

To: Councillor Brock (Chair)
Councillors Page, Duveen, Emberson,
Ennis, Hoskin, James, Jones, Pearce,
Robinson, Rowland, Skeats, Stevens, Terry
and White

Direct: ☎ 0118 9372303

8 November 2019

Your contact is: **Simon Hill - Committee Services (simon.hill@reading.gov.uk)**

NOTICE OF MEETING - POLICY COMMITTEE 18 NOVEMBER 2019

A meeting of the Policy Committee will be held on Monday, 18 November 2019 at 6.30 pm in the Council Chamber, Civic Offices, Reading, RG1 2LU. The Agenda for the meeting is set out below.

- | | | | |
|----|--|---------------------|----------------|
| 1. | CHAIR'S ANNOUNCEMENTS | | |
| 2. | DECLARATIONS OF INTEREST | | |
| 3. | MINUTES | | 5 - 16 |
| 4. | PETITIONS AND QUESTIONS | | |
| | To receive any petitions from the public and any questions from the public and Councillors. | | |
| 5. | DECISION BOOK REFERENCES | | |
| 6. | COMMUNITY SAFETY PARTNERSHIP PLAN | BOROUGH WIDE | 17 - 48 |
| | This report sets out for approval the 2019-22 Community Safety Plan for Reading. | | |
| 7. | LOCAL COUNCIL TAX SUPPORT SCHEME: PROPOSED CHANGES | BOROUGH WIDE | 49 - 60 |
| | This report sets out a range of options to make amendments to the local Council Tax Support Scheme for the 2020/21 financial year. | | |
| 8. | LIQUID FUEL PROCUREMENT | BOROUGH WIDE | 61 - 68 |

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This report seeks the Committee's approval to enter into new contracts for fuel supplies.

9. **REGULATION OF INVESTIGATORY POWERS ACT 2000** **BOROUGH WIDE** **69 - 80**

This report provides an update on the use of the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2018/2019 financial year.

ITEM TO BE CONSIDERED BY THE COMMITTEE ACTING AS SOLE MEMBER FOR BRIGHTER FUTURES FOR CHILDREN

10. **BRIGHTER FUTURES FOR CHILDREN CONTRACTS PERFORMANCE REPORT** **BOROUGH WIDE** **81 - 142**

This report asks the Committee, in its capacity as sole member for Brighter Futures for Children Limited, to note the Company's retrospective finances and performance - FY 2018/19 report.

ITEM TO BE CONSIDERED BY THE COMMITTEE ACTING AS SHAREHOLDER OF HOMES FOR READING LIMITED

11. **HOMES FOR READING - AMENDMENT TO ARTICLES** **BOROUGH WIDE** **143 - 170**

This report seeks approval for amendments to HfR's Articles of Association, to reflect the new and reduced composition of the company Board.

ITEMS FOR CONSIDERATION IN CLOSED SESSION

12. **EXCLUSION OF THE PRESS AND PUBLIC**

The following motion will be moved by the Chair:

"That, pursuant to Section 100A of the Local Government Act 1972 (as amended) members of the press and public be excluded during consideration of the following items on the agenda, as it is likely that there would be disclosure of exempt information as defined in the relevant Paragraphs of Part 1 of Schedule 12A (as amended) of that Act"

13. **DECLARATIONS OF INTEREST FOR CLOSED SESSION ITEM**

14. **POTENTIAL PROPERTY ACQUISITION** **BOROUGH WIDE** **To Follow**

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Members of the public who participate in the meeting will be able to speak at an on-camera or off-camera microphone, according to their preference.

Please speak to a member of staff if you have any queries or concerns.

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Present: Councillor Brock (Chair);

Councillors Page (Vice-Chair), Duveen, Emberson, Ennis, Hoskin, Jones, Pearce, Robinson, Rowland, Skeats, Terry, Warman and White

Apologies: Councillors James and Stevens

RESOLVED ITEMS

27. MINUTES

The Minutes of the meeting held on 15 July 2019 were agreed as a correct record and signed by the Chair.

28. PETITIONS AND QUESTIONS

Peter Burt presented a petition on Arthur Hill Pool. Councillor Brock responded to the petition.

Questions on the following matters were submitted by members of the public:

	<u>Questioner</u>	<u>Subject</u>	<u>Reply</u>
1.	Roger Lightfoot	Leisure Procurement	Cllr Hoskin
2.	Roger Lightfoot	Viability of Pool in Palmer Park	Cllr Hoskin
3.	Peter Burt	Arthur Hill Pool	Cllr Hoskin
4.	Peter Burt	Outsourcing of Leisure Services	Cllr Hoskin
5.	Moira Gomes	Nursery Funding	Cllr Pearce
6.	Ann Dally	Council Website	Cllr Emberson
7.	Ann Dally	Online Payments	Cllr Emberson
8.	Ann Dally	Debt and Mental Health	Cllr Hoskin
9.	Michael Sage	Citizens Assembly	Cllr Brock
10.	Michael Sage	Reading 2050 Partnership	Cllr Brock
11.	Stuart Kinton	Climate Emergency	Cllr Page

Questions on the following matters were submitted by Councillors:

	<u>Questioner</u>	<u>Subject</u>	<u>Reply</u>
1.	Councillor White	Heathrow Expansion	Cllr Page
2.	Councillor White	Former Central Club building	Cllr Brock
3.	Councillor White	Fossil Fuel divestment	Cllr Brock

(The full text of the petition, questions and responses was made available on the Reading Borough Council website).

29. THAMES VALLEY POLICE

Anthony Stansfeld, Thames Valley Police & Crime Commissioner (PCC), and John Campbell, Chief Constable of Thames Valley Police (TVP), attended the meeting to give presentations and answer questions from members of the Committee. Superintendent Bhupinder Rai also attended to answer questions on local issues.

The presentation by the PCC covered an overview of policing in the Thames Valley, progress against the Strategic Priorities for 2017-21, funding awarded by the PCC, the Victims First service, call response performance and a summary of crime performance in 2018-19 with comparisons to historic trends. The PCC also gave a statement on the future of Reading Police Station.

The presentation by the Chief Constable covered priority outcomes for 2019/20, call volumes to 101 and 999 and average time to answer calls, assaults on officers, key crime areas and local issues in Reading, local partnerships and crime prevention initiatives and current challenges faced by TVP.

The Committee asked questions on subjects including attendance at Neighbourhood Action Groups, neighbourhood policing resources in South Reading, the possibility of local authority enforcement of speeding offences, police readiness for Halloween and recruitment and retention of police officers and PCSOs.

At the invitation of the Chair, a local resident Vanessa Brockway addressed the meeting on the increasing problem of drug-related crime and ASB in the Zinzan Street area.

Resolved -

That the Police & Crime Commissioner and Chief Constable be thanked for their presentations.

30. ARTHUR HILL POOL

The Director of Economic Growth and Neighbourhood Services submitted a report providing an update on the former Arthur Hill Swimming Pool and setting out a recommendation that the property be appropriated by the Council's Housing Revenue Account (HRA) and developed to provide key worker housing for rent. The following documents were attached to the report:

- Appendix A: Site plan
- Appendix B: Appraised development option

The report noted that the Committee had agreed to dispose of Arthur Hill Pool at its meeting on 16 July 2018 (Minute 16 refers). Following a longer than anticipated period of due diligence, and the submission of a reduced unconditional offer by the preferred bidder, it had not been possible to complete the disposal. External specialist companies had been commissioned to provide updated condition reports at the Arthur Hill site with a

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focus on the locally listed frontage; the exercise had confirmed negligible levels of chloride and sulphate levels in the concrete, mortar and soil samples tested, providing a positive position on the site.

The report explained that, following the discontinuance of the disposal process, the options considered had been to re-market the site for disposal in accordance with the Asset of Community Value process, or for the HRA to appropriate the site for the development of social housing for rent. The report summarised the two options and recommended appropriation into the HRA to develop and deliver housing for rent, with a focus on key worker accommodation. This provided the greatest certainty in developing and delivering a cost-effective, sustainable and socially useful scheme for Reading in the shortest possible time, and the location of the site near to key employment sites offered an opportunity to develop housing for key workers. Another disposal process was considered to be uncertain and would be likely to incur further time, cost and delay in bringing the site back into active use.

Attached to the report at Appendix B was a design appraisal for the development of housing on the site. The proposal retained the locally listed frontage with demolition of the remaining building, to accommodate 15 units. It would take approximately two years to complete the development taking into account the design requirements, level of community engagement involved in the planning process and allowing for any potential unforeseen issues in the construction phase.

At the invitation of the Chair, Peter Burt addressed the Committee on this item. Mr Burt had presented a petition to the meeting requesting that the Council include the possibility of reopening Arthur Hill for leisure, sporting, and community activities in its options review, and consult the public on the future of the site. The petition had received over 1500 signatures and was due to be debated at the next available full Council meeting.

Resolved -

- (1) That the current position on the Arthur Hill site, including the updated condition reports, be noted;**
- (2) That the appropriation of the site into the Housing Revenue Account to enable the Council to develop and deliver housing as key worker accommodation to rent be approved;**
- (3) That the option to charge an Affordable Rent (80% Market Rent) level for the key worker accommodation developed on the site be approved;**
- (4) That the Director of Economic Growth and Neighbourhood Services, in consultation with the Assistant Director of Finance, the Assistant Director of Legal & Democratic Services and the Lead Councillor for Housing, be authorised to allocate up to £5m (including contingency) of Housing Revenue Account spend to deliver circa 15 new Council homes**

at the Arthur Hill site, with spend approval being subject to the proposed development gaining planning permission;

- (5) That the Director of Economic Growth and Neighbourhood Services, in consultation with the Assistant Director of Finance, the Assistant Director of Legal & Democratic Services and the Lead Councillor for Housing, be authorised to procure a multi-disciplinary team to carry out all necessary work towards site development, including detailed designs, securing planning permission and assisting in the procurement of a main contractor for the development;
- (6) That the Director of Economic Growth and Neighbourhood Services, in consultation with the Assistant Director of Finance, the Assistant Director of Legal & Democratic Services and the Lead Councillor for Housing, be authorised to appoint a main contractor.

31. HOUSEHOLD WASTE - THE WAY FORWARD

The Director of Economic Growth and Neighbourhood Services submitted a report setting out a proposed way forward for the Household Waste service, to achieve the strategy of increasing recycling and reducing the cost of waste. The following documents were attached to the report:

- Appendix 1 Matrix Summary of Five Options
- Appendix 2 re3 Background
- Appendix 3 Resources and Waste Strategy 2018
- Appendix 4 Current Provision
- Appendix 5 Savings and Income background
- Appendix 6 Governance Structure

The report outlined the context of industry changes, in particular government strategy changes, which required significant change in the Council's approach to household waste. Appendix 1 to the report set out business cases for five options that had been considered and rated. The highest rated option was to implement a new food waste collection service, alongside fortnightly residual collections from smaller 140 litre bins.

The report explained that the proposed option was estimated to achieve an 11.5% increase in the recycling rate, from the current rate of 32% to 43.5%, and £107k annual savings. Further detailed modelling was required to refine the expected final position and commencement of the new service could be planned for as early as October 2020.

The report proposed that a Member Task and Finish cross party working group be set up and it was agreed at the meeting that membership be based on a proportionality of: 6 Labour; 3 Conservative; 1 Green; 1 Liberal Democrat. The first meeting of the Group had been scheduled for 15 October 2019.

Resolved -

- (1) That a combined new waste service be introduced of alternate weekly collections with 140l residual bins and weekly food waste collection;
- (2) That a Member Task and Finish cross party working group be set up, on a proportionality of: 6 Labour; 3 Conservative; 1 Green; 1 Liberal Democrat, to ensure appropriate engagement throughout the process and to enable clear oversight and input to the pilot phases and roll out programme;
- (3) That Group Leaders make their nominations for membership of the Household Waste Working Group prior to the first meeting of the group on 15 October 2019;
- (4) That regular updates be provided on progress against the action plan, including to HNL Committee in November 2019.

32. CHESTNUT WALK IMPROVEMENTS

The Director of Economic Growth and Neighbourhood Services submitted a report seeking approval for improvement works to Chestnut Walk, consisting of removal of the existing Horse Chestnut trees and planting of a new avenue of Sweet Chestnut trees, new pedestrian lighting, installation of a new CCTV camera connected to the town centre network and resurfacing of the footpath in tarmac.

The report noted that Chestnut Walk was planted with an avenue of over mature horse chestnut trees. An inspection in 2016 had revealed significant defects in a high proportion of the trees, including canker and fungal brackets; two trees had been felled and several others pruned. In 2017 another tree had failed and had been removed. In summer 2018, prior to the re-opening of the Abbey Ruins, further deterioration had been noted, and after an inspection in winter 2018 four further trees had been felled. The remaining trees would continue to deteriorate and therefore a planned wholesale replacement was recommended to ensure this important pedestrian thoroughfare remained safe and attractive for public use.

The report recommended that the Horse Chestnuts be replaced with fourteen Sweet Chestnut trees, alongside a wider scheme to install lighting and a CCTV camera, and re-tarmac the surface. This access route to the town centre would become more important as new housing developments were built on the former Homebase and other sites in the area. The report set out a timeline for the project, which aimed to be complete before 3 April 2020.

Resolved -

- (1) That the forecast capital expenditure of £120k out of the total project cost of £160k to be spent in the current year (2019/20) be approved;
- (2) That the Assistant Director of Legal and Democratic Services and the Assistant Director for Environment & Commercial Services be authorised

to procure and implement the works within the funding limits set out in the report;

- (3) That it be noted that advice from the Local Planning Authority was that the scheme would not require planning approval, but as the area was within the Schedule Monument of Reading Abbey Ruins it would require Schedule Monument Consent (SMC) from Historic England;
- (4) That the Assistant Director for Environment & Commercial Services be authorised to progress and submit the SMC application to seek approval from Historic England to carry out below ground works within the Schedule Monument;
- (5) That it be noted that tree removals works would be scheduled to take place in early February 2020 to implement the scheme.

33. BRIDGE MAINTENANCE (WORKS) TERM CONTRACT 2020-2024

The Director of Economic Growth and Neighbourhood Services submitted a report informing the Committee of the ongoing procurement process for the Bridge Maintenance (Works) Term Contract 2020-2024 and seeking authority to enter into a contract with the successful tenderer after the tendering process in accordance with the Public Contracts Regulations 2015.

The report noted that the Council was responsible for the maintenance of over 260 bridges and structures on the public highway. A term consultant was employed who carried out a programme of routine inspections of all the bridges and structures and produced an annual programme of maintenance work. The programme of maintenance was carried out by a single contractor and had been run under a term contract that had been tendered for in 2005. This contract now required re-tendering, and it was proposed to tender for a new term contract commencing in 2020 for an initial term of 48 months, with the option to extend by a further 36 months subject to performance.

Resolved -

That the Director for Economic Growth & Neighbourhood Services, in consultation with the Lead Councillor for Strategic Environment, Planning and Transport, the Assistant Director of Legal & Democratic Services and the Assistant Director of Finance, be authorised to enter into a contract with the successful tenderer for the Bridge Maintenance (Works) Term Contract 2020-2024 with a possible three-year extension.

34. BUILDINGS COMPLIANCE AND CONDITION PROGRAMME

The Director of Economic Growth and Neighbourhood Services submitted a report on a proposed package of compliance and condition works following compliance audits and surveys carried out across the Council's corporate buildings. The report sought approval to release designated capital spend of £4.5m to carry out a programme of works over the

next three years. A list of the projects included in the Corporate Condition/Compliance Programme 2019/22 was attached to the report.

The report set out the allocation of the £4.5m budget against Condition Works and Health & Safety and Compliance work over three years. It noted that the provisional package of works currently exceeded the available annual budget, and explained that the programme would be developed and refined over coming months and managed to ensure that expenditure was controlled within budget. The programme and its budget were monitored on a monthly basis to ensure high priority works were implemented, the timing of other works was reviewed based on budget availability and that adequate contingencies were retained for unforeseen works. Any works not carried out in 2019/20 would be included in the programme for 2020/21.

Resolved -

- (1) That the release of designated Capital Programme funding of £4.5m to deliver a three year programme of compliance, condition and priority health and safety works to corporate buildings be approved;**
- (2) That the Director of Economic Growth and Neighbourhood Services be authorised to enter into contracts as required to deliver the proposed works within the approved budget and procurement processes.**

35. HYPEROPTIC FULL FIBRE INSTALLATION TO COUNCIL HOUSING STOCK

The Director of Resources submitted a report seeking approval for a business case to enter into a non-exclusive Wayleave Agreement between the Council and Hyperoptic (a specialist Fibre Optic installer to high rise dwellings) to install Fibre To The Premise (FTTP) initially to the Council's own high rise housing stock (subject to survey), but with the potential for further expansion to cover up to 75% of the geographic area of the Borough subject to further Hyperoptic investment and surveys. The report also sought approval to sign a Portfolio Wayleave Agreement negotiated between the Council and Hyperoptic.

The report explained that the Council had financed improvements for Basic Broadband Delivery through the Superfast Berkshire Broadband Project, working with BT Openreach, which was expected to conclude by the end of 2019. However, the next major improvement was to full fibre, with Reading currently around the national average with only 6% of residents and businesses having access to the higher speeds offered by full FTTP installations.

The report set out a proposed agreement with Hyperoptic to install FTTP to the Council's high-rise housing stock, with no obligation for tenants to take up any services. The non-exclusive deal allowed the Council to still move forward with its own FTTP proposal should it be able to find funding, or to allow other suppliers to compete for business. The installation work would be fully funded by Hyperoptic without further Council funding required. Hyperoptic would also provide at their cost full-fibre and standard

indoor Wi-Fi to up to three community centres of the Council's choice, subject to surveys and deployment.

From analysis of localities of the Council's social housing, Hyperoptic had calculated this would give a base infrastructure that could be built upon to potentially reach up to 75% of the Council's geographical area enabling full fibre services to be accessible to further residents and businesses, subject to further investment and surveys by Hyperoptic.

Resolved -

- (1) That the business case for the Council to enter into a Wayleave Agreement with Hyperoptic to install "Fibre To The Premise" digital infrastructure capability to the Council's own high-rise housing stock (recognising the potential for further expansion subject to Hyperoptic investment and surveys) be approved;**
- (2) That the Council sign a Wayleave Agreement with Hyperoptic on a non-exclusive basis to install "Fibre To The Premise" to the Council's own high-rise housing stock.**

36. QUARTER 1 2019-20 PERFORMANCE MONITORING REPORT

The Director of Resources submitted a report setting out the projected revenue and capital outturn positions for 2019/20 for both the General Fund and the Housing Revenue Accounts as at the end of June 2019 (Quarter 1), as well as performance for the first quarter against the measures of success published in the Council's Corporate Plan. The following appendices were attached to the report:

- Appendix 1 - Financial Monitoring for Quarter 1
- Appendix 2 - Performance Monitoring for Quarter 1

The report explained that the forecast outturn showed a projected underspend on General Fund Budgets as at the end of period 3 (June 2019) of £2.154m, with weighted risks of £1.990m; if all the weighted risks and opportunities materialised then the projected underspend would decrease to £0.164m. The Housing Revenue Account was forecasting a breakeven position at the end of June 2019.

The report set out key budget variances in the Capital Programme, which included the expectation that originally budgeted expenditure on Homes for Reading would not be incurred, following the agreement of a revised business model which envisaged no further acquisitions, and an underspend on the acquisition of commercial investment property. The forecast outturn on the Capital Programme as at 30 June 2019 was a projected underspend of £106.4m for the General Fund and a projected underspend of £3.3m for the Housing Revenue Account.

The full suite of thirty nine Corporate Plan measures were set out in Appendix 2 attached to the report, with a summary of progress against the targets. As at the end of June 2019, 16 measures were Green, 11 measures were Amber and 10 measures were Red.

Resolved -

That the Policy Committee note:

- a) the forecast General Fund revenue outturn position as at the end of June 2019 of a net underspend of £2.154m with weighted risks of £1.990m;
- b) the forecast outturn position on the Housing Revenue Account as at the end of June 2019 projected to be on budget;
- c) the forecast outturn on the Capital Programme as at 30 June 2019 of a projected underspend of £106.4m for the General Fund and a projected underspend of £3.3m for the Housing Revenue Account;
- d) the performance achieved against the Corporate Plan success measures, as set out in the report and Appendix 2.

37. READING'S ARMED FORCES COVENANT AND ACTION PLAN - MONITORING REPORT

The Chief Executive submitted a report giving an annual update on the Armed Forces Covenant and progress against the associated action plan, which was attached to the report at Appendix A.

Resolved -

That the progress against the actions set out in the Armed Forces Covenant action plan be noted.

38. WARD BOUNDARY REVIEW WORKING GROUP

Further to Minute 20 of the meeting held on 15 July 2019, the Returning Officer submitted a report on an electoral review of the Council being undertaken by The Local Government Boundary Commission for England (LGBCE) in its 2019-20 programme.

The report noted that the Council's submission to the LGBCE on Council Size, as agreed by the Committee on 15 July 2019, was for a Council of 48 Councillors, representing 16 wards of comparable size with three Councillors per ward. The LGBCE were now running a consultation until 4 November 2019 inviting proposals for warding patterns, and it was recommended that an advisory cross-party Ward Boundary Review Working Group be established to assist the development of the Council's response to the consultation.

The report set out proposed terms of reference for the Group and invited the political groups to nominate members based on the following proportionality: 6 Labour; 3 Conservative; 1 Liberal Democrat; and 1 Green.

Resolved -

POLICY COMMITTEE MEETING MINUTES - 26 SEPTEMBER 2019

- (1) That a Ward Boundary Review Working Group be established with Terms of Reference as follows:

To consider the Local Government Boundary Commission Review of Reading's Ward Boundaries 2019-20 and make observations and recommendations to the Council or Policy Committee on warding patterns for approval and submission to the Commission during the public consultation periods.

- (2) That the Group Leaders submit their nominations for membership of the Working Group to the Assistant Director of Legal & Democratic Services;
- (3) That Councillor Brock be appointed as the Chair and Councillor Page be appointed as the Vice-Chair of the Working Group;
- (4) That the first meeting of the Working Group be held on Wednesday 2 October 2019 at 7.00pm.

39. READING TRANSPORT LIMITED - APPOINTMENT OF DIRECTOR

The Director of Resources submitted a report asking the Committee, acting as shareholder of Reading Transport Limited (RTL), to approve the appointment of the company's new Finance Director to the RTL Board.

The report explained that, following a recent recruitment exercise, Laurence Jenkins had taken up the post of RTL Finance Director on 2 September 2019. His appointment to the RTL Board required formal approval from the shareholder.

Resolved -

That the appointment of Laurence Jenkins as a Director of Reading Transport Ltd be approved.

40. HOMES FOR READING - APPOINTMENT OF DIRECTOR

Further to Minute 78 of the meeting of Policy Committee held on 26 March 2019, the Assistant Director of Legal & Democratic Services submitted a report asking the Committee, acting as shareholder of Homes for Reading (HfR), to agree the appointment of the Director of Economic Growth and Neighbourhood Services to the HfR Board.

The report noted that the Committee, acting as HfR shareholder, had agreed changes on 26 March 2019 including refinancing of the company and a direction not to acquire any further properties. The company had moved to a revised 'own and manage' business strategy. With the transition to new arrangements and staff departures there had been a number of changes to the HfR Board. The HfR Managing Director had left the company, and would not be replaced under the new arrangements, and the two previous RBC officer directors had also left the Council. It was therefore proposed that the Director of Economic Growth and Neighbourhood Services be appointed as the sole officer Director,

acting as a point of contact between the Board and the services provided to HfR by the Council, which sat mainly within her Directorate.

Resolved -

That Frances Martin (Director of Economic Growth and Neighbourhood Services) be appointed as a Director of Homes for Reading.

41. BRIGHTER FUTURES FOR CHILDREN CONTRACTS UPDATE

Further to Minute 89 of the meeting held on 8 April 2019, the Director of Resources submitted a report seeking approval from the Committee, in its capacity as sole member for Brighter Futures for Children Limited (BFfC/ “The Company”), for the key performance indicators (KPIs) and management information (MI) metrics for the Service Delivery Contract. The report also sought authority to make any non-material changes to the Support Service Level Agreements which formed part of the Support Services Agreement between the Council and BFfC.

The report noted that at its meeting on 8 April 2019, the Committee had authorised the Managing Director of Brighter Futures for Children and the Council’s Chief Executive, in consultation with the Lead Councillors for Children and Education to finalise the revised contract KPIs and MI metrics. The 22 agreed measures were set out in the report for the Committee’s endorsement. The Service Delivery contract would be formally changed to reflect the agreed KPIs and MI metrics, and they would continue to be monitored as part of the performance framework within the contract. The Council and the Company would review and where relevant revise the indicators periodically, and present any amendments to Policy Committee as required.

The report explained that in discussing the measures consideration had been given to the categorisation of measures around education where the company could influence performance but not directly control it (for example educational outcomes measures). Although it would not be appropriate for under-performance on such measures to be capable of leading to company default under the contract’s performance mechanism, the Council wished to remain assured that the Company were seeking to positively influence such measures as part of their holistic approach to all children’s services.

Resolved -

- (1) That the final BFfC Contract KPIs and performance metrics for the 2019/20 financial year proposed jointly by the Council and the Company be endorsed;**
- (2) That the Director of Resources be authorised to agree any non-material operational amendments to Support Services Service Level Agreements, which form part of the Support Services Agreement between the Council and BFfC.**

POLICY COMMITTEE MEETING MINUTES - 26 SEPTEMBER 2019

(The meeting started at 6.30 pm and closed at 9.51 pm)

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	18 NOVEMBER 2019		
TITLE:	COMMUNITY SAFETY PARTNERSHIP PLAN 2019 - 2022		
LEAD COUNCILLOR:	CLLR JAMES	PORTFOLIO:	HOUSING AND NEIGHBOURHOOD SERVICES
SERVICE:	STRONGER AND SAFER COMMUNITIES	WARDS:	BOROUGH WIDE
LEAD OFFICER:	ANTHONY BRAIN	TEL:	0118 937 3179
JOB TITLE:	COMMUNITY SAFETY AND ENABLEMENT MANAGER	E-MAIL:	Anthony.brain@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the Community Safety Plan for Reading, 2019-22 as agreed by the Community Safety Partnership on the 25th April 2019.
- 1.2 Appendix 1 - Community Safety Plan 2019-22
- 1.3 Appendix 2 - Equality Impact Assessment

2. RECOMMENDED ACTION

- 2.1 That Policy Committee note and agree the Community Safety Plan 2019 - 2022.

