

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	17 FEBRUARY 2020		
TITLE:	2020/21 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY TO 2023		
LEAD COUNCILLOR SERVICE:	COUNCILLOR BROCK	PORTFOLIO:	LEADERSHIP
	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATTHEW DAVIS	TEL:	0118 937 2954
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	EMAIL:	Matthew.davis@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Policy Committee at its meeting on the 16th December 2019 agreed a Draft Budget for consultation and Medium Term Financial Strategy (MTFS) for the three years 2020/21 - 2022/23. This report updates members on the results of the subsequent budget consultation exercise as well as changes arising from the publication of the Provisional Local Government Finance Settlement [LGFS] and other changes that have arisen since the report to Policy Committee in December.
- 1.2. The Ministry for Housing Communities and Local Government (MHCLG) are yet to confirm the Final LGFS. It is expected that this will be announced after the publication of this report. A verbal update will be provided to members at the meeting as necessary. Additionally, updates will be provided for: Levies from the Environment Agency; and precepts from the Police and Fire authorities as we are notified of them.
- 1.3. The proposed Medium Term Financial Strategy is informed by and supports delivery of the Council's Corporate Plan priorities including its commitment to address the climate change emergency; and seeks to ensure that the Council is "fit for the future", with sound finances that allow the Council's future funding challenges and spending pressures to be met in as sustainable a way as possible.
- 1.4. The underpinning rationale of the Medium Term Financial Strategy is to deliver a balanced and affordable budget that ensures the Council's finances are sustainable over the medium term and that in the longer term the Council's finances are not reliant on the unsustainable use of one-off reserves or funding and that general and earmarked reserves are maintained and bolstered to meet future funding challenges and risk. The Strategy is informed by the Council's Vision: "to ensure that Reading realises its potential - and that everyone who lives and works in Reading can share in the benefits of its success", as well as its Corporate Plan priorities:
 - Securing the economic success of Reading;
 - Improving access to decent housing to meet local needs;

- Protecting and enhancing the life outcomes of vulnerable adults and children;
 - Keeping Reading's environment clean, green and safe (which includes addressing the *declared* climate emergency);
 - Promoting great education, leisure and cultural opportunities for people in reading; and
 - Ensuring the Council is 'fit for the future'.
- 1.5. The MTFS 2020 - 2023 provides for an overall budget position across the three years which contributes to reserves and an underlying base budget for 2023/24 which is not reliant on reserves.
- 1.6. The Strategy builds on work over the previous 2-3yrs to stabilise the Council's financial position and build reserves back to a more robust level and seeks to facilitate vital investment in core infrastructure to drive efficiency improvements, facilitate service redesign and thereby manage pressures within demand led services. This invest to save approach provides for a robust financial position going forward and enables vital and valued services to continue to be delivered. Whilst the Budget Strategy relies on significant service transformation to drive increased efficiency savings and income generation it does mean that service cuts are not required.
- 1.7. The budget assumptions include:
- a) Council Tax increases of 3.99% (including a one off 2.0% social care precept) in 2020/21 and 1.99% in both 2021/22 and 2022/23;
 - b) £32.9m of efficiencies and increased income across the period;
 - c) A contingency provision over the three years (£3.5m 2020/21; £4.9m 2021/22; and £5.2m 2022/23) to mitigate possible slippage or non-achievement of higher risk savings and/or income targets over the period;
 - d) General Fund capital investment of £365m over the period 2020/21 to 2022/23 of which £200m is for invest to save purposes;
 - e) £4.5m of transformation funding (over the period 2020/21 to 2021/22) to support delivery of efficiency savings assumed within the MTFS.
- 1.8. Readers of this report are recommended to refer to the Draft Budget Report agreed by Policy Committee in December 2019 for further background information.

