that helped secure a renewed Business Improvement District for the town centre
- Developed and approved a new Culture and Heritage Strategy for Reading
- Successful stage 2 grant funding of £1.77 M from Heritage lottery fund (HLF) for the restoration of the Abbey Ruins and the Abbey Gateway, to support the restoration costs as well as an extensive activity and interpretation programme
- Provided Superfast Broadband Infrastructure upgrades to meet the required Phase 1 target of 94.9% Superfast Broadband (not less than 24 Mbps) coverage in Reading by 2015. 23888 homes and businesses across Berkshire are now able to benefit from Superfast Broadband availability as a result of the Phase 1 Superfast Berkshire Broadband Project
- Provided Superfast Voucher Scheme Upgrades to 88 Reading SME's under Government Broadband Connection Voucher Grant Scheme
- Planned and commenced in January 2016 a Year of Culture for Reading involving an extensive range of partners, local organisations and local people
- Procured a new website for 'readingarts' to improve the service to customers and to provide a generic 'What's On' listing of arts and cultural events for Reading
- Funding secure for the A33 Southern Mass Rapid Transit (MRT) phases 1 & 2

Key Issues

- Deliver successful Year of Culture 2016 to raise the profile of and enhance the cultural offer of Reading and the town's reputation
- Superfast broadband infrastructure remains essential for SME's to be competitive in local, national and worldwide markets and to sustain economic recovery.
- The consideration of Superfast Broadband infrastructure installation as part of new housing and business developments is key to maintain coverage targets
- Progress development and construction of A33 Southern MRT phases 1 & 2

- Work with Network Rail to ensure delivery of the Cow Lane improvement programme
- To carry out our statutory duties in the delivery of
 - The Traffic Management Act including street works co-ordination, parking and moving traffic offence enforcement
 - Highways Act 1980
 - Flood & Water Management Act 2010
- To promote schemes to reduce and manage road congestion through parking, cycling, walking and public transport policies
- To continue and seek funding opportunities for transport infrastructure projects such as Southern MRT, Eastern MRT, P&R, National Cycle Network expansion to promote Reading as a sustainable town with excellent transport links
- To develop and implement a Whole Government Accounting Highways Asset Management system
- Deliver the Whiteknights Reservoir Embankment Strengthening Scheme
- To develop our Intelligent Transport Systems infrastructure to improve access across the Greater Reading Area
- To protect the transport networks by ensuring future developments meet our transport policies
- To continue to explore revenue and or capital opportunities through our transport policies (both UK and EC) including managed car parking, enforcement etc.
- Progress the development of a new station and developments at Green Park
- Extend cemetery provision at Henley Road
- Deliver the annual Major & Minor Road Resurfacing, Footway and Bridges Capital programmes
- Commercialisation - Develop the service to increase Income generation

Our Service Priority: Providing infrastructure to support the economy

Key actions:

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Ensure that adequate infrastructure is in place to keep pace to support economic growth, housing provision and access to services	East Reading MRT (Phase 1)	Proposed dedicated public transport link between Reading Station and the proposed East Reading P&R site on the A3290, running to the north of the Great Western mainline and over the River Kennet	Head of Transportation & Streetcare	2016 & ongoing	Continue to develop proposals alongside WBC and LEP.
	East Reading P&R (Lead authority: Wokingham BC)	Proposed Park & Ride facility at the A3290 junction with Thames Valley Park Drive in the east of the Reading urban area, adjacent to Thames Valley business park.	Head of Transportation & Streetcare	2016 & ongoing (Subject to WBC programme)	Continue to develop proposals alongside LEP and WBC.
	Deliver National Cycle Network 422 Cycle Route in Reading (Lead authority: Wokingham BC)	Proposed series of cycle priority measures to create an NCN (National Cycle Network) route between Windsor and Theale (running through five local authorities).	Head of Transportation & Streetcare	2016 & ongoing	Detailed design

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
	Deliver a new train station at Green Park	New station and interchange facilities agreed on Reading to Basingstoke railway line	Head of Transportation & Streetcare	December 2018	Detailed design of proposals alongside liaison with existing landowners
	A33 Southern MRT phases 1&2	Improve journey time reliability on public transport along the A33	Head of Transportation & Streetcare	Mid 2016 - early 2017	Develop proposals to procurement and construction stages
	Cow Lane improvements	Removed height and width restriction at Cow Lane bridges as part of Reading Station upgrades scheme	Head of Transportation & Streetcare	Late 2016/early 2017 (Subject to Network Rail programme)	Continued liaison with Network Rail to understand works programme and final design.
Only 20% of street light luminaires use modern LED lanterns and the Mayflower Central Management System.	Replace all ageing Streetlight luminaires with partially or fully with LED type technology which is more energy efficient and has a longer service life. Equip all luminaires with the Mayflower Central Management System.	Challenge funding of £6.86million has been secured from the DfT	Head of Transportation & Streetcare	2018/19	11,329 aged street lighting lanterns, 2153 illuminated signs and 900 illuminated bollards will be replaced by Volker Highways between 1st April 2016 and 31st March 2018.
To continue to develop our transport network to align with the requirements of our Local Transport Plan	Continuous review of strategic network operation, and explore all opportunities to enhance status through major schemes	Local Growth Deal Projects	Head of Transportation & Streetcare	2016 - onwards	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Risk of flooding of the Whiteknights reservoir	Work with the Environment Agency and the Statutory Undertakers of the Whiteknights Reservoir to deliver the Embankment Flood Reduction Strengthening Scheme	Detailed design completed, procurement underway	Head of Transportation & Streetcare	Nov 2016	
	Deliver the annual Major & Minor Road Resurfacing, Footway and Bridges Capital programmes				
A low level of awareness of, and understated reputation for, the quality of the town's cultural offer and heritage assets	Restore the Abbey Ruins and Gateway Enable the preservation and re-opening of an iconic heritage site and facilitate the development of an 'Abbey Quarter with an extensive interpretation and activity programme	Round 1 development phase completed Preparing documents to start the delivery stage of the project, including procurement of main contract to implement the conservation work	Head of Economic & Cultural Development	Main Contract awarded by September 2016 Conservation works completed 2018 Event and activity work continuing to 2020	Procuring the Contract Develop Implementation plan
Deliver successful Year of Culture 2016 to	Raise the profile of and enhance the cultural offer of Reading and the town's reputation	Programme agreed and launched Arts Council Funding secured	Head of Cultural & Economic Development	Dec 2016	

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
Implement plans to extend cemetery provision at Henley Road	Sufficient burial space remains for 10 years but further space is required to ensure long-term burial land provision, particularly taking into consideration the diverse needs of the residents	Agreed proposals to use an area of land to the west of the current cemetery	Head of Customer Services / Head of Planning, Development & Regulatory Services	2016/17	Complete site investigations and implement work to incorporate the land into the Cemetery Implementation plan
Green Park Village	Support the development of a new community at Green Park including new school facilities	Land agreement completed	Head of Planning & Development	2018	
Complete the demolition of the former civic centre and support the regeneration of the area	Secure an improved environment and additional housing	Ongoing discussions with developer and adjoining stakeholders regarding a comprehensive redevelopment	Head of Planning, Development & Regulatory Services / Chief Valuer	2016/17	Demolition of the civic centre to complete in September 2016
Year 1 and 2 of the Elevate Reading programme has laid the foundations for a supply model to meet the needs of the Reading economy Further work needs to be done during years 3 and 4 to ensure that young people in reading have the relevant skills and experience to meet the needs of business and	Use Labour Market Intelligence to inform employer engagement Use Elevate to coordinate employer engagement - developing the Elevate brand to be the front door for businesses to access a work ready pool of young people with relevant skills and experience	By working closely with local business - Elevate Reading develops a supply and demand model which meets the recruitment needs of Reading businesses	Elevate Reading (via Reading UKCIC) Programme Manager for City Deal Berkshire	March 17	Further evolve the current Elevate Reading employer engagement offer to support wider economic growth

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
support economic growth					
Continue the Phase 2 roll out of Superfast Broadband Infrastructure against a 98% coverage target for Reading by the end of 2017. Continue negotiations with Virgin Media to secure additional infrastructure improvements as part of their £3bn national superfast infrastructure delivery programme	Progress Phase 2 delivery programme	Tender awarded to Call Flow awaiting matched funding availability from BDUK	Pan Berkshire Superfast Broadband Project	end of 2017	Commission work on availability of Broadband Delivery (BDUK) matched funding.
Continue to develop a Berkshire wide business case for devolving of power and budgets locally to boost local growth	A devolution proposal would be aimed at supporting sustainable economic growth in the area including obtaining local powers	Information on potential options is being gathered	Pan Berkshire Steering Group	April 2017	Develop an outline business case

Supporting Strategies & Action Plans

- Abbey Quarter Implementation Plan
- Culture & Heritage Strategy
- Local Transport Plan

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

Recent Progress:

- We have tackled substantial Government budget cuts that we have faced since 2010
- On the whole, we have carefully managed the reduction in our income from Government in ways that have not impacted on frontline services by concentrating on changing the way we work and by delivering efficiencies
- Staff roles have been cut by almost 700 including senior and middle management roles
- We have already achieved almost £65m of savings over the period 2011/12 to 2015/16
- The Council has already agreed to £12m of savings to be delivered during 2016-19
- We have reshaped our workforce to streamline our management and teams
- We moved out of the Old Civic Centre to a refurbished office at Bridge Street that uses 45% less space and is predicted to use 75% less energy providing better facilities for the public, Councillors and staff



- Agreed a new Corporate Asset Management Plan setting clear work streams to rationalise our accommodation
- Secured over £13.5m of capital receipts in 15/16 and secured additional revenue from assets
- Delivered a new website with more on-line service options

Key issues

- Agree further savings to bridge the funding shortfall
- Increase the pace of our Digital Strategy to reduce cost

Our Service Priority: Remaining financially sustainable to deliver these service priorities

Key actions:

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
We have a projected funding shortfall of £39m over the next 3 years	Prepare a series of further options for Councillors to consider to ensure we deliver core service priorities and make the necessary savings	Initial savings agreed following consultation in November 2015	Corporate Management Team	2016	Further work continuing on closing budget gap
	Secure significant capital receipts from property assets and identify further assets for disposal in accordance with our Corporate Asset Management Plan	Ensuring assets are maximised and supports the delivery of Council priorities	Head of Planning, Development and Regulatory Services and Chief Valuer	2016 and ongoing	Deliver an agreed programme of disposals to secure capital receipts
	Income generation, trading and charging	Advertising contracts let & income generated has increased	Head of Economic & Cultural Development	2016	
Backlog of compliance and maintenance in relation to Council property	Ensure planned improvements to public buildings	Deliver services through safe, energy efficient buildings	Head of Planning, Development and Regulatory Services	2016 and ongoing	Measure performance against compliance and condition requirements
We have developed a new website as a platform for delivering more of our services online.	Increase opportunities for customers to 'self-serve' information and transactions online	Delivered new website Implementing usability and accessibility	Head of Customer Services	2016 and ongoing	Complete web design improvements

Current Position	What we'll do to narrow the gap	Progress	Who will do it	When it will be done by	Next Steps
<p>We now need to accelerate our programme of change to 'Go Digital' so that wherever possible customers use online services that are convenient and accessible for them and cost less for us to deliver</p>	<p>Redesign services for digital delivery to make them more efficient and easier for customers to use</p> <p>Market and promote the use of digital services to achieve 'channel shift'</p> <p>Ensure that we support customers to adopt digital channels so that no one is excluded</p>	<p>improvements</p> <p>Streamlined content</p> <p>Enabled some key transactions for online delivery</p> <p>Go live with refresh of website and increased self-service content</p> <p>Registration booking of appointments available on line</p>			<p>Implement new search capability</p> <p>Progress programme of service redesign</p> <p>Enable new services for online delivery</p> <p>Deliver programme to promote and deliver channel shift</p>

Supporting Strategies & Action Plans

- Risk Management Strategy
- Digital Strategy
- Annual Governance Statement

5 How we will deliver

Our responsibilities

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

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

Political Leadership

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

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

Good decision-making

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

- Policy Committee;
- Adults, Children's and Education Committee;
- Housing, Neighbourhoods and Leisure Committee; and
- Strategic Environment, Planning and Transport Committee.

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

Constitution

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

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

Our approach

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

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

Day-to-day operations

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

Some officers have statutory duties that they must uphold. Our Managing Director is "Head of the Paid Service" and is responsible for the organisation's efficient management. The role also involves giving Members strategic advice on policy-related issues, drawing on the experience and expertise of the organisation as a whole. There are also statutory roles for the S151 Officer, Monitoring Officer and to do with Adult and Children's Services. All officers must provide objective,

comprehensive and impartial advice to Councillors so that they can reply upon this to make decisions.

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

Measuring the difference we make

This plan forms part of the Council's performance management activities and will drive the distribution of resources towards the identified priorities across all service areas. We will be monitoring our performance and providing updates to the committees and via the Council's website.

6 Paying for what we do

Each year, the Council has to identify what it needs to spend on services in the coming year, and also have to identify our provisional spending plans for future years. The planning period covers three years so that we ensure that spending plans are affordable and match the money we expect to receive from Government and Council Tax payers over a longer period.

The budget has been adjusted for one-off costs and provides the base budget used to calculate the projected budgets from 2016/17-2018/19. This focuses on how we will use our limited resources in the best possible way to ensure that we focus on the things that matter the most to Reading's residents.

The Council needs to spend more money to keep services at acceptable levels (often by statute). We also need to spend money to deliver our vision for Reading. Figures have been estimated from forecasted activity / volume levels using specific cost drivers and taking account of changes in specific grant funding.

Over the last five years Government has reduced our income (Revenue Support Grant) by £39m and we have seen major changes at the Council. The Council is in the midst of making further significant changes with less money. The town is growing and we are seeing increasing demands for services - particularly from people who are vulnerable and in need. New responsibilities are also being passed to us by Government with insufficient resources such as the cost implications of the Care Act and the Supreme Court judgement on Deprivation of Liberty Safeguards.

The Government will reduce the Revenue Support Grant income Reading receives by 92% over the next 4 years. This is a reduction of £22m - from £24m to less than £2m. Some other grants, such as the New Homes Bonus are also being reduced substantially, and we estimate we'll be losing more than £2.75m of other grants over the period. We will need to secure savings of £39m over the next few years. This means that between 2011 and 2020 the Government will have reduced its funding to the council by £62m. We also need to deliver the £12m of savings that have already been agreed by Councillors over recent years. In total, this amounts to savings of £51m over the next few years - a reduction of 31% in our spending.

The Government has chosen to change the way it calculates local government income - the Revenue Support Grant. The Government has made this change without proper detailed consultation. The Government have made very optimistic assumptions about how much Council Tax income the Council will receive. The Government have assumed that the Council will raise Council Tax every year and they have then built this into the amount they reduce the RSG funding in the future. This means we are at least £5m worse off in 2016/17 than we expected.

Together with the cuts that were already being forecast, this means that the Council's main grant income from Government will reduce from this financial year to

the next by £7.4m from £24.2m to £16.8m. This is a 30% cut in income from the Government. This cut is the highest ‘cash cut’ in Berkshire, despite Reading having more residents, more visitors and significantly more demand on most council services than our neighbours.

Alongside this cut in funding; increasing costs due to inflation, paying for service pressures, National Insurance changes etc. means we need to have savings or other budget reduction measures of over £18.3m in the next financial year.

The budget position means the Council cannot afford to continue spending money on outdated community facilities in order to keep them running potentially for only a limited period of time. Instead, we need to utilise the strength of the local economy to attract new investment to provide modern, quality facilities we may have otherwise had to close.

Where does the money come from to deliver council services?