3. POLICY CONTEXT

- 3.1 The Crime and Disorder Act 1998 placed statutory obligations on Local Authorities and the Police to work in co-operation with Health Authorities and other relevant agencies. The objective is to develop and implement a Partnership Plan which would tackle crime and disorder in their area.
- 3.2 Section 97 of the Police Reform Act 2002 amended the above Act and included the Fire Service and Primary Care Trusts¹ as responsible authorities. Further reforms now include Probation Services² as a responsible authority and the Environment Agency and Registered Social Landlords as 'participatory bodies' within a Community Safety Partnership (CSP).

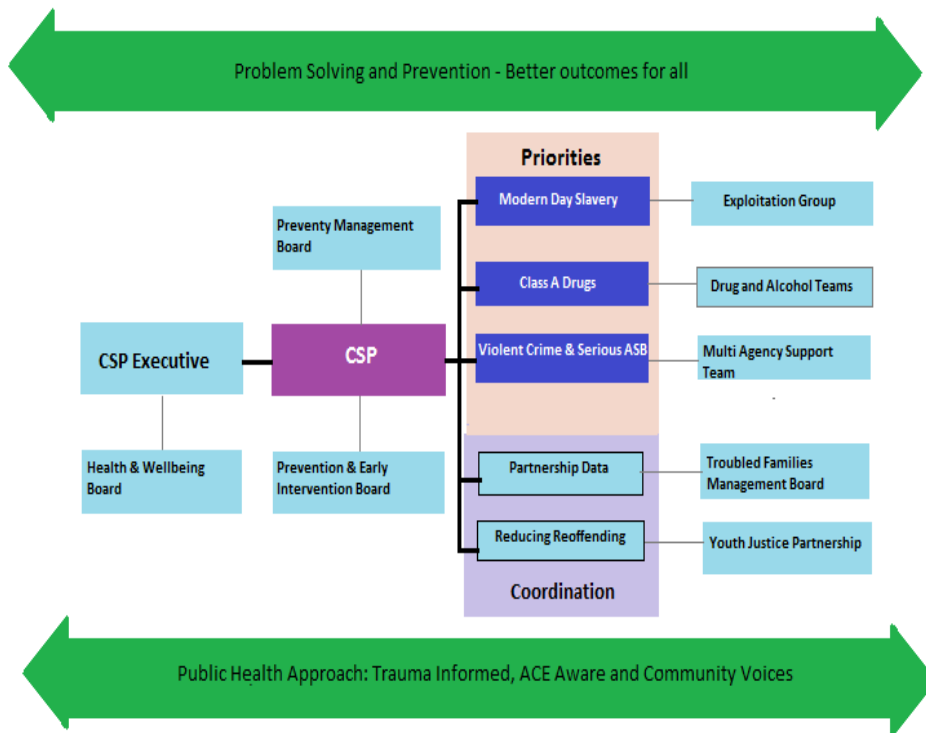
¹ In 2013 the Clinical commissioning groups took over from the PCT as the statutory health partner on the CSP.

² National Probation Service and the Community Rehabilitation Company

- 3.3 This legislation requires the Partnership to produce a three year plan detailing how it intends to tackle crime and disorder. This allows for the development of strategies to tackle short, medium and long term priorities.
- 3.4 Reading's latest Community Safety Plan will run until the end of March 2022. The Plan identifies three overarching priorities: Violent Crime, Exploitative Crime and Class A Drug Use.
- 3.5 Other Partners adopt the new plan based on the decision made at the CSP Executive Group.
- 3.6 The CSP is required to carry out a strategic assessment of crime for its area. This was carried out towards the end of 2018. A similar approach was taken as was used in the previous assessment and reflected the changing nature of crime. Rather than scanning crime types within the area to identify how the CSP is performing in relation to these, it identified priorities by an assessment against Threat, Harm and Risk to individuals and to Reading as whole.
- 3.7 The terrain in which the CSP is working has changed over recent years. New demands and changing circumstances against a backdrop of reducing resources has meant focusing on providing the best possible outcome for those most at risk of harm or causing harm. This approach is in line with Reading Borough Council's Corporate Plan Priority 2 - "Protecting and enhancing the lives of vulnerable adults and children" and Priority 3 - "Keeping Reading's environment clean, green and safe". This also reflects how Thames Valley Police prioritise their resources locally.

4. THE PROPOSAL

- 4.1 Priorities: The strategic assessment identified and proposed new priorities for the CSP. These were linked to high Threat, Harm and Risk. The priorities agreed by the CSP on the 25th April 2019 are:
 - **Exploitation** - incorporating both Adult Exploitation and Modern Slavery
 - **Violent Crime and Serious Anti-Social Behaviour** - incorporating increasing violence against the person, knife possession and high level anti-social behaviour that has a significant impact on communities
 - **Class A Drugs** - incorporating drug visibility, drug dealing activity from within and outside Reading, and drug related anti-social behaviour
- 4.2 Resource re-alignment: The change in priorities may require a refocus of resources. The main area identified is the Integrated Offender Management programme (offender profile).
- 4.3 The diagram below shows the governance structure of the Community Safety Partnership and its sub-groups, with two key areas to help coordinate the work of the CSP.



4.4 The coordination groups, shown in the purple are in the diagram above will ensure:

- The CSP makes better use of the wider partnership data to inform its decision making.
- The CSP will ensure a Reading owned Reducing Reoffending strategy supports the work of the delivery group

4.5 The Partnership will embed problem solving into all of its work ensuring that this has a focus on early intervention and prevention. All of the plans will be assessed against the Four “Ps”:

- Prevent
- Prepare
- Pursue
- Protect

4.6 The Partnership will promote and work to a Public Health approach ensuring the plans and work are trauma informed and provide intervention that impact on Adverse Childhood Experiences and Adverse Community Environments, (ACE) that are known to be drivers for offending associated with the priority areas identified by the CSP.

5. COMMUNITY ENGAGEMENT AND INFORMATION

- 5.1 The CSP is committed to supporting and working alongside communities in reducing the impact of crime and disorder that concern them locally. The partnership knows that there are different needs and challenges across Reading.
- 5.2 Safer Neighbourhood Forums (SNF) are one of the key routes to engaging and assisting communities in tackling those issues that are of most concern to them. The Local Authority, working with the Safer Neighbourhood Forums will carry out a survey to establish new neighbourhood priorities.
- 5.3 The successful reduction of “traditional” crime types across Reading has meant that the previous CSP Plan for the first time had priorities that did not directly reflect neighbourhood priorities. However, the CSP will continue to strive for safer, better and cleaner neighbourhoods for Reading. Much of this work was considered ‘business as usual’. The Police and Local Authority will continue to work in partnership to reduce the impact of those priorities identified by the new survey and:
- Deliver awareness training linked to the statutory duty around modern day slavery
 - Setup and oversee an operational case management group to protect high risk vulnerable adults.

6. ENVIRONMENTAL IMPACT

- 6.1 No environmental impacts have been identified.

7. LEGAL IMPLICATIONS

- 7.1 The CSP has a statutory duty to produce an Annual Strategic Assessment and three year rolling plan.

8. FINANCIAL IMPLICATIONS

- 8.1 No additional resources are required to deliver this plan.

9. EQUALITIES IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment has been completed (appendix 3) in respect to the draft strategy. It is considered that the priorities within the strategy could have a positive differential impact on groups with the following protected characteristics:
- Racial
 - Disability
 - Gender
 - Sexuality
 - Religious belief
- 9.2 No Negative impact was recorded on any group.

Community Safety Plan

2019 - 2022



Reading's Community Safety Partnership



Our Mission

We will continue to make Reading a safer place for those who live, work and visit here through a reduction in crime and disorder.

We will do this by:

- **Focusing on early intervention within those communities most at risk**
- **Protecting those most vulnerable to crime or risk of exploitation**
- **Focusing on tackling the greatest harm.**

Foreword

It gives us great pleasure in introducing Reading's eighth Community Safety Strategy and the sixth three-year rolling plan. The CSP comprises of statutory agencies, including Reading Borough Council, Thames Valley Police, the National Probation Service, the Community Rehabilitation Company, Royal Berkshire Fire and Rescue Service and Public Health. These agencies have joined forces to tackle crime, anti-social behaviour and the fear of crime, working together with partners such as the Crown Prosecution Service, housing providers and voluntary and community organisations. In Reading, the CSP is merged with the Drug and Alcohol Action Team (DAAT), enabling streamlined enforcement and treatment options offering people the help they need.

No one agency can tackle crime, or fear of crime, by working alone, particularly in the current economic climate. In Reading, we believe that crime, disorder, anti-social behaviour and the fear of crime can only be tackled through partnership working. We also know we can only succeed in making our vision of a Safer Reading a reality if we work with, and listen to, the diverse neighbourhoods and people of Reading. Our approach goes beyond enforcement, with a strong focus on prevention and the wider determinants of crime.

The CSP is required to produce a Strategic Assessment, which is reviewed annually. This analyses activity and performance information and is used to identify key issues and priorities concerning crime, anti-social behaviour and fear of crime. Through consultation and listening to local communities and Safer Neighbourhood Forums (SNF), we are able to hear first hand their concerns and what action they would like to happen in order to improve the quality of their neighbourhood. These concerns, together with the lessons learned, the success and good practice from previous strategies, have also fed into the latest strategic assessment, ensuring that Reading's residents influence the priorities we have identified.

Appendix 1- Community Safety Plan

All of these elements taken together have informed this Plan, which sets out the CSP's strategy aims until 2022, to ensure that Reading is a safer place to live, work and spend leisure time.

This plan will take account of changing needs set against challenging budgets, and the Strategic Assessment will be reviewed and revised throughout the lifetime of this plan. We will build on the relationship with Thames Valley's Police and Crime Commissioner to ensure that we work together for the benefit of Reading.

The priorities set are a real challenge for us all, but we recognise how important they are for the well-being of all of our residents and visitors.

We hope that you will join us in rising to the challenge of continuing to make Reading a safer place for all.

CLlr Sophia James

Superintendent Stan Gilmour

Local Context

Reading Borough Council and the Local Police Area (LPA) have coterminous boundaries. It is a populous town in the heart of the Thames Valley, 41 miles from London. It has a compact, densely populated geographical boundary, surrounded on all sides by rural Berkshire and Oxfordshire. Reading has a population of approximately 163,075, residing in 66,000 households.¹ The Urban Area centred on Reading extends beyond the borough boundaries into West Berkshire and Wokingham, and has a total population of more than 275,000 people.² The town has a diverse population, with about 35% of the population made up of residents from a non- white background.³

Reading has a strong economy and remains in a comparatively robust position to cope with the recent economic down turn. In 2017, the Reading area was ranked second in the *Good Growth for Cities* index for the second year running, based on indicators considered key to economic success and wellbeing (including employment, health, income and skills).⁴ Similarly, Centre for Cities ranked Reading as one of most productive cities in both the UK and Europe, and ranked second behind London for the number of businesses per capita in its *Cities Outlook 2018*.⁵

The University of Reading is one of the leading universities in the United Kingdom and attracts students from both the United Kingdom and abroad. In 2018, the university's enrolment was compiled of 17,000 students from over 150 different countries.⁶

Despite the strong economy there are still areas of deprivation, and areas of high crime. The 2015 *Index of Multiple Deprivation* reports there are ten Lower Super Output Areas (LSOAs) in Reading within the worst 20% nationally; two of which are within the most deprived 10%.⁷ Just over one in six children in Reading live in a household below the poverty line, with the highest concentration of these living in South or West Reading⁸.

The recent Joint Strategic Needs Assessment (2016/19) identified a number of pressures that impact on crime and disorder, or will in the future, which include:

¹ For population, see Office for National Statistics, *Mid-year estimates 2017*. For households, see Department for Communities and Local Government, *2014-based household projections*.

² Living Reading, *Cultural Place, Business Space, Living Base - The Case for Reading*, accessed 8th October 2018, <https://livingreading.co.uk/invest/the-case-for-investing-in-reading>

³ Office for National Statistics, *2011 Census: Aggregate Data (England and Wales)* (2011).

⁴ PwC and Demos, *Good Growth for Cities 2017*.

⁵ Centre for Cities, *Cities Outlook 2018*.

⁶ University of Reading, *About Us*, <http://goo.gl/H3cfqX>, accessed 03/08/2018.

⁷ Department for Communities and Local Government, *Index of Multiple Deprivation 2015*. Super Output Areas (SOAs) are a set of geographical areas developed following the 2001 census. Lower Layer Super Output Areas (LSOAs) typically contain 4 to 6 OAs with a population of around 1500.

⁸ Reading Borough Council, *Poverty Needs Analysis* (2017).

- An increase in presenting mental health issues in the adult population.
- 7% of young people presenting as Not in Education, Employment or Training (NEET). This is higher than both the national average (6%) and regional average (5.5%).

Bridging the gap between deprived and affluent areas in Reading is a priority for many local organisations. While the CSP is not designed to tackle this issue in particular, it can ensure community safety concerns for all parts of the Borough are addressed so that all residents regard Reading as a safe place to live.

Partnership working that makes a difference

Our experience is that working together, engaging and involving local people is the only way to realise our vision of a safer Reading. This plan re-enforces and builds on this success.

2019 Strategic Assessment

The 2018-19 Reading Community Safety Partnership (CSP) strategic assessment detailed changes in the levels and patterns of crime and disorder since the last strategic assessment in 2015. It also highlighted the community's concerns surrounding crime and disorder and identified emerging trends.

This Strategic Assessment identified a number of areas of concern for the CSP. As part of the assessment it compared these concerns to the Threat, Harm and Residual Risk measures below:

Threat	The scope and intensity of the demands which the CSP believes it faces.
Harm	The cost to society from these demands not being managed.
Residual Risk	The residual risk that remains after the CSP plan to mitigate the threat. This will require management through flexibility in the strategies adopted by the delivery groups.

Descriptions of Threat, Harm and Risk

Whilst these deductions are subjective, it gives an indication of how the CSP has identified its priorities. Many of those areas that are not priorities will continue as part of the partnerships *business as normal* process.

Area		Threat	Harm	Risk	Priority
Acquisitive Crime	Burglary				No
	Cycle Theft				No
	Shoplifting				No
	Theft from a Vehicle				No
	Theft of a Vehicle				No
All Acquisitive Crime					Monitor
Drug Related Crime					Yes
Anti-Social Behaviour					Yes
Violent Crime	Sexual Offences				No
	Violence (other)				Yes
All Violence					No
Domestic Abuse					Monitor
Exploitation	Adult				Yes
	Modern Slavery				Yes
Hate Crime					No
Unauthorised Encampments					No

Partnership Priorities

Following the analysis of crime in Reading, in comparison to Threat, Harm and Risk, the new priorities identified for the Community Safety Partnership are:

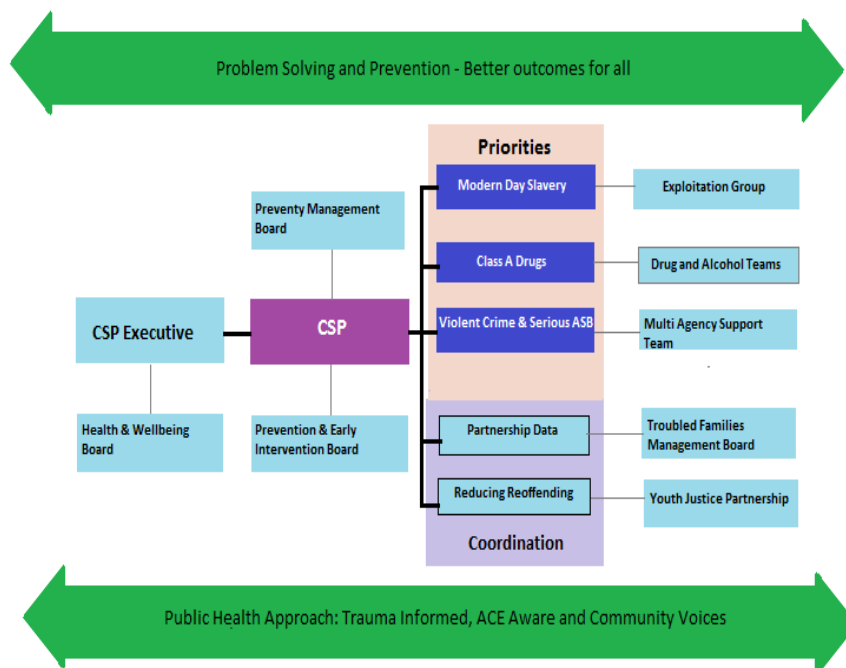
1. **Exploitation** (Incorporating both Adult Exploitation and Modern Slavery)
2. **Violent Crime and Serious Anti-Social Behaviour** (Incorporating increasing violence against the person, knife possession and high level anti-social behaviour that have significant impact on communities)
3. **Class A Drugs** (Incorporating drug visibility, drugs dealers from within and outside Reading, and drug related anti-social behaviour).

The leading theme throughout all three priorities is drugs, which overlaps with criminal exploitation, anti-social behaviour and violent crime.

In addition to these priorities the CSP will continue to monitor acquisitive crime and domestic abuse.

Partnership Delivery Structure

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Community Safety Partnership Delivery Structure

The above diagram shows the governance structure of the Community Safety Partnership and its sub-groups, with two key areas to help coordinate the work of the CSP.

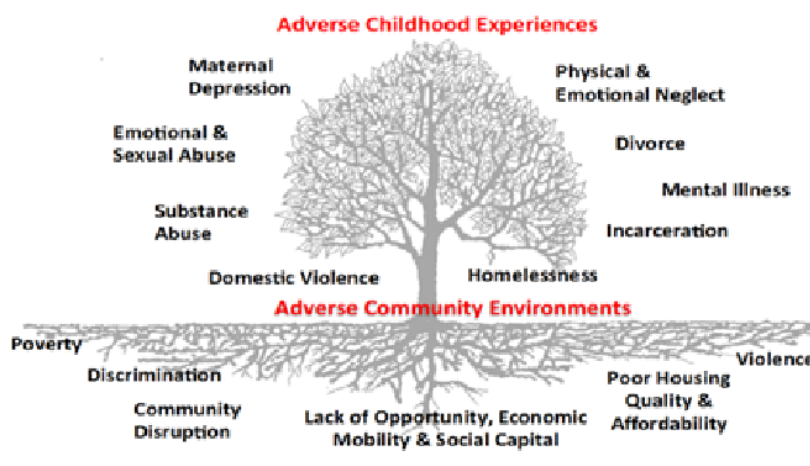
The coordination groups will ensure:

- The CSP makes better use of the wider partnership data to inform its decision making.
- The CSP will ensure a Reading owned Reducing Reoffending strategy supports the work of the delivery group

The Partnership will embed problem solving into all of its work ensuring that this has a focus on early intervention and prevention. All of the plans will be assessed against the Four “Ps”:

- Prevent
- Prepare
- Pursue
- Protect

The Partnership will promote and work to a Public Health approach ensuring the plans and work are Trauma informed and provide intervention that impact on Adverse Childhood Experiences and Adverse Community Environments, (ACE) that are known to be drivers for offending associated with the priority areas identified by the CSP.



Partnership Priorities

Exploitation (Modern Slavery)

The Modern Slavery Act 2015 established a duty on specified authorities to notify the National Crime Agency if they became aware of a suspected victim of Modern Slavery. The Government has recently commissioned a review of the Act, in order to ensure legislation efficiently tackles the issue. However, there is unlikely to be any significant changes in the near future.

Modern Slavery (MS) and exploitation was identified as a priority for the first time in Reading's last three year plan. Much of work of the last plan evolved around training to raise awareness of the MS and exploitation including identifying victim. The CSP also ensured support mechanism for victims who may or may not wish to engage in the National Referral Mechanism were in place.

MS includes human trafficking, sexual exploitation, criminal exploitation, domestic servitude, organ harvesting and forced labour. Victims can either be trafficked into the UK or are of British origin, and the crimes they are subject to have a huge impact on the individual.

Some of the areas identified as concern for Reading include;

Vulnerable Adult Exploitation (Property)

There are a number of vulnerable adults being exploited through Cuckooing. The term vulnerable adult reflects our understanding of why some people are targeted by groups, especially groups linked to drug dealing. The vulnerability manifests itself in one or more of the following key areas: mental health, alcohol misuse and drug misuse. These individuals are being exploited through the occupation of their property by both local and 'cross border' drug dealers and drug users. There appear to be several common characteristics:

- Drugs supplied to individuals allowing them to use their property (debt

Appendix 1- Community Safety Plan

- bondage)
- Force and intimidated into allowing them to use the property (coercion)
- Being exploited by more than one individual, address and persons names are passed between groups
- Address often come to light due to reports of associated anti-social behaviour
- Approximately 70% of victims are male

Adult exploitation through intimidation

Most victims of criminal exploitation or ‘forced criminality’ (including drug running) are linked to criminal activity and very few are now due to drug related debt. This is now the highest form of exploitation in Reading and Thames Valley, and is more identifiable because of growing ASB.

Labour Exploitation

There is growing yet unsubstantiated intelligence to suggest some businesses might be exploiting workers who have no legal rights to work in the UK or who have expired visas. Common areas for labour exploitation are construction industries, car washes, cleaning companies, restaurants, leaflet distributors and manual labourers for landscaping and driveways.

Local Data

Modern Slavery is most likely to affect the street community and other marginalised and vulnerable sections of society, particularly as they are the least likely to report abuses. The potential harm to these vulnerable communities is understandably huge, especially since a key feature of modern slavery involves the individual being immersed in a very controlling environment with little or no contact to their friends, family or the authorities.

Thames Valley Police

A regional overview provided by Thames Valley Police at the time of the strategic assessment, reports the following data for Thames Valley:⁹

- Of the 76 referrals received across the Thames Valley, 51 were male victims and 25 were female.
- The age range of victims is 2-62.
- There are currently at least 27 live police Modern Slavery operations across the South East, focused primarily on labour and sexual exploitation.
- The most common offender and victim nationalities are British, Romanian and Chinese.
- Far more NRM referrals for British nationals have been made in the Thames Valley area than for other force areas in the region. The vast majority of these are linked to County Lines.
- During periods of improved weather, there will likely be an increase in

⁹ Thames Valley Police, *Modern Slavery Quarterly Infographic*, April 2018.

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clandestine entrants. Migrants entering the UK in this way are particularly vulnerable to exploitation.

The 76 referrals Thames Valley received for this three-month period highlights the prominence of the issue, especially as many cases remain undiscovered due to the nature of the crime.

Reading's proximity to London, status as a significant transport hub, and thriving night-time economy makes MS prevalence more likely. Thames Valley Police also captured Reading-specific data for the same period outlined above, which reports:¹⁰

- Of the 14 victims referred, 9 were male and 5 were female.
- Of the 14 victims, 8 were connected to criminal exploitation, 3 were connected to sexual exploitation, and 3 were connected to forced labour.
- The nationalities of victims in Reading were British, Sudanese, Chinese, Malaysian, Jamaican, Zimbabwean, and Eritrean.
- The age range of victims was 15-50.

Those data also made recommendation that should be considered as part of any future action plan; these were:

- Improve the intelligence picture on victims and suspects involved in labour exploitation, particularly within food processing/manufacture and the construction industry;
- and ensure that NRM submissions are of good quality and contain sufficient information for the Modern Slavery Human Trafficking Unit.

Outcomes from the last plan

Reading was one of two pilot Independent Trauma Advisor (ITA) services. It had been recognised that police activities during investigations of MS left a plethora of difficulties for victims.

The CSP support the OPCC funded project that ran across two years. During this period 145 identified or potential victims were referred to and/or assessed by the ITA service, and a total of 59 victims of MS engaged with and received significant longer-term support from the ITA workers.

During these two years there was a significant increase in the number of victims identified and referred to the services. In this second year of operation the ITA services had a greater number of referrals for men in particular, which is partly related to the growth in the number of victims of forced labour who have been identified. There was also some correlation between identified cases of cuckooing, and the growing awareness of and response to drug exploitation.

¹⁰ Thames Valley Police, *Modern Slavery Quarterly Infographic*, April 2018.

For the period January 2017 to June 2018, the support service submitted 66 intelligence reports to the Police, which highlighted the growing number of males being trafficked, surpassing the number of female victims of trafficking. They identified the following types of exploitation cases for the same period:

- Modern Slavery - 17 (Forced labour: 13, Domestic Servitude: 4)
- Sexual - 22
- Financial - 15
- Criminal - 21
- Other (including Cuckooing) - 20

The victims involved in the cases above came from a number of areas across Reading.

Twenty-five of the cases above involved adult exploitation connected to drugs and/or County Lines. Given this prevalence there will need to be cross over between the CSP's Class A drug plan and the Exploitation plan.

The work also highlighted seven cases that were dealt with as an immigration issue by authorities rather than as exploitation. This is an area that will need to be further developed within the new plan going forward.

Violent Crime and serious Anti-Social Behaviour

Over the course of the previous strategy Reading saw an increase in violent crime, with significant increases in 2018. Whilst some of this increase can be accounted for by a change in recording following the introduction of a Thames Valley Police violent crime plan in November 2017, it is widely accepted that this does not account for all of the increase.

Reading has had relatively low levels of violence when compared to its Most Similar Group (MSG); however Reading is beginning to see increases at a faster rate than our MSG and its comparative performance worsening.

There was some evidence that younger people are increasingly becoming involved in violent crime both as victims and perpetrators.

Crime Type	2017		2018		Percentage Change	
	8 - 25	26+	8-25	26+	8-25	26+
Assault occasioning actual	155	317	225	381	45%	20%

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bodily harm						
Assault on a constable	8	19	23	13	187%	-31%
Common Assault	153	425	284	542	85%	27%

Violence Against the Person data 1st April - 31 October year to date comparison

One of the most striking findings in the National Serious Violence Strategy, about the rise in serious violence since 2014 is that it has not been limited to the main metropolitan areas. These patterns may at least be partly due to the phenomenon of county lines in which drug-selling gangs from the major urban areas, like London, Birmingham and Liverpool - possibly driven by excess supply - have sought to exploit markets in other towns and areas.

Alongside this increase in violence Reading has seen a number of more serious anti-social behaviour disturbances by groups of young people. These have been linked to key events such as Halloween and Bonfire Night. The strategic assessment did not identify what the main drivers are for this increase. There has not been any significant increase in violence or ASB associated with the Night Time Economy (NTE).

There is a need to carry out further analysis of the causes of the increases of violence, especially the increase in that associated with young people.