2. RECOMMENDED ACTION

That Policy Committee:

2.1. taking due regard of the results of the budget consultation exercise (as outlined in Section 3 and set out in more detail in Appendix 10) endorse and recommend to Full Council the Draft 2020/21 General Fund and Housing Revenue Account budgets, Draft Capital Programme and Medium Term Financial Strategy as set out in Appendices 1-9, noting the following:

- a) the Council's General Fund Budget Requirement of £150.1m for 2020/21 and an increase in the Band D Council Tax for the Council of 3.99% (1.99% general increase

and 2.00% additional adult social care precept) or £64.93 per annum representing a Band D Council Tax of £1,692.16 per annum as set out in paragraph 8.2;

- b) the proposed efficiency savings of £6.3m together with additional income of £5.3m in 2020/21 required to achieve a balanced budget for that year as set out in Appendix 2;
- c) the overall savings proposed within the MTFs of £32.9m (of which changes to income, fees and charges is £13.5m) and three-year growth changes to service budgets of £26.6m as set out in Appendix 3;
- d) the Housing Revenue Account budget for 2020/21 of £40.9m as set out in Appendix 4 and an average increase of 3.3% in social dwelling rents from April 2020 giving a revised weekly average social rent of £102.57;
- e) the General Fund and Housing Revenue Account Capital Programmes as set out in Appendices 5a and 5b;
- f) the Strategy for the use of flexible capital receipts to deliver future transformation and ongoing savings as set out in Appendix 6;
- g) the Fees and Charges set out in Appendix 7 of the report; and
- h) the allocation of Dedicated Schools Grant (DSG) as set out in Appendix 9.

Appendix 1	Summary of General Fund Budget 2020-21 to 2022-23
Appendix 2	General Fund Revenue Budget by Service 2020-21 to 2022-23
Appendix 3	Detailed General Fund Budgets 2020-21 to 2022-23
Appendix 4	Housing Revenue Account Budget 2020-21 to 2022-23
Appendix 5	General Fund and HRA Capital Programme 2020-21 to 2022-23
Appendix 6	Flexible Capital Receipts Strategy
Appendix 7	Fees and Charges
Appendix 8	Equality Impact Assessment
Appendix 9	Dedicated Schools Grant
Appendix 10	Budget Consultation

3. Budget Consultation

3.1. As agreed by Policy Committee in December 2019, the Council has consulted on its draft budget proposals for 2020/21. The consultation ran from 19th December 2019 to 19th January 2020 and was promoted through the Council's main communication channels (website, email, social media, local press, partner organisations) as well as sent to the full Council Tax email database of c. 40,000 contacts.

3.2. The consultation asked four questions:

Q1. What alternative suggestions do you have for how we could we make the savings required to balance the budget?

- Q2. We are proposing a 2% Adult Social Care precept. What alternative suggestions do you have for how we could fund the rising costs of and rising demand for adult social care services?
- Q3. We are proposing £357m of capital investment over three years. What alternative suggestions do you have for where we should invest to ensure we modernise facilities, infrastructure and services for residents and help the Council achieve its net zero-carbon target by 2030?
- Q4. What do you think we should be aware of in terms of how our proposed budget might adversely impact on people, and how could we mitigate this impact?

- 3.3. There were 619 responses to the online consultation as well as submissions from partner organisations that were emailed directly. This compares well with the average consultation response in 2019/20 which was 230.
- 3.4. The responses covered a very wide range of areas referencing upwards of 50 issues or services connected to the Council. The responses have been analysed by topic. There are ten topics that received more than 20 alternative suggestions, these are set out overleaf:

Topic/ service area	No. of responses
Transport, planning and parking	146
Reducing costs, streamlining and efficiencies	126
Climate change and the environment	115
Sport and leisure facilities	52
Funding for adult social care	51
Waste and recycling	42
Highways, roads and footpaths	38
Council Tax and Housing Benefit	32
Impact on low income groups	27
Improving the Council's use and quality of technology	21

- 3.5. The areas with the highest number of responses align with other consultation and research results carried out by the Council over the past twelve months. including the residents' survey carried out with the Council's Citizens Panel in November 2018 which identified roads and pavement repairs, the level of traffic congestion, the level of crime, clean streets and parking as areas that people felt needed improving.
- 3.6. In the main the Council's plans and key investments align with residents' priorities as expressed in these consultations:
- The revenue budget proposals include £19.5m of efficiency and invest to save proposals;
 - The Capital Programme includes £7.4m for direct investment to reduce our carbon footprint as well as significantly more proposals which will contribute to reducing greenhouse gases. Further detail on the environmental impact of the proposed budget proposals and is set out in section 13 below;