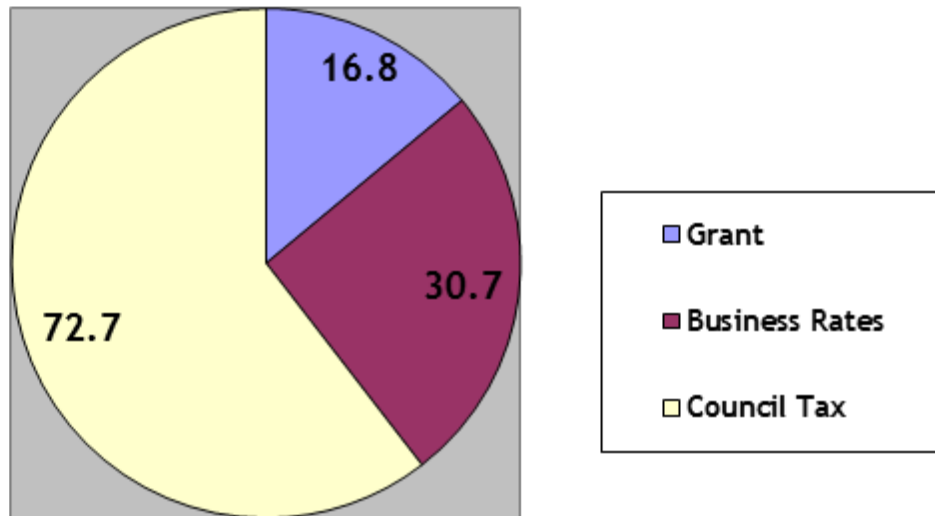
Each year the Council is required to set a budget for day-to-day expenditure for the financial year starting on 1 April. This is called the revenue budget and it is the amount of money the Council needs to provide services during the year. It is a legal requirement for the Council to set a balanced budget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

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

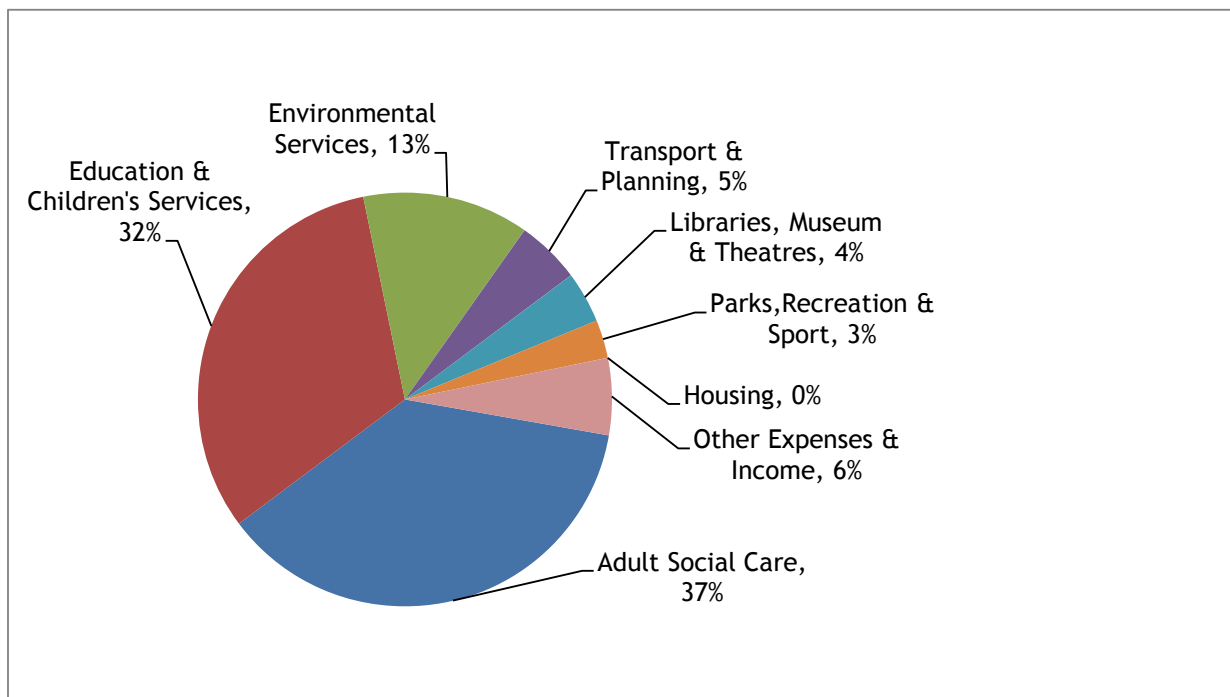
- Central Government Grant (Revenue Support Grant)
- Council Tax
- Business Rates
- Income from fees, charges and rents

The table overleaf shows the composition of the Council’s income for the next financial year.

Funding of Budget Requirement 2016/17 (£m)



The vast majority of the funding that we have is spent on providing services that we are required to provide by law. These are called statutory services such as caring for children and determining planning applications. The chart below shows the breakdown of where our net budget will be spent for 2016/17. As you can see over half of this is spent on providing services to adults and children across the town.



Government has offered to provide local authorities a 4 year settlement on the proviso that we submit an efficiency plan. No detail has been provided by the Government on the detailed timescale and requirements for this efficiency plan, but we could bring forward a new four year medium financial plan before the summer so

that we can meet this requirement. We could also outline additional savings and income options for consideration at that time.

Capital expenditure

We will deliver a £124m capital programme to provide new school places, homes, transport infrastructure and investment to consolidate our buildings and improve ICT to deliver services as efficiently as possible including enabling residents to self-serve. Much of the capital programme will be paid for by grant that cannot be used for day-to-day council services. In some cases we will need to borrow money which will add to our day-to-day costs.

Business rates

There is also significant uncertainty about future changes to the way we are funded. Government have announced that Business Rates will be retained locally by 2020, but this is at a national level. We currently only keep 27p for every £1 of business rates generated in the town. Government officials have admitted recently that they have no clear plan how business rates will work in the future and whilst there may be opportunities to retain more of the business rates from 2020, there may also be significant risks for places like Reading with a large business rate income.

7 Property

During 2015 the Council's Policy Committee approved a new Corporate Asset Management Plan (CAMP) which identified work streams to deliver capital receipts and rationalised and more cost-effective property portfolio. The following areas are workstreams being delivered to support the Council's Service Priorities:

- Active programme to dispose of assets
- Complete an Office Review
- Review the Council's leisure provision
- Progress the creation of Community Hubs:
 - Battle
 - South Reading
 - Dee Park
 - Amersham Road
 - Southcote
- Library Service Consultation
- Former Civic Offices and Hosier Street Regeneration
- Council House Building programme
- Compliance, condition and health and safety improvements of Council buildings
- Schools Building Programme
- Corporate approach and strategic service reviews
- Secure energy efficiency measures
- Delivery of new extra care and nursing provision
- Providing Transport Infrastructure
- Working with partners
- Heritage and Cultural assets
- Cemetery space

Creating Community and Family Hubs

There are some services which need to be universally available and provided consistently across the town. Other services and initiatives will be targeted to reflect local needs. Reading is a compact town and is well connected to the centre by frequent bus services. However, the Council recognises the importance of people being able to access some services and facilities in their local centre.

The Council has started a process to map and review the delivery of services at a neighbourhood level to make the best use of community facilities and buildings. Services have often evolved at a local level, incrementally over time, and so services may not be configured in the best way - or make most effective use of scarce resources at a time when funding for local public services is diminishing.

At the heart of this approach is making neighbourhood facilities vibrant, well-used, sustainable, with local people having a strong sense of ownership and pride in those facilities. A more integrated model of service provision is more sustainable, offers potential to improve efficiency, and to improve quality of life and have a greater impact on increasing skills and employment, reducing debt, improving outcomes for children and families, reducing crime and anti-social behaviour through services working more closely together. Many public buildings already offer a range of services.

Office Review and Rationalisation

Following the successful relocation of the Civic Offices in December 2014/January 2015, we are undertaking a review that focuses on the office accommodation at the following locations:

- The Avenue Centre
- The Hamilton Centre
- Amethyst Family Support Centre
- Thamesbridge House, Northumberland Avenue
- 19 Bennet Road (the depot)
- 2-4 Darwin Close
- North Caversham Children's Centre building

This review is well advanced and a detailed options appraisal of the new Civic Offices indicates that there is additional capacity within the existing envelope to accommodate staff and/or service space from other satellite premises.

When considered alongside the need to improve certain more bespoke facilities there are clearly synergies and opportunities to seek to re-provide these spaces as part of a first phase of the programme, focusing on optimising the Plaza West site.

8 How we will communicate and involve you

We welcome views from the residents and businesses as part of the constitutional process. Communication and consultation is important to us. It is vital we keep people informed of the work we do, the proposals we put forward and the decisions we make.



↑ Our new website

Council information is distributed in a variety of ways to keep people informed and help gather their views. This approach ensures that we are able reach as many people as possible.

Direct communication with residents (leaflets, posters, letters, attendance at local meetings, and contact with ward councillors) continues, as does communication through media channels (newspapers, radio, TV). Over the past year we have also worked hard to develop our online and social media presence. We now have more 11,000 Twitter followers, many of which are local residents or businesses and a growing Facebook presence. We will continue to develop and grow our social media channels and develop the use of e-mail communication as an effective and cost-effective way of communicating with people.

The views and feedback of residents, organisations and businesses will be considered through formal and informal consultation processes. Trades unions are consulted on issues that directly affect staff.

Over the past year we have continued to work hard to communicate effectively (and receive feedback on) our aims for the community. We have carried out major consultations on both a possible location for a new primary school in the north of the Borough, and on a major package of budget proposals. Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify nearly £39 million worth of savings.

We will continue to communicate effectively with people so they understand the reasons why the Council needs to make these savings. We have been and will continue to provide opportunities for Reading people to get involved in the decision-making process so their views play a major part in helping to set spending priorities.

We have devoted our annual community event to identifying priorities and actions that we, our partners and residents can take to together to address the issues that concern everyone: 'Tackling Poverty', 'Narrowing the Gap' and 'The Housing Crisis - Reading's Response: A Call to Action' have been the most recent themes. The outcomes of those events are reflected in this Plan.

We aim to continue to improve the way we engage with residents, building lasting relationships and finding ways of working better together for the benefit of Reading.

Further information

If you would like to receive further information about the work of your Council then log onto www.reading.gov.uk or alternatively please contact us on 0118 937 3787 or you can follow us via Facebook and Twitter. Videos about our activities can also be found on YouTube.

Appendix 2

Savings and income proposals agreed in previous years to be delivered in 2016/17 and 2017/18

Saving/income proposals	£'000's	
	2016/17	2017/18
Community Safety - increased Town Safe income.	2	0
Reduce costs through re-tendering Floating Support contracts for single homeless people, including through increasing the use of volunteers to maximise support hours; reducing hourly support costs; and increasing group support where appropriate. Closure of 7 bed single homeless supported housing accommodation at Garner House - with 76 'life skills' bedspaces remaining.	50	0
Limit the focus of the Sustainability Team to energy management for the organisation, fuel poverty and housing energy efficiency.	31	0
Increase independent travel to schools where most children receive transport, parents who choose to place their children in faith schools will no longer be eligible for free transport (subject to consultation).	150	95
Achieve efficiencies resulting from the colocation of CCTV monitoring associated with the Reading town safe initiative and the traffic control centre in the Plaza West Civic Offices.	60	0
Expand the geographical coverage of on-street Pay & Display in the town centre and the surrounding area where there is high parking demand.	100	0
Continue to move people from expensive residential placements to supported living.	100	0
Removal of post no longer required.	23	0
Develop Extra Care Housing for people with Physical Disabilities so that they no longer have to live in expensive residential placements.	100	0
Extra Care Housing Older People so that they no longer have to live in expensive residential placements.	0	350
Introduce criteria for use of ASC transport based on assessed need.	169	0
Review care provision at Charles Clore Court.	105	0
Control the rate at which new adult social care packages (residential and nursing) are commissioned, reduce the number of higher cost placements and offer new service users needing a care home placement options from a wider geographical area. Reduce care packages as people achieve greater independence.	355	250
Reprovide specialist day service for vulnerable or very frail older people and promote day opportunities within the community.	193	0

Corporate Plan and Budget 2016-19 | Appendix 2

Saving/income proposals	2016/17	2017/18
Continue move to a new care model of services for older people with a focus on the reduction of residential placements and reduction in small domiciliary care packages to support people to be more independent.	0	100
Review care packages for people receiving learning Disability services; supporting greater independence and changes to way care is provided.	450	500
Reduce costs by continuing to apply inflation requests only to those providers assessed as reasonably requiring it.	250	0
Continue to move away from Residential placements by supporting older people through Extra care and care and services provided at home.	0	250
Work with health partners to change the way people are cared for and to deliver different services. A less dependent focus and review of proven treatment options. This should result in less referrals to Adult Social Care.	0	450
Changed model of support and increased focus on prevention reduces workforce requirements in social care	0	375
Commission a new Nursing Home with a reduction in costs compared to current activity.	0	98
Reduced social care funding to voluntary and community sector via a review of the grants and re-focus via a commissioning process.	0	223
Achieve efficiencies by maximising the use of social care recording software and e-systems in social care, education and housing. Restructure the Performance and Data team.	32	0
Improve procurement of ICT to reduce costs and better use of digital applications.	50	0
Further reduction in cash handling costs.	25	0
Continue to promote electronic billing for council tax bills as an alternative to paper billing.	20	0
Provide a service for increased numbers of cremations and burials.	30	0
Increase income generated through baby naming and renewal of vows ceremonies, nationality checking services and memorial sales. Promote online appointment bookings and certificate applications.	16	17
Deliver on line services using digital technologies, both for the provision of customer services and to engage with residents	45	45
Reshape the Customer Relations Team and reduce the operational costs of providing geographical information and mapping services, whilst increasing income.	62	0
Reshape Savings in Finance.	25	0

Corporate Plan and Budget 2016-19 | Appendix 2

Saving/income proposals	2016/17	2017/18
Reduce the size of the Council's Human Resources and Payroll team.	80	0
Implementation of Proceeds of Crime Act & recovery of illegal profits.	54	0
Rephasing of 15/16 saving which was removed through budget pressures and also revenue moved to capital in previous year but saving not taken	225	25
TOTALS	2802	2778

Savings and income Proposals agreed at Policy Committee in November 2015

Saving/income proposal	16/17	17/18	18/19
Adult Social Care - older people staff reductions, changes in home care, transformation of learning disability and mental health	110	1,490	0
New Directions - end National Careers Service provision and full cost recovery for community learning.	110	0	0
Cost Savings at Reading Museum via reduction in staff and increased income.	100	0	0
Town Hall and Museum - increase income by hosting Berks Coroners Service and generate additional income through service development.	125	195	0
Management and Operational Savings - review Regulatory Services and Sustainability Team and reduce current service offer from Planning Services Team.	149	0	
Shared Service with another Council - Building Control.	30	0	0
Parks and Grounds Maintenance - review of current operating methods to increase productivity and removing duplication and wasteful processes. To generate additional income through increasing market share of arboricultural and grounds maintenance services.	140	80	0
Street Cleansing Services - systems review, vehicle utilisation review and increased commercial activity.	150	0	0
Waste Operations - optimising collection routes to reduce number of rounds, generate additional income by increasing trade waste customers.	3	394	0
Highway Engineering - systems reviews and adopting asset mgmt approach. Increased commercial activity. Savings from LED streetlighting.	525	258	0
Fixed penalty noticing and enforcement overrunning road works	40	40	0
Parking - Increase in charge for second and third permits within Resident's Parking scheme	56	0	0
Introduction of Red Routes.	0	100	0
Parking - increasing available parking in Reading.	125	125	0