There have been similar concerns in the rise in violence affecting young people both nationally and across Thames Valley. The Home Office launched the Serious Violence Strategy in April 2018.

The youth violence element of the strategy focused on wider partnership non-enforcement responses, at a prevention and early intervention stage and was supported by the Early Intervention Youth Fund (EIYF). The CSP worked to support a Thames-Valley-wide successful bid by the Office of the Police and Crime Commissioner (OPCC).

In year one of this plan the CSP will embed initiatives funded by the EIYF into its Violent Crime action plan adding to the successes of the Multi-Agency Support Team, working with the OPCC and the Integrated Data Hub to understand “what works” and identify how success might be maintained at the end of the funding and beyond. The One Reading Prevention and Early Intervention Board will help maintain focus and oversight.

Class A Drugs and associated Anti-Social Behaviour

In the final year of the Community Safety Plan 2016-19, the partnership made the “visible impact of Class A drug misuse” a priority. This was in acknowledgement both the growing levels of work being carried out by partners to tackle the threat of “County Lines” and the rising levels of concerns raised by communities and businesses directly impacted by the

outcome of open drug markets and misuse.

Between 2017 and 2018 drug offences in Reading increased by around 34%, with Reading now having above average levels per 1,000 population than both Thames Valley and our Most Similar Group (MSG).

The results of a survey conducted by Reading Borough Council and the various Safer Neighbourhood Forums at the end of 2017 showed that drugs and drug misuse one of the top two priorities in six of the nine areas.

The strategic assessment identified that the number of individuals presenting with crack cocaine problems national (not being used alongside opiates) increased by 23% (2,980 to 3,657) between 2015/16 and 2016/17. The increase over this period was seen in nearly all age groups.

Nationally it is suggested this increase in misuses is, at least in part being driven by aggressive marketing by dealers, with users reporting that dealer are offering free samples of crack cocaine alongside heroin or 3 for 2 deals. Crack is now more widely available than in the past with a ready supply of dealers and a quick delivery service. It has also been suggested that it is being market more effectively to new users as as 'smokable cocaine' and more 'user-friendly'. This is leading to more young people using crack as a "first drug of choice", with it being considered not as dirty as heroin. This may also be leading to a 'hidden cohort' of crack users who were not engaging in treatment and therefore much less visible with crack use beginning to become more acceptable, even fashionable among groups who would not previously have taken it. This included professionals, students and clubbers. In one area with a large university student population, there was a view that dealers were successfully infiltrating these groups.¹¹

There is a need to understand the demand side for Reading and how the marketing of crack might be influencing new markets.

The local picture

During the 2017-18 there were 955 people in treatment for substance misuse, just under 80% of which (763) were drug users. As shown below, the types of substances clients seek help for have not changed significantly since 2015, with opiate addiction remaining the highest form.

	April 15 - March 16	April 16 - March 17	April 17- March 18	CHANGE
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¹¹ Increase in crack cocaine use inquiry, Home Office, March 2019

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Opiate	595	616	595	0%
Non-opiate only	52	73	77	48%
Non-opiate and alcohol	87	96	91	5%
Alcohol Only	144	166	192	33%
Total	878	951	955	9%
Total (Excluding Alcohol)	734	785	763	4%

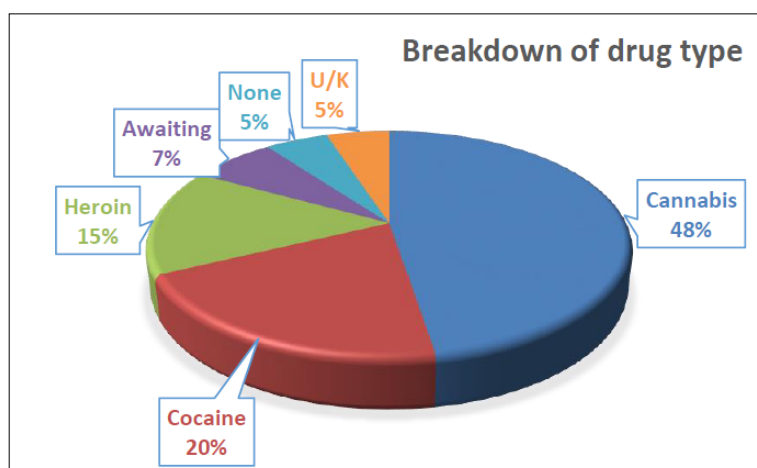
The recent update from Public Health England estimated number of opiate and crack users (OCUs), in Reading 2011/12-2014/15.¹²

	2011/12	2012/13	2013/14	2014/15	CHANGE	Rate per 1000 population (Reading)	Rate per 1000 population (England)
OCU	1260	1243	1157	1332	6%	12.04	8.57
Opiate	1111	1156	1022	1157	4%	10.45	7.33
Crack	758	716	814	881	16%	7.97	5.21

National Drug Treatment Monitoring System (NDTMS)

The largest change is amongst those users using crack cocaine, which reflects the national picture as set out above. For a small Borough, the levels of drugs users are significantly higher than the English average.

Alongside the impact this is having on communities identified above there is the impact on overall crime in Reading. Public Health England (PHE) estimated the number and type of offences being committed by those in the treatment services in Reading.



As might be expected around half were linked to shoplifting. PHE also estimate that around 15,000 offences could be prevented by treatment services each year.

The effectiveness of drug treatment is significant; however it does not seem to reflect the growing risk of crack cocaine, with numbers in treatment predominantly opiate users. Locally, Thames Valley Police drug offences

¹² Public Health England, *Opiate and crack use prevalence estimates (May 2018 update)*, accessed 28/08/18.

data identify that crack cocaine makes up the largest of the Class A offence types.

Need to understand how services can reduce demand for non-opiate Class A drugs.

Outcomes from the last plan

Much of the activity resulting from the last delivery group was focused on the visible impact of drugs, including open street dealing and begging. A number of disruption and enforcement operations have been run by the police. Alongside this a coordinated approach to the Town Centre street population to use every agency contact reinforced treatment and support options, with enforcement being used only where there was no engagement in services.

This has been effective in ensuring the visible signs of Class A drug misuse have been reduced. This has clear some space for more strategic and upstream work focusing on both supply and demand.

Coordination

Integrated Offender Management

We know that working in partnership to prevent reoffending works. The Partnership will develop a new Reducing Re-offending Strategy that reflects the CSP's priorities whilst acknowledging the current structures and cohort within the IOM system.

Partnership data

Collectively the Partnership holds significant data that if harnessed and used correctly will provide opportunities not only to make more effective and efficient use of our resources, but also to better understand how we might intervene earlier so as to reduce risk and impact as well as reduce demand. The Partnership acknowledges the work of Troubled Families in taking a lead in Reading to bring much of this information together and will work to make better use of this and other information hubs.

Other Governance Areas

Domestic Abuse

A new Domestic abuse strategy is being developed and led by Reading Borough Council. The CSP will continue to have oversight of this strategy, and assist in its delivery where necessary.

Prevent (radical extremism)

The CSP acknowledges that the governance of “Prevent” is essential; it will therefore continue to act as the strategic governance board for the Prevent Management Group.

It will, through the Prevent Management Group oversee any changes in roles and responsibilities and ensure that an effective and proportionate plan is in place to deliver the Prevent duty.

The Partnership acknowledges the risks identified in the Strategic Assessment linked to Brexit and the threat of Right Wing extremism.

Youth Justice

A new Youth Justice Plan (YJP) is being developed. The CSP will continue to act as the strategic governance board for the Local Youth Justice Board, contribute towards the development of the plan and monitoring its implementation. The CSP will look to the YJP to support the delivery of the priorities set out in this plan, where these impact on young people.

Acquisitive Crime

The Strategic Assessment identified that some areas of acquisitive crime have been rising during the period of the 2016-19 Plan. More “traditional” crime has not gone away. The CSP will continue to monitor these crime types and support cross partnership measures to reduce them.

Community Safety Fund

The CSP receives funding directly from the OPCC, to support the delivery of this Plan, the reduction and prevention of crime and disorder and to support the Police and Crime Plan.

The current breakdown of spend for 2019 - 20 and the priorities this support are set out below.

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Project / Service	Amount funded	CSP Priority	OPCC Priority
Young People Drug Treatment Service	£35,363	Class A Drugs Violent Crime / Serious ASB	Reducing reoffending Serious Organised Crime
Drug Treatment Service	£253,610	Class A Drugs	Reducing reoffending Serious Organised Crime Police Ethics and reform
Youth Offending Service	£88,338	Violent Crime / Serious ASB	Reducing reoffending Prevention and Early Intervention Vulnerability Police ethics and Reform
ASB	£80,503	Violent Crime / Serious ASB Exploitation	Reducing reoffending Serious Organised Crime Police Ethics and reform

Police and Crime plan (PCP)

The Community Safety Partnership and the Police and Crime Commissioner have a duty to have regard to each other's plans. The CSP invites a representative from the OPCC as a standing member of its Executive Group. During the development of the strategic assessment it consulted with the OPCC through its representative on the Executive Group.

The Partnership has taken account of the priorities set out in the Police and Crime Plan 2017-21, whilst acknowledging not all priorities within a Thames Valley Wide Plan can be reflected in the local Plan for Reading. The table below shows how Reading's Priorities reflects those of the PCC.

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CSP Priority	PCP Overarching Priority	PCP Sub-priority
Class A Drugs	<p>Vulnerability</p> <p>Reducing Reoffending</p> <p>Serious Organised Crime</p>	<p>Mental Health</p> <p>Gangs and Knife Crime</p> <p>Domestic Violence Perpetrators</p> <p>Substance Abuse</p> <p>Offender Management</p> <p>Exploitation of vulnerable people</p>
Violent Crime and Serious ASB	<p>Prevention and Early Intervention</p> <p>Reducing Reoffending</p> <p>Police Ethics and reform</p>	<p>Peer on peer abuse</p> <p>Gangs and Knife Crime</p> <p>Interacting with young people</p>
Exploitation	<p>Serious Organised Crime</p>	<p>Exploitation of vulnerable people</p>

Equality Impact Assessment Toolkit

What is an Equality Impact Assessment (EqIA)?

The Equality Act 2010 places an 'Equality Duty' on public bodies, to understand the effect of their policies and practices on equality. This involves looking at evidence, engaging with people, staff, service users and others and considering the effect of what they do on the whole community.

An Equality Impact Assessment is a tool which helps you to identify how your plans to introduce new, or change existing, policies, procedures or services will affect groups protected under equality legislation (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.)

It **MUST** be completed before the policy, project or service has been set up or changes implemented so that you can make changes if your assessment identifies groups that could be adversely affected by your proposals.

The assessment covers impacts on employees, existing and potential service users, the wider community and contracted out services.

EqIAs aim to

- stop direct and indirect discrimination from happening now and in the future
- highlight diversity as a strength and an integral part of our work, not just an add-on that you feel you must do
- recognise the fact that we don't all have an equal chance in life, and find ways to address this through your work
- ensure that our services are accessible to everyone in the community. The process is not the most important thing - it's the outcomes that matter.

What should an EqIA include?

An Equality Impact Assessment **MUST**:

- contain sufficient information to show the Council has paid "due regard" to equality duties in our decision-making
- identify methods for mitigating or avoiding any adverse impacts identified.

Assessments do not necessarily have to take the form of one document called an Equality Impact Assessment (EqIA) but it is recommended and helps you make sure you cover everything and sets out your rationale and evidence in one place.

What is the Equality Duty?

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

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are—

- age;
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The Equality Duty explicitly recognises that disabled people's needs may be different from those of non-disabled people. Public bodies should therefore take account of disabled people's impairments when making decisions about policies or services. This

Appendix 2 Equality Impact Assessment

might mean making reasonable adjustments or treating disabled people better than non-disabled people in order to meet their needs.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the Equality Duty may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

When should I carry out an Equality Impact Assessment?

You **MUST** carry out an assessment as part of your planning process when you are putting together your proposals for new (or changes to existing) policies, procedures and service (including financial changes) before the decision is made **UNLESS** you have good reason to show that it is not relevant.

Making sure your EqlAs are in place in could save you problems, time and even money in the long run. See the example below where not completing an EqlA properly has caused problems.

Example: Southall Black Sisters judgement

The judgement by Lord Justice Moses in the case of Southall Black Sisters and London of Ealing was published on 29 July 2008.

Southall Black Sisters (SBS) successfully challenged Ealing Council's decision to end funding their services to Asian and Afro-Caribbean women experiencing domestic violence.

Lord Justice Moses' ruling stresses the need to carry out an equality impact assessment **BEFORE** formulating policies.

Southall Black Sisters won the case and Ealing Council was charged with failing to carry out a proper EqlA and misinterpreting the race equality legislation, subsequently Ealing carried out a full EqlA, including consultation, and had to pay £100,000 because of the case.

Who needs to see my Equality Impact Assessment?

The public equality duty means that equality issues must **consciously** influence the decisions reached by public bodies. Equality Impact Assessments **MUST** be provided for all Committee Reports to enable members to have ‘due regard’ to the equality duty when making decisions. In the Committee Report you **MUST** state whether the duty is relevant to the decision. If it is not relevant you **MUST** state why. If it is, attach the completed EqlA template as an appendix, and summarise its conclusions.

So what do I have to do?

Save this document and follow through the steps on the following pages. You can fill in the details as you go or come back to it as necessary.

For further advice you can contact Clare Muir on 72119 or email clare.muir@reading.gov.uk. You can also get further guidance on Equality and Human Rights Commission Website - www.equalityhumanrights.com.



Provide basic details

Name of proposal/activity/policy to be assessed

Directorate: Economic Growth and Neighbourhood Services

Service: Housing and Neighbourhoods

Name and job title of person doing the assessment

Name: Anthony Brain

Job Title: Community Safety and Enablement Manager

Date of assessment: 26/09/19

Scope your proposal

What is the aim of your policy or new service/what changes are you proposing?

Community Safety Plan 2019-22

Who will benefit from this proposal and how?

The focus will be around those most at risk of or causing serious harm within three key priorities:

Violent Crime (focus on young people violence and knife crime)

Class A drugs and serious ASB

Adult Exploitation and Modern Slavery

What outcomes does the change aim to achieve and for whom?

The new CSP Plan for 2019/22 will aim to reduce the impact of three key crime areas across the borough and through this aims to improve the wellbeing of individuals and communities. This will have greater impact in Reading most deprived areas and some of our most vulnerable group and individuals for example those at risk of exploitation includes vulnerable young people and migrant groups.

Who are the main stakeholders and what do they want?

- Those experiencing the impact of the three key crime area
- Organisations in the town, statutory and voluntary, supporting those at risk of

these crime types or supporting victims of these crime types

-

Assess whether an EqlA is Relevant

How does your proposal relate to eliminating discrimination; promoting equality of opportunity; promoting good community relations?

Do you have evidence or reason to believe that some (racial, disability, gender, sexuality, age and religious belief) groups may be affected differently than others? (Think about your monitoring information, research, national data/reports etc.)

No

Is there already public concern about potentially discriminatory practices/impact or could there be? Think about your complaints, consultation, and feedback.

No

If the answer is **Yes** to any of the above you need to do an Equality Impact Assessment.

If No you **MUST** complete this statement

Assess the Impact of the Proposal

Your assessment must include:

- **Consultation**
- **Collection and Assessment of Data**
- **Judgement about whether the impact is negative or positive**

Think about who does and doesn't use the service? Is the take up representative of the community? What do different minority groups think? (You might think your policy, project or service is accessible and addressing the needs of these groups, but asking them might give you a totally different view). Does it really meet their varied needs? Are some groups less likely to get a good service?

How do your proposals relate to other services - will your proposals have knock on effects on other services elsewhere? Are there proposals being made for other services that relate to yours and could lead to a cumulative impact?

Example: A local authority takes separate decisions to limit the eligibility criteria for community care services; increase charges for respite services; scale back its accessible housing programme; and cut concessionary travel.

Each separate decision may have a significant effect on the lives of disabled residents, and the cumulative impact of these decisions may be considerable.

This combined impact would not be apparent if decisions are considered in isolation.

Consultation

How have you consulted with or do you plan to consult with relevant groups and experts. If you haven't already completed a Consultation form do it now. The checklist helps you make sure you follow good consultation practice.

[My Home > Info Pods > Community Involvement Pod - Inside Reading Borough Council](#)

Relevant groups/experts	How were/will the views of these groups be obtained	Date when contacted
<p>Members of the Community Safety Partnership including: Members, Police, BfFC, Adult Social Care, Fire and Rescue, NPS and CRC, Youth Offending, Courts and Voluntary Sector including ACRE</p>	<p>A number a small workshops and discussion group</p> <p>Meeting with individual organisational leaders</p> <p>Attendance and discussion at relevant internal and partner meetings</p> <p>Safer Neighbourhood Forums</p>	<p>Throughout the production of the Strategic Assessment and draft plans September 2018 - March 2019.</p>

Appendix 2 Equality Impact Assessment

Collect and Assess your Data

Using information from Census, residents survey data, service monitoring data, satisfaction or complaints, feedback, consultation, research, your knowledge and the knowledge of people in your team, staff groups etc. describe how the proposal could impact on each group. Include both positive and negative impacts.

(Please delete relevant ticks)

Describe how this proposal could impact on Racial groups

The focus on vulnerability will help protect a number of key racial group specially those newly arrived or at risk due to immigration status.

Is there a negative impact? No

Describe how this proposal could impact on Gender/transgender (cover pregnancy and maternity, marriage)

None identified

Is there a negative impact? No

Describe how this proposal could impact on Disability

It has been identified that those with learning disability and poor mental health are more likely to be effected by adult exploitation and modern slavery, the protect element of the plans for both Adult Exploitation and Class A drugs will focus on these groups

Is there a negative impact? No

Describe how this proposal could impact on Sexual orientation (cover civil partnership)

None identified

Is there a negative impact? No

Describe how this proposal could impact on Age

The violent crime plan will have a particular focus on young people violence helping to reduce the impact of violence on this group.

Is there a negative impact? No

Appendix 2 Equality Impact Assessment

Describe how this proposal could impact on Religious belief?

None identified

Is there a negative impact?

No

Appendix 2 Equality Impact Assessment

Make a Decision

If the impact is negative then you must consider whether you can legally justify it. If not you must set out how you will reduce or eliminate the impact. If you are not sure what the impact will be you MUST assume that there could be a negative impact. You may have to do further consultation or test out your proposal and monitor the impact before full implementation.

Tick which applies (Please delete relevant ticks)

1. No negative impact identified Go to sign off

How will you monitor for adverse impact in the future?

Any change in practice or policy will be subjected to further specific consultation and equality impact assessment.

Signed (completing officer)	Anthony Brain	Date	26/9/1919
Signed (Lead Officer)	Zelda Wolfle	Date	26/9/19

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	18 NOVEMBER 2019		
TITLE:	PROPOSED CHANGES: LOCAL COUNCIL TAX SUPPORT SCHEME		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATT DAVIS	TEL:	0118 937 2954
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	E-MAIL:	matthew.davis@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out a range of options to make amendments to the local Council Tax Support Scheme for the 2020/21 financial year. These options would reduce administrative processes for both customers and staff and provide clarity about the treatment of excess Council Tax Support.
- 1.2 A statutory consultation period is required for changes to the local Council Tax Support Scheme and, subject to member approval; it is proposed to consult for a period of six weeks. The timetable is included in the report.
- 1.3 An equality impact assessment for these proposals has been carried out and is set out in Appendix One.

2. RECOMMENDED ACTION:

That Policy Committee:

- 2.1 Consider the options for changes to the Council Tax Support Scheme for implementation from 1st April 2020.
- 2.2 Agree the three proposals set out below for consultation, according to the timetable set out in Para 6.1, with a view to implementation from the 1st April 2020. The proposals are to:
 - Remove the requirement to re-apply for Council Tax Support following the migration to Universal Credit;
 - Disregard Severe Disability Transitional payments in the calculation; and
 - Provide greater clarity on the treatment of excess Council Tax Support.
- 2.3 Subject to the above amendments, agree the Council Tax Support Scheme for the next 2 years 2020/21 & 2021/22 unless there are significant changes in the Housing Benefit Scheme that would warrant the same changes needing to be reflected in the Council Tax Support Scheme or other unexpected financial implications arise.

3. POLICY CONTEXT

- 3.1 In 2013 Council Tax Benefit was abolished and there was then a requirement for all local authorities to put in place a local Council Tax Support Scheme. Each year there is a requirement for the local authority to review the scheme and if amendments are proposed there must be a consultation process and responses duly considered before applying the changes. This report sets out a range of options to amend the existing scheme.

4. CURRENT POSITION: COUNCIL TAX SUPPORT

4.1 Our Current Scheme:

In brief our current Council Tax Support scheme for 2019/20 has the following key characteristics:

Persons of Working Age

For the billing year 2019/2020, persons of “Working Age”, are required to make a minimum contribution of at least 35% towards their Council Tax liability. In other words, from 1 April 2019, the maximum Council Tax Support available to persons of “Working Age” is based on 65% of their Council Tax liability.

Where a person of “Working Age” is entitled to Council Tax Support of £5 per month, (equivalent to £1.15 p/w) or less, they not entitled to any Council Tax Support.

The maximum amount of Council Tax Support that can be awarded is based upon the Council Tax charge for a Band D property, properties in bands above band D are automatically restricted to Band D levels.

Persons of “Working Age” making a new claim for Council Tax Support after 1 May 2016 no longer qualified for a “Family Premium” within the calculation of their claim.

There are no backdating provisions within our Council Tax Support Scheme.

There are no second adult rebate provisions within our Council Tax Support Scheme for persons of “Working Age”.

Where a person is in receipt of a monthly Universal Credit payment, the payment will be treated as part of their overall income in the calculation of their Council Tax Support assessment.

On receipt of a Universal Credit notice, a combined Housing Benefit and Council Tax Support claim will cease and the customer will be invited to reclaim Council Tax Support.

There is an upper capital limit of £3,000, which means that people with £3,000 or more will not qualify for Council Tax Support for the remainder of the billing year, irrespective of whether the capital is subsequently spent

Persons of Pension Age

Persons of “Pension Age” are largely protected by the Government prescribed default scheme and continue to have their entitlement to Council Tax Support calculated on 100% of their Council Tax liability.

Persons of “Pension Age” are entitled to have their Council Tax Support assessment based on their Council Tax liability for the actual band of property that they are occupying. In other words, a person of “Pension Age” will not have their Council Tax Support calculation capped to a Band D property, if they happen to occupy a property in Bands E, F, G or H.

Non-dependant deductions

Deductions are made from an applicant’s Council Tax Support for any persons aged over 18 who normally live with them, or for whom they do not receive Child Benefit, subject to certain exclusions. Non-dependants are typically grown up children or elderly relatives.

There are two rates of Non Dependant Deduction:

- A non-dependant deduction of £10.00 per week applies for non-dependants who are not engaged in remunerative work (working less than 16 hours per week) and/or have gross earnings less than £207.70 per week;
- A non-dependant deduction of £15.00 per week applies for any non-dependants engaged in remunerative work (16 hours or more) with gross weekly earnings of £207.70 per week and above

There are certain categories that attract no deduction and these remain in place for both working age and pension age customers.

4.2 Council Tax Support Scheme options:

Proposal One - Housing Benefit customers moving onto Universal Credit

Based on a previous consultation we agreed and implemented the cancellation of Council Tax Support and invited the customer to make a new claim when they transitioned to Universal Credit.

In light of experience we are now proposing we leaving the Council Tax Support claim open and use the existing information to calculate the amount of support.

We believe that this will:

- Help customers keep their Council Tax account up to date and maximise the number of residents receiving benefits to which they are entitled, whilst reducing the administrative burden required in them make a new claim;
- Reduce the number of Council Tax Support claims the assessment team has to process; and
- Help avoid additional Council Tax recovery costs.

Proposal two - Clarify how excess Council Tax Support is dealt with (following the Local Government Ombudsman' request to all Authorities)

There is no entitlement under the relevant legislation to a payment of Council Tax Support, . The entitlement, subject to eligibility, is to a reduction in the amount of Council Tax a person is liable to pay.

We therefore propose to reduce Council Tax Support down where a mistake or error by either the Local Authority or Department of Work and Pensions (DWP) occurs and increase the Council Tax liability by an equivalent amount. The reductions will be deemed "official error reductions". The increased liability will be considered recoverable unless the customer could not reasonably have known they were being overpaid.

When the Council determines that the "official error reduction" is not recoverable (i.e the claimant could not have reasonably known they were being overpaid) we will award Discretionary Council Tax Support to offset the loss, without the need for a further written application.

A customer disputing the decision that an "official error reduction" is recoverable can, as now, appeal to the Valuation Tribunal.

Proposal three - Treatment of Severe Disability Premium transitional payments

We propose that Severe Disability Premium transitional payments from DWP for people who are receiving Universal Credit will be fully disregarded from both the income and applicable amount used to calculate Council Tax Support.

- 4.3 It is recommended that the Council Tax Support Scheme implemented in April 2020 is for a 2 year period 2020/21 & 2021/22 and is not subject to change unless there are significant changes in the Housing Benefit Scheme that would warrant the same changes needing to be reflected in the Council Tax Support Scheme for ease of administration or unexpected financial implications. This would be subject to further review and a formal decision making process.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 This proposal will contribute to the following key priority set out in the Council's Corporate Plan 2018-21:

Protecting and enhancing the lives of vulnerable adults and children - This proposed change in administrative process contributes to the well-being of local people most in need by ensuring they receive financial support through the benefits system to which they are entitled, whilst reducing the claims procedures to which they would otherwise have to follow.

Ensuring our Council is fit for the future - reducing the cost of administering the revenues and benefits service in terms of processing new claims and debt recovery processes (including potential debt write-off)

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 There is a statutory requirement to carry out consultation on a Local Council Tax Support Scheme. The guidance recommends that public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.

Although Government's code of practice on consultation states that normally 12

weeks is appropriate, billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.

The code of practice indicates that where timing is restricted, for example due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation, and any documentation should be clear for the reasons for the shorter.

We propose to carry out our consultation by having an on-line survey within our website detailing our proposed options. The proposed timeline is set out in the table below.

We will specifically consult key stakeholders: Voluntary Sector Organisations, Advice and Support Agencies, Private Landlords, Housing Associations and other stakeholders, including our preceptors.