- The Council's Capital Programme includes £35.9m for investment in two new swimming pools and leisure facilities within the Borough.
- 3.7. To mitigate against the cost of Council Tax increases and help some of our most vulnerable residents the Council has budgeted to help all its Care Leavers (on a tapering basis) pay their Council Tax. The Council's Council Tax Reduction Scheme has also been amended to help residents in receipt of Disability Living Allowance as well as those transferring from Housing Benefit to Universal Credit such that they don't lose income.
 - 3.8. In some key areas such as transport and climate change / protecting the environment, the Council is in the process of developing new strategies and plans which will involve further consultation as proposals are developed and the relevant suggestions brought forward by this budget consultation will be fed into those processes.
 - 3.9. Some suggestions have resulted in the Council reviewing and reconfirming priorities. For example, the high number of suggestions on transport, planning and parking has confirmed that more needs to be done to support people who want to switch to using the bus or to start cycling or walking. Suggestions for waste and recycling initiatives demonstrates the need for the Council to better promote the upcoming changes to waste and recycling services as they are rolled out in autumn 2020.
 - 3.10. Some responses include suggestions to reallocate capital investment to fund day-to-day services. However, capital investment is one-off expenditure and cannot be redirected to fund day-to-day revenue costs such as running waste collection services or delivering adult social care.
 - 3.11. In some areas the suggestions were varied and did not always point to a single preferred outcome, for example there are suggestions for both increasing and decreasing parking provision and charging, and both for and against charging for road use in congested areas. In this instance the Council's response has been guided by overarching strategies, such as the Council's commitment to helping make Reading a net carbon zero town by 2030.
 - 3.12. A large number of the suggestions made by respondents are activities the Council is already undertaking or has plans to do. This has highlighted the need for the Council to better communicate its plans and activities with residents and partners. To do this the Council is committing to:
 - A new website design with an improved 'news and updates' function;
 - A twice-yearly residents newsletter delivered to every household in the Borough;
 - Monthly e-newsletters which anyone can sign up to receive;
 - Better engagement with partners;
 - Increased promotion of consultations and opportunities to influence Council policy and decision making.
 - 3.13. A detailed description of the consultation process and results is contained in Appendix 10.

4. Changes following publication of Draft Budget for Consultation

General Fund

- 4.1. At the time of publishing the Draft Budget a number of matters remained to be confirmed. In particular, the Local Government Finance Settlement had not been announced, negotiations around the 2020/21 (and subsequent years) contract sum for the activities provided by Brighter Futures for Children [BFFC] the Council's wholly owned children's company, and decisions around the award of contract for the provision of leisure centre facilities.
- 4.2. The following section details those budget and planning assumptions that have changed since the publication of the Draft Budget and which are now incorporated into the final recommended budget which is summarised later in this report.

Provisional Local Government Finance Settlement (LGFS)

- 4.3. The Provisional LGFS was announced on the 20th December and whilst broadly in line with our planning assumptions a number of assumptions have needed amending:
- New Homes Bonus [NHB] was higher than anticipated for 2020/21 due to tapering not having been applied as expected and growth in the number of additional properties being higher than assumed. However, a fundamental review of the way NHB operates was also announced and, as a consequence, the 2020/21 allocation of £3.988m is to be for one year only rather than the previous four-year payment model. This gives a one-off benefit in 2020/21 but this reduces to £1.968m by 2022/23;
 - There were minor amendments to the figures for Revenue Support Grant, NNDR Local Share and s31 Grant totalling a net £0.132m benefit;
 - Confirmation that Homelessness Prevention Grant funding will continue increases available funding by £0.212m per year.

These adjustments are set out in Table 1 below:

Table 1 - Amendments resulting from Provisional Finance Settlement and Business Rate Retention Scheme

	2020/21	2021/22	2022/23
	(£,000's)	(£,000's)	(£,000's)
New Homes Bonus	(1,052)	185	1,276
Revenue Support Grant (RSG)	(32)	(32)	(32)
Section 31 Grants	(232)	-	-
NNDR Local Share	132	-	-
Homelessness Prevention Grant	(212)	(212)	(212)
	(1,396)	(59)	1,032

- 4.4. At the time of drafting, MHCLG have yet to publish the Final LGFS. Whilst we are not anticipating any further changes, officers will update members at the meeting of any changes that may subsequently arise.