Corporate Plan and Budget 2016-19 | Appendix 3

Saving/income proposal	16/17	17/18	18/19	
Library Services - there is a separate report on the agenda regarding this saving.	0	280	0	
Property & Health and Safety - Management and Operational Savings.	0	175	40	
Building Cleaning and Public Conveniences - closure of some PC provision and reduce building cleaning costs.	0	59	0	
Pest Control and Dog Wardens.	42	0	0	
Education 0-19 - all advisor time (excl SPAs) to become chargeable.	160	0	0	
Reduce costs of delivering customer services through efficiencies.	0	350	0	
Deliver more services on line.	50	120	0	
Implement a new commissioning approach for services from the voluntary sector with reduced funding targeted to meet local needs.	347	510	106	
TOTALS	2,262	4,176	146	6,584

Increase the contribution from residents eligible for the Local Council Tax Support Scheme from 15% to 20% of their council tax liability via the Local Council Tax Support Scheme. (This saving appears as additional Council Tax income).	340	0	0	
TOTAL (including CTSS)	2,602	4,176	146	6,924

Appendix 4 - Proposed Savings and Income Options 2016-19

Service Priority	Proposal for 2016/19	16/17 £'000	Future Years £'000
Providing infrastructure to support the economy	Concessionary Fares - demographic change	200	-84
Providing infrastructure to support the economy	Phase out our subsidy to Reading UK CIC	67	67
Remaining financially sustainable to deliver these service priorities	Reduce workforce development budget by providing more on-line and in-house training	250	0
Remaining financially sustainable to deliver these service priorities	Reduce facilities management costs as we consolidate our premises further	500	500
Remaining financially sustainable to deliver these service priorities	Consolidate our vehicle fleet	200	0
Safeguarding and protecting those that are most vulnerable	Secure Health Funding for service users	113	200
Remaining financially sustainable to deliver these service priorities	Reduce supplies and services budgets	50	100
Safeguarding and protecting those that are most vulnerable	New Children's Social Care Delivery Model	1,000	4,000

Service Priority	Proposal for 2016/19	16/17 £'000	Future Years £'000	
Providing the best life through education, early help and healthy living	Targeted Model for Early Help	500	1,000	
Providing infrastructure to support the economy	Increase income in Museum, Town Hall and Arts Venues	0	1,720	
Remaining financially sustainable to deliver these service priorities	Review Fees and Charges	200	2,600	
Remaining financially sustainable to deliver these service priorities	Reshape support services and the way we work	2,750	2,750	
Providing the best life through education, early help and healthy living	Increase income from our leisure facilities to reduce the subsidy	0	1,000	
Remaining financially sustainable to deliver these service priorities	Procurement Savings	100	300	
Providing the best life through education, early help and healthy living	SEN and Home to School Transport Proposal	530	260	
Safeguarding and protecting those that are most vulnerable	Transformation of Learning Disability Services	0	200	
Total		6,460	14,613	21,073

Calculation of Council Tax 2016-17

Council 23 February 2016



www.reading.gov.uk

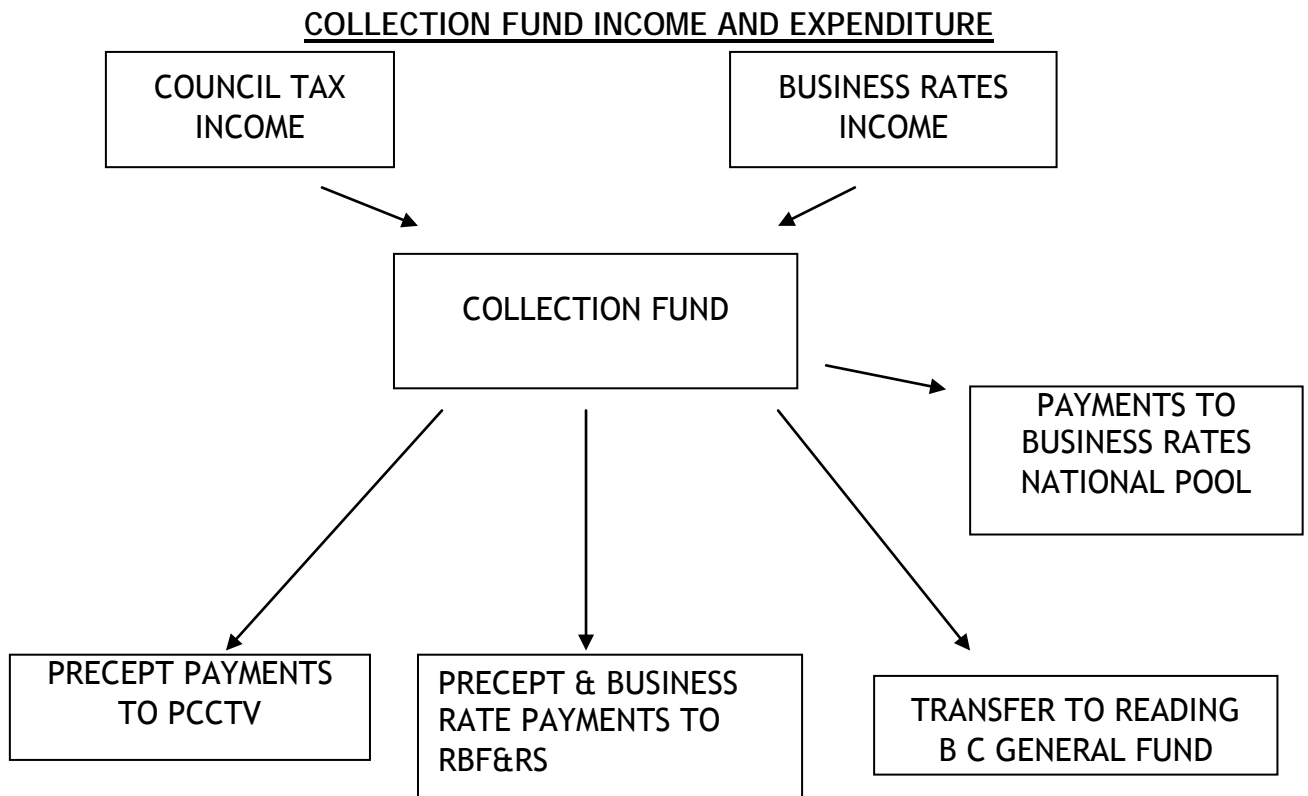


Reading
Borough Council
Working better with you

1. COUNCIL TAX COLLECTION FUND

Collection Fund

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



Business Rate Income

1.2 Following the 2013/14 changes business rate income, including the impact of all adjustments (except transitional relief, where government meet the cost or take the benefit) is split 50% to central government, 1% to the fire authority with the basic position being that the council retains 49% (but this is reduced by a tariff process explained below). The formal in year transfer for 2016/17 to the General Fund is 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 2017, and taken account of in setting the budget and tax for 2017/18. Therefore, were there to be a deficit the 2017/18 budget would need to be reduced to take account of the position, and vice versa were a surplus to arise.

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

- 1.4 In comparison to many other authorities Reading collect a high amount of business rates. A simple localised system of business rates would leave many authorities short of sufficient resources, so there is a process of applying tariffs to the local 49% share, and levies if the Council's estimated income exceeds a predetermined government figure. Reading's tariff (in 2016/17) is £22.4m, and as our collectable tax on initial estimate exceeds the government figure by over £2m (including the estimated surplus in 2015/16 and grant to compensate for limiting the rise to 2% and the small business and retail relief schemes), we are likely to need to pay a levy (after the year end, but which must be accrued for in closing the accounts) of c.£1m. The levy figure will be calculated after the year end, so may be higher or lower, according to the outturn, the tariff is fixed. Overall, this means that of the estimated 49% share of £52.6m, only £29.3m (27% of the total rates collected), is actually retained by the Council.

Business Rates (Non Domestic Rates) Payable

- 1.5 Prior to 2010/11 (based on the 1 April 2008 position) there was a revaluation on behalf of Government of business rate values. Originally, like each valuation since the 1988 one (applying from 1990) it was scheduled to last 5 years, but the government has extended that to 7 years, so the next revaluation is currently being done to take effect from 2017/18 (but Government is intending to adjust the Local Government Finance Settlement for that year to take account of its effect). New properties are valued on the basis of 2008 rental values (which may be more than they are now actually rented for). To mitigate the impact of the 2008 revaluation there was a transition scheme that limited increases over RPI, but that has now finished, so all properties should be paying rates in line with the rateable value multiplied by the (relevant) rates poundage.

1.6 Rate Poundage

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

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

This small business non-domestic multiplier for 2016/17 is to be 48.4p (48.0p in 2015/16).

The Secretary of State has estimated that the supplement to fund small business rate relief should be at 1.3p in 2016/17 (1.3p for 2015/16).

The provisional non-domestic multiplier will therefore be 49.7p in 2016/17 (49.3p in 2015/16).

In accordance with Schedule 7 to the 1988 Act, the multipliers will be confirmed after the local government finance report for 2016/17 has been approved by Parliament.

For 2016/17 we expect to collect around £107.3m in Business Rates (up from £105.2m in 2015/16)

Council Tax Income

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

2. CALCULATION OF COUNCIL TAX

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

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

- 2.2 The Council at its meeting on 26 January 2016 set a Council Tax base for 2016/17 of 51,050.
- 2.3 Policy Committee also received a report explaining the need to estimate the Collection Fund position as at 31 March 2016. This was done in accordance with Government Regulations and a £235k surplus was estimated in respect of Council Tax transactions. This surplus is split between the Council and precepting authorities as follows:

	£'000
Reading BC	202
Thames Valley Police	24
Royal Berkshire Fire & Rescue Authority	<u>9</u>
	<u>235</u>

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

	£'000
Reading Borough Council	490
DCLG	500
Royal Berkshire Fire & Rescue Authority	<u>10</u>
	<u>1,000</u>

- 2.5 Table A sets out the amount to be collected from Tax Payers in 2016/17.

Table A

	<u>£</u>
Budget	120,196,936
Council Tax Collection Fund surplus	-201,827
NNDR Collection Fund surplus	-490,000
Business Rates Income	-52,577,000
Tariff Payment	22,367,767
Revenue Support Grant	-16,825,552
Amount to be collected from Council Tax Payers for Reading	72,470,324
Police and Crime Commissioner Thames Valley	8,523,308
Royal Berkshire Fire & Rescue Authority	3,158,464
Total amount to be collected from Council Tax payers	84,152,096

Forecast of Council Tax for 2016/17

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

Table B

		Reading	PCCTV £	RBFRS £	Total £
A	5,860	946.39	111.31	41.25	1,098.95
B	13,640	1,104.13	129.86	48.12	1,282.11
C	28,223	1,261.86	148.41	55.00	1,465.27
D	10,601	1,419.59	166.96	61.87	1,648.42
E	5,388	1,735.05	204.06	75.62	2,014.73
F	3,261	2,050.52	241.16	89.37	2,381.05
G	1,823	2,365.98	278.27	103.12	2,747.37
H	80	2,839.18	333.92	123.74	3,296.84
Total Properties 68,876					

Fees and Charges Summary Statement

1. FEES & CHARGES

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

2. Rationale for proposed fees:

- 2.1 Each service has considered and followed the above criteria in arriving at the proposed fees for April 2016. The three main areas of consideration can be best summarised as follows:

1) Benchmarking / Market pressures:

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

2) Rate of Inflation:

Where charges are felt to be appropriate to the current market and existing competition, a nominal increase approximate to the rate of inflation has been proposed (0.8%).

3) Cost Recovery:

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

some cases the implementation of new charges. Such increases and new charges should however be justifiable and appropriate when compared to charges made by other public and private service providers and in line with the relevant legal frameworks.

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

4) Experience:

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

3 Fees by Service Area:

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

3.2 Directorate of Environment & Neighbourhood Services

1) Sports Centres (Leisure & Recreation):

There is a proposed inflationary increase of approximately 0.8% on most fees (with figures rounded to the nearest 5/10p). The rationale for the increase is the benchmarking of charges against other service providers and the recovery of operational costs.

All free to access (subsidised) services featuring on the 2015/16 fee schedule have been retained as free within proposals for 2016/17.

The service has experienced significant transition from casual use to its newly structured and competitively priced membership packages throughout 2015/16 to date. Casual fees continue to be structured to encourage greater take up of membership packages, whilst remaining in line with other local operators.

Discounts established to permit adult football pitch hirers to pay a lesser fee for the use of facilities, in exchange for undertaking certain aspects of service provision remain and continue to be promoted. This reduces financial barriers to participation and generates equivalent efficiency savings for the Council.

2) Parks (Leisure & Recreation):

The majority of leisure related fees previously shown within the Parks schedule now feature within Leisure Services following the restructuring of services.

Allotment fees have been increased broadly by 0.8% to reflect inflation (rounded to the nearest 5/10p).

Overnight mooring fees have been increased by 2.7% from £9.25 to £9.50 for ease of charging and as a result of benchmarking.

3) Transport:

No fee increase proposed through this process.

Changes to the charge for 2nd & 3rd resident parking permits were approved through a separate process by Policy Committee for implementation from 1st February.

4) Planning:

No fee increase proposed as part of this review. Benchmarking of existing fees identifies that they remain in line with other local authorities, without scope for further increase at this time.

5) Highways:

No proposed increases to commercially sensitive Drainage Work fees in order to remain competitive.

The schedule features a number of fees set by statute, which remain unchanged.

Remaining services increased by approximately 0.8% to reflect inflation.

6) Libraries:

No increase proposed to fees to encourage continued uptake of the library service. An increase in fees at this time is felt to be counter productive and a potential barrier to service use.

7) Building Control:

No fee increase proposed through this process.

8) New Directions:

No proposed change to fees in recognition of national decline in learner numbers and to encourage increased uptake.

Format of fees has been changed to show fee per hour, permitting more accurate income forecasting.

Market comparison indicates that the fees are in line with competitors. Fees apply to the academic year September 2016 - July 2017.

9) Streetcare Services:

All fees increased by around 0.8% to reflect inflation with the exception of the fee for the carriage and tipping per tonne of waste, which has increased in line with rising landfill/waste disposal costs.

Trade Waste service operate in an extremely competitive market place in which the Council wish to grow market share. The service will continue to monitor the market and continually adjust fees in order to ensure they remain competitive and reflective of an ever changing cost base.

10) Public Conveniences:

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

11) Community Safety:

The fee for pub & club membership of the night time Town Safe scheme has been increased by 14.29%. The fee for shop/daytime membership has been frozen in order that over the next two years the fees for both services can be standardised.

Fee proposals have been calculated on the basis of cost recovery, taking in to account the associated running costs and the anticipated uptake.

12) Housing General Fund:

These charges have been increased broadly in line with inflation to reflect rising costs.

13) Regulatory Services:

A large number of fees are set by statute and no changes are proposed to these through this process.

The services have completed significant benchmarking and cost recovery analysis which has informed proposed increases, generally of between 0.8 - 8%, the majority being inflationary (0.8%).

Some commercially sensitive fees such as Food Hygiene training have been reduced by between 10 - 25% to remain competitive with the market and to permit increased uptake/growth in business.

3.3 Directorate of Support Services - Customer Services

14) Bereavement Services:

The majority of published fees have seen a nominal inflationary increase of between 0.8 - 2.5%, the fluctuation in % being brought about by the rounding of fees for ease of charging and payment. In the few instances where the increase is in excess of 3%, cost-recovery and benchmarking has informed decision making.

A number of new services have been introduced to reflect changing times and demands, through the use of modern technology. These include the Webcast of services and the provision of audio/visual recordings and photographic tributes.

All sensitive free of charge provision has been retained as free of charge within revised fees.

15) Registry Office:

A large number of fees have been frozen as a result of benchmarking with other service providers.