Publish Consultation on the Council's website	19/11/2019
Consult with key stakeholders	November/December
Review Consultation Feedback	1 st Jan - 3 rd Jan
Make amendments subject to consultation	Early January
Publish Final Proposal in Policy Committee Report for January	08/01/2020
Policy Committee Recommends Final Scheme to Council	20/01/2020
Software Changes start to be made to Test Environment	N/A
Council decides 2020/21 Scheme (Legal Deadline is 31/01/20 or scheme remains same as 2019/20)	28/01/2020
Testing on the system	N/A
CTRS Scheme sent to DCLG	31/01/2020
Council Tax Set / Budget Setting at Council	25/02/2020
Bills issued reflecting revised CTS Scheme	March 2020
Formally Implement Change	01/04/2020

7. EQUALITY IMPACT ASSESSMENT

7.1 A Full Equality Impact Assessment is set out at Appendix 1.

All of the current options impact positively on all customers of working age currently in receipt of Council Tax Support.

Pensioners remain unaffected by these proposals.

8. LEGAL IMPLICATIONS

8.1 In 2013 the Government Abolished Council Tax Benefit and replaced it with a requirement for Local Authorities to set their own Council Tax Support Scheme. Authorities must do this by 31 January each year or the scheme they had in the year before continues.

The Scheme explained here is proposed as the CTS Scheme for Reading Borough Council in its capacity as a Billing Authority, under Section 13A (1) (a) of the Local

Government Finance Act 1992 (as amended by section 10 of the Local Government Finance Act 2012).

This proposed CTS Scheme would apply from 1st April 2020.

The Council's CTS Scheme is subject to the Council's duties for local welfare support under provisions including:

- The Welfare Reform Act 2012;
- The Localism Act 2011;
- The Equalities Act 2010;
- The Local Government Finance Act 1992 and 2012;
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 SI 2012/2885 (as amended);
- Other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010;
- The Social Security Contributions and Benefits Act, 1992 and the Social Security Administration Act 1992;
- Data Protection Act 1998;
- The Housing Benefit Regulations 2006 (The HB Regulations)
- The Council Tax Reduction Schemes (Default Scheme)(England) Regulations 2012 (The Default Scheme)
- The Welfare Reform and Work Act 2016

8.2 The decision about the scheme is linked to the decision that is reserved to Council to set the tax base for tax setting purposes, as effectively reducing council tax support increases the tax base, so more money is collected for each £1 of council tax that is set in February 2020.

9. FINANCIAL IMPLICATIONS

9.1 Our analysis over the current % collected on CTS cases, demonstrates that although customers remain entitled to Council Tax Support following their migration to Universal Credit, not all re-apply immediately as currently required, resulting in Council Tax arrears and additional costs. Although this increases the overall Council Tax collectable, the revenue generated places customers in unnecessary hardship and increases resource required to recover the debt and potentially write-off as uncollectable. It also increases resources required to process new claims.

We are unable to model the full cost as they are unknown and relatively low quantities at this time which will not make a material difference to our wider tax base estimate.

10. BACKGROUND PAPERS

10.1 CTRS Scheme http://www.reading.gov.uk/media/10313/Council-Tax-Reduction-Scheme-2019-20/pdf/Reading_CTR_Scheme_2019-20_v1.2.pdf

10.2 Appendix one Equality Impact Assessment



Provide basic details

Name of proposal/activity/policy to be assessed

1. Council Tax Support Scheme 2020/21: Removal of requirement to reclaim Council Tax Support following migration to Universal Credit, clarity on requirement to repay excess Council Tax Support and proposal to disregard Severe Disability Premium transitional payments.

Directorate: Corporate Resources

Service: Finance

Name and job title of person doing the assessment Name:

Samantha Wills

Job Title: Income & Assessment Manager

Date of initial assessment: 15th October 2019

Scope your proposal

What is the aim of your policy or new service?

In 2013/14 the government abolished council tax benefit and local authorities were required to introduce local schemes. Overall funding was cut and there was a proviso that pensioners would be protected and made no worse off.

The local scheme we introduced was designed to cost the Council the same as when we received Revenue Support Grant which meant requiring a contribution of 15% from residents assessed as eligible for support. We increased the minimum contribution to 20% for the 2016 /17 year and restricted the support to a Band D to continue to offset the reduction of grant funding. A further increase to the minimum contribution to 25% was introduced in 17/18 and decreased Capital limits.

However with continued budget pressures, and having to find further income streams to fund our budget position, we increased the minimum contribution to 35% for the 2018/19 year and decreased the Capital limits further. It is still however our intention is to ensure the Local Council Tax Support scheme continues to provide support to low income households in Reading, whilst managing the decrease in funding.

The aims of this policy are:

- to manage the cost of the scheme within the available funds, ensuring that additional burdens are not put upon the general fund at further cost to local taxpayers;
- to maintain a scheme that meets the requirements of the Local Government Finance Act, the Equality Act 2010, the Child Poverty Act 2010, and the Housing Act 1996
- to ensure that the scheme is clear and easy to understand for applicants and to simplify administration where possible.

We are proposing that the application and calculation process used by the existing council tax support scheme will remain much the same but there will be some changes as follows:

- Removal of requirement to reclaim Council Tax Support following migration to Universal Credit
- Clarify requirement to repay excess Council Tax Support
- Disregard Severe Disability Premium transitional payments

Currently we have 7,932 customers receiving Council Tax Support, 4,507 are working age and 3,425 pension age.

As our Council Tax Support scheme continues to follow the calculation routes originally designed in the Council Tax Benefit Scheme, our scheme is still based on the award of premiums and applicable amounts that reflect disability and age.

Therefore it continues to protect those of pensioner age and those in receipt of disability benefits by offsetting by ways of a means test in the main.

We will continue to use the discretionary Council Tax Support fund as part of our local council tax support scheme to help people who may face exceptional and extraordinary difficulties in paying their council tax.

Who will benefit from this proposal and how?

The Council faces significant challenges over the next few years, as it continues to receive reductions in grant funding, and increasing demands on service delivery.

This proposal forms part of the ongoing work that is being undertaken to address the Council's budget position and improve efficiency.

Everyone who currently receives Council Tax Support, except pensioners, will be affected in a positive way by these changes. They will not have to re-apply for Council Tax Support, payment of Severe Disability Transitional Payments will not adversely affect their claim and there will be no requirement to claim discretionary Council Tax Support where we have deemed the excess Council Tax Support 'official error' and the customer could not have reasonably known they were being overpaid.

What outcomes will the change achieve and for whom?

There will be a reduction in administration processes for both customer and staff when migrating to UC. It will reduce the risk of customers falling into arrears and suffering financial hardship.

Who are the main stakeholders and what do they want?

73,000 Council Tax payers including 7,932 in receipt of Council Tax Support

Preceptors

Neighbouring Councils

Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords

Organisations representing vulnerable groups Disabled people

Low income out of work Low income in work

Homelessness prevention.

Consultation

Relevant groups/experts	How were/will the views of these groups be obtained	Date when contacted
Members / Senior Officers	Series of meetings regarding efficiencies and service plan proposals	Commenced January 2019
<p>Consultation</p> <p>We will consult on our proposals through November and December 2019. Feedback will contribute to the Equality Impact Assessment which will be updated once we have received the feedback in early January 2020.</p>	Web on line survey	Nov -December 2019
<p>Targeted invitation to participate in on line consultation:</p> <p>Preceptors Neighbouring Councils</p> <p>Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords</p> <p>Organisations representing vulnerable groups</p> <p>Disabled people</p> <p>Low income out of work</p> <p>Low income in work Homelessness</p>	Email including Web on line surveylink	Nov -December 2019

prevention.		
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Collect and Assess your Data

Describe how this proposal could impact on Racial groups

Data regarding ethnicity is not available from the Council Tax Support Database

Is there a negative impact? No

Describe how this proposal could impact on Gender/transgender (cover pregnancy and maternity, marriage)

Specific data is not available on those protected characteristics for the Council Tax Support client base

Is there a negative impact? No

Describe how this proposal could impact on Disability

The number of working age customers currently in receipt Council Tax Support with disability premiums (disability, enhanced disability, severe disability, disabled child) continue to receive a level of protection as their benefit calculation continues to reflect an allowance for disability. If they are in receipt of qualifying benefits which the majority are; they do not attract a non-dependant deduction.

The proposal will look to also disregard the Severe Disability Premium transitional payments made by the DWP

Is there a negative impact? No

Describe how this proposal could impact on Sexual orientation (cover civil partnership)

Civil Partnership is reflected and recognised within the overall benefits system; therefore these customers are affected in the same way as all customers. There are no differences in the calculations.

Is there a negative impact? No

Describe how this proposal could impact on Age

Pensioners will be protected from any changes as they have been protected by the Government, they cannot be asked to contribute any additional amount therefore their Council Tax Support entitlement remains the same.

For households of working age where the customer is not on passported benefits which means they are working or in receipt of work related benefits, these customers are positively affected by the changes.

Is there a negative impact? No

Describe how this proposal could impact on Religious belief?

Specific data is not available on those protected characteristics for the Council Tax Support client base

Is there a negative impact? No

Make a Decision

If the impact is negative then you must consider whether you can legally justify it. If not you must set out how you will reduce or eliminate the impact. If you are not sure what the impact will be you **MUST** assume that there could be a negative impact. You may have to do further consultation or test out your proposal and monitor the impact before full implementation.

Tick which applies

1. **No negative impact identified** Go to sign off

2. **Negative impact identified but there is a justifiable reason**

How will you monitor for adverse impact in the future?

Listen to customer feedback and comments / complaints as changes are proposed and or implemented

We will provide updates on known impacts as the changes are implemented through the officer welfare & poverty steering group

Signed (completing officer) Samantha Wills
(reviewed)

Date 15th Oct 2019

Signed (Lead Officer) Matt Davis

Date

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READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	18 NOVEMBER 2019		
TITLE:	LIQUID FUEL PROCUREMENT		
LEAD COUNCILLOR:	CLLR EMBERSON CLLR PAGE	PORTFOLIO:	CUSTOMER AND CONSUMER SERVICES
SERVICE:	CORPORATE FACILITIES MANAGEMENT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	FRANCES MARTIN	TEL:	0118 937 4024
JOB TITLE:	EXECUTIVE DIRECTOR DEGNS	E-MAIL:	Frances.martin@reading.gov. uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1.1 Reading Borough Council currently spends in the region of £510k per year on liquid fuel supplies to support the corporate fleet for the provision of council services.
- 1.1.2 The Council procures the majority of its fuel centrally through a framework agreement managed by Crown Commercial Services (CCS) reducing risk and ensuring lowest price, through aggregating purchasing with other CCS customers. The report seeks permission to enter into a new framework agreement with CCS in November 2019 to ensure best possible cost and supply is retained.
- 1.3 The Council has reduced its fuel and oil consumption significantly since 2008, with consumption having fallen by 53% over this period.
- 1.4 The Council is developing a programme to replace fuel powered vehicles with electric vehicles (EVs) and also ceasing the use of oil to fuel heating in buildings. The Council's 2020 to 2025 carbon plan will include specific targets to manage the fossil fuel consumption of the Council's vehicle fleets downwards towards carbon neutral operations by 2030.
- 1.5 This report seeks the Policy Committee's approval to enter into new contracts for fuel supplies. Under the framework Reading Borough Council is not committed to purchasing a minimum amount of fuel. This is a flexible contract that enables the Council to reduce the amount of fuel procured as it moves to an electric and cleaner ultra-low emission fuel efficient fleet and electric heating.

2. RECOMMENDED ACTION

- 2.1 The Committee delegates authority to the Executive Director Economic Growth and Neighbourhood Services and the Assistant Director of Procurement to enter into the recommended fuel supply contracts for diesel petrol and gas oil for the period November 2019 to 31ST March 2022, through the Crown Commercial Services framework R3081 Liquid Fuels.
- 2.2 The Committee supports the development of targets and policies to reduce the use of fossil fuels for powering vehicles and buildings in the Council's operations.

3. POLICY CONTEXT

3.1 Reading Borough Council’s Carbon Plan 2015-2020, sets out to reduce carbon dioxide emissions and is reflected in the contract.

The projected requirement for liquid fuels over the life of the contract has been reduced by 50,000 litres per annum and achieved in the following ways -

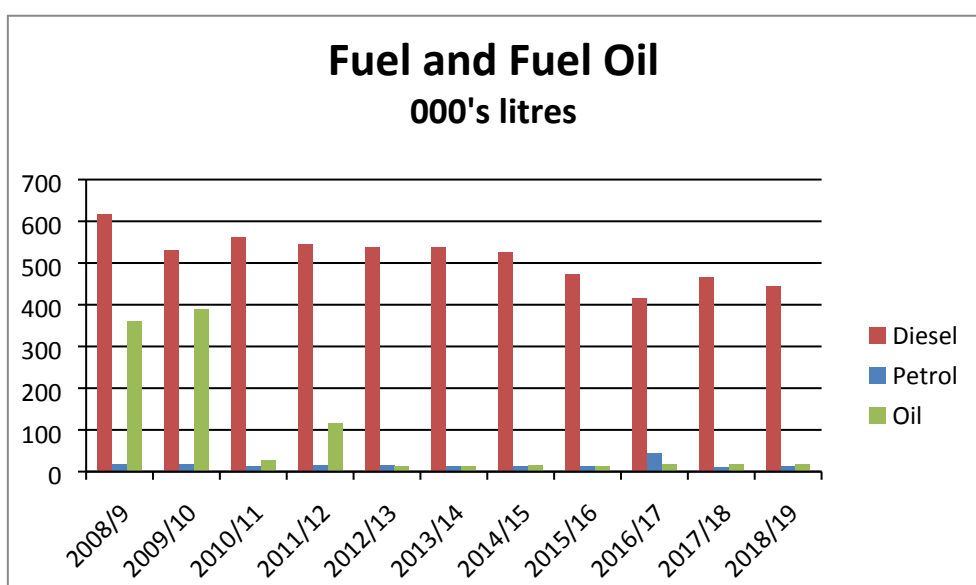
- a) Ongoing initiatives to ensure RBC has a fuel efficient fleet, electric vehicles, speed-limiting vehicles to 62mph, optimising routes, driver training and conversion of oil heating to electric heating. RBC currently has 12 electric vehicle chargers and nine electric vehicles and will increase the number of both chargers and electric vehicles when suitable vehicle types become available and financially viable.
- b) The refurbishment of Bennet Rd will deliver an all-electric building negating the need for using oil to heat the Darwin Close building which is due to become empty in April 2020.

3.2 In 2019 Reading resolved to lead by example to achieve a carbon neutral Reading by 2030. Reading Borough Council is working with the Reading Climate Change Partnership to develop a third climate strategy. This will link to a range of new council strategies including

4. CURRENT POSITION

- 4.1 Reading Borough Council’s liquid fuel expenditure for its corporate fleet and estate is currently approximately £510k per year. The authority procures the majority of its fuel centrally through a framework agreement Liquid Fuels RM3081 managed by Crown Commercial Services (CCS). CCS is a public sector Central Purchasing Organisation (CPO). The procurement risk strategy employs a flexible, advance purchase approach where prices are based on the cost of fuel on the day of purchase.
- 4.2 The CCS frameworks were established using an OJEU compliant process. Table 1 below outlines the term of the current CCS framework contracts Reading Borough Council has entered into. The Council has the option to enter into the new contract via a mini e tender under the framework in November 2019.

Figure 1 - Graph showing fuel oil consumption 2008 to present



4.3 The current list of liquid fuels, expenditure and supplier is as follows -

Diesel is supplied by Harvest Energy (circa £469k per annum)
Petrol is supplied by Harvest Energy (circa £15k per annum)
Kerosene is supplied by Wessex Petroleum (circa £13k per annum)
Gas Oil is supplied by Wessex petroleum (circa £13k per annum)

High price volatility makes future price predictions difficult to forecast.

4.4 Overall the Council's use of oil and fuel has reduced by 53% since 2008. The use of oil to heat corporate buildings in the Council's estate will finish completely upon the disposal of Darwin Close.

4.5 The key strategic outcomes which are supported through the CCS framework are -

- Mitigating risks of supplier price increases
- Price advantage through purchasing in volume
- Flexibility to buy reducing quantities of fuel oils as the fleet moves to electric vehicles and reduces consumption of fossil based fuel oils.

5. PROPOSALS

5.1 The recommended option is to enter into new fuel supply contracts with the framework following the mini e tender exercise results starting in November 2019. The contract is a flexible contract enabling Reading Borough Council to reduce the amount of fuel procured as it increases the number of electric and ultra-low emission vehicles in its fleet. Currently RBC has 208 vehicles in its fleet of which nine are electric, 181 are Euro 6 standard and 18 are older vehicles. Plans are being developed to increase the number of electric and ULEVs (Ultra Low Emission vehicles). Under the framework Reading Borough Council are not committing to purchase a certain amount of fuel and will not be penalised for ordering less.

5.2 In the second quarter of 2020 staff from Darwin Close move to an all-electric building at Bennet Rd. Kerosene will no longer be required to heat the Darwin Close building saving 23,000 litres of fuel per annum, reducing liquid fuel expenditure and reducing carbon.

5.3 A new target for fossil based vehicle fuels will be incorporated into the 2020 to 2025 carbon plan. This will relate to the amount of mileage required for the Council's business and will help to move the Council significantly towards carbon neutral operations by 2025.

6. CONTRIBUTION TO STRATEGIC PRIORITIES

6.1 Fuel supplies are critical to the delivery of most Council services. All of the strategic priorities of the Council Plan are involved, although the ones underlined below are especially affected by procurement choices.

- Securing the economic success of Reading and provision of job opportunities
- Ensuring access to decent housing to meet local needs
- To protect and enhance the lives of vulnerable adults and children
- Keeping Reading's environment clean, green and safe
- Ensuring that there are good education, leisure and cultural opportunities for people in Reading
- Ensuring the Council is fit for the future

- 6.2 The effective procurement of fuel and shift to electric fleet is crucial to the delivery of the Council's Carbon Plan, supporting the effective management and use of natural resources.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way". The procurement of liquid fuel is essential for the delivery of Council services does not require consultation.

- 7.2 Information about the process and the chosen supplier would be available to the public.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 This decision is not expected to have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief and therefore no Equality Impact Assessment (EIA) is relevant to the decision.

9. LEGAL IMPLICATIONS

- 9.1 In accordance with the Local Government Act 1972, all the powers of the local authority are held by the Council, which has established Committees with delegated authority to take decisions on its behalf. The decision to award contracts for high value services (above £500,000) constitutes a 'key decision' and as such the decision should be made by the committees or an appropriate delegation is made.

- 9.2 The procedures for procurement of services are set out in the Council's Contract Procedure Rules under part 4 of the Council's Constitution. In respect of framework agreements set up by another body advice should be sought from Procurement, and where appropriate Legal, to confirm the ability of the Council to legally access such arrangements.

- 9.3 The value of the contracts under the aggregated value provision, are above the OJEU threshold for services in the Public Contracts Regulations 2015 and as such require advertisement in the Official Journal of the European Union (OJEU). The use of an appropriate framework would meet this provision on the basis that the framework would already have been advertised in the OJEU. The Council contract procedure rules recommend that "Where a recurring pattern of purchases can be seen for like supplies, services or works, consideration should be given as to whether one or more framework agreement(s) would represent better value in terms of price, service, invoicing or other administration costs."

10. FINANCIAL IMPLICATIONS

- 10.1 Currently fuel budgets are paid centrally in the Council, but allocated to individual service budgets. The annual costs of fuel for the following year are forecast based on previous year costs, market trend and move to an electric fleet. The supplier's margin is known and set for the term of the contract.

- 10.2 Fuel costs in 2018/19 were the costs incurred by the Council's corporate fleet was £510k per annum, set against the context of a reduction in fuel consumption with the introduction of electric vehicles. The future make up of fleet in terms of electric vehicles is expected to increase greatly but has still to be confirmed.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The proposal supports Reading Borough Council's Carbon Plan 2015-2020 by reducing the predicted amount of liquid fuels used by 50,000 litres per annum. The reduction is based on the introduction of a more fuel efficient fleet, electric vehicles, speed-limiting vehicles to 62mph, optimising routes, fuel efficient driver training and the refurbishment of Bennet Rd, which will deliver an all-electric building negating the need for kerosene for heating.
- 11.2 The introduction of fuel targets and the reduction of fossil based fuel for Council operations will form a key aspect of the 2020 to 2025 Carbon Plan and contribute to the delivery of the Council's climate change strategy and resolution to become a carbon neutral borough by 2030.

12. BACKGROUND PAPERS

- 12.1 Appendix 1 - Current and Proposed Fuel Types Quantity and Cost Comparison

APPENDIX 1 - Current and Proposed Fuel Types Quantity and Cost Comparisons.

The margin is the amount charged by CCS for managing the framework and the amount charged by the supplier for their overheads which includes delivery and is the additional pence per litre (ppl) charged so 1.51ppl is £0.0151 per litre. The margins are added to the weekly commodity cost which is available via the CCS webpage under the documents section.

Table 1: Current contractual supplier schedules

Fuel	Contract name	Current Supplier	Cost £ Sept 19	Margin charged by CCS & Supplier	Quantity	Margin charged by CCS & Supplier
Diesel	RM3801: The Supply of liquid fuels	Harvest Fuels	1.0228	0.20ppl CCS & 1.5ppl	350,000	£5,950 plus cost of fuel at time of purchase
Petrol	RM3801: The Supply of liquid fuels	Harvest Fuels	1.0461	0.20ppl CCS & 8.00ppl	15,000	£1,250 plus cost of fuel at time of purchase
Gas Oil	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 2.76ppl	14,000	£414.40 plus cost of fuel at time of purchase
Kerosene	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 3.89ppl	23,000	£940.70 plus cost of fuel at time of purchase

Table 2: Future Proposed supplier schedules based on the mini tender carried out

Fuel	Contract name	Future Supplier	Cost £ Sept 19	Margin charged per litre	Qty per annum	Est Cost per annum of framework and supplier margin
Diesel	RM3801: The Supply of liquid fuels	Wessex Petroleum Ltd	1.0228	0.20ppl CCS & 1.0ppl Wessex	327,000	£3,600 plus cost of fuel at time of purchase
Petrol	RM3801: The Supply of liquid fuels	Certas Energy Ltd	1.0461	0.20ppl CCS & 5.00ppl Certas	15,000	£780 plus cost of fuel at time of purchase
Gas Oil	RM3801: The Supply of liquid fuels	Wessex Petroleum	0.5793	0.20ppl CCS & 1.51ppl Wessex	14,000	£239.40 plus cost of fuel at time of purchase
Kerosene	RM3801: The Supply of liquid fuels	Certas Energy Ltd	0.5793	0.20ppl CCS & 1.9ppl Certas	23,000	£483 plus cost of fuel at time of purchase

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READING BOROUGH COUNCIL

REPORT BY ASSISTANT DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES

TO:	POLICY COMMITTEE		
DATE:	18 NOVEMBER 2019		
TITLE:	REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE ON THE USE OF RIPA		
LEAD COUNCILLOR:	CLLR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER AFFAIRS
SERVICE:	LEGAL AND DEMOCRATIC SERVICES	WARDS:	BOROUGHWIDE
LEAD OFFICER:	CHRIS BROOKS	TEL:	72602/9372602
JOB TITLE:	ASSISTANT DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES	E-MAIL:	chris.brooks@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To update the Policy Committee on the use of the Regulation of Investigatory Powers Act 2000 (RIPA) during the 2018/2019 financial year.

2. RECOMMENDED ACTION

2.1.1 The Policy Committee are requested to note:

- a) the Council's use of covert surveillance powers in the period April 2018 to March 2019.
- b) the Council's policy on the use of the Regulation of Investigatory Powers Act 2000 at Appendix A.

3. POLICY CONTEXT

- 3.1 The use of RIPA to conduct covert surveillance in appropriate instances supports many of the Council's enforcement and anti-fraud policies. The Investigatory Powers Commissioner's Office (IPCO) is the body responsible for overseeing the use of investigatory powers by public authorities. It promotes continuing awareness for elected Members and suggests they consider reports on the use of RIPA to ensure that its use is consistent with the Council's Policy and that the Policy remains fit for purpose.
- 3.2 RIPA, and its accompanying Code of Practice set out the requirements for undertaking covert surveillance. All applications for RIPA have to be considered and approved by specified trained authorised officers within the Council. The application and authorisation are then presented to the

Magistrates Court for final approval. Surveillance cannot take place until the Magistrate has granted authorisation.

- 3.3 The Council's RIPA Policy describes the legislation relating to covert law enforcement techniques and the procedures to be followed in using those techniques. Detailed guidance is available to officers who undertake covert surveillance using RIPA. Officers who may carry out investigations requiring RIPA authorisation, and those who authorise it (designated officers) are also required to undertake training.
- 3.4 The Council's use of RIPA is subject to external scrutiny in the form of inspections by the Investigatory Powers Commissioner's Office (IPCO). These generally take place every three years. Reading Borough Council was last inspected in January 2017.
- 3.5 As the Senior Responsible Officer, the Assistant Director of Legal and Democratic Services has overall responsibility for the Council's use of RIPA.

4. THE PROPOSAL

- 4.1 The Council has broad statutory functions and takes appropriate enforcement action in relation to those functions. There may be circumstances in the discharge of these functions when it is necessary for the Council to use RIPA for the purpose of preventing crime or disorder.
- 4.2 To date, the Council has made infrequent use of RIPA and recognises that there are usually less intrusive methods of obtaining information. The Council will continue to adopt this approach where possible.
- 4.3 The information in the table below outlines the RIPA authorisations granted by the Magistrates Court during 2018/19. No applications were refused and no applications were made for Communications Data or for Covert Human Intelligence Sources (CHIS).

Month	Directed Surveillance	Purpose
August 2018	1	Test purchases (Reading Festival)
February 2019	1	Test purchases (Sale of alcohol to underage persons)

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 A review by Members of the Council's use of its powers under RIPA assists in ensuring that the Council does not misuse its powers and generally helps to promote resident's confidence in the Council.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The effective and lawful use of RIPA supports the community safety and crime and disorder activities undertaken by the Council.

7. EQUALITY IMPACT ASSESSMENT

7.1 There are no equality implications arising from this report.

8. ENVIRONMENTAL IMPLICATIONS

8.1 There are no environmental implications arising from the Council's use of the Regulation of Investigatory Powers Act 2000.

9. LEGAL IMPLICATIONS

9.1 Under normal circumstances, surveillance of individuals for the purpose of establishing whether they may be involved in unlawful activities could give rise to a breach of their Article 8 right to privacy under the European Convention on Human Rights. The purpose of RIPA is to provide in law, an absolute (but subjective) defence to a potential breach of Article 8 in cases where in specific circumstances limited intrusion for the purposes of prevention or detection of crimes which meet the required threshold can be justified. Part of this is establishing policies on how and when the Council will use RIPA, following the Codes of Practice issued by the Home Office in doing so.