Other Changes Arising

- 4.5. Refinement of the business case modelling regarding savings generated from the introduction of a new customer services model has clarified the allocation of savings attributable between the General Fund and Housing Revenue Account. As a consequence the level of savings attributable to the General Fund have decreased by £0.558m.
- 4.6. Following discussions with Brighter Futures for Children regarding their Business and Transformation Plan a one-off injection of £1m in 2020/21 is proposed in recognition that planned transformation savings will be realised over a longer timeframe. It is further proposed that any underspends against previously allocated Delivery Funding will be allowed to be carried forward. The Council's risk contingency has been reduced from 2021/22 onwards by £300K in reflection of this.
- 4.7. It should also be noted that BFfC are seeking further transformation funding (£4m) from the Department for Education to speed up their transition from 'Needs Improvement to be Good' to Good. The outcome of these discussions is unlikely to be known for some time but will be reported back to Policy Committee as Sole Member in due course.
- 4.8. Following the Council's decision to award the Borough Leisure Facilities contract to GLL in January 2020, the assumptions around the contract have been refined.
- 4.9. Dividends from group companies are expected to be lower than previously anticipated over the first two years of the MTFS.
- 4.10. A new proposal to create a Small Community Grants Fund pot to provide grants of up to £5K to small community groups has been included £0.1m.
- 4.11. The 2019/20 Council Tax surplus identified in the Council Tax Base report which went to Policy Committee in January 2020, has been built into 2020/21 and is a one-off benefit to the budget.
- 4.12. A summary of the other changes outlined above is shown in the table overleaf:

Table 2: Other Changes to the Draft Budget Position

	2020/21	2021/22	2022/23
	(£,000's)	(£,000's)	(£,000's)
Customer Services Model	18	141	399
BFFC Contract Sum (One-Off)	1,000	-	-
Adjustment to Risk & Contingency	-	(300)	(300)
Leisure Contract	1	(4)	43
Group Dividends	150	250	-
Community Grants Fund	109	109	109
2019/20 Collection Fund Surplus	(237)	-	-
Direct Revenue Financing of Capital	237	-	-
	1,278	196	251

Table 3: Summary of all Changes to the Budget Position since December 2019

	2020/21	2021/22	2022/23
	(£,000's)	(£,000's)	(£,000's)
(Surplus) / Gap - December 2019	(712)	684	(1,737)
Subsequent Changes:			
Changes due to Provisional Finance Settlement and Business Rates Retention Scheme	(1,396)	(59)	1,032
Other Changes	1,278	196	251
(Surplus) / Gap - February 2020	(830)	821	(454)

Housing Revenue Account

4.13. The savings attributable to the HRA from the Customer Services Delivery Model proposal (as set out in paragraph 4.5) have been reflected within the Housing Revenue Account budget but are fully offset by a corresponding increase in the resources available to fund major repairs and improvements providing increased value for money for tenants. The budget therefore remains the same as that reported in December in overall terms. Additionally, the forecast opening 2020/21 reserve position has been updated to reflect the revised 2018/19 closing balance and 2019/20 in year forecast.

Capital Programme

4.14. Capital spending (and associated funding streams) have been updated to reflect latest anticipated spend in 2019/20 as well as any other changes in future profiling.

4.15. There is an increase in capital expenditure of £7.5m from the December budget report primarily due to movements of budget from 2019/20 into future years following on from a detailed review of the capital programme at period 9. Additionally, the figures from the chosen provider for the Leisure Procurement are now reflected within the Capital Programme as opposed to the previously estimated figure which was included previously. A detailed breakdown of the General Fund and HRA capital schemes is included in Appendix 5a and 5b attached.

5. Final Recommended Budget and MTFS

5.1. Taking into account the changes, outlined in Section 4 above, that have arisen since the Draft MTFS was considered by Policy Committee in December, the overall recommended MTFS budget position is as shown in the Ttable 4 below:

Table 4: Directorate and Corporate Budgets - Three Year Summary

	2020/21 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)
Adults Care & Health Services	37,307	38,189	37,927
Economic Growth & Neighbourhoods	16,422	12,407	8,354
Resources	16,226	16,213	16,561
Children, Education & Early Help	49,131	48,693	48,693
Total - Service Directorates	119,087	115,502	111,535
Capital Financing Costs	14,731	18,979	22,988
Contingency	3,522	4,903	5,188
Other Corporate Budgets	12,750	3,408	3,854
Total - Corporate Budgets	31,004	27,290	32,029
Total Net Budget Requirement	150,090	142,793	143,565
Financed By:			
Council Tax	96,014	99,239	102,350
Business Rates (Incl s31 Grant)	38,351	37,888	37,671
Revenue Support Grant	2,030	2,030	2,030
New Homes Bonus	3,988	2,815	1,968
Collection Fund Surplus - (One-Off)	10,537	-	-
	150,920	141,972	144,019
(Surplus) / Gap	(830)	821	(454)
Change from December Draft Budget	(118)	137	1,283

5.2. Full details of service budgets, corporate funding and proposed changes to existing budgets are set out in Appendices 1 to 3 attached.