The fee for the approval and licensing of a venue for marriage and civil partnership has been reduced by 5% in order to encourage a greater number of venues to seek to obtain a licence.

The deposit fee for all ceremonies has been increased from £40 to £46 (15%) to reflect industry standards. This fee is deducted from the full fee on receipt of final payment. In the event of cancellation, this fee is retained by the service to cover associated administration costs. A deposit fee is standard practice amongst a number of local authorities and is proven to deter cancellations.

The balance of remaining fees have seen an increase of between 1 - 4.7% to reflect market rates as a result of benchmarking and consideration of cost recovery.

16) Customer Services (Blue Badge Scheme):

No fee increase proposed through this process; the service covers its associated costs.

17) GIS & Mapping:

The fees for the Street and Property Naming/Numbering service have been increased by 4 - 5%. This is the first time that these fees have been increased since their introduction in 2011 and revised fees result from the benchmarking of other local authority providers.

3.4 Directorate of Adult Care & Health Services

18) Adult Social Care Charges:

The charges included within this report are the charges that a self-funder or another local authority would pay for the costs of services provided by the Council.

Fees have been subject to an increase of between 0.7 - 3.26% on the basis of inflation or cost recovery.

3.5 Directorate of Children, Education & Early Help Services

19) After School & Holiday Play Clubs:

The current level of charges for after school clubs will be retained as these are largely in line with other providers/competitors.

As the charges for holiday play clubs have not increased since 2012/13 the proposed increase of 10% from 1 April 2016 is justifiable given cost pressures over the period and still represents good value.

Details of all individual charges can be found in the Finance (Budget) Section of the Council's Website.

**Robustness of, & Risks within the Proposed Budget for 2016/17
Statutory CFO Report & Advice on the Robustness of the Budget and Adequacy of Reserves
& Balances**

1. Introduction

1.1 The Local Government Act 2003 states that when a local authority is making its budget, “the chief finance officer of the authority must report to it on the following matters—

- (a) the robustness of the estimates made for the purposes of the calculations, and
- (b) the adequacy of the proposed financial reserves.”

And goes on to state that the authority “shall have regard to the report when making decisions about the calculations in connection with which it is made.”

1.2 This appendix has been prepared by the Head of Finance to fulfil this duty. Its key points are summarised in Section 5 & 6 of the covering committee report. To give the required advice, a consideration of the budget proposal as a whole and all the financial risks facing the Council in the 2016/17 financial year is required. The advice only covers the proposed 2016/17 financial year’s budget.

1.3 CIPFA Guidance (an extract of is available on the website as a background paper) recommends that if the Council sets its balances at a different level to that recommended, then its decisions and the reasons for any variance from the advice given should be recorded in the minutes of the Council Meeting.

1.4 This Appendix discusses the Council’s approach to budget risk management, and assesses the particular risks associated with the 2016/17 budget to inform the advice on robustness.

2. Budget Context

2.1 The Council is a multi-million pound organisation providing a wide range of statutory and discretionary services, which are subject to external influences outside the Council’s direct control. The Council has some choice as to how statutory obligations are delivered. To help manage the potential risks the Council faces in delivering its objectives and the budget underpinning its activities, the 2016/17 Budget has been drawn up in accordance with guidelines agreed by the Policy Committee in July to reflect forecast trends in expenditure and income. The draft budget has been subject to the risk assessment process outlined below.

2.2 The Council has a large number of services where the broad service delivery requirements and approach are stable over time, although we have seen significant senior management turnover during the last year with both Children’s, Education & Early Help and Adult Social Care & Health Directorate Management Teams entirely changing. In this context, the Council’s budget build and monitoring arrangements

normally act as an effective early-warning system in identifying potential problems and for managing potential areas of risk. In particular the 2016/17 budget has been adjusted to reflect the main adverse trends that have impacted the Council during 2015/16, notably those affecting social care expenditure (both adults and children's) and homelessness.

- 2.3 £6.1m has been added to ensure there should be enough money available to meet service demand and delivery costs as currently forecast. The budget additions are closely aligned to corporate priorities. For example, Children's Services has a high number of agency staff at the current time, which it is planned to reduce over the next few months. The Corporate Management Team (CMT) has considered on several occasions during the development of the budget the financial pressures the Council is likely to face during 2016/17 and the need for additional resources in some service areas to meet the Council's Corporate priorities.
- 2.4 With regard to the savings built into the budget, CMT has considered the profile to ensure that it is realistic. In some cases savings proposal agreed in setting each of the 2014/15, 2015/16 and 2016/17 budgets have been phased in over 2-3 years, in aggregate the 2016/17 budget includes £5.1m of savings that have already been formally agreed. Lead councillors have been fully briefed on savings and budget pressures in their areas of responsibility. Generally, these savings have well developed delivery plans, and we periodically report on a RAG basis on progress. The current status is

	£000	%
Red	109	2
Amber	813	16
Green	4,141	82
	5,063	

- 2.5 This budget report introduces further savings totalling £21m over the next three years including £6.5m in 2016/17. Of these savings, at the time of publication of the budget report, £4.8m savings were needing detailed delivery plans to be prepared and only £1.7m had either a delivery plan in place or a senior officer leading task group with work sufficiently advanced to be reasonably confident of delivering the saving. Of those savings needing a detailed plan, with one exception, they are part of a larger 2-3 year project, and together with two other savings where substantial work needs to be done during 2016/17, in total £17.5m of the savings required in the next two years need a detailed plan to be put in place. Therefore, the Council will be managing a substantial change programme during 2016/17 intended to substantially reduce costs both in year and for years afterwards. My RAG rating of these savings is

	£000	%
Red	0	0
Amber	5,960	92
Green	550	8
	6,460	

2.6 In part this has arisen because the Council did not receive its indicative grant allocation from the Government until 17 December 2015, and because of changes introduced to the national distribution arrangements, the Council's 2016/17 revenue support grant is £5.2m less than had projected. In addition there are further grant reductions next year (generally arising from previous specific grants being merged into RSG) of almost £1m.

3. Consideration of the Robustness of the Budget

3.1 The Council has an established financial risk assessment process, and it has been applied to formulate advice on the robustness of the 2016/17 Budget and the adequacy of the proposed minimum general fund balance. The position has been discussed with the CMT who collectively recognise that there are more significant risks associated with this year's budget than hitherto experienced.

3.2 The risk management framework (details available on the website) has been applied to the perceived risks associated with the 2016/17 budget. The inherent risk scores are set out in the table in Annex A, with the 2015/16 scores for comparison. Last year, when the budget was set the total inherent risk score was 183, and the changes for the assessment of the 2016/17 budget have led to an increased overall score of 223 (the scale ranging from 15 to 450). This supports the CMT's view is that in 2016/17 overall inherent budget risks are significantly higher than in the present year, or any other recent year.

3.3 As well as inherent risk, the Council also considers residual risk after the mitigating impacts of its management and other control processes. In February 2015, the total score assessed on this basis was 132, as also set out in Annex A. For the 2016/17 budget the total residual score is currently assessed as 158. This is also higher than was the case at the start of 2015/16.

3.4 The higher overall risks recognise various issues

- Because of the resource/grant reductions the Council has experienced since 2011/12, and are set to continue for the remainder of the decade, there is reduced managerial and operational capacity to deliver identified savings, and indeed develop further proposals to ensure the Council can continue to operate within its available resources.
- Whilst the "reshape" programme which altered many staffing structures in 2013-2015 was concluded last summer has now bedded, the budget approach includes savings of £5.5m over the next two years in corporate, back office and middle management structures, half of which needs to be delivered during 2016/17, all of which is at an early stage of development.
- Over the last two years the Council has experienced some income budget pressures, and whilst this has substantially been adjusted in preparing the budget, in an uncertain economic climate, the Council's increasing reliance on income is a growing risk over time. The medium term budget strategy includes a plan to develop existing and new lines of income of £2.8m over the next three years and within two years move Cultural Services into budget surplus. Whilst the budgeted income for this in

- 2016/17 is modest (only £200k), it is clear that substantial development work will need to be resourced during 2016/17 in connection with this part of the strategy.
- Because of the late Government announcements of grant income which as set out above were much worse than we had expected, with no time to fully develop, consult upon and decide, let alone deliver additional savings safely, the budget approach for 2016/17 includes £7.5m of funding measures and use of reserves. As a consequence our reserves will be severely depleted and essentially consist of the minimum £5m General Fund Balance, a contingency to manage the timing of the delivery of savings (as it is unlikely that all the extra savings required in both 2016/17 and subsequent years can be fully put in place during the first 5-6 months of the financial year) and the 4 specific smaller reserves we hold for events that are likely to arise periodically. In 2015/16 we have been reporting in budget monitoring that we are at the minimum GF balance since September (and the entire Social Care strategic demand reserve of £3.75m which we brought into 2015/16 will be utilised), and would expect that will at best remain the case well into 2016/17.
 - During 2016/17 for the first time since (HRA self financing in) 2012 we are likely to need to do some long term borrowing and with many economic commentators anticipating a interest rate increases that will present an additional risk as the Council is likely to need around £50m additional short to medium term borrowing over the next financial year.
 - Whilst the pay assumption in the budget follows (1%) central government guidance, in a strengthening economy there remain pay and cost pressures, as for many roles the Council and many of our contractors have to compete in the wider local labour market to attract staff to deliver the Council's services. In the same way as the Council faces additional national insurance costs, employee contributions are also higher impacting "take home" pay. There labour costs, together with the potential impact of the Government's new National Living wage also impact many of our contract costs. There is therefore a risk that actual inflation pressures may be higher than we have budgeted for.

3.5 Having said this, in past years our final budgetary performance having provided for all expenditure has been as follows:

Year	Net Expenditure £000	Variance from Budget £000	Variance %
2015/16 (Estimate)	124,867	493	0.4
2014/15 (Actual)	126,793	- 337	-0.3
2013/14 (Actual)	130,863	-1,891	-1.4
2012/13 (Actual)	120,135	-1,347	-1.1
2011/12 (Actual)	124,443	- 497	-0.4
2010/11 (Actual)	122,055	- 849	- 0.7

- 3.6 The Council's budget since 2010/11 has been within the £120m-£130m range and in that context, taking account of historic Audit Commission and recently expressed CIPFA guidance that 5% of expenditure balance figure represents about 2 week's net expenditure, the Council has consistently been advised that we should operate within a budget framework with a minimum General Fund Balance of £5m over this period.
- 3.7 Although we have been slightly under budget at outturn stage, we are currently forecasting an overspend in 2015/16. However, the comparison above in 2015/16 understates the underlying position as we are using £3.75m of the strategic demand reserve to mitigate social care overspending, about twice what we expected to use. Adjusting for this the overspend this year is nearer to £2.3m (1.8% of budget). This needs to be taken account of in making an assessment of the risk in the 2016/17 budget, and budgetary performance in recent years, a £5m minimum continues to be recommended, but we also need some contingency.
- 3.8 Were the balance to fall below the minimum level, the Head of Finance as Chief Financial Officer (CFO) would need to advise the Council to implement measures to bring it back to the minimum as soon as reasonably practical. Ultimately, if measures were not implemented the CFO must issue a S114 report. This freezes all but essential spending and requires the Council to have a meeting to resolve the position.
- 3.9 The recommended minimum level of £5m provides some "cover" against potential variances which in recent years have been quite low due to the sound budgetary control arrangements in place across the Council although over the past three years it has taken most of the year to deliver agreed savings, and budget monitoring for the present financial year continues to identify some more significant risks than in previous years of adverse variance.

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

- Adverse budget variations.
 - New and increased demands which were unforeseen when the budget was set.
 - Ability to respond to opportunities requiring financial commitment from the Council which were not identified when the budget was set.
 - Emergency situations which might require funding.
 - "Bridging" or pump priming funding which might be needed pending receipt of grant funding, other contributions, or generation of capital receipts.
- 3.10 Maintaining a reasonable balance is a key element underpinning the sound financial management of an organisation. Whilst we might ideally have a minimum General Fund Balance at 5% of budget (£6-6.5m), taking account of the budget outturn record over recent years, and our wider experience of budget management, and the position with other reserves and balances discussed below, £5m is a sufficiently adequate balance in present circumstances to support a robust budget.
- 3.11 The budget for 2016/17 includes overall expenditure savings and income generation of almost £11.7m, including £5.2m identified in earlier years or last July and agreed after consultation last November, where implementation is already under way. Whilst unlike

last year we now have the possibility of grant certainty for the next 4 years (if an “efficiency plan” plan is submitted to the Government), significant grant reductions have been announced for the next 4 years .

- 3.12 Other issues impacting the risk assessment are that the 2016/17 budget includes some one off funding measures (explained in 4.12 below) that it will not be possible to consolidate into the baseline, and these add £7.5m to the budget in 2017/18. Overall it is currently estimated additional savings of almost £30m are needed for the two subsequent years after 2016/17. The development of savings for those future years is currently at an early stage, although there is an outline planned budget for 2017/18.
- 3.13 Finally in respect of the robustness of the budget, it should be noted that the overall budget has no real capacity to meet unforeseen costs or income shortfalls. Therefore careful monitoring and early corrective action will be essential to keep net expenditure within the Budget overall next financial year.

4. Consideration of the Adequacy of Proposed Financial Reserves

- 4.1 In order to fulfil the duty to advise on the proposed financial reserves, my comments in respect of the minimum £5m general fund balance set out above should be noted.
- 4.2 By way of introduction, it is helpful to recognise that the Council holds various balances; some of which in its accounts are classed as reserves, and others as provisions. From an accounting point of view a reserve is money that has been set aside for an identified purpose, but may not have a present contractual or other liability that will result in its use. A provision is money set aside for a known liability whose timing and/or potential value is uncertain.
- 4.3 As at 31 March 2015 the Council’s audited accounts showed the following reserves and provisions:

Reserves as at 31/3/2015	£'000
Range of Earmarked Reserves	950
-Emergency Planning (£200k)	
-Legal & Taxation (£250k)	
-Pension Liabilities (£300k)	
-Property Liabilities (£200k)	
Self Insurance	5,141
Organisational Change (Redundancy Reserve)	5,400
Prudential Reserve	3,300
Revenue Grants Unapplied (& other specific)	9,810
Social Care Strategic Demand Reserve	3,750
HRA - North Whitley PFI	9,000
Sub total (Reserves)	37,351

Provisions as at 31/3/2015	
Equal Pay Back Pay Provision	10,800
Homelessness Costs & Rent Deposit Guarantee	320
Sub Total (Provisions)	11,120
Total (Reserves & Provisions (exc. GF/HRA balance))	48,571

- 4.4 The first four earmarked reserves above exist to mitigate costs that will arise from time to time, but are of uncertain value and timing. They need to be retained for the foreseeable future.
- 4.5 The self insurance reserve is part of the council's insurance arrangements. We undertook an actuarial review in 2014, and broadly followed its recommendations and have subsequently run normal insurance transactions to & from the reserve. We plan a further review during 2016/17.
- 4.6 Normally, we budget to add £800k pa to the redundancy reserve each year, but as a budget funding measure that has been suspended in 2015/16 and 2016/17 (but is planned to re-start in 2017-18). There have only been a small number of redundancies in 2015/16 and over 90% of the 31/3/15 balance will carry forward into 2016/17. In recent years, on average redundancy costs have been around £33k per head, so each £1m in the reserve will support the release of around 30 people. In practice the Council experience significant staff turnover in some areas, and has generally been successful at redeploying many staff who have been at risk of redundancy. For example, when we closed the Post Office, there was no need for any compulsory redundancies.
- 4.7 The Prudential Reserve had originally been scheduled to mitigate increasing borrowing costs over the three years from 2014/15 to 2016/17. Our budget approach last year had anticipated these resources would get used up, but indicated that, we would be reviewing our options here to mitigate rising capital financing costs. We borrowed slightly less than planned to finance the 2014/15 capital programme (which is periodically scrutinised at a senior level to make sure everything is really needed), have maintained a reasonable cash flow, and have proposed changes our MRP policy which have reduced the forward pressure and both the 2015/16 expenditure and the estimate for 2016/17.
- 4.8 The Social Care Strategic Demand Reserve was established to help mitigate the risk of variable and growing demand for certain education and social care services. We had a strategy of continuously seeking social care efficiency improvements to mitigate the impact of long term rising cost demand, and prior to 2015/16 the services (and their predecessor single directorate) had a good track record of managing these high volatility risks, so the strategic demand reserve was £3.75m at 31 March 2015. It had been forecast to fall to £1.9m by 31 March 2016, but in 2015/16 demand has been higher and we now expect to fully use the reserve by the end of the year. As indicated above, money has been added to the budget to allow for estimated social care cost pressures, and measures put in place to reduce the high agency costs in Children's Services in

2016/17. We will need to update our strategy to control the growth of these costs, and review our future forecasts of the budget that may be needed in the absence of a reserve.