10. FINANCIAL IMPLICATIONS

10.1 There are no specific financial implications relating to this report. However, a failure by the Council to exercise its powers appropriately and in accordance with the law could result in legal challenge and possibly a claim for damages.

11. BACKGROUND PAPERS

11.1 None.

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READING BOROUGH COUNCIL

Regulation of Investigatory Powers Act: Policy for Covert Surveillance, the use of a Covert Human Intelligence Source and the Acquisition of Communications Data

1 General Background

The Regulation of Investigatory Powers Act 2000 (RIPA) provides a means for local authorities to authorise covert activities. It was introduced as a consequence of the Human Rights Act 1998, which enshrined the European Convention on Human Rights into UK law and came into effect on 2 October 2000. RIPA aims to ensure that public bodies respect the privacy of members of the public when carrying out their investigations and that there is an interference with privacy only where the law permits it and there is a clear public interest justification. RIPA ensures that covert investigations are conducted in such a way as to protect individuals' rights and act as a safeguard to protect council officers and the Council against any legal challenge.

The Investigatory Powers Commissioner's Office is responsible for regulating surveillance conducted by public authorities (a role previously undertaken by the Office of Surveillance Commissioners). This is done through a programme of inspections, followed by a report of the inspection findings. Inspections are usually conducted with little notice and local authorities are subject to inspection usually every third year. The Council was last inspected in January 2017.

This policy describes the legislation relating to covert law enforcement techniques and provides a broad overview of the procedures to be followed in using those techniques. Detailed advice for investigating and authorising officers can be found in the accompanying guidance document published on the Council's intranet.

Officers contemplating submitting a RIPA should consult with the Legal Department at the earliest opportunity.

2 Legislation

In 2012 the Protection of Freedoms Act came into force. Sections 37 and 38 of that Act amended the Regulation of Investigatory Powers Act 2000 to require that, where an Authorising Officer has granted an authorisation for the use of directed surveillance, for the use of a covert human intelligence source or for the acquisition of communications data, judicial approval will be required.

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources (Amendment) Order 2012 amended local authorities use of RIPA. It restricted Authorising Officers from allowing the carrying out of directed surveillance unless it was for the purpose of preventing or detecting a criminal offence punishable by a maximum term of at least six months imprisonment or constitutes an offence under sections 146, 147 or 147A of the Licensing Act 2003 (sale of alcohol to children) or section 7 of the Children and Young Persons act 1993 (sale of tobacco to children under 18 years old).

These provisions came into force on 1st November 2012.

Additionally, in complying with RIPA, officers must have full regard to the three Codes of Practice issued by the Home Office. These are The Covert Surveillance and Property Interference Code of Practice and the Covert Human Intelligence Sources Code of Practice, both published in August 2018; and the Acquisition and Disclosure of Communications Data Code of Practice issued in 2015. These codes can be found by accessing the following links:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742041/201800802_CSPI_code.pdf

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/742042/20180802_CHIS_code.pdf

<https://www.gov.uk/government/publications/code-of-practice-for-the-acquisition-and-disclosure-of-communications-data>

Although the Codes do not extend the Council's legal obligations under RIPA 2000 they are admissible as evidence in both criminal and civil proceedings. Further assistance is provided in the Procedures and Guidance document published by the Office of Surveillance Commissioners:

<https://osc.independent.gov.uk/wp-content/uploads/2017/01/OSC-Procedures-Guidance-July-2016.pdf>

For the purpose of this policy covert surveillance means the pre-planned covert watching or monitoring of a person or group of persons or the covert listening to a person or group of persons over a period of time which is carried out in a manner calculated to ensure that the persons subject to surveillance are unaware that it is, or maybe taking place, for the purpose of obtaining private information about them, other than as an immediate response to events.

Private information includes any information relating to a person's private or family life. Private information should be taken generally to include any aspect of a person's private or personal relationship with others, including family and professional or business relationships. Information such as names, telephone numbers and address details are considered to be private. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.

Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public.

3 Types of Covert Surveillance

(i) Directed Surveillance

Directed Surveillance is defined in section 26(2) of the 2000 Act as surveillance which is covert, but not intrusive, and undertaken:

(a) for the purposes of a specific investigation or operation;

(a) in such a manner as is likely to result in the obtaining of a private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and

(b) otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of the surveillance.

Directed surveillance involves the observation of a person or persons with the intention of gathering private information to produce a detailed picture of a person's life, activities and associations. However, it does not include covert surveillance carried out by way of an immediate response to events or circumstances which, by their very nature, could not have been foreseen. For example, a Trading Standards Officer on route to speak to a witness passes a side street and happens to see what appear to be goods being sold out of the back of a van. The officer parks up and hides around a corner to take photographs of the sales occurring. After 20 minutes the officer approaches the seller to enquire as to his actions. This would not require a RIPA authorisation as it is a response to immediate events.

(ii) Covert human intelligence sources

A person is a covert human intelligence source if:

He/she establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within the following bullet points

- He/she covertly uses such a relationship to obtain information or to provide access to any information to another person or
- He/she covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship.

A purpose is “covert” in these circumstances if, and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose.

(iii) Communications Data

The ‘who’, ‘when’, and ‘where’ of a communication. It does not include the content; what was said or written. It includes the manner in which, and by what method, a person or machine communicates with another person or machine. It does not include what they say or what data they pass on within a communication including text, audio and video.

(iv) Intrusive surveillance

Intrusive surveillance is defined in section 26(3) of the 2000 Act as covert surveillance that is:

- (a) Is carried out in relation to anything taking place on any residential premises or in any private vehicle; and
- (b) Involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device

RBC is not permitted to authorise intrusive surveillance

It should be noted that any use of activities under RIPA will be as a last resort and council policy is not to undertake such activities unless absolutely necessary.

4 Applications

Before authorisation is considered a full written application will be given to the authorising officer in the form approved by the Home Office. Copies of these are available within the Council but can be obtained from the Home Office website <https://www.gov.uk/government/organisations/home-office/series/ripa-forms--2>

Consideration will be given that the authorisation is necessary on particular grounds and that the surveillance is proportionate to what it seeks to achieve.

Particular consideration will be given to collateral intrusion on or interference with the privacy of persons other than the subject(s) of surveillance.

Consideration will be given to risk assessment.

Those carrying out the covert surveillance will inform the authorising officer if the operation/investigation unexpectedly interferes with the privacy of individuals who are not the original subjects of the investigation or covered by the authorisation in some other way.

Consideration will be given to particular sensitivities in the local community where the surveillance is taking place or of similar activities being undertaken by other public authorities which could impact on the deployment of surveillance.

Where RBC carries out surveillance on behalf of another Agency the tasking authority will be responsible for the authorisation.

Applications for surveillance should be in writing and should specify the information described in the approved forms referred to above and in the Codes, including;

- the nature of the surveillance;
- any premises or vehicles in relation to which the surveillance will take place;
- the identity of those to be the subject of the surveillance (where known);
- how the authorisation criteria are considered to be met; and
- Whether the operation or investigation is likely to lead to the acquisition of any religious/confidential material.

5 Authorisation

Before giving authorisation to the application the authorising officer will be satisfied that

- The surveillance is likely to be of value in connection with detection of crime, and is proportionate to the crime being investigated.
- The desired result of the Surveillance cannot reasonably be achieved by other means.
- The risks of collateral intrusion have been properly considered.
- Written authorisation will last for no longer than 3 months for directed surveillance and 12 months for a covert human intelligence source application.
- The authorisations is for an offence for which there is at least a maximum term of six months imprisonment

Legal Services hold a record of all Authorising Officers, only those listed are able to authorise RIPA applications. In the absence of any appropriate officer within the service applications may be dealt with by the Senior Responsible Officer (Assistant Director of Legal and Democratic Services).

6 Magistrates Hearing

Once the Authorising Officer has given their independent approval, the Investigating Officer will complete a Magistrates Approval Form and contact the Court to arrange a hearing. The Approval From can be obtained from the Home Office website <https://www.gov.uk/government/publications/changes-to-local-authority-use-of-ripa>. The Investigating Officer will need to submit both the approval form and the application form for consideration by the Magistrate. The Investigating Officer will need to have the authority to appear before the Magistrate. Legal Services holds a record of such officers. It is advised that the Authorising Officer also attend the hearing to respond to any queries the Magistrate may have in relation to the approval.

7 Renewal

Applications for a renewal of an authorisation will include

- whether this is the first renewal or every occasion on which the warrant/authorisation has been renewed previously;
- the information listed as it applies at the time of the renewal;
- any significant changes to the information in the previous application for a warrant/authorisation;
- the content and value to the investigation of the product so far obtained under the surveillance;

- the results of periodic reviews of the operation by a senior officer.

Renewal forms can be obtained from the Home Office website:

<https://www.gov.uk/government/organisations/home-office/series/ripa-forms--2>

Renewals will also need to be approved by a Magistrate.

8 Cancellation

On completion of the surveillance the authorisation must be cancelled by the authorising officer. Applications must not be left to expire. Cancellation forms can be obtained from the Home Office website:

<https://www.gov.uk/government/organisations/home-office/series/ripa-forms--2>

9 Use of the Internet to Carry out Surveillance

Officers can make use of the internet in the course of their enquiries. Often these enquiries are simple 'open source' enquiries and are unlikely to amount to either directed surveillance or the use of a covert human intelligence source. However, there are circumstances under which RIPA authorisation may be appropriate. Detailed guidance on this area can be found in the detailed guidance document produced for officers referred to under point 1.

For further information regarding this policy please contact the Data Protection Officer or the Information Officer in Legal Services.

10 Non RIPA Surveillance

As a result of the 2012 changes which led to a restriction in the use of RIPA by local authorities, surveillance may now be required which falls outside of RIPA (for example in the case of anti-social behaviour offences which do not attract a maximum custodial sentence of at least six months imprisonment). It is good practice to maintain an auditable record of decisions and actions to use covert surveillance without the protection of RIPA and that such activity should be regularly reviewed by the Senior Responsible Officer (SRO). The SRO will maintain an oversight of non RIPA surveillance to ensure that such use is compliant with Human Rights legislation. The RIPA Monitoring Officer will maintain a central record of non RIPA surveillance.

As part of the process of formally recording and monitoring non RIPA surveillance, a non RIPA surveillance application form should be completed by the investigating officer. The form must be signed off by an authorising officer (Head of Service, Service Manager or Trading Standards Manager). A copy of the non RIPA surveillance application form is available from the Data Protection Officer or Information Officer in Legal Services or can be found on the intranet. The completed form should be forwarded to the Legal Department and details of the operation will be entered on to the central record by the RIPA co-ordinating officer.

Non RIPA surveillance also includes staff surveillance which falls outside of RIPA. Any surveillance of staff must be formally recorded on the non-RIPA surveillance application form and authorised by the Head of Service in consultation with the Head

of Internal Audit. A central record of staff surveillance is also maintained by the RIPA Monitoring Officer.

Officers contemplating Non-RIPA surveillance should consult with the Legal Department at the earliest opportunity.

11 Complaints Procedures.

The Council's complaints procedure may be used for any complaint, regarding breach of this policy.

Contravention of the Data Protection Act 2018 may be reported to the Information Commissioners Office.

12 Records

- RBC will keep a central record of all surveillances authorised, renewed and cancelled. All completed forms should be forwarded to Legal Services.
- These records will be kept for 3 years from the end of the authorisation. Where it is believed that the records could be relevant to pending or future criminal proceedings they will be retained for a suitable further period.
- Where material is obtained which is wholly unrelated to a criminal or other investigation or to any person who is the subject of the investigation and there is no reason to believe it will be relevant to future investigations or criminal proceedings it will be destroyed immediately.
- The Data Protection Act will be complied with at all times.
- An annual report will be considered by Full Council providing Members with an update on the Council's use of RIPA during that year.
- The Council's Policy Committee will review this document on an annual basis to ensure that it remains fit for purpose.

October 2019

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READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE (ACTING AS SOLE MEMBER FOR BRIGHTER FUTURES FOR CHILDREN)		
DATE:	18 NOVEMBER 2019		
TITLE:	BRIGHTER FUTURES FOR CHILDREN CONTRACTS PERFORMANCE REPORT		
LEAD COUNCILLORS:	CLLR JASON BROCK, CLLR LIZ TERRY, CLLR ASHLEY PEARCE, CLLR ELLIE EMBERSON	PORTFOLIO:	LEADER OF THE COUNCIL, LEAD COUNCILLOR FOR CHILDREN, LEAD COUNCILLOR FOR EDUCATION, LEAD CLLR FOR CORPORATE AND CONSUMER SERVICES
SERVICE:	PROCUREMENT & CONTRACTS	WARDS:	BOROUGHWIDE
LEAD OFFICER:	KATE GRAEFE	TEL:	0118 937 4132/ 74132
JOB TITLE:	ASSISTANT DIRECTOR FOR PROCUREMENT & CONTRACTS	E-MAIL:	kate.graefe@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report asks Policy Committee, in its capacity as sole member for Brighter Futures for Children Limited (BFfC/ “The Company”), to note the Company’s retrospective finances and performance - FY 2018/19 report.

2. RECOMMENDED ACTION

It is recommended that Policy Committee, in its capacity as sole member for BFfC:

- 2.1 Note the BFfC retrospective finance and performance report - FY 2018/19**

Appendix 1 - BFfC Annual Report 2018-2019

Appendix 2 - Report to the Audit and Risk Committee, Period ended 31 March 2019

3. BACKGROUND AND WORK TO DATE

- 3.1 At Full Council on the 16th October 2018, it was agreed to transfer the delivery of the Council’s children’s services, including Education and Early Help, to a newly established, wholly owned subsidiary Company of the Council, Brighter Futures for Children Limited (‘BFfC’/the ‘Company’). The Council has 100% ownership of BFfC, which is run by a senior management team reporting to the Company board of directors. In turn, the Board reports to the Council (Policy Committee) as its sole member/owner.
- 3.2 The delivery of Children’s Services by BFfC is covered by a Service Delivery Contract, with all services (excl. Fostering) being delivered by the Company from 1st December 2018, The delivery of Fostering commencing from 1st March 2019.. Therefore, the performance and finance report presented for review covers part-year FY2018/19 only.

- 3.3 An over-arching Managed Services Agreement acts as an umbrella contract for all the Service Levels Agreements between the Company and the Council. Attached to this as Schedules are the individual Service Level Agreements. The Company has committed to the buy-back of support services for a minimum of 2 years from 1st April 2019, i.e. from the start of the first full financial year of operation, with a minimum of 12 months' notice for any SLAs it wishes to cease. This means that the earliest any SLA service delivery would cease would be from 1st April 2021.
- 3.4 In order to provide the appropriate assurances to the Council on service delivery, there is a governance framework at both an officer and member level. From an officer perspective, the main contractual performance assurance is through a bi-monthly (6 times a year) Contract Management Group (CMG) meeting. Each CMG reviews overall BFfC contract performance as well as performance of the Council in terms of Support Services provision.
- 3.5 Policy Committee acting as sole member/ shareholder for BFfC receives:
- An annual report from BFfC on performance to Policy Committee;
 - An annual report from BFfC on the Company's business plan to Policy Committee;
- 3.6 Policy Committee approved the BFfC Business Plan for 2019-21 on the 8th April 2019, subject to finalisation of, and agreement, to revised Service Contract KPIs, which was approved on the 26th September 2019.
- 3.7 BFfC is currently drafting their Business Plan for FY2020/21, which will be presented to Policy Committee on 16th December 2019 for approval.
- 4. BFfC Annual Report 2018/19 and Accounts 2018/19 reports**
- 4.1 From Appendix 1, it is noted that the Company's position at the end of FY2018/19 is a £167k deficit. The deficit is made up of the provision for annual leave carryover which is £104k, redundancy costs which is £47k and loan interest payment which is £16k.
- 4.2 The Company also notes in this report that after making appropriate enquiries, the Board of Directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.
- 4.3 Independent Auditor UHY has signed off the accounts, and submitted their report to the Company's Audit and Risk Committee (Appendix 2).
- 5. CONTRIBUTION TO STRATEGIC AIMS**
- 5.1 All elements within this report are focused on the Corporate Plan priorities of: Ensuring the Council is fit for the future and Protecting and enhancing the lives of vulnerable adults and children.
- 6. COMMUNITY ENGAGEMENT AND INFORMATION**
- 6.1 No community engagement has been carried out or is required in the creation of or as a result of this report.
- 7. EQUALITY IMPACT ASSESSMENT**
- 7.1 An Equality Impact Assessment (EIA) is not relevant to the report or its recommendations.

8. LEGAL IMPLICATIONS

- 8.1 Any revisions agreed to the current contract KPIs require recording as a formal contract change, in accordance with the processes and procedures within the BFfC Services Contract, as outlined in 4.1, above.

9. FINANCIAL IMPLICATIONS

- 9.1 There are no specific financial implications arising from this report.

10. BACKGROUND PAPERS

- 10.1 16 October Full Council Report - Establishment of BFfC

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UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW



17 October 2019

Dear Sirs,

Representations in respect of the financial statements for the period ended 31 March 2019.

We acknowledge as directors, and confirm that we have fulfilled, our responsibility for the preparation of financial statements for the period ended 31 March 2019 that show a true and fair view and are in accordance with United Kingdom generally accepted accounting practice and the Companies Act 2006.

We also acknowledge as directors our responsibility for the design and implementation of internal control to prevent and detect both error and fraud.

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the group, the following representations given to you in connection with your audit of the group's financial statements for the period ended 31 March 2019.

1. Completeness of audit information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Specifically we confirm that:

- All accounting records have been made available to you for the purpose of your audit;
- All other records and related information, including minutes of all shareholders' and board meetings, including meetings of the Audit Committee and the Remuneration Committee in the period 1 December 2018 to the date of this letter have been made available to you.

2. Completeness of accounting records and financial statements

All the transactions undertaken by the group have been properly reflected and recorded in the accounting records, and in the financial statements.

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E info@BrighterFuturesforChildren.org
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3. **Significant assumptions, judgments and intentions**

In preparing the financial statements the board has made the following significant assumptions relating to amounts included in or disclosed in the financial statements:

- The board have reviewed the assumptions included in the pension valuation provided for the purpose of the disclosures and consider them to be reasonable.
- The intercompany balances between Brighter Futures for Children Ltd and Reading Borough Council, which net off to £3,686,192 are correct.

We have no plans or intentions that would, if taken into account, materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Aside from normal commercial constraints, we are not aware of any factor that will significantly reduce the likelihood of the company achieving those of its plans or intentions that are material to the determination of the carrying value or classification of assets and liabilities reflected in the financial statements.

We confirm that the above representations are our assumptions on these matters and that we consider them to be reasonable.

4. **Unadjusted errors in the financial statements**

We consider that the errors identified by you and set out in Appendix 1 are immaterial individually and in aggregate *and accordingly that no adjustment to the financial statements is required.*

5. **Compliance with statutory or regulatory obligations, including tax legislation**

We are not aware of any instances of possible non-compliance with statutory or regulatory obligations or tax legislation which could have a material effect on the financial statements.

6. **Significant agreements**

We have disclosed to you all the agreements and commitments (and any related side letters) that the group has entered into that could have a material impact on the amounts or disclosures included in the financial statements, or are relevant to an assessment of whether the group remains a going concern.

We are not aware of any instances of non-compliance with our contractual obligations which could have a material effect on the financial statements.

7. **Going Concern**

In our opinion the group will have sufficient resources to meet its liabilities as they fall due for the reasonably foreseeable future, and is therefore a going concern. In forming this conclusion we have expressly considered the period from the date of approval of the financial statements to 30 November 2020. In addition, we are not aware of any likely events, conditions or business risks beyond this period that may cast significant doubt on the group's ability to continue as a going concern.

8. **Contingent liabilities (including litigation or claims against the group) and events arising subsequent to the balance sheet date**

All material contingencies (including all known, actual or potential litigation or claims against the group) that are more likely than not to result in a loss to the group have been provided for in the financial statements.

Except for matters for which there is only a remote possibility of occurrence, the group is not affected by any such contingency which existed at the balance sheet date and which could possibly result in material loss to the group.

There have been no events since the period end date which necessitate revision of the figures included in the financial statements or inclusion of a note thereto. Should any such events occur, we will advise you accordingly.

9. **Transactions with and interests of the directors**

We acknowledge the each company's financial statements are required by the Companies Act 2006 and the applicable accounting standard to include specified disclosure of the nature, extent and amount of its transactions that are with, or for the benefit of, any of its directors (or, in certain circumstances, members of their families and trusts, partnerships and other companies in which they have an interest).

We have identified and discussed with you all the transactions of the group with the parent company directors and their connected persons. Consequent upon these procedures, we are able to make the following representation.

The group has at no time during the period granted any advances or credits to, nor entered into any guarantees of any *kind on behalf of, the parent company directors or persons connected with them.*

Apart from remuneration arrangements, the group has had at no time during the period entered into any other transactions with the parent company directors or persons connected with them except for transactions that are immaterial to both the directors (and any relevant connected person) and the group's financial statements.

The directors' interests in the share and loan capital of the group are as stated in the respective directors' reports.

10. **Related parties other than the directors**

We acknowledge that, subject to certain specific exemptions, the group's financial statements are required to disclose comprehensive details of transactions and relationships with its "related parties" in order to give a true and fair view. Accordingly we confirm that

- a) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware; and
- b) We have properly accounted for and disclosed all such relationships and transactions in the financial statements.

In making that confirmation we acknowledge:

- a) the following broad definition of related parties, being: those individuals, companies and other entities connected or linked with the group or its directors in such a way as to make feasible the negotiation of mutual contracts on a non-arms length basis; and

b) the formal definition of "related parties" given in the applicable accounting standard IAS 24.

11. Control of the company

So far as we are aware, the group is not under the control of any other party.

12. Risks, occurrences and allegations of fraud

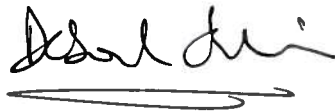
We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We are not aware of any fraud (or suspected fraud) affecting the group involving:

- the directors; or
- senior management and other employees that have significant roles in internal control; or
- others where the fraud (or suspected fraud) could have a material effect on the financial statements.

We are not aware of any allegations of fraud (or suspected fraud) affecting the group's financial statements communicated by employees, former employees, regulators or others.

Yours faithfully

A handwritten signature in black ink, appearing to be 'David King', written over a horizontal line.

(Signed on behalf of the board of directors)

Brighter Futures for Children Ltd

Description	SOFA		Balance sheet	
	Debit £	Credit £	Debit £	Credit £
1	<i>Being the laptop addition that was expensed rather than capitalised.</i>			
IT equipment cost of additions			4,322	
IT expense		4,322		
IT equipment depreciation				39
Depreciation expense	39			
2	<i>Being the journal to account for an expense not correctly credited for</i>			
Trade Creditors				21,997
Service Costs	21,997			



brighterfuturesforchildren.org

Brighter Futures for Children

Annual Report

2018-19

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COMPANY INFORMATION

Directors	A P Byrne S Douglas N Gilham D M Jenkins A P Kildare P S Snell
Registered Office	Reading Borough Council Civic Offices Bridge Street Reading Berkshire United Kingdom RG1 2LU
Company Number	11293709
Auditors	UHY Hacker Young Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
Principal Bankers	Lloyds Bank plc Broad Street Reading 24 Broad Street Reading Berkshire RG1 2BT
Solicitors	Burges Salmon One Glass Wharf Bristol BS2 0ZX

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

The Directors present their annual report and the audited financial statements of the company for the period ended 31 March 2019.

Who we are

Incorporated on 5 April 2018, Brighter Futures for Children (BFfC), a company limited by guarantee, delivers children's services on behalf of Reading Borough Council (RBC). The company is wholly-owned by, but independent of the council and is governed by an independent Board, executive committee and senior leadership team, to ensure operational autonomy.

Children's social care services in Reading were graded 'Inadequate' by Ofsted in August 2016. Problems with retaining a stable workforce, inconsistencies in practice and increasingly complex cases were reflected in the rating.

Concerted efforts were made by Reading Borough Council, with the support of a Department for Education (DfE) commissioner, to put an improvement plan in place. Some improvements were evidenced through a range of performance indicators and audit, including Ofsted monitoring visits and Achieving for Children (AfC) support. However, the service remained fragile.

Ofsted monitoring visits (eight before the company's 'go live' date) reported evidence of improvement, although the lack of consistency, churn of staff, leadership and the pace of improvement were criticised.

The Council took the decision that the Brighter Futures for Children model, as a wholly-owned but independent, not-for-profit company concentrating on services for children, would offer the best opportunity to bring new focus to the issues faced in delivering quality services to children and young people in the borough.

A seven-year contract was agreed with Brighter Futures for Children, managed through regular commissioning arrangements. The principal activity of Brighter Futures for Children Limited is the delivery of children's services. Our responsibility is to deliver the best possible opportunities for Reading's children, young people and families.

The company went 'live' on 3 December 2018, with 17 Key Performance Indicators, plus further management information indicators through which the company is held to account.

448 staff were TUPE'd across, with identical benefits to RBC's, and Service Level Agreements were put in place for the delivery of some support services to the new company by RBC, where it was decided that a shared approach would be beneficial.

Brighter Futures for Children can manage the demands of the services with flexibility and independence. With this autonomy, we are free to create our own policies and procedures and to have our own finance, HR, commissioning and business support services and to work flexibly and innovatively with partner agencies to deliver quality services in a new way.

There is also the flexibility to further develop a suite of traded services and to look for income generation opportunities.

Our vision

Our **vision** is to unlock all the resources in the borough of Reading to help every child have a happy, healthy and successful life.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Our services

Brighter Futures for Children has the statutory responsibility, on behalf of the Council, for the delivery of the following:

Children's social care

Social care services provide support to children in need of help and protection. Our services include statutory assessment and care planning for children at risk of significant harm, provision for children looked after and those leaving care, an Emergency Duty Team (EDT) service as well as fostering and adoption services.

Education, Special Education Needs and Disabilities, School Support services

We have the statutory responsibilities for pupil place planning, admissions, children missing education, and elective home education.

We support schools and parents on exclusions and provide guidance for schools and alternative providers on improvement and safeguarding.

Special educational needs and/disabilities, including integrated support for children with disabilities and home to school transport. The school meals contract is also managed by Brighter Futures for Children.

School improvement support and traded services to schools includes educational psychology, therapies and emotional health and wellbeing, Governor support, apprenticeships and access to employment and training and school leadership development.