5.3. As can be seen, the budget makes a small net contribution to reserves over the three year period and is not reliant on the use of reserves going beyond the MTFS planning horizon.

5.4. Savings required to balance the budget are comprised of efficiency savings, invest-to-save initiatives and increased income from fees and charges and are summarised in Table 5 below:

Table 5: General Fund Savings Summary 2020/21 to 2022/23

	Efficiency Savings (£,000's)	Invest to Save Schemes (£,000's)	Income, Fees & Charges (£,000's)	Total (£,000's)
Childrens Services (BFFC)	(8,190)	-	-	(8,190)
Other Council Services	(8,545)	(2,731)	(13,459)	(24,735)
Total	(16,735)	(2,731)	(13,459)	(32,925)

- 5.5. The summary table shown below sets out the Housing Revenue Account budget (which incorporates the amendment set out in paragraph 4.13). Further details of the HRA revenue budget is set out in Appendix 4

Table 6: Summary HRA Three-Year Revenue Budget

	2020/21 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)
Expenditure	40,919	42,486	43,606
Income	(41,087)	(42,747)	(44,355)
Net (Surplus) / Deficit	(168)	(261)	(749)
Opening HRA Balances	(32,055)	(32,223)	(32,484)
Net (Surplus) / Deficit	(168)	(261)	(749)
Closing HRA Balances	(32,223)	(32,484)	(33,233)

- 5.6. The proposed Housing Revenue Account budget for 2020/21 of £40.9m as set out in Appendix 4 assumes an average increase of 3.3% in social dwelling rents from April 2020 giving a revised weekly average social rent of £102.57.
- 5.7. Full details of the proposed Capital Programme are set out in Appendix 5. A summary of both the General Fund and HRA Capital Programmes are summarised in the table overleaf:

Table 7: Summary General Fund and HRA Capital Budgets

	2019/20 (£,000's)	2020/21 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)
General Fund	66,507	117,794	101,312	77,310
Housing Revenue Account	15,343	30,262	20,089	11,503
	81,850	148,056	121,401	88,813
Funded By:				
Community Infrastructure Levy	(3,000)	(3,000)	(3,000)	(3,000)
Major Repairs Reserve / Revenue	(9,375)	(8,668)	(8,064)	(8,064)
Capital Receipts	(13,341)	(13,304)	(10,206)	(4,101)
	(25,716)	(24,972)	(21,270)	(15,165)
Prudential Borrowing	(56,134)	(123,084)	(100,131)	(73,648)
<i>of which - General Fund</i>	(51,430)	(103,790)	(88,562)	(70,209)
<i>Housing Revenue Account</i>	(4,704)	(19,294)	(11,569)	(3,439)

6. Flexible Use of Capital Receipts and Delivery Fund

- 6.1. The Council has made use of freedoms around the flexible use of capital receipts to fund transformation change costs - this freedom currently remains available until 2021/22. In total £13.6m has been identified as available to fund such costs over the period 2017/18 to 2021/22.
- 6.2. Details of the proposed use of this funding were set out in the December Policy Report. Since December, further work has been undertaken to verify overall bid requirements and identify where current requirements are likely to slip into future years.
- 6.3. Full details of the Flexible Capital Receipts Strategy are set out in Appendix 6, with Annexes A and B to that Appendix providing details of proposed spend on a scheme by scheme basis. Table 8 below summarises the proposed use of the Delivery Fund:

Table 8: Summary of Delivery Fund Spend

	2017/18 Actual (£,000's)	2018/19 Actual (£,000's)	2019/20 Budget (£,000's)	2020/21 Budget (£,000's)	2021/22 Budget (£,000's)	Total (£,000's)
June 2018						
Capital Receipts Strategy	2,095	5,661	3,734	836	-	12,326
Contingency / Unallocated	-	250	500	500	-	1,250
	2,095	5,911	4,234	1,336	-	13,576
February 2019						
Capital Receipts Strategy	1,319	6,405	6,098	615	-	14,437
Contingency / Unallocated	-	(494)	(1,864)	1,497	-	(861)
	1,319	5,911	4,234	2,112	-	13,576
December 2019						
Capital Receipts Strategy	1,319	3,182	7,070	1,012	377	12,960
Contingency / Unallocated	-	-	-	308	308	616
	1,319	3,182	7,070	1,320	685	13,576
February 2020						
Capital Receipts Strategy	1,319	3,182	4,539	3,226	467	12,733
Contingency / Unallocated	-	-	-	843	-	843
	1,319	3,182	4,539	4,069	467	13,576
Bordered Figures are actuals						

7. Dedicated Schools Grant [DSG]

- 7.1. Schools funding is received through DSG and is split into four blocks. Allocations for 2020/21 were published on 19th December. Details of the 2020/21 DSG allocation (together with the Deficit Recovery Plan) are included in Appendix 9 to this report but are summarised in the table below:

Table 9: Dedicated Schools Grant Allocations

	2019/20 Revised (£,000's)	2020/21 Original (£,000's)	Change (£,000's)	(%age)
Schools Block	89,524	95,536	6,012	6.7%
Central Schools Services Block	1,330	1,218	(112)	(8.4%)
Early Years Block	12,407	12,595	188	1.5%
High Needs Block	20,483	22,472	1,989	9.7%
Total (Gross)	123,744	131,821	8,077	6.5%
Less Recoupment - Schools	(44,853)	(49,165)	(4,312)	9.6%
Less Recoupment - High Needs	(2,448)	(4,162)	(1,714)	70.0%
Total (Net)	76,443	78,494	2,051	2.7%

8. Council Tax Levels

- 8.1. The total amount of Council Tax payable by residents will depend on both the Fire and Police authorities' precepts which have not yet been received. Members will be advised of these precepts when they become available.
- 8.2. The changes proposed to the Council's Draft Budget as set out above do not impact on the proposed Council Tax level for the Council's own purposes. The proposed Band D charge of £1,692.16 for Reading's own requirement in 2020/21 represents a weekly increase for two adults in occupation (before any reliefs or discounts) of £1.25 per week.
- 8.3. The table below is replicated from the December report and shows the implications of the proposed Council Tax increase across each band (the largest number of properties in any one band being for a Band C property).

Table 10: Implications of Proposed Council Tax Increase 2020/21

Band / Wght	No. of Properties	Ratio	2019/20 Charge (£'s)	2020/21 Proposal (£'s)	Change (£'s)	Weekly Change (£'s)	
A	6	7,151	10%	1,084.82	1,128.11	43.29	0.83
B	7	14,404	20%	1,265.62	1,316.12	50.50	0.97
C	8	29,581	40%	1,446.43	1,504.14	57.72	1.11
D	9	11,215	15%	1,627.23	1,692.16	64.93	1.25
E	11	5,679	8%	1,988.84	2,068.20	79.36	1.53
F	13	3,293	4%	2,350.44	2,444.23	93.79	1.80
G	15	1,856	3%	2,712.05	2,820.27	108.22	2.08
H	18	85	0%	3,254.46	3,384.32	129.86	2.50
		73,264	Weighted Increase - All Bands		60.66	1.17	

9. Financial Implications

- 9.1. The financial implications are set out in the body of this report and associated appendices.
The Council's General Fund balance remains at £7.5m over the plan period.

10. Legal Implications

- 10.1. The Council must set its budget in accordance with the provisions of the Local Government Finance Act 1992. Approval of a balanced budget each year is a statutory responsibility of the Council.
- 10.2. The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (s.151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The report will be formally made to the Council's budget setting meeting in February.