- 4.9 The revenue grant unapplied reserve exists largely for accounting reasons, in that we are required to account for most grant as we receive it, but sometimes the matching expenditure is in a later financial year. The various balances that make up this total are therefore committed. It is very difficult to estimate the end of year position, but we currently have a working estimate of £5m. (The actual for 31/3/15 was as above 9.8m and at 31/3/14 £10.6m (though we anticipate this balance should fall over time as there are fewer specific grants).
- 4.10 We also hold the HRA PFI smoothing reserve, established as part of the HRA business plan, and PFI business plan. This reserve is expected to be stable/slightly increasing for the next few years before being released over the second half of the PFI contract. It is intended to ensure the net cost (after grant) to the HRA of PFI scheme rises only by inflation. Bearing in mind the Government's requirement to cut rents for the next 4 years, this is likely to become more significant over time.
- 4.11 In summary, all other reserves apart from the £950k of earmarked reserves are offsetting liabilities, or anticipated future costs that need to be provided for and would otherwise have to be charged to the General Fund.
- 4.12 As indicated in the table above we also hold a provision against equal pay back pay costs. The liability here is estimated to increase, and we had been increasing the reserve by £1.2m annually so it should match the eventual forecast liability. However, as explained elsewhere, part of the budget funding strategy is instead to meet this liability using capital receipts, and indeed the budget strategy envisages that £3.5m of this provision will be replaced by receipts. The equal pay claims against the Council are currently expected to be concluded over the next two years. The estimated liability is currently being reviewed (ahead of the close of accounts process).
- 4.13 The final provision mitigates homelessness costs and the rent deposit guarantee scheme. By their nature, both provisions have liabilities against them and are expected to reduce.
- 4.14 With the social care strategic demand reserve being exhausted, and recognising that a wider range of council services have demand pressures, in order to set a robust budget we need some contingency above the minimum General Fund balance to manage potential adverse budget variances, as there is a risk that not all the proposed savings will be fully delivered early in the new financial year.
- 4.15 Arising from the proposed revision to the MRP (minimum revenue provision) Policy, we anticipate making a reduced MRP in 2015/16. The reduction will remove the need to transfer money from the Prudential Reserve to finance the 2015/16 budget that was planned, and enable around £500k to be added to the Organisational Change Reserve. £700k of the Prudential Reserve will be needed in 2016/17 in line with its agreed purpose to smooth the growth in capital financing costs, and after allowing for that

year, we should have around £2.75m of resources remaining in the Prudential Reserve in 2016/17. No use of this has currently been assumed in future years and apart from the Organisational Change Reserve this will be our only reserve above the minimum general fund balance. In considering the budget as a whole, I have concluded that retaining such a reserve is necessary for the overall budget proposal to be robust. By way of context the resources represents 2.4% of the total budget (which is only slightly more than the underlying overspend of 1.8% in the 2015/16 budget explained in paragraph 3.7 above) and 40% of the amber and red rated savings in the risk assessment above.

4.16 The Dedicated Schools Grant (DSG) Budget also faces significant challenges, because of demand pressures on the High Needs Block. The Authority is working with the Schools Forum to find a sustainable solution to mitigate the risk of the high needs block and indeed over all dedicated schools grant being in a deficit position. There is a need for a robust recovery plan over time to restore a balanced position on the DSG. Whilst the deficit is contained to the various DSG blocks (schools, early years and high needs) this requires the specific approval of the independent Schools Forum and likely changes to national funding in this area in 2017/18 coupled with issues flowing from academy conversions and growing free schools may substantially limit flexibilities in addressing this issue in the medium term. This is considered in further detail in Appendix 10.

4.17 The table shows my present forecast of these reserves at each year end 2015-2018

Forecast as at	Actual 31/3/15 £'000	31/3/16 £'000	31/3/17 £'000	31/3/18 £'000
Earmarked Reserves	950	950	950	950
Self Insurance	5,141	5,400	5,400	5,400
Redundancy Reserve	5,400	5,100	1,000	0
Prudential Reserve	3,300	3,450	2,750	0
Social Care Strategic Demand	3,750	0	0	0
Revenue Grants Unapplied	9,810	5,000	5,000	5,000
Total General Fund	28,351	19,950	15,100	14,100
HRA - North Whitley PFI	9,000	9,000	9,000	9,000
Total	37,351	28,200	24,100	23,100

4.18 Therefore, overall whilst the council holds various general fund reserves, most of them are scheduled for use over the next three years (or will need to operate continuously, as in the case of insurance and the revenue grants unapplied). Less than £1m is uncommitted over the lifetime of the present financial plan.

4.19 In addition the Council also has its Housing Revenue Account. Last year we reviewed the HRA and concluded the present HRA balance should be adequate (after allowing for the rent increase), taking account of the long term (30 year) plans/projection for the account, and moreover there was capacity in the account to build 1000 new homes over

30 years. Subsequently Government has reduced rent income which has eliminated almost all of the proposed new build programme, as it is no longer affordable.

- 4.20 After 2015/16, the medium term financial plan included in the report assumes no general use of balance will be made. It will be necessary for the Council to keep its level of balances and reserves under review to take account of changing circumstances and risk in particular the outcome of equal pay claims which remains a significant financial risk to the Council.
- 4.21 In overall terms, as all significant liabilities (insurance, equal pay, rising borrowing costs) are in part mitigated by these balances, and that there are no known material liabilities that may arise before 31 March 2017 which are not covered by a reserve, the Head of Finance considers that balances are adequate on their projected 31 March 2016 amounts and throughout 2016/17 subject to the Council putting in place by April detailed plans to deliver the additional £6.5m of further savings proposed for 2016/17, and taking all necessary actions during 2016/17 to deliver the outline 2017/18 savings set out in the report.

5. Risk Issues Identified by the Managing Director

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

5.2 Managing Director, as Head of Paid Service

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

The Head of Paid Service has to ensure that the Council is organised to fulfil its various functions, and resources are sufficient to do this. A risk analysis has been undertaken to check whether this still remains the case with funding reductions and considerable change within the organisation. At this time, the Council will continue to have sufficient resources to ensure that there are safe operating methods and systems in place in 2016/17. The Head of Paid Service undertook a capacity and resilience review during the autumn of 2014. This reviewed whether the way we are organised remains 'safe' and robust to deal with the many and varied challenges services for children and adults face. The proposals recommended moving to a new operating model that would restructure the Council to ensure that we have additional capacity and resilience to meet service needs and opportunities. The proposals were about ensuring we remain fit-for-purpose to deliver our duties. This was reported to Personnel Committee in December 2014 and was subsequently implemented (with some amendments following consultation, or reflecting a changing position). The Head of Paid Service has continued to keep this position under review, and instigated various other changes during 2015; for example

ensuring that we now have appropriate resources in place to manage Children's Services in the absence of a full time employed Director.

5.2.2 Staff workloads have increased in many parts of the organisation significantly and this will continue to be monitored and appropriate support for staff will be put in place. With additional savings required a more fundamental review of what services the Council can still maintain will be required through the course of 2016/17.

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

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

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

6.1.2 Overall expenditure savings and income generation, of over £11.5m, including £5.1m identified in earlier years have been built into the 2016/17 budget, and the estimated need for further savings of £29.7m has been identified for the two subsequent years. Only £7.4m of these have been formally agreed in detail to date and a further £14.6m is proposed in this report (including all that is estimated to be required in 2017/18), leaving additional savings of £7.6m needing to be identified for the 2018/19 financial year.

6.1.3 It is essential that the savings and additional income identified for the 2016/17 budget are delivered in accordance with the budget assumptions made, and an early start made to identifying further savings for subsequent years. In the event that variances are identified then prompt remedial action will be necessary.

6.1.4 Government funding is scheduled to continue to fall probably to at least the end of the present decade, and this is coupled with a constrained increase in Council Tax. However, Government has assumed the additional income from the annual increase throughout the remainder of the decade in determining the Council's (RSG) grant. Therefore, the Council will need to continue to drive cost reduction and efficiency and to maximise income generation, and in some areas will need to reduce services. The financial plan sets out our present forecast and identifies the need for estimated further savings of £41.2m to delivered over the three years 2016/17 to 2018/19.

6.1.5 The new (from 2013/14) Local Government Finance regime, in particular the arrangements for retention of Business Rates, has significantly shifted risk from Central Government to Local Government. Variations in collection and the impact of appeals are now shared with the Government. Any reduced income in Business Rates needs to be recognised in year and must be taken account of in setting the following year's budget. Last year we estimated that liability may be around £13m, but through the NNDR1/NNDR3 process (with Government) we appear to be establishing provisions to be able to pay this sum over the period of time that it is likely to fall due. Although many appeals have been settled our most recent forecast of this

liability remained over £12m up to 2014/15, and almost £16m including the current year. There is however a risk that appeals are settled more quickly than resources are available which will require additional budget reductions in future years.

- 6.1.6 Whilst the economy has emerged from UK recession seen some years ago, recent global economic data tends to confirm the considerable uncertainty as to the pace of growth, and risk remains high in this area.

7. OVERALL CONCLUSION

- 7.1 Taking all of these factors into account and the proposed minimum level of the General Fund balance of £5 million, the Council is setting a budget for 2016/17 which contains a greater level of risk than in any previous year. The position is very tight, but I have concluded that overall it is robust provided the established regular monitoring arrangements remain properly resourced and remedial action promptly taken should an adverse variance be identified.
- 7.2 The minimum level of balance of £5m and reserves of £15.1m (by 31/3/17), including the remaining Prudential Reserve provides some support to help robustly manage the corporate budget risks facing the council (set out in Annex B) during 2016/17, bearing in mind the sound budget management arrangements in place.
- 7.3 However, the Council will need during 2016/17 to identify deliverable plans to ensure we remain operationally viable and balances remain robust in the medium term. We will be required to report those plans to DCLG later in the year.

ANNEX A 2015/16 BUDGET RISK ASSESSMENT

The table compares inherent and residual risks for the 2015/16 and 2016/17 budgets

Risk	Inherent Score		Residual Score	
	2016/17	2015/16	2016/17	2015/16
Overall Budget: Expenditure				
Inadequate allowance made for inflation (inc. pay award)	16	9	9	6
Underassessment of service demands from Customers	16	12	12	9
Unexpected increase in cost of Partnership Arrangements	6	6	4	4
Unexpected increase in Contract Payments	9	9	6	6
Increased costs due to Legislative Change	12	12	9	9
Increase in Project and other Workloads (capacity)	16	12	12	12
Impact of the economy	12	12	9	9
Overall Budget: Achievement of Income				
Stakeholder resistance leading to Modified Proposal	12	9	9	6
Delay in implementing Fee Increases	9	6	3	1
Customer resistance/reduced customers	12	12	9	9
Underachievement of grant funding	9	6	6	4
Increased/unexpected competition	6	6	4	3
Impact of the economy	12	12	9	9
Savings Options				
Delays in implementing/modified proposals	20	12	16	12
Unexpected or increased one-off costs	12	8	8	6
Value of saving proves to be too high	12	16	12	9
Lack of capacity to deliver - option delayed	16	12	12	9
Measures identified to deliver efficiency savings are not achieved	16	12	9	9
TOTAL Risk Score	223	179	158	132

Treasury Management Strategy Statement 2016/17

1. The Treasury Management Strategy Statement (TMSS) is an annual statement the Council is required to approve each year of our intended treasury activity, setting constraints under which that activity will (usually) operate. Given the technical nature of the subject, by way of introduction the statement is intended to explain
 - How the Council tries to minimise net borrowing costs over the medium term
 - How we ensure we have enough money available to meet our commitments
 - How we ensure reasonable security of money we have lent and invested
 - How we maintain an element of flexibility to respond to changes in interest rates
 - How we manage treasury risk overall.
- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. DCLG guideline requires the Council to approve an investment strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
- 1.2 The purpose of this TMSS is, therefore, to approve the:
 - Treasury Management Strategy for 2016/17
 - Annual Investment Strategy for 2016/17
 - Prudential Indicators for 2016/17, 2017/18 and 2018/19
 - MRP Statement (in connection with debt repayment)
- 1.3 The Council has both borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 1.4 The TMSS has been prepared based on a template provided by Arlingclose, the Council's treasury management advisor.

2 External Context

- 2.1 Economic background: Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.
- 2.2 The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

- 2.3 China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but the statements accompanying the policy decisions point have made a rate hike in December 2015 a real possibility. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.
- 2.4 Credit outlook: The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.
- 2.5 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 UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. 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 stubbornly low.
- 3 Interest rate forecast:
- 3.1 The Council's treasury advisor Arlingclose projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by an average 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.
- 3.2 A shallow upward path for medium term gilts (government bond) yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.
- 3.3 A more detailed economic and interest rate forecast provided by Arlingclose is attached at *Annex A*.
- 3.4 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%, and that new borrowing will average around 2% (a mix of short term borrowing at under 1% and some longer term borrowing at 2-3.5%).
4. Local Context
- 4.1 At 31 December, the Council had £310.17m of borrowing and £36.8m of 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.