Developing the suite of services offered to schools is one of our key priorities and, since December 2018, we have been commended in schools' Ofsted reports for our leadership support.

Early Help

Early help services provide targeted support to children, young people and families at the earliest point of identified need.

The aims of early help are to encourage families to support themselves, to prevent problems escalating and to reduce the number of children and young people needing statutory interventions.

The umbrella of early help also covers Early Years, including nurseries and children's centres, the Youth Offending Service, young people's drug and alcohol advisory service, support for young parents, for young people not in employment, education or training and information and advice and guidance for young people with special educational needs.

Support services

In addition to the above, we have invested in the following areas, towards delivery of our objectives:

- Performance analysis
- Quality assurance
- Commissioning
- Workforce development
- Recruitment and retention
- Marketing and communications
- Child protection conferences

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

- Independent reviewing officers
- Independent advisory service
- Children in care participation
- Business analysis and process mapping

Our objectives and activities

Our overall **objective** is to deliver the best possible opportunities for the children of Reading.

Our first **activity** was to develop and embed consistently good and safe practice in children's care. That gave us a base on which to develop innovative and excellent services through wider partnerships.

From the outset, we explored opportunities for learning and sharing with neighbours and with other Alternative Delivery Models (ADMs) for children's services.

Looking ahead, we hope to grow the company by providing services to other authorities or providers of children's services, but that will depend on our ability to prove that we are truly excellent at home first.

As a very new organisation, our business plan was crucial and work began on this as soon as the company went live.

Despite the short timeframe since December 2018, we agreed our business model and focus for each of the next three years by February 2019. These are:

April 2019 – March 2020: Improvement & Development

Year One will be on meticulous improvement of practice, stabilisation and development of the workforce, and engaging with children, families, staff and partners to ensure that they are part of our journey towards excellence.

April 2020 – March 2021: Growing/Embedding Quality Practice

Year Two will be on embedding quality of service, growing partnerships to develop innovation, engaging the wider community in our work and exploring the potential for growth.

April 2021 – March 2022: Sustainability

Year Three will be on developing sustainability of quality, coaching and developing a wider workforce, inter-agency working, sourcing additional external resources and developing traded services.

In addition, we identified **nine key priorities**, based on our local operating context, for **Year One** (starting on 1 April 2019), which will steer all of our action plans (see pages 5 and 6).

The business plan, which was designed to run from 1 April 2019 (our first full financial year) was completed before 31 March 2019 and was later approved by Reading Borough Council's Policy Committee in April 2019.

The plan takes the shape of an overarching business plan, under which the plans for each senior leader's service area and their work streams will target specific areas of work essential to our success.

These include the children's social care Improvement Plan, inherited from RBC but re-examined and updated to better address and reflect the new focus and pace of improvement for children's social care, as well as a Transformation Programme plan to deliver sustained improvements in five key areas, through the delivery of 28 projects.

Our nine key priorities for Year One have been regularly communicated to all staff. They are:

1. Developing a stable and happy workforce which is well supported and well-led

As the company builds, the need for a skilled, experienced and motivated workforce will be essential to our improvement journey. We need to build our capacity and create stability across our 500-strong workforce.

We are developing a HR Strategy which will address gaps in skills, knowledge and capacity and to create an environment which affords space to our employees to innovate and transform the services they deliver.

2. Achieving the current Improvement and Learning Plan to address inconsistencies in social work practice

We want to offer services of the highest quality. Achieving the highest standards and improvement in services for the most vulnerable children and young people in Reading remains firmly at the top of our agenda. We have already started on this journey and will address any inconsistencies in social work practice through the delivery of our learning and improvement plan.

3. Establishing a strong network of stakeholders and partners across Reading and beyond to support our work

We believe that developing and operating in constructive partnerships is essential to achieving the best outcomes for our children and young people. There are already really good relationships with partners in Reading and we will capitalise on this and harness the expertise of all our partners.

We will work in an integrated way with RBC and our partner organisations to ensure that services are delivered by a suitably qualified and experienced workforce and deliver optimum value for money.

4. Building on strong foundations, create an imaginative preventative strategy to help children and families

We are committed to offering help before situations worsen, enabling families to resolve their problems. We believe that this is the route to resilient and sustainable communities. In Reading, not enough of our families receive help early enough and, as a result, more receive statutory services, either through a child protection plan or by becoming looked after, than is necessary.

Working with our partners, we want to alter this balance and so expanding our Early Help offer must be one of our priorities. We have already begun this work with the establishment of a multi-partner approach we call ONE Reading. We have also agreed to pilot an innovative approach to managing some Children in Need within Early Help to release capacity within social care teams.

5. Supporting our education providers to give the best possible start to our children and young people

We will support schools in relation to curriculum development and school leadership as well as providing support and challenge for school improvement and effectiveness.

We will ensure effective services are delivered for children with disabilities and their families and support for children with additional needs. Our services include support in relation to educational psychology, therapies and emotional health and wellbeing support.

We are committed to helping all children in our care to thrive at school. We will develop and improve support offered through our Virtual School to children looked after to ensure their needs are met and they are given the chance to meet and exceed all Key Stage milestones.

6. Driving a robust change programme which will deliver excellent and efficient services within a tight budget

The financial climate for services requires that more is achieved with less. This necessitates innovation and efficiency. Efficiency can mean spending less, or exercising better budgetary control, but it can also mean using resources better to achieve better value or re-engineering processes to become more effective.

The urgent budget pressures we face make clear that efficiency must be a priority that is meaningful for all of our staff and managers.

We are building a formal transformation programme including 28 projects part financed through DfE and RBC innovation funding, and more than 60 'Rapid Action' projects to streamline and improve the efficiency and impact of our work.

7. Listening to and engaging with the people we are here to serve

Our children and young people will always remain at the centre of everything we do and their needs will continue to inform our service delivery and commissioning arrangements.

We have strong and well established Youth Parliament and Children in Care Council and are working with them to engage more young people in developing a model of participation and to embed this in our culture. We are also working with our partners to ensure that our children and young people have a voice and a real impact on decisions that affect them and the services they receive.

8. Deliver the children's services for Reading within agreed fixed fee, being £135m for 2019/2020 (£41m core funding)

As already detailed, we are - and will be - streamlining and mapping processes to help us deliver a quality service within a reduced budget. We are working towards strong budgeting and financial management and an organisational culture of working within set budgets and recognising financial restrictions. We are monitoring financial reports on a regular basis and also financial controls.

We will ensure financial procedures and policies are in place and have already set up a process for regular review of company activities by the Audit and Risk Committee. We have started work to investigate improved processes for purchasing, document management and contract management and will work towards a cultural change, delivering training where needed, of using processes which take less time and, therefore, cost less.

9. To deliver a commercial Independent Fostering Agency (IFA) leading to increased children being cared for within the 20-mile radius

Our 'Re-imagining Fostering' project is one of the top priorities within our Transformation Programme. Although Year One did not start until 1 April 2019, work is already well under way to establish the processes and pathways to connect with the people of Reading to increase the number of in-house foster carers able to offer better opportunities to children and young people in need of foster care.

The Fostering Team transferred to Brighter Futures for Children from Reading Borough Council on 1 March 2019. To increase capacity of internal foster care provision BFfC will develop a fostering strategy to support a comprehensive recruitment campaign and implement a model based on best practice and research that supports carers and children.

Transformation Programme

The RBC Core Contract Sum budget figures of £41.1m in 2019/20, £40.6m in 2020/21 and £41.2m in 2021/22 were presented to the DfE when bidding for the Transformation Programme, along with RBC Transformation funding (£2.1m), which helped Brighter Futures for Children to successfully secure an additional sum of £5.4m.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

By January 2019, we had established the five priority areas, supporting documents were prepared and submitted to the Board. The five key priority areas are:

- A: Improving Practice Standards;
- B: Developing Workforce Excellence;
- C: Building Community Capacity;
- D: Stronger Stability for Children; and
- E: Consolidating Corporate Resilience.

Our values

Our values were developed with staff, through workshops and at all staff events and were in place by January 2019. They are:

Honest	We will always be transparent and open
Creative	We will always look for creative approaches and solutions, not be bound by convention
Caring	Every decision we make and action we take will be in the best interest of the child
Respectful	We will value diversity
Quality Driven	We will work to high standards of efficiency, effectiveness and professionalism
Responsible	We will always be a good partner, mindful of our duty to use resources wisely and well

Partnerships in the community

Brighter Futures for Children sees partnership working as crucial to the overall success of the company. One of the priority areas of the Transformation Programme is Building Community Capacity.

Building Community Capacity - one of our largest projects has been the development of a new, Reading-wide partnership. Agencies, voluntary, charitable and community organisations have been drawn together, with a shared consensus and joint aim of reducing the number of troubled families and also reducing the number of children and young people reaching the threshold for children's social care.

With the funding obtained from the Transformation Programme for the Early Years' partnership work and from the Troubled Families Grant, we have been able to establish the ONE Reading Partnership.

Although this partnership is resourced by, and its key staff are from Brighter Futures for Children, it was very important for us that every partner within it was equal. We have therefore referred to ourselves as 'facilitators' in helping the equal structure of the partnership to develop and flourish.

Financial review of our business

The company prepares its financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

During the period, the company delivered children's services on behalf of Reading Borough Council. Turnover for the period was £23.2m, of which £20m was received from RBC in the form of contract income, grant income and contributions, excluding guaranteed pension liability. The main contract income from RBC totalled £9.5m.

The company spent £20.1m on direct costs, providing services to children. We also spent £0.9m on administration expenses during the period. The pension costs recognised in the Other Comprehensive Income is £2.4m. Pension contributions to the pension scheme totalled £0.8m for the period. Employer contributions to the pension scheme for the 448 employees for the period were £0.5m.

Overall income and expenditure in the next financial period is expected to be similar with no significant variations. Further discussions with RBC will continue to ensure that sufficient funding is allocated so we can continue to trade and meet our objectives.

Governance structure

The Board is responsible for setting the company's strategy driving high performance and quality in everything the company does, ensuring that the contract objectives are met and promoting the interests of children and young people throughout Reading. It meets monthly.

The senior leadership structure is two-tier. The Executive Committee (ExCo) includes the Executive Directors – the Managing Director, Director of Finance & Resources and Director of Children's Services.

ExCo meets weekly to oversee the corporate and strategic direction of the company. It is then joined for a second, weekly meeting by the Senior Leadership Team (SLT), including all Heads of Service, to discuss and report on the performance of the day-to-day operations of the company.

The Board, ExCo and SLT are governed by a clear Scheme of Delegation, with authorised budgetary spend limits. Any operational or corporate support service meetings below this level must have financial sign-off and approval by SLT or above before expenditure or operational changes can be made.

This is an important aspect of the company structure, as previous spending and decision-making was not always challenged. Staff now have a clearer governance structure, which simplifies decision-making and makes it faster, more appropriate and always aligned with company objectives and within financial constraints.

Method of recruitment and appointment or election of directors

The governance arrangements for the new company were a priority. This included the early decision to appoint a managing director with extensive commercial experience, leading large, complex organisations through change and improvement and running the corporate function, including finance and HR, rather than appoint a DCS (Director of Children's Services) to that post.

The Board saw this as important for the long-term success of Brighter Futures for Children both as a service and a self-sustaining business, particularly at a time where cuts to public services are at an all-time high and the need to work smarter, more efficiently and effectively on tighter budgets is crucial.

The decision to appoint a company managing director was also taken to allow the DCS to concentrate on the operational changes needed to improve the standard of children's services offered in Reading and to focus on that without the onerous and complex task of running the company independently of the council. The difference and the scale of both cannot be underestimated and both roles were identified as essential for the company to succeed.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

In addition to the Board Chair and Managing Director, three independent non-executive directors were recruited to the Board to bring added depth of knowledge and experience as well as commitment.

A specialist recruitment agency was commissioned by RBC, in collaboration with the BFfC Chair, to identify key management posts. All roles were openly and fairly advertised. The DCS, Director of Finance and Resources for the company and a co-opted representative from RBC's leadership team (in our case, the Executive Director of Social Care and Health) make up the Board's current complement.

Policies and procedures adopted for the induction and training of directors

Burges Salmon was appointed to train all Non-Executive Directors and Executive Directors in their duties and responsibilities. In addition to adopting the seven 'Nolan principles' for public office holders - selflessness, integrity, objectivity, accountability, openness, honesty and leadership - the Board was trained in the role of directors in the context of a commercial company in accordance with the Companies Act 2006.

Employee information policy

All staff transferring to Brighter Futures for Children on 3 December 2018 were welcomed into the company through an all staff meeting and an information pack, which outlined the company, the benefits for staff, the expectations on staff, in terms of adhering to company standards and ways of working which protected each other and the children, young people and their families we work with.

We consulted staff and liaised with the trades unions, to ensure everyone was fully informed and their views were taken on board. This all helped a smooth transfer take place.

All new staff, who have joined the company since the 'go live' date, have been introduced to the company's values and expectations through a new welcome/induction pack, as well as induction events. These clearly outline expectations of staff, as well as the expectations staff should have about the company and outlines the value we place on each and every member of staff.

Equal opportunities and disabled persons policies (Equalities Policy)

The company is an equal opportunities employer. We have adopted Reading Borough Council's Equalities Policy and will adapt it over time. It is our policy to develop and apply procedures and practices which are designed to ensure that equal opportunities are provided to employees and those who apply to work for us.

All employees are treated fairly and equally. Selection for employment, training, promotion or other matters affecting their employment is on the basis of suitability and ability.

While we are reliant on RBC, under an SLA, for the recruitment process and for securing contracts for interim employees and, initially, on RBC for its HR policies, we are currently working to provide an 'above and beyond' service, and to develop our own policies, although we acknowledge that this will take time to develop and embed.

It is our policy to give full and fair consideration to the employment needs of anyone disabled (and anyone who becomes disabled while employed by the company) and to comply with any current legislation with regard to disability.

Gender pay gap

Next year, Brighter Futures for Children will be able to produce a gender pay gap report based on a snapshot of the workforce as at 31 March 2019 (for the period 3 December 2018 – 31 March 2019).

The published report will include data on all protected characteristics.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Arrangements for setting pay and remuneration of Key Management Personnel

The Board will convene a Remuneration Committee on an as needs basis which will review the compensation and benefits for key management personnel, in line with market-led comparative offers.

Connected organisations, including related party relationships

Brighter Futures for Children's key related party relationship is with our parent company, Reading Borough Council. We have one connected organisation – Brighter Futures for Children's Independent Fostering Agency (IFA) – which was established in January, prior to the TUPE transfer of Reading Borough Council's fostering team on 1 March 2019. On that date, 26 employees were transferred to BFFC. Before they transferred to us, we had successfully applied to Ofsted and met the requirements for IFA registration. Our certificate of registration is dated 31 January 2019.

Members' liability

Liability for the company rests with Reading Borough Council, as the company's sole owner.

Trade union facility time

BFFC provides reasonable paid time for union duties which includes representing staff through consultation or employee related matters.

Benefit and beneficiaries

The company is limited by guarantee and has no share capital. As such, no dividends will be distributed.

Principal risks and uncertainties

The Board of the company takes risk management seriously and a Risk Register has been developed which identifies those strategic risks that are considered the most critical in relation to the company. These risks are actively scrutinised by the Audit & Risk Committee with significant risks reported to the Board monthly for discussion and review.

At the end of March 2019, there were 40 risks identified, including 14 managed risks and 26 greater risks, of which 13 were under intensive scrutiny. These risks were identified within the Board Assurance Framework (BAF), which was reviewed and approved at the March 2019 Board meeting.

The Company's position at the end of the period

The position at the end of the period is a £167k deficit. The deficit is made up of the provision for annual leave carryover which is £104k, redundancy costs which is £47k and loan interest payment which is £16k.

Financial Key Performance Indicators

The financial key performance indicators to be included in a balanced scorecard are:

- Business Transformation Funding Allocation
- Business Transformation Fund spend to date
- Value of Transformational savings delivered
- Expected budget position at the end of the financial year
- The average weekly cost of Children Looked After per child per week
- Percentage of invoices sampled and paid within timescales
- Expected budget position of the Dedicated Schools Grant at the end of the financial year

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Performance management

Details of the services provided and related Key Performance Indicators (KPIs) are set out in a legally binding Service Level Agreement between Reading Borough Council and Brighter Futures for Children. Performance is scrutinised through a regular contract management meeting. The Children's Services Improvement Board (CSIB) independently monitors our Improvement Plan and progress made against the 18 recommendations identified in the 2016 full Ofsted inspection, and has been in existence since 2016.

The suite of KPIs is supported by a range of management information indicators, to additionally review progress against set targets. As part of the Service Level Agreement, an annual review of the current targets and tolerances will take place, to ensure they reflect the company's performance and take both local and national comparators into account.

As detailed more fully above, the Board meets monthly and the senior leadership team weekly to monitor and improve performance.

Governance and board committees

The Board has three standing committees to monitor progress in detail and report back to the full Board:

Audit and Risk, which reviews matters in connection with risk, policy, finance and internal audit. The chair of the committee is A P Byrne

Quality and Improvement, which monitors both quality and performance across all children's services areas. The chair of this committee is P S Snell

Fostering, which ensures the company can fulfil its obligations as an Independent Fostering Agency (IFA). The chair of this committee is N Gilham

In addition, the Board has, from time to time, 'task and finish' working groups to help respond to the needs of the business. For this year, the Board has focused on workforce development and finance.

The Recruitment and Retention Working Group chair is N Gilham

The Finance Working Group chair is N Gilham

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls and for reviewing its effectiveness.

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the company is ongoing and has been in place for the financial period.

BRIGHTER FUTURES FOR CHILDREN LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Key elements of the control framework include:

- Regular reporting to SLT and the Board on key objectives, outcomes and performance against targets
- Board approved Governance Framework including terms of reference for the Board, and terms of reference of delegated authorities for the Audit and Risk Committee, Quality and Improvement Committee and Fostering Committee
- Health and Safety meeting occurs on a quarterly basis to provide assurance to the Board on risks, control and their mitigation
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Strategic and business planning process, with detailed financial budgets
- Recruitment, training and development policies for all staff
- Reports to Board for approval of significant new initiatives highlighting risks and financial implications
- Board approved confidential reporting (whistle blowing) policy
- Board approved Business Plan, Risk and Control Framework

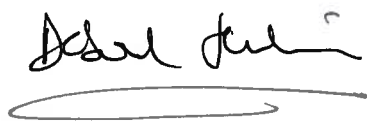
A risk register is maintained and is available for review by the Audit and Risk Committee at each of its meetings. The risk register is a standing item on the Audit and Risk Committee agenda.

The Board accepts ultimate responsibility for the system of internal controls and it has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal controls. The Board receives minutes of all the Audit and Risk Committee meetings.

Going Concern

After making appropriate enquiries, the Board of Directors has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of Accounting Policies.

Approved by the Board of Directors on 17th October 2019 and signed on its behalf by:



Deborah Jenkins
Director and Chair of the Board

BRIGHTER FUTURES FOR CHILDREN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Results and dividends

The company was incorporated on 5 April 2018 and commenced business in December 2018. These are the first statutory financial statements for the period from incorporation to 31 March 2019.

The results for the year are set out on page 18.

The company is limited by guarantee and has no share capital.

Directors

The following directors held office during the period and up to the date of report are set out below:

A P Byrne	(appointed 15 November 2018)
S Douglas	(appointed 28 March 2019)
N Gilham	(appointed 15 November 2018)
D M Jenkins	(appointed 26 July 2018)
A P Kildare	(appointed 15 November 2018)
D J Locke	(appointed 28 March 2019, resigned 1 April 2019)
P S Snell	(appointed 15 November 2018)
N G P Whitfield	(appointed 5 April 2018, resigned 30 November 2018)

Employees

The company welcomed 448 staff, on a TUPE transfer from Reading Borough Council, on 3 December 2018. A further 26 staff were TUPE'd across on 1 March 2019 from the fostering team.

In addition to permanent staff, Brighter Futures for Children had 75 agency staff at 31 March 2019, including interim or contracted staff on fixed term or renewable contracts associated with change management and Transformation Programme projects. Also included in the 75 were 44 agency social workers.

The company is an equal opportunities employer. It is our policy to develop and apply procedures and practices which are designed to ensure that equal opportunities are provided to employees, or those who seek employment.

All employees are treated fairly and equally. Selection for employment, promotion, training or other matters affecting their employment is on the basis of aptitude and ability.

It is the company's policy to give full and fair consideration to the employment needs of disabled persons (and persons who become disabled while employed by the company) and to comply with any current legislation.

Auditors

The auditors, UHY Hacker Young LLP, were appointed during the period and will be proposed for reappointment in accordance with section 487 (2) of the Companies Act 2006.

BRIGHTER FUTURES FOR CHILDREN LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

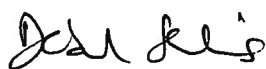
The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which at any time disclose with reasonable accuracy the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and for taking steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to of information auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors on 17th October 2019 and signed on its behalf by:



Deborah Jenkins
Director and Chair of the Board

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

Opinion

We have audited the financial statements of Brighter Futures for Children Limited for the period ended 31 March 2019, which comprise of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

In our opinion, Brighter Futures for Children Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of the Company's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BRIGHTER FUTURES FOR CHILDREN LIMITED**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

Chartered Accountants
Statutory Auditor

17/10/..... 2019

Quadrant House
4 Thomas More Square
London E1W 1YW

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019

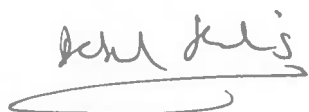
	Notes	2019 £
Revenue and grant funding	3	23,226,879
Direct costs		(20,069,412)
		<hr/>
Gross profit		3,157,467
Administrative expenses		(884,417)
		<hr/>
Operating profit	4	2,273,050
Finance costs	5	(15,890)
Finance income	6	11,770
		<hr/>
Profit before taxation		2,268,930
Taxation	7	-
		<hr/>
Profit for the period		2,268,930
		<hr/>
Other comprehensive income:		
Actuarial losses on defined benefit scheme	13	(2,436,000)
Other comprehensive income		-
		<hr/>
Other comprehensive income for the period net of tax		(2,436,000)
		<hr/>
Total comprehensive loss for the period		(167,070)
		<hr/> <hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes		31 March 2019 £
Current assets			
Debtors	11	3,760,367	
Cash at bank and in hand	15	7,086,402	
		<hr/>	
		10,846,769	
Creditors: amounts falling due within one year	12	(11,013,839)	
		<hr/>	
Net current liabilities			(167,070)
			<hr/>
Creditors: amounts falling due after one year			-
Defined benefit pension scheme	13		-
			<hr/>
Net Liabilities			(167,070)
			<hr/>
Equity and Reserves			
Retained losses			(167,070)
			<hr/>
			(167,070)
			<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 17th October 2019.



Deborah Jenkins
Director and Chair of the Board

Company Registration No. 11293709

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Retained losses £	Total Equity £
On incorporation	-	-
Total comprehensive loss for the period	(167,070)	(167,070)
	<hr/>	<hr/>
At 31 March 2019	(167,070)	(167,070)
	<hr/> <hr/>	<hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	2019 £
Cash flows from operating activities		
Cash generated from operations	14	2,090,522
Net cash generated by operating activities		2,090,522
Cash flows from financing activities		
Loan from Reading Borough Council	18	5,000,000
Repayments of loans and other obligations		(15,890)
Interest income		11,770
Net cash generating from financing activities		4,995,880
Net increase in cash and cash equivalents		7,086,402
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	15	7,086,402

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1. Accounting policies

Brighter Futures for Children Limited is a private company, limited by guarantee, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and in accordance with the Companies Act 2006.

The financial statements are presented in UK Sterling, which is the functional currency of the Company, rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention.

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has made a loss of £167,070 for the period and had net liabilities of £167,070 as at 31 March 2019. Reading Borough Council has confirmed that it will financially support the Company for a further 12 months from the date the financial statements are signed by the Directors. Additionally, during the period ended 31 March 2019, the Company received a £5,000,000 loan (note 18) to fund ongoing and future operations from Reading Borough Council. This loan has been further extended to cover the period until March 2021. As at 30 September 2019, the Company had cash balances of £11,912,179.

The Board of Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue is recognised to the extent that the Company has entitlement to the funds, the receipt is probable and the amount can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Turnover consists of income from various grants and contracts and is recognised in accordance with the terms of those grants and contracts.

Grants receivable

Grants are included in the Statement of Comprehensive Income on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant reserves on the Statement of Financial Position. Where income is received in advance of meeting any performance-related conditions there is not unconditional entitlement to the income and its recognition is deferred. This is to be included within creditor as deferred income until the performance-related conditions are met. Where entitlement occurs before income is received, the income is accrued.

Capital grants are recognised where there is entitlement and are not deferred over the life of the asset on which they are expended.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Other income

Other income, including the hire of facilities, is recognised in the period it is receivable and to the extent the goods have been provided or on completion of the service.

Transfer on commencement of operations

Where assets were received by the Company from Reading Borough Council on transfer of the activities into the Company, the transferred assets are measured at fair value and recognised in the Statement of Financial Position at the point when the risks and rewards of ownership passed to the Company. An equal amount of income is recognised as Transfer on conversion within income.

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefits to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity.

1.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.6 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Financial Activities.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Financial Activities.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.7 Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and the obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.8 Leased assets

Rentals under operating leases are charged on a straight line basis over the lease term.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1.10 Pension benefits

Retirement benefits to employees of the Company are provided by the Teachers' Pension Scheme ('TPS') and the Local Government Pension Scheme ('LGPS'). These are defined benefit schemes and the assets are held separately from those of the Company.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of pensions over employees' working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 13, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions are recognised in the period to which they relate.

The LGPS is part of the Royal County of Berkshire Pension Fund with effect from 1 December 2018 when staff were transferred from the employment of Reading Borough Council (RBC) to the Company. Retirement benefits to employees of the Company are provided by the LGPS. This is a defined benefit scheme and the assets are held separately from those of the Company in an independently administered fund.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the year by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

This final salary scheme, like a number of other such schemes, has a deficit. Measures are in place to address this deficit, by increasing employer contributions in the medium term. However, the requirements of Financial Reporting Standard 102 (FRS 102), is to show the pension scheme deficit as a liability on the Statement of Financial Position.

As a result of an agreement between the Company and Reading Borough Council (RBC), a pension related asset, being the guarantee from RBC to cover all related pension costs, exists. The asset will always be equal and opposite to the pension liability, and accordingly, no overall pension scheme asset or liability has been recognised in the Statement of Financial Position.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

1.11 Taxation

Tax on the profit or loss for the year comprises of current tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities are not discounted.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the financial reporting date.