11. Risk

- 11.1. Whilst the budget proposals include some provision for risk and contingency, risk remains for demographic, inflationary or other demand pressures to place pressures on those available provisions. In part this is able to be mitigated by the Council having bolstered reserves over the past two years.
- 11.2. The MTFS assumes £32.9m of additional savings and income to be delivered over the following three years and any delay in delivering on these also pose a potential threat to the sustainability of the Council's budget.
- 11.3. The Council has the potential to be impacted in a variety of ways, with the state of the national economy impacting on demand levels, commercial income and funding available to be distributed through central government. As upper tier authorities across the country are finding changes in social care demand can create significant cost pressures arise within adults and children's social care budgets. The Council's arms-length children's company has significant transformational change planned and its delivery also represents a risk.

12. Equalities Impact Assessment

- 12.1. Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 12.2. An initial Assessment of the proposals as set out in the MTFS has been undertaken and Appendix 8 sets out the individual savings proposals where specific equality impact assessments will need to be undertaken prior to implementation.
- 12.3. Additionally, when considering changes to service provision, local authorities are under a duty to consult representatives of a wide range of local stakeholders. Authorities must consult representatives of council tax payers, those who use or are likely to use services provided by the authority and those appearing to the authority to have an interest in any area within which the authority carries out functions. The consultation on the Draft Budget proposals assists with this requirement.

13. Environmental Implications

- 13.1. The Council's proposed Capital Programme for the next 3 years includes investment of over £7 million in energy saving measures in buildings and renewable energy infrastructure to contributing to the Council's net zero carbon ambitions. Of this, £1.35m is allocated for 2020/21. The Council has a long-standing programme of investment in energy efficiency, taking advantage of the SALIX Recirculation Fund, a revolving loan fund, which is available for the public sector. The Council's capital budget for this SALIX Recirculation Fund has been around £250,000 p.a. for a number of years and this has enabled a large number of projects to be taken forward. A similar provision is included in the Capital Programme for each of the next 3 years which will enable additional projects in the pipeline to go ahead.

- 13.2. The Capital Programme also includes two new budgets which specifically support the Council's climate change commitment, enabling a step change in ambition. The first will take advantage of a new SALIX Decarbonisation fund, designed to support more ambitious carbon reduction projects in the public sector. In 2020/21, £0.6m has been allocated with a further £1.2 million over the following 2 years. The second will support further investment in renewable energy. In 2020/21, £0.5m has been allocated for this purpose with a further £4 million over the following 2 years. This will enable a number of more ambitious projects to be progressed, including ground-source heat pumps, solar arrays and potentially district heating systems.
- 13.3. Other capital investments - in offices, housing, transport and waste - will also contribute to the Council's carbon reduction ambitions by improving the efficiency of our buildings and operations. Going forward, major capital projects which will contribute directly to greenhouse gas emissions reduction include:
- £18.5 million for Green Park Station (across 4 years from 2019/20)
 - £16.8 million for the South Reading MRT (across 4 years from 2019/20)
 - £4.5m for renewable energy (across 3 years from 2020/21)
 - £2.55 million for energy saving measures via the Salix Decarbonisation and Recirculation funds (across 3 years from 2020/21)
 - £1.49 million for food waste collection (in 2020/21)
 - £1.19 million for retro-fitting the bus fleet to lower emission standards (across 2 years from 2019/20)
 - £258,000 for LED streetlighting (across 2 years from 2019/20, completing a total investment of £9.8 million which began in 2016)
 - £250,000 for electric vehicle charging points (across 2 years from 2020/21)
 - £150,000 for tree planting programmes (across 3 years from 2019/20)
- 13.4. Additionally, a substantial part of the investment of £9 million over the next 3 years in highway maintenance will support low carbon, 'active travel' by improving facilities for cyclists and pedestrians as well as other road users, while the fleet replacement budget of almost £6 million over the next 3 years will enable us to increase the proportion of electric vehicles within the fleet.
- 13.5. In addition, to the above capital provision the revenue budget maintains its Sustainability budget of c.£230,000 which will enable review and implementation of the Council's Carbon Plan as referred to above.

14. BACKGROUND PAPERS

- Final Local Government Finance Settlement 2019/20 - MHCLG (29th January 2019)
- 2019/2020 to 2021/22 Budget Setting and Medium Term Financial Strategy approved by Full Council (26th February 2019);
- Spending Round 2019 - HM Treasury (4th September 2019)
- Local Government Finance Settlement - Technical Consultation (3rd October 2019)
- Provisional Local Government Finance Settlement 2020/21 - MHCLG
- Draft Budget and Medium Term Financial Plan 2020/21- 2022/23 report to 16th December Policy Committee.