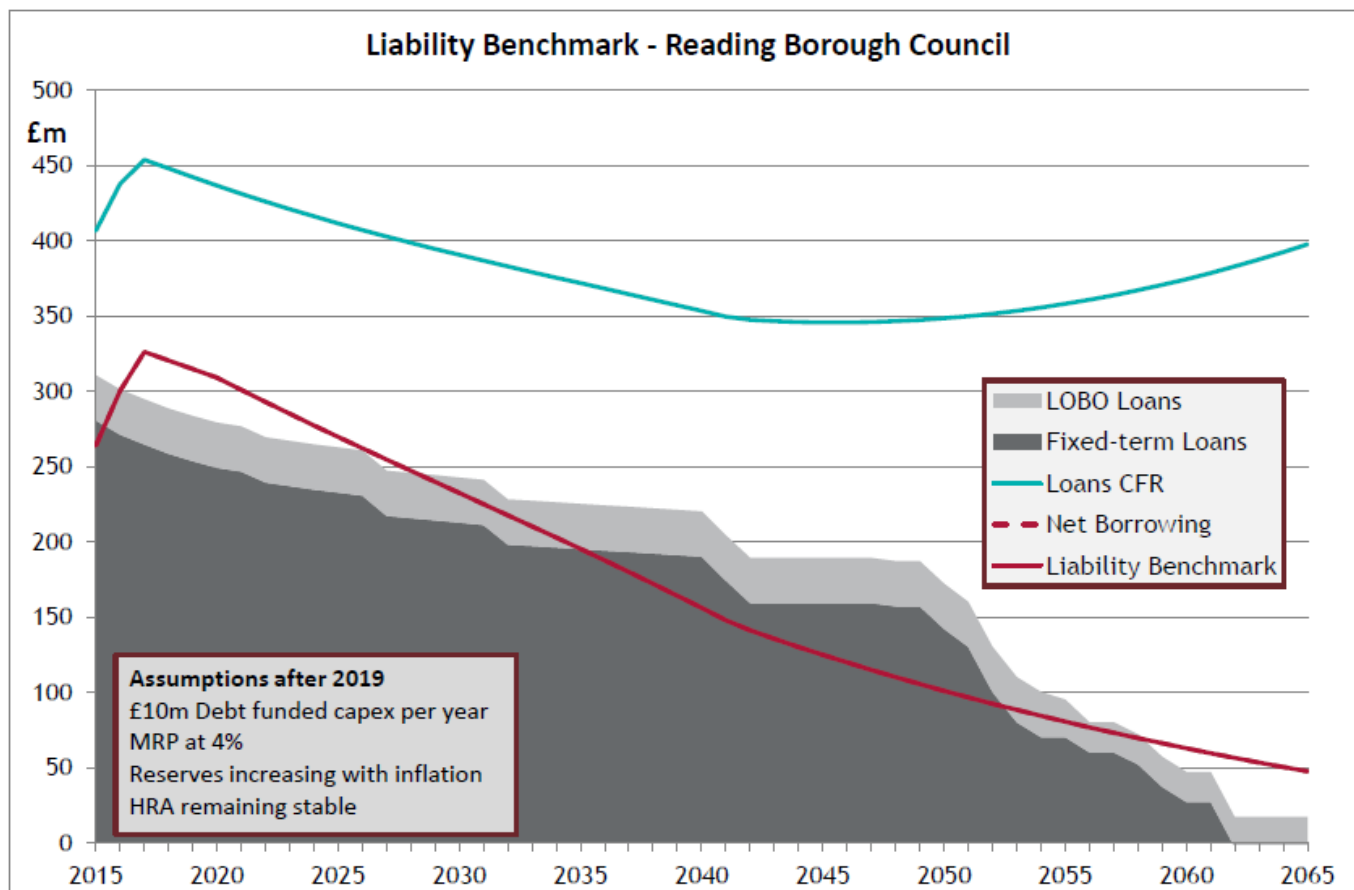
Table 1: Balance Sheet Summary and Forecast

	31.3.15 Actual £m	31.3.16 Estimate £m	31.3.17 Forecast £m	31.3.18 Forecast £m	31.3.19 Forecast £m
General Fund CFR	248.2	278.6	309.2	307.6	303.5
HRA CFR	192.6	195.1	195	193.5	189.7
Total CFR	440.8	473.7	504.2	501.1	493.2
Less: Other debt liabilities *	34.1	33.1	32.2	31.3	30.4
Borrowing CFR	406.7	440.6	472	469.8	462.8
Less: External borrowing **	313.4	301.1	294.6	288.5	283.6
Maximum New External Borrowing Requirement.	93.3	139.5	177.4	181.3	179.2
Less: Other Cash Balances (Working capital & Earmarked Reserves)	130.3	130.0	125.0	115.0	115.0
(Cumulative Investments) / New borrowing requirement	-37.0	9.5	52.4	66.3	64.2

* finance leases, PFI liabilities and transferred debt 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, subject to holding a minimum liquid cash investment balance of around £10m.
- 4.3 The Council has an increasing CFR due to the capital programme, but reducing investments, and will therefore be required to borrow around £65m over the forecast period, and up to £50m of this will be required in 2016/17. Some additional borrowing may be needed in the last few days of 2015/16.
- 4.4 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. We will comply with this recommendation during 2016/17.
- 4.5 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 current 3-4 year capital programme forecasts in table 1 above, the benchmark assumes
- capital expenditure funded by borrowing as set out in table in Section 2 of Annex C
 - Minimum revenue provision on new capital expenditure based on an average 25 year asset life
 - Income, expenditure and reserves all increase by 2.5% inflation a year



4.6 The chart shows that we'll have an increasing borrowing requirement over the next 2-3 years, but from 4 years hence our borrowing needs will fall and by around 2030 be covered by exiting long term loans. This implies that most of the borrowing we need to do should be of a relatively short term nature, subject to developments in the interest rate environment.

5 Borrowing Strategy

5.1 The Council currently holds £310.2 million of loans, a decrease of £6.5 million over the last year, reflecting our present strategy of funding the capital programme by using "internal borrowing" and reducing investments. However, the balance sheet forecast in table 1 (and our detailed treasury budget analysis) suggests we will need to borrow up to £50m towards the end of 2016/17. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £400 million.

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 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. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring

borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist 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 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 5.6 Alternatively, we may arrange forward starting loans during 2016/17, 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.
- 5.7 In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.
- 5.8 Sources: The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - UK Municipal Bonds Agency plc
 - Any other special purpose companies created to enable local Council bond issues
 - 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
 - Any other party that establishes a presence in the LA market not covered by the above categories.
- 5.9 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
 - hire purchase
 - private finance initiative
 - sale and leaseback
- 5.10 We have previously raised the majority of our long-term borrowing from the PWLB but continue to investigate other sources of finance, such as local Council loans and bank loans, that may be available at more favourable rates.
- 5.11 LGA Bond Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. With about 30 other authorities the Council was a founding investor in the company. During 2015/16 the Head of Finance has been working with two other local authority colleagues and the Agency's staff and advisors to develop the borrowing arrangements. That was completed just before Christmas, and a separate report will be coming forward to Policy Committee to explain those arrangements, and set out the final legal advice supporting the Agency structure. The Agency (which now has over 50 participating authorities) will issue bonds on the capital markets and lend the proceeds to local authorities. Borrowing authorities will be required to provide bond investors with a (legal) *joint and several guarantee* over the very small risk that other local Council borrowers default, and there will be a longer lead in time between deciding to borrow and concluding the deal, including knowing the interest rate payable.
- 5.12 LOBOs: The Council holds £30m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which

the Council has the option to either accept the new rate or to repay the loan at no additional cost. £10m of these LOBOS have options during 2016/17, 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. Total borrowing via LOBO loans will be limited to £50m. We also understand that because banking regulation has impacted how banks account for these loans, some LOBO lenders have been approaching local authorities offering early settlement terms. Should such an approach be received we will evaluate it with the assistance of Arlingclose as treasury advisor.

5.13 **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.

6 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The 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. The way the PWLB formula works makes this relatively unlikely to be pursued.

7 Investment Strategy

7.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £26 and £61 million, and generally lower levels are expected to be maintained in the forthcoming year.

7.2 **Objectives:** Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

7.3 **Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2016/17. All of the council's surplus cash had been invested in short-term unsecured bank deposits, call accounts and money market funds. However, at the end of 2014/15, as our working capital was typically £40-£50m we decided to invest some of this money CCLA's Property Fund, an investment vehicle designed solely for collective investments by local authorities in the UK property market. So far we have invested £12m (which is just under 2.5% of the fund (which now totals nationally over £500m). To date performance has been broadly as expected, though it will be a couple of years on current trends before the unit price has increased to the price we paid (because the fund has a bid-offer margin). Such investments are only undertaken after taking treasury advice from Arlingclose and on the specific authority of the Head of Finance.

7.4 **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 bank Lloyds Bank plc should circumstances arise when it does not meet the above criteria		£1m	next day***
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		£20m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		£5m each	10 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is BBB- or higher and those without credit ratings		£2m each	5 years
UK Building Societies without credit ratings		£10m each	1 year
Money market funds and other pooled funds (including the CCLA Property Fund)		Up to £20m each	n/a
Any other organisation, subject to an external credit assessment and specific advice from the Council's treasury management adviser		£5m each	3 months
		£1m each	1 year
		£100k each	5 years

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

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

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

***this category is provided to enable overnight lending to the main banker - we do not expect Lloyds Bank to fall into this category.

Table 3: Current Counterparty List as at 31st December 2015

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)	10		2 years	5 years
UK	Bank of Scotland (Lloyds Banking Group)	20	22.5%	2 years	5 years
UK	Lloyds TSB (Lloyds Banking Group)	20		2 years	5 years
UK	Barclays Bank Plc	20		2 years	5 years
UK	HSBC Bank Plc	20		2 years	5 years
UK	Nationwide Building Society	10		2 years	5 years
UK	NatWest (RBS Group)	0		2 years	5 years
UK	Royal Bank of Scotland (RBS Group)	0		2 years	5 years
UK	Standard Chartered Bank	10		2 years	5 years

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

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

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

7.5 **Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

7.6 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Council's current account bank.

- 7.7 Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the 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.
- 7.8 Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 7.9 Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- 7.10 Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.
- 7.11 Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. 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.
- 7.12 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the 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.
- 7.13 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.
- 7.14 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is

announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

7.15 **Other Information on the Security of Investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria for lending.

7.16 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the 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.

7.17 Ethical Policy

During 2015, we agreed to include an ethical statement as part of our TMSS as follows;

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 mission 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)

7.18 **Specified Investments:** The CLG Guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangement,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
 - UK Government,
 - a UK local 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.

7.19 **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 treasury

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

Table 4: Non-Specified Investment Limits

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

- 7.19 **Investment Limits:** The Council's revenue reserves available to cover investment losses are forecast to be £14.5 million on 31st March 2016. In order that excessive available reserves are not put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will normally be **£12** million. (The Head of Finance may extend this for very short periods provided market conditions are stable to £20m to facilitate efficient treasury activity). 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 5: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£12m 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	£10m each

- 8.1 The Council uses purpose-built (web-based) cash flow forecasting software to help determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the 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.

9 Treasury Management Indicators

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

- 9.1 **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

- 9.2 **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.

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

- 9.3 **Interest Rate Exposures:** This indicator is set to control the 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).

	2016/17	2017/18	2018/19
Upper limit on fixed interest rate exposure	120%	120%	120%
Upper limit on variable interest rate exposure	50%	50%	50%

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

- 9.4 **Maturity Structure of Borrowing:** This indicator is set to control the 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%	

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

- 9.5 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the 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:

	2016/17	2017/18	2018/19
Limit on principal invested beyond year end	£20m	£15m	£15m

10 Policy on Use of Financial Derivatives

- 10.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 10.2 The 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.
- 10.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

- 11 Policy on Apportioning Interest to the HRA: Reform of the Housing Revenue Account Subsidy system was completed at the end of 2011/12, when we were required to pay DCLG £147.8m. Prior to 2012/13 we were required to recharge interest expenditure and income attributable to the HRA in accordance with Determinations issued by DCLG. The Council has adopted a policy that it will continue to manage its debt as a single pool using the same regime that applied prior to self financing which will set out how interest charges attributable to the HRA will be determined, because self financing did not result in a material change to the average interest rate paid.
- 11.1 The HRA also has a notional cash balance which may be positive or negative. This balance is measured each month and interest transferred between the General Fund and HRA at the net average rate earned by the Council on its portfolios of treasury investments and short-term borrowing
- 11.2 Investment Training: The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 11.3 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.
- 11.4 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.
- 11.5 The total amount borrowed will not exceed the authorised borrowing limit of £400 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.
- 12 Financial Implications
- 12.1 The estimate for investment income in 2016/17 is £40k, based on an average investment portfolio of at least £10 million at an interest rate of 0.4%. The budget for debt interest paid in 2016/17 is £11 million, based on an average debt portfolio of £302.9 million at an average interest rate of 3.6%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.
- 13 Other Options Considered
- 13.1 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Finance having consulted the Leadership believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	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 Likely to be cost of premature repayments	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex A - Arlingclose Economic & Interest Rate Forecast January 2016

- The global economy is facing a period of slower growth, as China reorients slowly towards domestic demand. Lower demand for raw materials will depress growth in mainly developing countries where extraction is the primary industry. Countries particularly reliant on exports will also face more challenging conditions.
- Countries with stronger domestic demand, such as the UK and US, will be able to weather a temporary global slowdown, helped by lower commodity prices. However, persistently slower growth will have economic repercussions for these countries.
- Additional US monetary policy tightening will be gradual and not pre-planned. The US economy will absorb the rise in interest rates without choking off growth.
- UK economic growth will be softer in the short term but remain close to the long term trend range. Economic growth softened in 2015, with an estimated annual growth rate of 2.2% compared to 2.9% in 2014.
- Inflation is currently very low and will likely remain so over at least the next 12 months, on the back of low commodity prices and expectations of tighter UK monetary policy relative to the Euro-area. Further recent falls in the price of oil will mean the CPI rate will start to rise in 2017 rather than 2016.
- Domestic demand is key for UK growth. Household spending has been and will remain the key driver of GDP growth through 2016. Consumption will continue to be supported by real wage and disposable income growth.
- On the back of strong consumption, business investment has strengthened, which should drive some productivity growth. However the outlook for business investment may be tempered by the looming EU referendum, increasing uncertainties surrounding global growth and recent financial market shocks.
- Annual average earnings growth was 2% (including bonuses) in the three months to November, weaker than previous months. Lower earnings growth means that wage-led inflation is less likely in the short term. Improving productivity growth should support pay growth in the medium term and may alleviate the wage pressure on companies. The development of wage growth is one of the factors being closely monitored by the MPC.
- Longer term rates will be tempered by international uncertainties and weaker global inflation pressures.

Forecast:

- We have maintained our projection for the first rise in Bank Rate in Q3 2016. Risks remain weighted to the downside. We project a slow rise in Bank Rate. The appropriate level for Bank Rate will be lower than the previous norm and will be between 2 and 3%.
- We project medium term gilt yields on a shallow upward path in the medium term, with interest rate and inflation expectations remaining subdued.
- The uncertainties surrounding UK and US monetary policy, and global growth weakness, including China, are likely to continue to prompt short term volatility in gilt yields.

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	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
Official Bank Rate														
Upside risk	-	-	-	-	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.23
Articulate Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.12
Downside risk			-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-0.73
3-month LIBID rate														
Upside risk	0.05	0.10	0.10	0.20	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.30
Articulate Central Case	0.60	0.70	0.80	0.95	1.05	1.15	1.30	1.40	1.50	1.60	1.65	1.70	1.75	1.24
Downside risk		-0.30	-0.40	-0.55	-0.65	-0.75	-0.90	-1.00	-1.10	-1.20	-1.20	-1.20	-1.20	-0.82
1-yr LIBID rate														
Upside risk	0.10	0.15	0.15	0.25	0.35	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.35
Articulate Central Case	1.20	1.35	1.45	1.55	1.70	1.80	1.95	2.00	2.10	2.15	2.15	2.15	2.15	1.82
Downside risk	-0.25	-0.35	-0.45	-0.60	-0.70	-0.80	-0.95	-1.05	-1.15	-1.25	-1.25	-1.25	-1.25	-0.87
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.40	0.50	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.50
Articulate Central Case	1.30	1.38	1.45	1.53	1.60	1.68	1.75	1.83	1.90	1.98	2.05	2.13	2.20	1.75
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.40	0.50	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.50
Articulate Central Case	1.90	1.95	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.40	2.45	2.50	2.20
Downside risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.40	0.50	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.50
Articulate Central Case	2.50	2.53	2.55	2.58	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.65
Downside risk	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20	-1.20	-0.89
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.40	0.50	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.50
Articulate Central Case	2.50	2.55	2.60	2.63	2.65	2.68	2.70	2.73	2.75	2.78	2.80	2.83	2.85	2.69
Downside risk	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15	-1.15	-0.84

Annex B - Existing Investment & Debt Portfolio Position

	31/12/15 Actual Portfolio £m	31/12/15 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	275.3	3.61
PWLB - Variable Rate	4.8	0.77
LOBO Loans	30.0	3.80
Total External Borrowing	310.1	3.62
Other Long Term Liabilities:		
PFI	33.5	
Finance Leases	0.9	
Total Gross External Debt	344.5	
Investments:		
Short-term investments	19.5	0.4
Fund Managers (Federated Cash Plus Fund)	5.0	0.6+
Pooled Funds (CCLA Property Fund)	12.0	3+
Total Investments	36.5	
Net Debt	306	

Annex C - Prudential Indicators 2016/17

1 Background

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

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

Operational Boundary	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	20178/19 Estimate £m
Borrowing	400	400	400	400
Other long-term liabilities	40	40	40	40
Total Debt	440	440	440	440

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

Authorised Limit	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	410	410	410	410
Other long-term liabilities	40	40	40	40
Total Debt	450	450	450	450

Annex D - MRP Statement 2016/17 (with revision from 2015/16)

Summary Introduction

This statement has been substantially revised - following the revision last year to move to an “annuity based” MRP system for new capital after 2013/14, this statement also moves historic debt to an annuity basis over the remaining life of the asset. For pre 2007/08 debt, an annuity approach is proposed for the immediate future (instead of the previous 4% reducing balance), with a plan to move to 2% of the 2007/08 debt from 2020/21. The changed approach is 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 supported borrowing over a 50 year fixed period, (rather than never being fully repaid).