2. Critical accounting estimates and areas of judgement

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. There are no changes to the estimates or assumptions that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical areas of judgement

The Directors do not consider that they have made any critical judgements in the preparation of the financial statements.

3. Revenue

An analysis of revenue by class of business for the period ended 31 March 2019 is given below:

	2019
	£
Grant income	17,529,565
Reading Borough Council guarantee income (note 18)	5,649,452
Other income	47,862
	<hr/>
	23,226,879
	<hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

4. Operating profit

2019
£

The operating profit for the period is stated after charging:

Auditor's remuneration (see below) 36,250

Audit services

Fees payable to the Company's auditors 25,000

Other services

Other services relating to taxation 6,500

Other advisory services 4,750

5. Finance costs

2019
£

Finance loan interest 15,890

15,890

6. Finance income

2019
£

Bank interest income 11,770

7. Taxation

Analysis of the tax charge

No liability to UK corporation tax arose for the period to 31 March 2019.

The Company is in the process of confirming with HM Revenue & Customs that all of its activities fall outside the scope of corporation tax.

8. Staff numbers and costs

2019
Number

The average number of people employed by the Company (including directors) during the period was as follows:

Key and senior management 5

Executive office support 82

Operational 344

431

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Staff costs (including directors) during the period were:

	2019
	£
Wages and salaries	4,942,816
Social security costs	440,477
Other pension costs	509,087
Contributions to defined benefit schemes (note 13)	2,782,000
	<hr/>
	8,674,380
	<hr/> <hr/>

Included in staff restructuring costs are non-statutory/non-contractual severance payments totalling £227,642.

9. Directors' emoluments

	2019
	£
Emoluments for qualifying services:	
Aggregate directors' emoluments	135,411
Pension contributions	14,907
	<hr/>
	150,318
	<hr/> <hr/>

The number of directors for whom retirement benefits were accruing under defined benefit schemes in the period was 2.

10. Financial instruments

The Directors have considered the Company's exposure to credit, cash flow and liquidity risks as part of its annual risk assessment procedures. Risks are assessed within the Company's risk register and monitored throughout the period. The directors do not consider the Company to be materially exposed to credit, cash flow or liquidity risk, owing to sufficient bank balances and limited debtor exposures.

11. Debtors

	2019
	£
Trade receivables	34,809
Amounts owed by Reading Borough Council (note 18)	3,686,192
Other receivables	32,976
Prepayments and accrued income	6,390
	<hr/>
	3,760,367
	<hr/> <hr/>

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

12. Creditors: amounts falling due within one year

	2019 £
Trade payables	1,801,839
Taxation and social security	1,675,486
Other payables	1,313
Accruals and deferred income	2,535,201
Loan payable to Reading Borough Council (note 18)	5,000,000
	11,013,839
	11,013,839

13. Pension liability

Defined Benefit Scheme

The Company is a member of the Reading Borough Council Pension Fund which is a defined benefit Local Government Pension Scheme (LGPS). The assets of the scheme are held separately, being invested with a managed pension fund. The Company is also a member of the Teachers' Pension Scheme England and Wales ('TPS') which is also a defined benefit scheme for academic and related staff.

The total contribution made for the period ended 31 March 2019 was £758,000, of which employer's contributions totalled £499,000 and employees' contributions totalled £259,000. The agreed contribution rates for future years are 30% for employers and between 5.5% and 12.5% for employees.

Principal Actuarial Assumptions:

	At 31 March 2019
Rate of increase in salaries	3.85%
Rate of increase for pensions	2.35%
Discount rate for scheme liabilities	2.45%

The below table, as produced by Barnett Waddingham LLP sets out the impact of a small change in the discount rates on the defined benefit obligations and projected service cost along with a plus/minus 1 year age rating adjustment to the mortality assumption.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption:	Movement	Impact 2019 £
Mortality Age Rating Assumption	+ 1 year	1,354,000
Salary Increase Rate	+ 0.1%	1,135,000
Real Discount Rate	+ 0.1%	215,000
Pension Increase Rate	+ 0.1%	955,000

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2019 (years)	At 1 Dec 2018 (years)
Retiring today		
Males	22.0	23.2
Females	24.0	25.3
Retiring in 20 years		
Males	23.7	25.4
Females	25.8	27.6

The Company's share of the assets and liabilities in the scheme and the expected rates of return were:

	Fair value at 31 March 2019 £
Equities	10,067,000
Bonds	2,977,000
Property	2,754,000
Cash	1,575,000
Target return portfolio	1,032,000
Commodities	152,000
Infrastructure	1,869,000
Longevity insurance	(589,000)
Total market value of assets	19,837,000 =====

Actual return on scheme assets was £nil.

Amounts recognised in the statement of comprehensive income

	2019 £
Current service cost (net of employee contributions)	2,621,000
Interest cost	158,000
Expected return	-
Past service cost	-
Interest on plan assets	-
Administration expenses	3,000
Total operating charge	2,782,000 =====

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

Changes in the present value of defined benefit obligations were as follows:

	2019 £
At 1 December 2018	31,090,000
Current service cost	1,298,000
Interest cost	338,000
Employee contributions	259,000
Actuarial gain	-
Benefits paid	-
Change in financial assumptions	5,334,000
Change in demographic assumption	(2,053,000)
Liabilities assumed on settlements	3,155,000
	<hr/>
At 31 March 2019	39,421,000
	<hr/> <hr/>

Changes in the fair value of the Company's share of scheme assets:

	2019 £
At 1 December 2018	16,225,000
Return on plan assets (excluding net interest on the net defined pension liability)	845,000
Actuarial gains	-
Employer contributions	499,000
Employee contributions	259,000
Benefits paid	-
Administration expenses	(3,000)
Interest on assets	180,000
Settlement prices received/(paid)	1,832,000
	<hr/>
At 31 March 2019	19,837,000
	<hr/> <hr/>

Contributions to the scheme are charged to the Statement of Comprehensive Income so as to spread the cost of the pensions over the employees' remaining working lives with the Company. Contributions are determined by an independent qualified actuary on the basis of triennial valuations, using the Projected Unit method. The most recent valuation of this Defined Benefit Pension Fund was at 31 March 2019.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

13. Pension liability (continued)

The amounts recognised in the Statement of Financial Position are as follows:

	Defined benefit pension plan 2019 £
Present value of funded obligations	(39,421,000)
Fair value of plan assets	19,837,000
Net pension liability	<u>19,584,000</u>
Reading Borough Council guarantee (note 18)	(19,584,000)
	<u>-</u>
Present value of unfunded obligations	-
Deficit	<u>-</u>
Net liability	<u><u>-</u></u>

McCloud Judgement

In December 2018, the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement, which found that the transitional protection arrangements put in place when the firefighters' and judges' pensions schemes were reformed, were age discriminatory. The ruling potentially has implications for all public-sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

In relation to LGPS, all members of the 2008 scheme were moved into the new 2014 scheme, but members within 10 years of normal retirement were given an underpin promise, that their benefits would be at least valuable in terms of amount and when they could be drawn, as they would be if they had remained in the 2008 scheme.

The Government applied to the Supreme Court for permission to appeal the judgement; however, this was unsuccessful on 27 June 2019.

No allowance has been made in the company's valuation of the LGPS present value of funded obligations for the recent McCloud judgement which relates to age discrimination. It is currently unclear how this judgement may affect LGPS members' past or future service benefits for this scheme. The actuary continues to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the valuation report no guidance or indication of the likely impact of this ruling has been provided to funds.

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

14. Cash generated from operations	2019
	£
Profit before taxation	2,268,930
Add back non-operating items:	
Financial income	(11,770)
Financial expense	15,890
Adjustments for:	
Pension movement (cost, less contributions)	(2,436,000)
Increase in receivables	(3,760,367)
Increase in payables	6,013,839
Cash generated from operations	<u>2,090,522</u>

15. Cash and cash equivalents	2019
	£
Cash at bank and in hand	7,086,402
Cash and cash equivalents in the cash flow statement	<u>7,086,402</u>

16. Contingent assets and liabilities

There are no contingent assets or liabilities as at 31 March 2019.

17. Guarantees and other financial commitments

There were neither guarantees nor financial commitments issued by the Company as at 31 March 2019.

18. Related party disclosures

Reading Borough Council

Reading Borough Council ('RBC' or the 'Council') is the Company's main funding organisation and is the ultimate controlling party.

For the period ended 31 March 2019, RBC guaranteed to cover the losses incurred by Company excluding severance payments made, the interest on the loan from RBC and any holiday pay accrual. This total loss covered by RBC totalled £5,649,452, by virtue of having to include the pension costs in the financial statements of £2,436,000. As at the period end, an amount of £3,686,192 was due from RBC.

As a result of a Memorandum of Understanding between Brighter Futures For Children Limited and RBC, a pension related asset, being a guarantee from RBC to cover the related pension liability, exists. The asset will always be equal and opposite to the pension liability, and accordingly, no asset

BRIGHTER FUTURES FOR CHILDREN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

18. Related party disclosures (continued)

or liability has been recognised in the Statement of Financial Position. As at 31 March 2019, the pension liability guaranteed by RBC totalled £19,584,000.

During the period ended 31 March 2019 the Council provided, under the terms of a service delivery contract, funding to the Company amounting to £23,179,017.

RBC also charged the Company £1,499,000 under service level agreements for services including, among others, regulatory services, joint legal team, human resources and insurance.

Under the Memorandum of Understanding, the Company is an autonomous organisation, independent of RBC and entered into the Service Delivery Contract in accordance with direction given by the Secretary of State for Education. The Memorandum of Understanding was signed on 28 March and the contract was signed on 30 November 2018.

RBC issued a loan on 3 December 2018 of £5,000,000 to the Company. The interest rate on the loan is 1.0% fixed rate and matured on 29 March 2019. The repayment terms of the loan were subsequently revised from 29 March 2019 to 27 March 2020 at a fixed interest rate of 1.1%. The repayment date has been further extended from 27 March 2020 to 25 March 2021 at a variable interest rate.

As at 31 March 2019, the RBC loan was deemed to be a current liability as the extended repayment date was agreed subsequent to the period end.

19. Ultimate controlling party

The ultimate controlling party during the period and as at 31 March 2019 is Reading Borough Council.

20. Subsequent events

As discussed in note 18, subsequent to the period end, the repayment terms of the RBC loan have been extended.



Brighter Futures for Children Limited

Report to the Audit and Risk Committee
Period ended 31 March 2019

Contents

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The matters raised in this Report to the Audit and Risk Committee are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for and is not intended for any other purpose.

Introduction

Brighter Futures for Children Limited (“the Company”)

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of the Company for the period ended 31 March 2019.

This report provides an update to the significant matters raised in our Audit Service Plan, which was

provided to the Company on 4 March 2019 and discussed at the Audit and Risk Committee meeting on 5 March 2019 and the other matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter. That letter sets out our audit responsibilities and their limitations and the responsibilities of the directors in relation to the financial statements.

Our Audit Service Plan sets out in detail the key issues and risks identified at the planning stage

and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Communication with those charged with governance

International Standard on Audit 260 “Communication of audit matters with those charged with governance” (“ISA 260”) is an auditing standard designed to ensure that there is effective two-way communication between auditors and those charged with governance of the Company. In the context of ISA 260 “those charged with governance” means the Board of Directors of the Company.

Matters relating to the planning, conduct and results of the audit are communicated to those charged with governance of the Company on a sufficiently prompt basis to enable the recipients to take appropriate action.

During the audit, regular communications were made by us to David Locke and David Burton (prior to their resignations), Paula Gledhill and the finance team.

Audit independence

In accordance with the requirements of ISA 260 and the Ethical Standard issued by the Financial Reporting Council, we confirm the matters set out below.

We discussed the specific threat to you posed with our involvement in the services provided and how we mitigate such threats in our Audit Service Plan. We have not identified any further threats to our audit independence during the course of the audit.

We confirm that: We are auditors of Brighter Futures for Children Limited;

We provide tax compliance and ad-hoc advisory services to the Company;

We have not identified any potential issues in respect of:

- i) personal relationships with the company;
 - ii) investments in the Company held by individuals;
 - iii) gifts or hospitality received from Brighter Futures for Children Limited;
 - iv) contingent fee arrangements.
-

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact:

Colin Wright
t: 020 7216 4604
e: c.wright@uhy-uk.com

Limitations

We have prepared this report for your use within the Company. It is part of our continuing communication of audit matters with those charged with the governance of the Company and, accordingly is addressed to the Audit and Risk Committee.

It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

UHY Hacker Young
11 October 2019

Acknowledgement

We wish to thank Brighter Futures for Children Limited staff for their helpfulness and co-operation during the course of the audit process.

Audit status

Audit structure

We have carried out the audit of the Company for the period ended 31 March 2019. The audit working papers have been reviewed by the audit manager and audit partner. Any significant issues arising during our audit were discussed mainly with Paula Gledhill and Steven Davies and have been included in this report if deemed necessary.

The audit was planned and conducted to concentrate on the high risk areas in the financial statements. The key audit issues arising in these areas are explained further on page 4 below.

The accounting systems were documented and the controls over those systems evaluated. Using these assessments we designed and conducted detailed tests of transactions and balances.

Current position

The audit of the Company is substantially complete. All queries arising during the audit were dealt with as the audit progressed. However there were delays during the fieldwork, in particular with key material balance sheet items such as the intercompany, cash and VAT reconciliations that led to additional time taken to resolve. Despite this, there were no overall limitations on the scope of our audit work completed to date.

There are, however, at the time of writing some other outstanding unresolved audit matters which are set out below and which may or may not have an impact on our audit opinion on the Company's financial statements.

We expect to be in a position to sign our audit report as soon as practicable after clearing the outstanding matters.

Outstanding audit matters:	Completion of our subsequent events review to the date of our audit report;
	Final subsequent events review;
	Signed Strategic Report, Directors' Report and financial statements;
	Signed Representation Letter from Directors; and
	Final going concern discussion with Directors.

Identified key risk areas and our responses

We have identified the following key risk areas as part of our audit planning processes. During our audit we focused on these areas, in addition to our other normal audit procedures, and we set out below our comments and the results of our testing.

Management override of controls

Explanation of risk

Auditing standards require that the risk of management override of controls should be considered to be a significant risk for all audit engagements.

Audit response to risk

We will review a sample of transactions in the year for unusual items outside the ordinary course of business and also test journals raised to ensure

that such entries are relevant to the Company's business.

Outcome

Audit testing of a sample of journals posted in the year and other significant transactions that were posted at year end did not indicate any instances of management override of controls occurring in the accounts.

Revenue recognition cut off error, deferred and accrued income

Explanation of risk

Auditing standards assume a rebuttable risk of incorrect or fraudulent revenue recognition and consider that this is a significant audit risk.

There is a risk (by error or otherwise) that income is recognised on an inappropriate basis, notably where grants are received over a period that does not coincide with the company's period-end or where income is provided for a specific purpose or activity that has not been completed at the period end.

Management should review the status of all significant transactions close to the period end to ensure that all are accounted for in the appropriate accounting period and determine whether any income should be treated as accrued or deferred income at the period end.

Audit response to risk

We will review and audit your detailed analysis of revenue and trace the income to supporting documentation.

We will request audit confirmations of the income from the income providers.

We will review the systems in place in relation to the calculation and recognition of the income; evaluate the controls over these transactions; and re-perform calculations to ensure that income calculations are accurate.

We will test and re-perform calculations for accrued and deferred income at 31 March 2019. We will review relevant correspondence to ensure the grant income and expenditure has been recognised in line with the grant agreements and FRS 102.

Outcome

We have reviewed the systems in place in relation to the calculation and recognition of income; evaluated the controls over these transactions; and re-performed calculations to ensure that income is recorded correctly. There were no issues noted during this process.

Following adjustments made by the client, we also performed substantive testing on all material revenue streams. This is to determine whether the accounting policy had been correctly applied and performed specific cut-off testing to ensure that revenue has been accounted for in the correct period. Again, all items sampled were satisfactory tested with no issues noted. As such we believe that revenue is materially correct.

Completeness of liabilities & accruals

Explanation of risk

Due to the timing of the period end, and the transfer of operations from Reading Borough Council (RBC) to the Company, there is a risk that expenditure is not recorded in the correct period.

Errors in your liabilities and costs may be caused where goods and services have been supplied in the period but where an invoice has not yet been received.

As this is the Company's first financial period there is also an inherent risk of weaknesses in the systems and recording of transactions between RBC and BFFC.

Audit response to risk

We will perform a detailed review of creditors and post year end expenditure to ensure that proper cut-off procedures are in place.

We will perform detailed searches for unrecorded liabilities and costs at the period end by reviewing the post period end bank statements and invoices to ensure they are accounted for in the correct period.

Going concern

Explanation of risk

Due to increasing tightening of funds being provided to the public sector there is an inherent risk that some companies in the public sector may have going concern and cash flow challenges.

Audit response to risk

We will review the cash flow forecasts prepared by the Company and assess the Company's ability to continue as a going concern.

The forecasts should include some sensitivity analysis on uncertain assumptions to assess how the Company will cope with different scenarios they may be faced with in the foreseeable future.

We will assess any funding guarantees and support provided by RBC or any other entities.

Outcome

We have reviewed cash flow forecasts to the end of November 2020 and compared actual results

We will analyse the various cost centres and comparisons to budgets and perform analytical reviews and procedures to determine their accuracies and appropriateness of the company's costs and period end liabilities and accruals.

Outcome

From review of the trade creditors, it was noted that our invoice from Silverbirch totalling £22k had not been correctly credited despite the services relating to pre-period end. Additional testing of post period end invoices was carried out to ensure whether any other creditors were unrecorded but none were noted. As the error is immaterial the accounts have not been adjusted for.

The existence of further missing trade creditors and accruals were also tested by reviewing bank statements from April 2019 onwards and testing whether any significant expenses related to services carried out before 31 March 2019 were correctly accounted for. No issues were noted from this testing.

from April and May 2019 to those predicted in the forecasts. We identified the key assumptions were those regarding the contract sum income and government grants along with the service costs to be the key drivers to the profitability to the Company.

The forecasted net cash flow movement notably varies each month depending on when grants and contributions are due, however the cash balance is expected to increase throughout the year.

The revision of the repayment terms of the £5m working capital loan from RBC was also inspected and agreed to cover up to March 2020. The forecast includes a safety margin of £5m and as at September 2021, the cash balance is expected to be £11.5m over this limit. Along with the guarantee from RBC to cover the deficit, we consider the company to be a going concern for the 12 months from signing the audit report.

Payroll costs

Explanation of risk

The Company's payroll costs represent a significant cost and the majority of its activities. Due to the significance and size of the payroll expenditure it is a significant risk for the audit. The Company may also have a number of joiners and leavers in the period that increases the risk of error in the payroll amounts in the financial statements.

Audit response to risk

We will carry out detailed audit work on the payroll costs, allocations in the financial records, systems in place, deductions testing, analysis and testing of joiners and leavers and physical verification of a sample of employees.

Outcome

The payroll reports were obtained from where a detailed reconciliation process was carried out to agree the total amounts to the trial balance.

A list of joiners and leavers in the period were obtained and were sampled to supporting documentation and payroll reports. All samples chosen were correctly accounting accurately and a selection was randomly picked to be physically verified to ensure existence. No issues were noted.

Redundancy payments and their supporting documentation were also examined to ensure the expense has been calculated correctly and, if applicable, had been appropriately accrued for as at period end.

As no errors were noted from the above testing, we believe that payroll costs are materially correct.

Transfer of assets and liabilities on launch of BFfC

Explanation of risk

The company's activities commenced in December 2018 at which time certain assets and liabilities were transferred from RBC to BFfC. Due to the nature and timing of the underlying transactions involved with the transfer of the assets and liabilities, there is a risk that these balances may be misstated.

Audit response to risk

We will perform a detailed review of the processes in place at transfer to ensure that appropriate cut off procedures between BFfC and RBC were in place and have been properly carried out and that the assets and liabilities transferred have been correctly valued, treated and disclosed in the financial statements.

Outcome

The pension liability was transferred to the Company from RBC on 1 December 2018. We received actuarial report from Barnett Waddingham which confirmed the net defined benefit liability at this date and also at 31 March 2019. A disclosure note has been included within the financial statements as per FRS 102.

On 3 December 2018, RBC issued a £5m loan to BFfC, this has been agreed to supporting documentation and it was also confirmed that the loan repayment terms have been extended until March 2021.

The handover of the property leases to BFfC from RBC had yet to be resolved and therefore have not been transferred. This was discussed with Paula Gledhill during the post-balance sheet events review and the transfer is to be postponed to November 2019 once it is confirmed which properties are to be transferred.

Valuation of pension scheme assets and liabilities

Explanation of risk

The fair value of the Company's share of its LGPS pension liability will need to be included in the financial statements.

Management do not have the appropriate expertise to value the pension liability and therefore a valuation needs to be obtained by the Local Authority who have arranged for professional valuations from actuaries.

There is a risk that the pension scheme liability will not be recorded and accounted for incorrectly due to the complexities of the FRS 102 requirements.

Audit response to risk

As part of our audit procedures, we will assess the competence of the actuary, consider the reasonableness of the basis of the calculation and the assumptions made in the valuation.

We understand that the liability of the pension deficit will be guaranteed by RBC and therefore there will be a corresponding asset.

As part of our audit procedures, we will assess the validity of the guarantee and the appropriateness of the proposed accounting treatment of a

corresponding pension asset, as opposed to a contingent asset. We will also request confirmation of the 'guarantee' from RBC.

We will review the disclosures in the financial statements, of both the pension liabilities and the corresponding asset, and confirm that these are reasonable and complete.

Outcome

Assessing the fair value of the pension scheme assets and liabilities is a complex exercise and the valuation has been obtained from the Local Authority who have arranged for professional valuations from actuaries.

As part of our audit procedures, the competence of the actuary performing the valuation was assessed.

In addition, the assumptions and basis of the calculations were assessed in light of assumptions used in similar valuations of companies that UHY also audit. The impacts on the valuation of using differing assumptions were assessed.

We have reviewed the FRS102 disclosures in the actuarial valuation and confirm that these are reasonable and complete.

Related/connected party transactions

Explanation of risk

Related party transactions are often a perceived risk and are of interest to regulators, the press and the wider public. Under UK GAAP companies are required to disclose all related or connected party transactions.

RBC is a related party. The onus is on the company to ensure that goods and services procured from related parties have been provided in accordance with the agreed Service Level Agreements.

Due to the high level of scrutiny and regulation in the area, it represents an inherent risk area.

Audit response to risk

We will perform a detailed review of transactions to identify any connected party transactions.

We will also discuss with management the existence of any related party transactions and

ensure that these have been properly monitored and authorised by the directors, as well as ensuring that they are in accordance with the SLAs.

We will request and obtain related party confirmations to support the balances and transactions.

Outcome

We were provided with an updated list of all related parties at the planning stage. All audit staff members were made aware of these related parties and during our testing. We did not identify any undisclosed related party balances or transactions.

Details were provided during the audit of the transactions undertaken by Brighter Futures for Children Limited with their related parties and we

have no evidence to the contrary (based on our testing performed) that this is not a complete list.

The transactions between BfC and RBC were reviewed and agreed per the SLA contracts. Furthermore, following the late adjustment raised to correct the inter-company reconciliation, the

working paper was reviewed to test the assumptions and criteria used to determine the correct allocation of income and expenditure between the two entities. A sample of both income and expenditure transactions were tested to ensure that they were indeed assigned accurately and no errors were noted.

Other matters

Internal controls

Our audit is tailored to our assessment of the risk of material misstatement, taking into account the inherent risk of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We cannot examine every activity and procedure within the Company, nor can we substitute for management responsibility to maintain adequate controls at all levels of business.

Our work cannot therefore, be expected to identify all weaknesses in the Company's procedures and systems. However, we will gladly discuss with you an extension of our work to review in more depth any aspect of the business which potentially concerns you. The areas of improvement identified during the audit are discussed in Appendix 1.

Accounting policies

We have reviewed the accounting policies adopted by the Company in the preparation of its financial statements and consider that they are appropriate and suitable for the Company's particular circumstances.

As required by FRS 102, the Board of Directors should formally review the Company's accounting policies and treatments to ensure that they remain the most appropriate to the Company's particular circumstances for the purposes of giving a true and fair view. We suggest that the Board of Directors should minute this discussion.

Significant subsequent events

No significant subsequent events since the period end, with the exception of the RBC loan extension, which would require disclosure in the financial statements have been noted to date.

Consideration of fraud

We have discussed fraud with David Burton and Paula Gledhill.

During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

It was confirmed that:

There have been no instances of fraud during the year; and

Those charged with governance of the Company consider there to be a low risk of fraud occurring.

Summary, adjustment and audit report

Audit adjustments agreed with management

We received the draft trial balances for the period ended 31 March 2019 from Steven Davies in accordance with the audit timetable.

During the course of the audit, adjustments were necessary in order to facilitate the preparation of the statutory financial statements, consisting of late adjustments from management together with some reclassifications of balances for statutory presentation purposes.

Late adjustments provided by management, mainly in order to correct the bank, VAT and intercompany reconciliations were reviewed as part of our audit process and have been agreed and processed in the financial statements.

Where we have proposed reclassifications of balances for disclosure purposes these amendments were reviewed and agreed by Paula Gledhill and Steven Davies.

Unadjusted items

During the course of our audit we identified some non-material items which have not been adjusted for in the financial statements. A summary of these unadjusted items is attached to the letter of representation. The net effect of these unadjusted items is an expense of £17,714.

In assessing the key areas of audit judgement we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the Company accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Audit report

We propose issuing an unqualified audit report on the financial statements of the Company for the period ended 31 March 2019.