In addition the policy is extended to include a similar approach with PFI assets, and in connection with a funding strategy for our equal pay liability which we intend to develop as part of our revised financial strategy create some flexibility in the event that planned capital receipt resources do not become available as expected. The revised policy also includes 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. The revised arrangements will be applied from the current 2015/16 financial year, and propose an adjustment so all the borrowing associated with moving to the new Civic Offices just over a year ago is paid off on the same profile.

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 2015/16 and 2016/17, 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 Head of Finance (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' is 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 Head of Finance of the likely position in the years after that in determining what is prudent MRP in the circumstances. In particular, this takes account of the Council's likely need to fund equal pay settlements (paragraph 14 below) and the need for an orderly financial transition as the Council manages further substantial grant reductions announced by Central Government.
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 Head 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 the Civic Offices and 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 prior to 2007/08 - For this historic borrowing the Council does not hold detailed records that match borrowing to assets, and hitherto has 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. (The approach anticipates that the severe funding cuts of the 2011/12-2019/20 implemented or announced by Central Government will not continue beyond that year). 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”).

General Fund MRP policy: prudential borrowing from 2007/08

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 Head 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 new Civic Offices will be 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 Head 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.

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 (eg 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 Head 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.

Cashflows

14. Where a significant difference exists between capital expenditure accrued and the actual cashflows, MRP may be charged based on the cash expended at the previous year end, as agreed by the Head 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 2016/17 the Council will be putting plans in place to fully fund its (estimated) equal pay settlement liabilities. These plans will include substantial use of capital receipts, not all of which 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 2015/16 or 2016/17 if there are insufficient capital receipts to fund equal pay settlement costs in that (or the following year in the case of 2015/16). 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 be required. Instead, the capital receipts arising from the capitalised loan repayments will be used as provision to repay debt. 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 Head of Finance may make an appropriate reduction in later years' 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 Head 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.

Based on the Council's estimate of its Capital Financing Requirement on 31st March 2016, the estimate for MRP is as follows:

	31.03.2016 Adjusted CFR* £m	2016/17 Estimated MRP £m
Capital expenditure before 01.04.2007	64.8	0.6
Capital expenditure after 31.03.2007	131.2	6.0
Finance leases and Private Finance Initiative	33.0	0.2
Total General Fund	229.0	6.8
Housing Revenue Account	195.0	3.9
Total	324.0	10.7

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

Concluding Note

Any major revisions to this policy will be presented to Full Council for approval.

GENERAL FUND & SUMMARY COST CENTRE BUDGETS 2015-2016 & 2016-2017

	PAGES	ESTIMATE 2015/2016 £'000	PROBABLE 2015/2016 £'000	ESTIMATE 2016/2017 £'000
Corporate Support Services	4	10,356	12,566	13,393
Environment & Neighbourhood Services	5	60,485	33,082	33,435
Childrens, Education & Early Help Service	6	28,975	32,090	33,167
Adult Social Care & Health Services	7	66,328	38,665	40,302
Total Directorate Requirements		166,144	116,403	120,297
Capital Financing Costs		11,200	10,506	9,300
Insurance Costs		891	891	899
Property & Pensions Liabilities, Environment Agency Levy, Other Provisions & Cross Council Savings		-48,910 cr	1,153	1,133
Redundancy Provision		800	0	0
		130,125	128,953	131,629
Budget Funding Measures				
Use of Reserves		1,075 cr	425	6,800 cr
Grants		4,041 cr	4,041 cr	4,606 cr
Use of General Fund Balance		142 cr	470 cr	26 cr
Budget Requirement		124,867	124,867	120,197
Less				
Reading Share of Business Rate Income		51,556	51,556	52,577
Business Rate Tarrif Payment		22,183 cr	22,183 cr	22,368 cr
Revenue Support Grant		24,295	24,295	16,826
Reading's Share of Collection Fund Surplus/Deficit		2,738	2,738	692
Council Tax Requirement		68,461	68,461	72,470
<u>Forecast General Fund Balance</u>				
<i>1 April</i>		5,153	5,503	5,033
<i>Use of Balances</i>		142	470	26
31 March		5,011	5,033	5,007

DIRECTORATE OF CORPORATE SUPPORT SERVICES

Appendix 9

MANAGING DIRECTOR - IAN WARDLE

	2015-16	2015-16	2016-17 Budget Breakdown				2016-17
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MANAGING DIRECTOR & CUSTOMER SERVICES							
Managing Director's Office	232	230	203	40	243	0	243
Business Improvement Team	1,564	1,485	1,816	96	1,912	-378	1,534
IT Services	4,398	4,323	392	4,235	4,627	-156	4,471
Customer Services	0	1,053	1,340	557	1,897	-670	1,227
Entitlement and Assessment		812	2,549	641	3,190	-2,083	1,107
Housing Benefit & Council Tax		374	0	78,300	78,300	-78,300	0
Reading UK CIC		134	173	0	173	-89	84
Registration & Bereavement Services		-1,211	611	395	1,006	-2,208	-1,202
Berkshire Records		45	596	368	964	-839	125
Voluntary Sector Support Team	692	1,486	116	1,114	1,230	-75	1,155
MANAGING DIRECTOR & CUSTOMER SERVICES TOTAL	6,886	8,731	7,796	85,746	93,542	-84,798	8,744
FINANCIAL SERVICES							
FINANCIAL SERVICES TOTAL	3,046	3,116	2,631	1,017	3,648	-70	3,578
LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES							
Legal Services	1,236	1,616	2,727	1,859	4,586	-2,782	1,804
Committee Administration	335	318	356	7	363	-8	355
Human Resources & Payroll	1,342	1,292	1,136	419	1,555	-165	1,390
Elections/Electoral Registration	398	398	191	321	512	-103	409
LEGAL, HUMAN RESOURCES & DEMOCRATIC SERVICES TOTAL	3,311	3,624	4,410	2,606	7,016	-3,058	3,958
COMMUNICATION							
Marketing + Pub.Relations	463	463	341	143	484	-6	478
Mavoralty & Lord Lieutenant	81	63	73	44	117	-50	66
COMMUNICATION TOTAL	544	526	414	187	601	-56	544
Corporate Support Services Directorate Services Total	13,787	15,997	15,251	89,556	104,807	-87,982	16,824
Recharge to non General Fund Services	-3,431	-3,431				-3,431	-3,431
CORPORATE SUPPORT SERVICES DIRECTORATE TOTAL	10,356	12,566	15,251	89,556	104,807	-91,413	13,393

DIRECTORATE OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

Appendix 9

DIRECTOR - ALISON BELL

	2015-16	2015-16	2016-17 Budget Breakdown				2016-17
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure	Income	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>TRANSPORTATION AND STREET CARE</u>							
Neighbourhood Services	4,589	4,639	4,354	1,402	5,756	-2,135	3,621
Streetcare Services	4,572	4,452	2,698	2,910	5,608	-1,981	3,627
Network and Parking Services	-3,723	-4,148	1,084	4,568	5,652	-9,622	-3,970
Waste Disposal	8,077	7,727	185	9,604	9,789	-1,433	8,356
Transportation Services		5,718	993	7,176	8,169	-763	7,406
	4,606						
TRANSPORTATION AND STREET CARE TOTAL	0	18,388	9,314	25,660	34,974	-15,934	19,040
<u>PLANNING, DEVELOPMENT & REGULATORY SERVICES</u>							
Sustainability		77	114	71	185	-230	-45
Corporate Facilities Management	50,260	4,141	2,522	2,676	5,198	-1,834	3,364
Land & Property Development	-879	-813	270	253	523	-1,386	-863
Regulatory Services	1,378	1,393	2,568	996	3,564	-2,165	1,399
Planning	496	436	1,157	289	1,446	-859	587
Building Control	108	108	479	60	539	-429	110
Health & Safety	204	204	186	64	250	-35	215
Building Cleaning and Public Conveniences	96	96	1,320	132	1,452	-1,337	115
Property Development	6	6	280	220	500	-498	2
PLANNING, DEVELOPMENT & REGULATORY SERVICES TOTAL	51,669	5,648	8,896	4,761	13,657	-8,773	4,884
<u>HOUSING & NEIGHBOURHOOD SERVICES</u>							
Libraries	1,416	1,416	1,161	526	1,687	-210	1,477
Community Safety and Neighbourhood Initiatives	114	78	592	-302	290	-161	129
Housing Building Maintenance	-2	-1	4,359	4,987	9,346	-9,344	2
Housing GF	4,056	4,656	1,129	5,357	6,486	-1,628	4,858
HOUSING & NEIGHBOURHOOD SERVICES TOTAL	5,584	6,149	7,241	10,568	17,809	-11,343	6,466
<u>ECONOMIC & CULTURAL DEVELOPMENT</u>							
Sports & Leisure	974	799	1,977	920	2,897	-1,966	931
Business Development	235	175	210	20	230	0	230
Arts Venues	383	383	1,141	2,782	3,923	-3,474	449
Town Hall & Museum	858	858	1,115	664	1,779	-999	780
Culture & Sport Grants	74	74	0	74	74	0	74
New Directions	200	100	1,397	205	1,602	-1,564	38
ECONOMIC & CULTURAL DEVELOPMENT TOTAL	2,724	2,389	5,840	4,665	10,505	-8,003	2,502
DENS Directorate	508	508	680	9	689	-146	543
ENVIRONMENT & NEIGHBOURHOOD SERVICES DIRECTORATE	60,485	33,082	31,971	45,663	77,634	-44,199	33,435

DIRECTORATE OF CHILDRENS, EDUCATION AND EARLY HELP SERVICES

Appendix 9

INTERIM DIRECTOR - HELEN McMULLAN

	2015-16	2015-16	2016-17 Budget Breakdown				2016-17
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHILDRENS SERVICES							
Safeguarding							
Children's Social Care General	1,934	49	2,204	551	2,755	-24	2,731
Family Placement	2,909	2,868	2,758	366	3,124	-70	3,054
Locality Teams	2,983	4,247	2,643	571	3,214	0	3,214
Childrens LAC Placement		11,117	0	10,702	10,702	-151	10,551
Service Improvement	52,577	2,149	1,573	165	1,738	0	1,738
Asylum Seekers		27	74	106	180	-139	41
Safeguarding Total		20,457	9,252	12,461	21,713	-384	21,329
	22,368						
Early Help Services							
CAT Teams and Childrens Centres	20,925	3,586	4,923	173	5,096	-1,396	3,700
Intensive Support	1,247	1,205	1,857	535	2,392	-1,054	1,338
Learning Difficulties & Disabilities	1,522	1,933	820	1,195	2,015	-150	1,865
Early Help Services Total	23,694	6,724	7,600	1,903	9,503	-2,600	6,903
CHILDRENS SERVICES TOTAL	23,694	27,181	16,852	14,364	31,216	-2,984	28,232
EDUCATION SERVICES							
Education General	1,475	1,174	2,801	114	2,915	-1,555	1,360
Early Years	6,510	6,510	1,355	6,495	7,850	-887	6,963
School Improvement	1,021	891	1,100	522	1,622	-657	965
Special Education Needs	15,366	17,696	337	15,238	15,575	-196	15,379
School Support Services	521	471	713	434	1,147	-667	480
EDUCATION SERVICES TOTAL	24,893	26,742	6,306	22,803	29,109	-3,962	25,147
COMMISSIONING & IMPROVEMENT SERVICES TOTAL	930	630	0	954	954	0	954
DIRECTORATE OTHER TOTAL	228	206	184	231	415	0	415
SCHOOLS							
Schools - ISB	52,577	52,587	0	52,429	52,429	0	52,429
Schools Block	-73,347	-75,256	0	1,321	1,321	-75,331	-74,010
SCHOOLS TOTAL *	-20,770	-22,669	0	53,750	53,750	-75,331	-21,581
CHILDRENS, EDUCATION & EARLY HELP SERVICE DIRECTORATE	28,975	32,090	23,342	92,102	115,444	-82,277	33,167

* For further detail on the overall Schools budget please see Appendix 11

DIRECTORATE OF ADULT SOCIAL CARE AND HEALTH SERVICES

Appendix 9

DIRECTOR - WENDY FABBRO

	2015-16	2015-16	2016-17 Budget Breakdown				2016-17
	Estimate	Probable	Employee	Running	Gross	Income	Estimate
	Budget	Budget	Costs	Costs	Expenditure		Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT SERVICES							
ASC Management	-3,389	-3,374	660	2,030	2,690	-4,547	-1,857
Group Homes and Properties	0	-81	19	83	102	-200	-98
Adult Social Care Activities	37,789	10,075	9,188	1,969	11,157	-847	10,310
Safeguarding	339	339	269	171	440	-87	353
Sensory Support	163	163	0	236	236	-35	201
Mental Health Support	2,434	2,721	412	2,241	2,653	-277	2,376
Learning Disability Support	13,213	13,806	1,382	13,086	14,468	-1,146	13,322
Memory and Cognition Support	3,141	3,438	0	3,487	3,487	-804	2,683
Physical Support	10,571	11,473	0	15,644	15,644	-4,513	11,131
ADULT SERVICES TOTAL	64,261	38,560	11,930	38,947	50,877	-12,456	38,421
COMMISSIONING & IMPROVEMENT SERVICES							
Head of Commissioning	187	187	195	20	215	0	215
Performance and Data Services	285	268	347	7	354	-75	279
Commissioning Services	647	552	632	15	647	0	647
Operation and Support Services	500	500	338	35	373	-92	281
COMMISSIONING & IMPROVEMENT SERVICES TOTAL	1,619	1,507	1,512	77	1,589	-167	1,422
WELLBEING TOTAL	0	0	832	9,930	10,762	-10,762	0
DIRECTORATE OTHER TOTAL	448	-1,402	425	34	459	0	459
ADULT SOCIAL CARE & HEALTH DIRECTORATE TOTAL	66,328	38,665	14,699	48,988	63,687	-23,385	40,302

CURRENT CAPITAL PROGRAMME POSITION

	2016/17	2017/18	2018/19	Funding 2016/17 £' 000				Total	Funding 2017/18 £' 000				Total	Funding 2018/19 £' 000				Total
				Grant	S106s	Receipts	Borrowing		Grant	S106s	Receipts	Borrowing		Grant	S106s	Receipts	Borrowing	
Safeguarding and protecting those that are most vulnerable																		
Voluntary Sector Support	75	50	50				75				50				50		50	
Oxford Rd Community Centre	150						150										150	
Supported Living - Avenue Site (Ringfenced Grant) HRA	800						800										800	
Disabled Facilities Grants (Private Sector-Ringfenced Grant)	500	500	500	380			120	380			120				380		500	
Disabled Facilities Grants (Local Authority Tenants) HRA	390	390	390			390				390						390	390	
Day Services relocation	360			360			360										360	
	2,275	940	940	740	-	390	1,145	2,275	380	-	390	170	940	380	-	390	170	940
Providing the best life through education,early help and healthy living																		
AMU	500	500	500	500				500					500	500			500	
Schools - Fire Risk Assessed remedial Works	200	200	200	200				200					200	200			200	
Critical Reactive Contingency: Health and safety (Schools)	750	500	500	750				750					750	500			750	
Primary School Expansion Programme (Ringfenced grant)	17,897	1,000					17,897	4,728			3,728		1,000				1,000	
Crescent Rd Playing Field	180	5		180				180					5				185	
Heating Systems & Boilers	250	500		250				250					500				750	
Electrical Supply & Rewiring	250	1,050		250				250		1,050			1,050				2,350	
1FE Expansion in West Reading	3,100	150		3,100				3,100		150			150				3,250	
Emerging basic need in primary (additional classes)	1,000	500		1,000				1,000		500			500				1,500	
SEND Facilities	2,500	1,000		2,500				2,500		1,000			1,000				3,500	
Ranikhet	700	670		295			405	700		670			670				1,370	
	27,327	6,075	1,200	9,025	-	-	18,302	27,327	9,803	-	-	3,728	6,075	1,200	-	-	1,200	
Providing homes for those most in need																		
Housing Revenue Account-Major Repairs	8,725	6,795	7,117				8,725				6,795				7,117		7,117	
Housing Revenue Account-New Build	2,900	3,488					870	2,030			1,046	2,442	3,488				3,488	
Housing Revenue Account-Lowfield Rd Temporary Accommodation	1,000						1,000	1,000					1,000				1,000	
Private Sector Renewals	500	500	500				500				500		500			500	500	
Dee Park Regeneration	200	200					200	200			200		200				200	
Wholly-owned Housing Company (set-up costs)	100						100	100					100				100	
	13,425	10,983	7,617	-	-	9,595	3,830	13,425	-	-	7,841	3,142	10,983	-	-	7,117	500	7,617
Keeping the town clean,safe,green and active																		
Central Club	220						220	220									220	
Hosier Street Regeneration	3,000						3,000	3,000									3,000	
Safer Communities	80	80	80				80	80			80		80				80	
The Keep	100						100	100									100	
Mapledurham	85					85		85									85	
Small Leisure Schemes	500	500	500			500		500		500			500				1,500	
Abbey Quarter HLF Scheme (Capital Element)	1,875	883		1,125	750			1,875	351	282	250		883				1,875	
Tree Planting	50	50	50				50	50			50		50			50	50	
Invest to Save Energy Savings - Street Lighting	4,900	4,900		3,430			1,470	4,900	3,430		1,470		4,900				4,900	
Invest to Save Salix (match funding for Energy Efficiency Schemes)	250	250	250				250	250			250		250			250	250	
	11,060	6,663	880	4,555	1,335	-	5,170	11,060	3,781	782	-	2,100	6,663	-	500	-	380	880
Providing infrastructure to support the economy																		
M4 Junction 11	60	60	60				60			60					60		60	
LSTF Large (Match Funding)	350			350				350									350	
Integrated Transport Block	1,140	1,580	1,580	1,140				1,140	1,580				1,580	1,580			1,580	
Pinch Point Schemes (Ringfenced grant & Match Funding)	90			90				90									90	
Bridges and Carriageways	1,949	1,823	1,699	1,424			525	1,949	1,383		440		1,823	1,259		440	1,699	
Culture & Leisure facilities	2,075	825	200				2,075	2,075			825		825			200	200	
Cemeteries and Crematorium	100						100	100									100	
Rivermead Essential Works	355	237					355	355			237		237				237	
	6,119	4,525	3,539	3,004	-	60	3,055	6,119	2,963	-	60	1,502	4,525	2,839	-	60	640	3,539
Remaining financially sustainable to deliver these service priorities																		
ICT Infrastructure (Invest to save)	2,292	1,000	1,000				2,292	2,292			1,000		1,000			1,000	1,000	
Replacement Vehicles	1,795	1,495	1,090				1,795	1,795			1,495		1,495			1,090	1,090	
Invest in council buildings/Health & Safety Works	2,500	3,000	2,500				2,500	2,500			3,000		3,000			2,500	2,500	
Libraries invest to save proposal	250						250	250									250	
Community Hubs	800	300		500			300	800			300		300				300	
Capitalisation (incl Oracle)	580	230	230				580	580			230		230			230	230	
Capacity & Resilience	180						180	180									180	
Facilitating Rationalisation of Office Accommodation	1,500						1,500	1,500									1,500	
	9,897	6,025	4,820	500	-	-	9,397	9,897	-	-	-	6,025	6,025	-	-	-	4,820	4,820
	70,103	35,211	18,996	17,824	1,335	10,045	40,899	70,103	16,927	782	8,291	9,211	35,211	4,419	500	7,567	6,510	18,996
Less HRA	1,3815	1,0673	7,507	0	0	9,985	3,830	1,3815	0	0	8,231	2,442	1,0673	0	0	7,507	0	7,507
General Fund	56,288	24,538	11,489	17,824	1,335	60	37,069	56,288	16,927	782	60	6,769	24,538	4,419	500	60	6,510	11,489

Dedicated Schools Grant

The Dedicated Schools Grant (DSG) and income from the Education Funding Agency (EFA), provided to fund Post-16 education, are combined to fund the Schools' Budget.

The structure of the schools funding formula for 2016/17 is unchanged from last year. Unit factors have been reduced by 1.5% due to pressures on the high needs block. There are expected to be changes to the schools funding arrangements in 2017/18 and we are awaiting a government consultation paper on this.

The DSG is a ring-fenced grant provided by the DfE to councils in order to fund their education provision and is split into three notional blocks: the Early Years Block, the Schools Block and the High Needs Block. Councils can transfer funding between the blocks but should generally consult with Schools Forum on this.

The Schools Block and schools funding formula for 2016-17 are based on the October 15 census of pupil numbers. The provisional Early Years Block funding published by the DfE is based on January 16 census numbers. However, the allocations will be up-dated during 2016-17 so that by the end of March 17 Early Years block funding will be based on a combination of the January 16 and January 17 census counts. The funding of free entitlement of 3 and 4 year olds through the Early Years Single Funding Formula (EYSFF) to providers will be based on participation each term.

Please see table below for information regarding the amount of funding available for each block. The table shows allocations published by the DfE on their website.

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2016-to-2017>

2016-17 DSG funding available as at January 16 (£m)
(before academy recoupment)

	Early Years (Provisional)	Schools Block	High Needs	2016-17 Total
DSG as per DfE	9.5	82.0	16.8	108.3
Delegation of bands 4, 5 and part of 6 funding		1.1	-1.1	0.0
Transfer to High Needs block for pressures		-1.6	1.6	0.0
Transfer of High Needs Budgets For Early Years Provision	0.3		-0.3	0.0
Total funding available	9.8	81.5	17.0	108.3

In terms of a comparison the DSG was £105.m in 2015/16 (and the agreed block split was Early Years - £9.6m, Schools - £78.9.m, High Needs £16.9m).

Schools' Block

The Council is responsible for the allocation of formula funding from the Schools Block to schools, after consultation with the Schools' Forum. As noted previously there have been no changes to the formula other than a reduction in unit values by 1.5%.

For funding to be retained centrally, it has to meet certain criteria imposed by the DfE and be approved by the Schools Forum. Most expenditure cannot be increased other than that for equal back pay and the growth fund. For 2016/17 we currently estimate a further equal back pay contribution (15/16 £0.5m) will not be required, but this will depend upon the outcome of claims. The growth fund at £0.97m (15/16 £1.027m) reflects the planned primary school expansion programme and also the introduction of a falling rolls scheme, which assists schools with a short term reduction in places, provided that this is temporary only and that they meet certain other criteria.

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

All of the central retentions and de-delegations proposed by the Authority were agreed by Schools Forum on 10 December 2015. The table overleaf shows the amount of retained funding agreed by Schools' Forum and de-delegations agreed by members representing maintained schools: -

DSG retentions and De-delegations	Amount £m
Retentions: -	
Growth Fund	0.97
Contribution to combined services	0.63
Prudential Borrowing	0.05
Admissions	0.11
Servicing of Schools' Forum	0.02
Capital Expenditure from Revenue (costs of providing Kitchen Equipment)	0.14
Copyright licences (CLA and MPA)	0.09
Total retentions	2.01
De-delegations: -	
Behaviour Support	0.22
Support for under-achieving and EAL ethnic groups	0.09
Staff Supply cover - Union duties	0.05
School Improvement	0.25
Schools in Financial Difficulty	0.05
Total de-delegations	0.65

The total level of retentions agreed by Schools' Forum is £2.01m. The Maintained School members of Schools' Forum have also agreed de-delegations totalling £0.65m.

The Minimum Funding Guarantee, which provides some protection to schools from changes to formula funding from one year to the next, is set by the DfE at -1.5% per pupil.

The Schools Forum was consulted at the December 2015 & January 2016 about the Authority's proposal to transfer £0.5m from schools block headroom into the high needs block in 2015/16 given the pressures in that area. We have proceeded with this decision in the absence of any objections from Schools Forum. The figure is less than the anticipated £1.5m due to the lagged funding of growing free schools which is recouped from the DSG without the estimated growth in pupil numbers between Oct 15 to Sep 16 being funded by the DfE.

The total formula funding, before de-delegations, by phase is: Primary £50.2m and secondary £29.5m.

Pupil premium 2016/17 illustrative allocation tables have not yet been published by DfE. This is not expected until close to the end of the current financial year, although no significant increases in rates are expected. Final pupil premium allocations will be determined by numbers of children on roll at the January 2016 census. Further details are also expected on

other grants (including universal infant free school meals & schools sports grants). These grants are largely passed on to schools in line with the DfE allocation approach.

Academies and free schools receive funding using the same local formula as maintained schools. They and the other academies will also receive a new Education Services Grant allocation for education services that are provided for maintained schools by the Council, but have to be provided by the academies themselves. The Council also receives Education Services Grant for maintained school pupils, but a much smaller element in academies. This grant reduces over time as more schools convert to Academy status and the overall funding rates have also been reduced. The Authority will receive £1.29m in 2016/17 as compared to £1.47m in 2014/15, a reduction of almost £190k. The grant will be adjusted in year should further schools convert to academies.

Early Years Block

The bulk of funding from the Early Years block will be used to fund the 15 hours per week free entitlement for three and four olds through the Early Years Single Funding Formula. Funding is also provided for free entitlement for two year olds from deprived backgrounds and this is being extended in due course to working parents below a set income threshold from 2017/18. Pupil premium for early year's children is also received separately.

Schools' Forum have asked the early years subgroup to review & refresh the current early years single funding formula to address a number of funding and cost issues and moreover to prepare for a national formula in 2017/18 which has been signposted by the DfE.

High Needs Block

The High Needs Block is the funding the Council will receive from the Education Funding Agency (EFA) for high needs children. This includes the funding previously allocated through the formula for Special Schools, Resource Units and funds held centrally for Cranbury College. Other services such as post 16 SEN funding are funded from this block.

The Council has agreed the number of places at the SEN and alternative provision within the borough's boundaries which will guarantee a certain amount of funding per place (£10k) for providers. The Council is a commissioner of specialist provision, having responsibility for providing 'top up' funding for those children and young people assessed as requiring this and hold a central budget for SEN Services as part of the High Needs Block. These 'top ups' may also apply to children in mainstream provision and a new system of school cluster based panels have been set up to moderate and make determinations on funding top ups. This new system has been underway since September 2015 and will be subject to an ongoing evaluation in terms of its effectiveness in meeting needs with a constrained resource base.

Like many other authorities in the country, the high needs block has come under significant financial pressure in 2015/16 with an expected overspend of c £2m flowing from increasing population, limited provision within the borough, increase demand and level of need, 16-25 extension and the fact that funding for this block is largely set at the 2011/12 level. Whilst a subgroup of Schools Forum had identified potential in year savings of c £0.6m these have been deferred until 2016/17. The Council has also set aside funding within its capital programme of c £2.5m to expand in borough provision of resource units in line with the recommendations of the group and is also earmarking additional project management capacity to drive forward the necessary step changes.

DSG deficit and recovery plan

At the 2015/16 year-end it is anticipated there will be a net DSG deficit of c £0.7m (namely the high needs deficit £2m less any surplus from the other blocks c £1.3m) which will require an approval of Schools Forum. The funding of that deficit will need to be addressed with £0.84m already earmarked from 16/17 DSG as agreed with Schools Forum and any other block surpluses being reviewed and scrutinised. In consequence with the residual deficit and likely continued pressures on the high needs block in 16/17, it will be important to implement a savings programme and recovery plan based upon the work done to date by the Sub Group for the high cost block within the DSG as early as possible during the 2016/17 financial year.

This issue represents a significant risk to the Authority and Schools within the borough as any shortfall is likely to impact significantly on future funding at a time of a tightening budgets and likely changes in national funding from 2017/18. Whilst the DfE will review funding of the high cost block funding for 2017/18 this may not take account of a historic deficit position. Therefore the Authority and Schools will need to address in a measured and disciplined way over the short to medium term. The Council has set aside funding within its capital programme of c £2.5m to expand in borough provision of resource units in line with the recommendations of the group and is also earmarking additional project management capacity to drive forward the necessary step changes. Resource is also required to significantly enhance the system for commitment based accounting, forecasting/ budgeting and also to improve demand management & effective controls over resource allocation.

APPENDIX 1: DRAFT HOUSING REVENUE ACCOUNT

	2015-16 Budget	2015-16 Probable	2016-17 Budget
Expenditure			
	£'000	£'000	£'000
Responsive & Planned Repairs (1)	5,235	5,088	5,518
Major Repairs (1)	6,970	7,196	7,843
Major Repairs - Hexham Road	1,400	1,186	1,400
Major Repairs - Solar Panels	1,000	1,442	0
Major Repairs c/fwd (2)	-140	-559	0
Major Repairs - Hexham Road c/fwd (2)	-1,400	-1,186	-1,200
Major Repairs - Solar Panels c/fwd (2)	-1,000	-1,442	0
Emergency Provision	200	200	200
Total Repairs	12,265	11,925	13,761
Managing Tenancies	1,835	1,898	1,814
Management, Policy & Support	4,328	4,280	4,510
PFI	6,856	6,856	6,943
Rent Collection	866	827	986
Building Cleaning, Warden, Concierge & Energy Costs	2,099	2,037	2,118
Rents, rates and other	281	274	283
Total Supervision & Management	16,265	16,172	16,654
Capital Financing costs (3)	10,600	10,600	10,600
TOTAL HRA EXPENDITURE	39,130	38,697	41,015
Income			
Dwelling Rents (4)	34,940	35,350	34,610
Garages	450	450	450
Heating Charges	200	200	200
Shop Rents	190	190	190
Total Rents	35,780	36,190	35,450
PFI Allowance	3,997	3,997	3,997
Interest on Revenue Balance	110	110	110
Service Charges	450	450	450
Other Income	36	152	168
Total Other Income	4,593	4,709	4,725
TOTAL HRA INCOME	40,373	40,899	40,175
Net Expenditure/(Income)	(1,243)	(2,202)	840

- (1) The underlying trend on day to day, planned and major repairs remains the same.
- (2) There has been a shift in the spend profile for some of the major repairs projects. For example £1.2m previously agreed expenditure is being carried forward into 16/17.
- (3) The scope for additional voluntary debt repayment will be reviewed.
- (4) The dwelling rent includes a 1% decrease following the Chancellor's Spending Review announcement.