Appendix 1 – Management Letter Points

Area	Observation	Recommendations	Management response
<p>Access to Fusion</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 139</p>	<p>It was noted that members of RBC and BFfC staff have access to each other's finance system. For example, RBC input BFfCs payroll journals and Steven at BFfC can post journals on their system.</p>	<p>As material adjustments can be posted onto Fusion without BFfC's acknowledgement, we recommend that IT segregation measures be put in place to prevent non-BFfC staff from accessing Fusion. For example, even though RBC provides the payroll services, they should suggest the journal that ought to be posted and then BFfC staff checks the journal to make sure they agree with it and then post it themselves.</p> <p>However, we understand that checks and processes are to be put in place going forward that will separate the two business units.</p>	<p>Separate Business Unit within Oracle Fusion is set up for BFfC. The company transitioned in December 2018 which resulted in the use of RBC Business Unit and BFfC due to the delay in the bank account set up. It was a transition period which will not happen in future years. This will be rectified in 2019/20 as the 2 business units will be separate.</p> <p>Internal Audit will review the system set up for the company and RBC.</p> <p>Access still required to RBC schools which BFfC administer on behalf of RBC.</p> <p>Oracle Fusion Review has been commissioned and BFfC are key partner in this review.</p>

Area	Observation	Recommendations	Management response
Page 140			<p>RBC complete the bank reconciliations for BFfC, inter-company transactions, Accounts Receivable, Accounts Payable, Treasury Management and Payroll through SLA and why RBC employees have access to process into BFfC accounts. Accounts Receivable and Accounts Payable approval is required by BFfC manager but this system does need more control around the inter-company transactions for 2019/20.</p> <p>Treasury and Bank reconciliations are picked up by a senior member of BFfC. Head of HR signs off the monthly payroll run and this is also checked through the control accounts which are reconciled by the Strategic Business Partner.</p>
Audit Information missing expenses	Some invoices requested during the audit could not be found by the finance team and therefore additional samples request were needed.	With the absence of proof of invoices, the accuracy of the payments posted to Fusion cannot be ascertained. We recommend that all invoices received be saved either online or in a physical file and referenced.	Accounts Payable issue to be rectified with Chris Beauchamp. All invoices should be scanned onto system. This has been highlighted in the Oracle Fusion Review.
VAT	The VAT codes did not match the submitted VAT returns.	We recommend that the VAT treatment is coded correctly into Fusion in order for the net debtor or creditor amount to be correctly accounted for.	This arose from the late bank suspense submission for March return. Sundry creditor missed initially, but will be covered in lessons learnt exercise.

Area	Observation	Recommendations	Management response
Address on purchase invoices	During our purchases testing, 3 invoices were found to be addressed to RBC rather than BFFC.	As there is a risk that expenditure relating to BFFC will be incorrectly recorded in the accounts of RBC. We recommend that suppliers are using the correct details when raising purchase invoices.	Relates to the inter-company transition period and delay to the set-up of bank account. This will be addressed for 2019/20 as full year as separate Business Unit.
Fixed asset capitalisation	Although it was only a trivial amount and an adjustment wasn't required for the financial statements, it was noted that a laptop purchased in the year was not capitalised as per the stated accounting policy of £2,500.	Fixed assets may be understated and expenses overstated. Therefore we recommend that all fixed assets purchased at a cost greater than the threshold are appropriately treated as capital items.	Depreciation policy wasn't followed initially owing to low material level. Accounting Policies have been written and approved.
Aged Creditor Report	It was noted that the aged creditor report did not agree with the trial balance as at 31 March 2019.	We recommend that reports taken from Fusion agree to the trial balance amounts and any differences to be investigated and resolved. These supporting documents are key to the audit and also valuable for management information.	This was due to a lack of RBC/BFFC partnership working, with RBC misunderstanding the requirements of BFFC. The report will be produced on 1st April 2020 to avoid repeat delay in the reconciliation. This will be recorded in the lessons learnt exercise.
Recording of transactions	The intercompany review conducted by BFFC staff showed that £1.79m was paid by BFFC but related to RBC and £1.72m was paid by RBC that should be BFFC. Also, that £930k of revenue was accounted for under RBC instead of BFFC. Incorrect recording of material income and expenditure transaction can lead to working capital management concerns.	We recommend that income and expenditure needs to be properly categorised and accounted for under the correct entity, however we appreciated that this was mainly due to the set-up of BFFC and should not re-occur going forward.	This was a unique situation of the transition period to BFFC in December 2018. This is not going to happen in 2019/20. Inter-company journals will be processed to charge each entity.

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READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE (ACTING AS SHAREHOLDER OF HOMES FOR READING)		
DATE:	18 NOVEMBER 2019		
TITLE:	HOMES FOR READING - AMENDMENT OF ARTICLES		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	LEADERSHIP
SERVICE:	LEGAL & DEMOCRATIC SERVICES	WARDS:	BOROUGHWIDE
AUTHOR:	SIMON HILL	TEL:	0118 9372303
JOB TITLE:	COMMITTEE ADMINISTRATOR	E-MAIL:	simon.hill@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report seeks approval for amendments to HfR's Articles of Association, to reflect the new and reduced composition of the company Board.
- 1.2 The proposed Articles of Association are attached to the report at Appendix A with changes marked. The proposed changes are to reduce the quorum for a Board meeting from five to three directors, including an officer director.
- 1.3 Attached at Appendix B is the wording of the Special Resolution to be passed by the Committee and signed by the Chair for filing at Companies House.

2. RECOMMENDED ACTION

- 2.1 That a Special Resolution be passed by the Committee, acting as the sole member of Homes for Reading, in order to approve the amended Articles of Association as attached to the report at Appendix A.

3. POLICY CONTEXT

- 3.1 The Council is the shareholder of HfR. The relationship between the Council as shareholder and the Board is set out in the Shareholder Agreement and the company's Articles of Association, which were authorised by the Policy Committee on 13 March 2017 (Minute 99 refers).

4. HOMES FOR READING BOARD

- 4.1 A report to Policy Committee on 26 September 2019 set out recent changes to the HfR Board including the resignations of the Managing Director and two officer directors. In addition the two Non-Executive Directors have stood down, given that the company's reduced activity no longer requires their

expertise. The Director of Economic Growth and Neighbourhood Services was appointed to the Board on 26 September 2019.

- 4.2 In order to facilitate the holding of Board meetings with the reduced number of directors the company's Articles of Association require amendment to reduce the quorum for meetings from five directors to three, one of which must be an officer director.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 Homes for Reading contributes to the priority of 'Improving access to decent housing to meet local needs' as set out in the Corporate Plan 2018-21.

6. LEGAL AND FINANCIAL IMPLICATIONS

- 6.1 None for this report.

7. ENVIRONMENTAL IMPLICATIONS

- 7.1 None for this report.

8. BACKGROUND PAPERS

- 8.1 Shareholder Agreement and Articles of Association of Homes for Reading.

APPENDIX A

Private company limited by shares

Memorandum of association

of

Homes for Reading Limited

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share.

Name of each subscriber

Authentication by each subscriber

Reading Borough Council



Homes for Reading Limited

Articles of association

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Private company limited by shares

Articles of association

of

Homes for Reading Limited

1 **Model articles not to apply**

The model articles of association for private companies limited by shares contained in Schedule 1 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these Articles shall not apply to the company. References to **the articles** shall be to the following articles of association as amended from time.

2 **Defined terms**

In the articles, unless the context requires otherwise:

bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

board means the board of directors of the company from time to time;

chairman has the meaning given in article 14;

chairman of the meeting has the meaning given in article 47;

Companies Acts means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

council means Reading Borough Council or any successor body thereto;

director means a director of the company, and includes any person occupying the position of director, by whatever name called;

distribution recipient has the meaning given in article 39;

document includes, unless otherwise specified, any document sent or supplied in electronic form;

electronic form has the meaning given in section 1168 of the Companies Act 2006;

fully paid in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

hard copy form has the meaning given in section 1168 of the Companies Act 2006;

holder in relation to shares means the person whose name is entered in the register of members as the holder of the shares;

instrument means a document in hard copy form;

officer director means an employee of the Parent appointed as a director to the company.

ordinary resolution has the meaning given in section 282 of the Companies Act 2006;

paid means paid or credited as paid;

Parent means the council;

participate, in relation to a directors' meeting, has the meaning given in article 12;

proxy notice has the meaning given in article 53;

shareholder means a person who is the holder of a share;

shares means shares in the company;

special resolution has the meaning given in section 283 of the Companies Act 2006;

subsidiary has the meaning given in section 1159 of the Companies Act 2006;

transmittee means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

3 **Liability of members**

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4 **Objects clause**

The company's objects are unrestricted.

5 **Directors' general authority**

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

6 **Shareholders' reserve power**

6.1 The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action.

6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

7 **Directors may delegate**

7.1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:

7.1.1 to such person or committee, including to any appointed managing director and or non-executive directors;

7.1.2 by such means (including by power of attorney);

7.1.3 to such an extent;

7.1.4 in relation to such matters or territories; and

7.1.5 on such terms and conditions;

as they think fit.

7.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 **Committees**

8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

9 **Directors to take decisions collectively**

9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 10.

9.2 If:

9.2.1 the company only has one director; and

9.2.2 no provision of the articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

10 **Unanimous decisions**

10.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

10.2 Such a decision may take the form of a resolution in writing, which may consist of several copies each signed by one or more eligible directors or to which the eligible directors have otherwise indicated agreement in writing.

10.3 References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

10.4 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

11 **Calling a directors' meeting**

11.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

11.2 Notice of any directors' meeting must indicate:

11.2.1 its proposed date and time;

11.2.2 where it is to take place; and

11.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.

11.3 Notice of a directors' meeting must be given to each director, but need not be in writing.

11.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting. A director may waive the requirement that notice of a meeting of the directors or of a committee of the directors be given to him at any time before or after the date on which the meeting is held by notifying the company to that effect. Where a director gives such notice after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 **Participation in directors' meetings**

12.1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:

12.1.1 the meeting has been called and takes place in accordance with the articles, and

12.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.

12.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.

12.3 If all the directors participating in a meeting are not in the same place, the meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is.

13 **Quorum for directors' meetings**

13.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

13.2 The quorum for the transaction of business of the directors shall be three with an Officer Director present at all times.

13.3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision to request that the Parent appoints such number of further directors as are required to make up the board under articles 20 and 21.

14 **Chairing of directors' meetings**

14.1 The board shall appoint a director to chair the directors' meetings.

14.2 The person so appointed for the time being is known as the chairman.

14.3 The Parent may require the directors to terminate the chairman's appointment at any time upon giving written notice to the company.

14.4 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

15 **Casting vote**

15.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.

15.2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16 **Conflicts of interest**

16.1 If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, then provided that the director has disclosed his interest in such actual or proposed transaction or arrangement with the company in accordance with the Companies Acts or the provisions of these articles, he may nevertheless be counted as participating in the decision-making process for quorum and voting purposes in respect of any such matter in which the director is in any way interested, and shall not, save as otherwise agreed, be accountable to the company for any benefit which he derives under or in consequence of any such transaction or arrangement.

- 16.2 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 16.3 Subject to article 16.4, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- 16.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 **Authorisation of directors' conflicts of interest**

- 17.1 For the purposes of section 175 of the Companies Act 2006, as amended, consolidated or re-enacted from time to time (the **2006 Act**), the directors shall have the power to authorise any relationship, situation or other matter which would or might otherwise constitute or give rise to a breach by a director of the duty to avoid conflicts of interest set out in that section of the 2006 Act (a **Conflict Situation**). Any reference in these articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.
- 17.2 For the purposes of sections 175 and 180(4) of the 2006 Act and for all other purposes, it is acknowledged that a director may be or become subject to a Conflict Situation or Conflict Situations as a result of his also being or having been (or being party to an agreement or arrangement or understanding or circumstances under which he may become) an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or a direct or indirect investor in and/or otherwise involved with or interested in, any of the council, the company, its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies (as such terms are defined in section 1159 of the 2006 Act) or any of its shareholders.
- 17.3 No director shall be in breach of the duty to avoid conflicts of interest in section 175 of the Act as a result of, and no authorisation is required in respect of, any Conflict Situation envisaged by article 17.2 having arisen or existing in relation to him.
- 17.4 Authorisation of a matter under this article 17 shall be effective only if:
- 17.4.1 the matter in question shall have been proposed in writing for consideration by the directors, or in such other manner as the directors may determine;
 - 17.4.2 any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together, the **interested directors**); and
 - 17.4.3 the matter was agreed to without the interested directors voting or would have been agreed to if the votes of the interested directors had not been counted.
- 17.5 Unless otherwise determined by the directors (excluding the interested directors), any authorisation of a matter under this article 17 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

17.6 Any authorisation of a matter under this article 17 shall be on such terms and/or conditions as the directors (excluding the interested directors) may determine, whether at the time such authorisation is given or subsequently and may be varied or terminated by the directors (excluding the interested directors) at any time. Such terms or conditions may include (without limitation) terms and conditions as to the duration, renewal and/or revocation of the authorisation, and/or the exclusion of the interested directors from all information and discussion of the matter in question. A director shall comply with any obligations imposed on him by the directors (excluding the interested directors) pursuant to any such authorisation.

17.7 If a director receives or has received any information otherwise than by virtue of his position as a director of the company and in respect of which he owes a duty of confidentiality to another person, the director is under no obligation to:

17.7.1 disclose any such information to the company, the directors or any other director or employee of the company; or

17.7.2 use or apply any such information in connection with the performance of his duties as a director;

provided that to the extent that such duty of confidentiality arises out of a situation or relationship which would or might otherwise constitute or give rise to a breach by the director of the duty to avoid conflicts of interest set out in section 175 of the 2006 Act, this article 17.7 shall apply only if such situation or relationship has been authorised by the directors under this article 17.

17.8 A director shall not, save as otherwise agreed by him, be accountable to the company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under this article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

18 **Records of decisions to be kept**

The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

19 **Directors' discretion to make further rules**

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

20 **The board**

Unless otherwise determined by ordinary resolution, the number of directors is not subject to any maximum and the minimum number is one.

21 **Appointment and Removal of Directors**

21.1 Notwithstanding any other provision of these articles, the holder or holders of a majority in nominal value of the issued ordinary shares in the capital of the company may at any time and from time to time:

21.1.1 appoint any person to be a director in an executive or non-executive director role (provided that any such appointment does not cause the number of directors to exceed a number fixed by or in accordance with these articles as the maximum number of directors) for an initial term of three years. Where a director is an elected member of the council their term of appointment shall be for an initial term of three years subject to the annual general meeting of the council confirming their appointment; or

21.1.2 Remove any director from office.

21.2 The shareholder must consent to directors holding additional terms of office up to a maximum of nine years.

21.3 Every such appointment or removal shall be effected by notice in writing to the company and shall take effect immediately (or on such later date, if any, specified in the notice). Any such notice of appointment or removal may consist of several documents in similar form, each signed by or on behalf of one or more holders.

22 In any case where, as a result of bankruptcy, the company has no shareholders and no directors, the trustee in bankruptcy or other transmittee(s) of the last shareholder to have a bankruptcy order made against him has the right, by notice in writing, to appoint a natural person (including himself) who is willing to act and is permitted to do so to be a director.

23 **Termination of director's appointment**

A person shall be ineligible for appointment to the board and if already appointed ceases to be a director as soon as:

23.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

23.2 that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that person's office be vacated;

23.3 a bankruptcy order is made against that person;

23.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;

23.5 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

23.6 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms;

23.7 in circumstances where that person is an elected member or employee of any shareholder in the company where that person ceases to be an elected member or an employee of any shareholder for any reason;

23.8 that person is removed by the Parent by a notice in writing to the company;

23.9 that person is or becomes a person disqualified from elected membership of a local authority;

24 **Directors' remuneration**

24.1 Directors may undertake any services for the company that the directors decide **provided that** no sum shall be paid to a director who is an elected member of the council.

24.2 The board may decide on any remuneration packages to be offered to non-executive directors.

25 **Directors' expenses**

The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at:

25.1 meetings of directors or committees of directors;

25.2 general meetings; or

25.3 separate meetings of the holders of any class of shares or of debentures of the company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company **provided that** no sum shall be paid to a director who is an elected member of the council.

26 **Company secretary**

The directors may appoint a company secretary for such term, at such remuneration and upon such conditions as they think fit. Any company secretary may be removed or replaced by the directors.

27 **Nil- or partly-paid shares permitted**

If the company at any time has nil or partly-paid shares in issue, articles 52 to 62 (inclusive) of the model articles of association for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these articles, shall apply to the company and form part of these articles as if the text of such provisions was set out in full in these articles.

28 **Allotment of shares**

28.1 Save as authorised from time to time by an ordinary resolution of the shareholders, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the company.

28.2 Sections 561 and 562 of the Companies Act 2006 shall not apply to any allotment of equity securities (as defined in section 560 of the Companies Act 2006) by the company.

29 **Powers to issue different classes of share**

29.1 Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

29.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

30 **Company not bound by less than absolute interests**

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

31 **Share certificates**

31.1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.

31.2 Every certificate must specify:

31.2.1 in respect of how many shares, of what class, it is issued;

31.2.2 the nominal value of those shares;

31.2.3 the amount paid up on the shares to which it relates; and

31.2.4 any distinguishing numbers assigned to them.

31.3 No certificate may be issued in respect of shares of more than one class.

31.4 If more than one person holds a share, only one certificate may be issued in respect of it.

31.5 Certificates must:

31.5.1 have affixed to them the company's common seal, or

31.5.2 be otherwise executed in accordance with the Companies Acts.

32 **Replacement share certificates**

32.1 If a certificate issued in respect of a shareholder's shares is:

32.1.1 damaged or defaced; or

32.1.2 said to be lost, stolen or destroyed,

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

32.2 A shareholder exercising the right to be issued with such a replacement certificate:

32.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;

32.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and

32.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

33 **Share transfers**

33.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.

33.2 The instrument of transfer of any share taken on formation of the company by a subscriber to the company's memorandum of association need not be executed by or on behalf of the transferee even where the share is not fully paid.

33.3 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.

33.4 The company may retain any instrument of transfer which is registered.

33.5 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.

33.6 The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

34 **Transmission of shares**

34.1 If title to a share passes to a transmittee, the company may only recognise the transmittee as having any title to that share.

34.2 A transmittee who produces such evidence of entitlement to shares as the directors may properly require:

34.2.1 may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person; and

34.2.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.

34.3 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

35 **Exercise of transmitters' rights**

35.1 Transmitters who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.

35.2 If the transmitter wishes to have a share transferred to another person, the transmitter must execute an instrument of transfer in respect of it.

35.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmitter has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

36 **Transmitters bound by prior notices**

If a notice is given to a shareholder in respect of shares and a transmitter is entitled to those shares, the transmitter is bound by the notice if it was given to the shareholder before the transmitter's name has been entered in the register of members.

37 **Procedure for declaring dividends**

37.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.

37.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.

37.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

37.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.

37.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

37.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

37.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

38 **Calculation of dividends**

Except as otherwise provided by these articles or the rights attached to shares, all dividends must be:

38.1 declared and paid according to the amounts paid up on the shares on which the dividend is paid; and

38.2 apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly. For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

39 **Payment of dividends and other distributions**

39.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

39.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;

39.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;

39.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or

39.1.4 any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.

39.2 In these articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable:

39.2.1 the holder of the share; or

39.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

39.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

40 **No interest on distributions**

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

40.1 the terms on which the share was issued, or

40.2 the provisions of another agreement between the holder of that share and the company.

41 **Unclaimed distributions**

41.1 All dividends or other sums which are:

41.1.1 payable in respect of shares; and

41.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

41.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

41.3 If:

41.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

41.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

42 **Non-cash distributions**

42.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

42.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

42.2.1 fixing the value of any assets;

42.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

42.2.3 vesting any assets in trustees.

43 **Waiver of distributions**

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if:

43.1 the share has more than one holder; or

43.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,

the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

44 **Authority to capitalise and appropriation of capitalised sums**

- 44.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:
- 44.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and
 - 44.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.
- 44.2 Capitalised sums must be applied:
- 44.2.1 on behalf of the persons entitled; and
 - 44.2.2 in the same proportions as a dividend would have been distributed to them.
- 44.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 44.4 A capitalised sum which was appropriated from profits available for distribution may be applied in or towards:
- 44.4.1 paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct;
 - 44.4.2 paying up any amounts unpaid on existing shares held by the persons entitled.
- 44.5 Subject to the articles the directors may:
- 44.5.1 apply capitalised sums in accordance with paragraphs 46.3 and 46.4 partly in one way and partly in another;
 - 44.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
 - 44.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.
- 45 **Attendance and speaking at general meetings**
- 45.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 45.2 A person is able to exercise the right to vote at a general meeting when:
- 45.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and

45.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

45.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.

45.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

45.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

46 **Quorum for general meetings**

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum. The presence of a duly authorised representative of the Parent shall be a quorum.

47 **Chairing general meetings**

47.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.

47.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:

47.2.1 the directors present; or

47.2.2 (if no directors are present), the meeting,

must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.

47.3 The person chairing a meeting in accordance with this article is referred to as **the chairman of the meeting**.

48 **Attendance and speaking by directors and non-shareholders**

48.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

48.2 The chairman of the meeting may permit other persons who are not:

48.2.1 shareholders of the company; or

48.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting.

49 **Adjournment**

49.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

49.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

49.2.1 the meeting consents to an adjournment; or

49.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

49.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

49.4 When adjourning a general meeting, the chairman of the meeting must:

49.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

49.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

49.5 If a general meeting is adjourned, then notice of the time and place to which it is adjourned shall be given:

49.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and

49.5.2 containing the same information which such notice is required to contain.

49.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

50 **Voting: general**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

51 **Errors and disputes**

51.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

51.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

52 **Poll votes**

- 52.1 A poll on a resolution may be demanded:
- 52.1.1 in advance of the general meeting where it is to be put to the vote, or
 - 52.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
- 52.2 A poll may be demanded by:
- 52.2.1 the chairman of the meeting;
 - 52.2.2 the directors;
 - 52.2.3 any member (present in person or by proxy) having the right to attend and vote at the meeting or by a duly authorised representative of a corporation.
 - 52.2.4 A demand for a poll may, before the poll is taken, be withdrawn. A demand so withdrawn shall not invalidate the result of a vote on a show of hands declared before the demand was made.
- 52.3 Polls must be taken immediately and in such manner as the chairman of the meeting directs.

53 **Content of proxy notices**

- 53.1 Proxies may only validly be appointed by a notice in writing (a **proxy notice**) which:
- 53.1.1 states the name and address of the shareholder appointing the proxy;
 - 53.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;
 - 53.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and
 - 53.1.4 is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.
- 53.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.
- 53.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.
- 53.4 Unless a proxy notice indicates otherwise, it must be treated as:
- 53.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and
 - 53.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

54 **Delivery of proxy notices**

- 54.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 54.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 54.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 54.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

55 **Proxies and corporate representatives**

The failure of any proxy or corporate representative to vote in accordance with any instructions given by the member by whom such proxy or corporate representative is appointed shall not invalidate the result of any vote in which the proxy or corporate representative has participated and the company and the directors shall be under no duty to enquire as to the instructions given to any such proxy or corporate representative.

56 **Amendments to resolutions**

- 56.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 56.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and
 - 56.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 56.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 56.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
 - 56.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 56.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

57 **Written resolutions and decisions of the Parent**

A proposed written resolution of the members of the company (or of a class of members) shall lapse if it is not passed before the end of the period of six months beginning with the circulation date of such resolution (as defined in section 290 of the Companies Act 2006).

If the Parent makes a decision which is required to be taken in a general meeting or by means of a written resolution, that decision shall be valid and effectual as if agreed by the Company in general meeting. Any decision taken by the Parent pursuant to this Article 57 shall be recorded in writing and delivered by the Parent to the Company for entry in the Company's minute book.

58 Means of communication to be used

58.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

58.2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

58.3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

58.4 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:

58.4.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five working days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the United Kingdom, if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five working days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

58.4.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;

58.4.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and

58.4.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a working day.

58.5 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Companies Act 2006.

59 **Company seals**

59.1 Any common seal may only be used by the authority of the directors.

59.2 The directors may decide by what means and in what form any common seal is to be used.

59.3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

59.4 For the purposes of this article, an authorised person is:

59.4.1 any director of the company;

59.4.2 the company secretary (if any); or

59.4.3 any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

60 **No right to inspect accounts and other records**

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

61 **Provision for employees on cessation of business**

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

62 **Indemnity**

62.1 The company may indemnify any relevant officer out of the assets of the company from and against any loss, liability or expense incurred by him or them in relation to the company (including any liability incurred in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006)) **provided that** this article shall have effect, and any indemnity provided by or pursuant to it shall apply, only to the extent permitted by, and subject to the restrictions of, the Companies Act 2006. This article does not allow for or provide (to any extent) an indemnity which is more extensive than as permitted by the Companies Act 2006 and any such indemnity is limited accordingly. This article is also without prejudice to any indemnity to which any person may otherwise be entitled.

62.2 To the extent permitted by, and subject to the restrictions in, the Companies Act 2006 and without prejudice to any indemnity to which he may otherwise be entitled, the board shall

have the power to provide funds to meet any expenditure incurred or to be incurred by any relevant officer in defending any criminal or civil (including regulatory) proceedings, or in connection with an application under the Companies Act 2006, or to enable him to avoid incurring such expenditure.

62.3 Without prejudice to the provisions of article 63, the directors may exercise all the powers of the company to purchase and maintain insurance for the benefit of any person who is a relevant officer or an employee or former employee of the company or any associated company or who is or was a trustee of a retirement benefits scheme or another trust in which a relevant officer or an employee or former employee is or has been interested, indemnifying him against liability for negligence, default, breach of duty or breach of trust or any other liability which may lawfully be insured against by the company.

62.4 In these articles:

62.4.1 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate;

62.4.2 **relevant officer** means any current or former director, secretary or other officer of the company or an associated company (including any company which is a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006)), other than any person (whether an officer or not) engaged by the company (or associated company) as an auditor, to the extent he acts as an auditor.

63 **Insurance**

63.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

63.2 In this article:

63.2.1 a **relevant director** means any director or former director of the company or an associated company;

63.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company; and

63.2.3 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

THE COMPANIES ACT 2006
PRIVATE COMPANY LIMITED BY SHARES
SPECIAL RESOLUTION

HOMES FOR READING LIMITED (the 'Company') (Company Number 10108064)

Reading Borough Council, being the sole member of the Company eligible to attend and vote at general meetings of the Company, pass the following resolution designated a special resolution, and agree that the said resolution shall be as valid and effective as if it had been passed at a general meeting the Company duly convened and held.

IT IS RESOLVED:

1. **THAT** the Articles of the Company are adopted as per the attached Articles.

AGREEMENT OF THE SHAREHOLDER REPRESENTATIVE

Signed _____

Date _____

APPENDIX B

Notes

- (1) This written resolution has been proposed by the shareholder of the Company.
- (2) The circulation date of this written resolution is [insert date of Policy Committee].
- (3) If you agree to the resolution, please signify your agreement by signing against your name where indicated. Please then return the document to the Company.
- (4) Once this resolution has been signed and returned to the Company, your agreement to it may not be revoked.