

**READING BOROUGH COUNCIL -
REPORT BY DIRECTOR OF RESOURCES -**

TO:	CABINET/COUNCIL		
DATE:	13/21 FEBRUARY 2012	AGENDA ITEM:	
TITLE:	BUDGET 2012/13		
LEAD COUNCILLORS	JO LOVELOCK TONY PAGE	AREA COVERED:	CORPORATE-WIDE
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
AUTHOR:	DAVE PEASLEY / ALAN CROSS	TEL:	0118 9372741 0118 9372058
JOB TITLE:	DIRECTOR OF RESOURCES / HEAD OF FINANCE	E-MAIL:	Dave.Peasley@reading.gov.uk Alan.Cross@reading.gov.uk

1. PURPOSE AND SUMMARY OF REPORT -

At the current time the 2012/13 Precepts and Council Tax levels for the Police and Fire authorities are not formally confirmed although a freeze in Council Tax is expected. Once this information is known the report and Council Tax setting recommendations will be updated.

- 1.1 - This report sets out the budget proposals of the Cabinet for the Council covering the forecast capital and revenue expenditure and resources for 2012/13, together with the draft General Fund budget and indicative Capital Programme for decision by Councillors. The Medium Term Financial Plan for the three year period 2013/14 to 2015/16 is also set out in Appendix 8.
- 1.2 - Section 6&7 of the report sets out the advice of the Director of Resources and Head of Finance on the robustness of the Budget and adequacy of balances and reserves over 2012/13 and the medium term as required by the Local Government Act 2003.
- 1.3 - We have advised Cabinet that a minimum General Fund balance of £5m should be held over 2012/13 and the medium term. The Cabinet's proposed budget is consistent with this advice.

- 1.4 - Therefore, in the event that a proposal were to be made to Council to set a Council Tax which resulted in the General Fund Balance being below the recommended minimum then our advice is that it would not be prudent or advisable for the Council to do so. Instead deliverable reductions in net expenditure should be made for which an agreed plan would need to be put in place.
- 1.5 - In the event that a proposal were to be made to Council to increase the net Budget for example to reinstate proposed reductions in net expenditure or to fund new initiatives or growth, then again our advice is that balances or reserves should not be used as a funding mechanism, if this were to result in the General Fund Balance falling below the recommended minimum. Any such proposals should be funded by agreeing expenditure reductions in other areas of the Budget.
- 1.6 - The Director of Resources, as the Council's Section 151 Officer, may seek permission from the Mayor to speak to the Council in the event that he considers any proposal moved at the meeting is outside the advice set out in this report, and which in his opinion would lead to an unsafe budget for 2012/13 being set.

Approach to Budget Setting and Resource Allocation

- 1.7 - On 6 June 2011 Cabinet endorsed a report by the Leader of the Council which set out the Cabinet's priorities for the coming year. The priorities regarding service delivery and improvement included the following:

“The deepest cuts in local government funding for a generation means that we cannot continue running services in the same way. We will begin by reviewing the Senior Management Structure of the Council to reflect the fact that there are fewer staff to manage, but also make savings which can help to provide the services local residents need.”

- 1.8 - Consistent with this statement three objectives have been developed.
 - **Engagement with our communities** - to involve local people in the decision on how services can be improved and provided more effectively and more efficiently, reforming how the Council delivers both value for money and the services people want and need
 - **Budget Responsibility** - to ensure value for money and a service lead approach to efficiency, protecting the most vulnerable and disadvantaged
 - **Transform the Council** - to ensure that the council is structured and organised in a way that promotes innovation and even greater efficiency

Engage with our Communities

- 1.9 - With the council having to make multi million pound savings whilst still delivering vital services like education, housing, transport, refuse collection and social services, we launched 'Working Better With You' in the summer. We asked to have an open, honest and on-going conversation with residents, to understand what they really value in their neighbourhoods and services so that we could make decisions on budgets and services that reflect those values. We pledged to:
- 'listen to what you say
 - publish what you tell us
 - provide feedback to you on what you have said
 - ensure your community's views influence our decisions and keep on talking to you as we go forward.'
- 1.10 - We engaged with residents in three key ways: a series of 'Let's Talk' community events around the borough, a 'We Need to Talk' questionnaire, the 2011 Resident's Survey of a randomly selected sample of residents.
- 1.11 - We fed back the overall findings at the community events of 24th November, publishing a feedback booklet which is available on the Council website www.reading.gov.uk/letstalkevents

What Residents Value

- 1.12 - Residents said that what was most **important** in making somewhere a good place to live was:

1	The level of crime
2	Good schools
3	Clean streets
4	Health services
5	Public transport
6	Good neighbours
7	Affordable decent housing
8	Parks and open spaces
9	Job prospects
10	Peace and quiet

- 1.13 - In drawing up the 2012/13 Budget and the savings proposals contained within the draft budget the Cabinet has carefully taken residents view into account and wherever possible protected those services valued by residents as most important.

Budget Responsibility

2011/12

- 1.14 - The latest budget monitoring report to Cabinet in January showed that the Council is on course to keep net expenditure within the approved budget.

2012/13

- 1.15 - The approach to setting the budget has been undertaken to deliver a Council Tax freeze and deliver value for money and efficient service delivery.

- 1.16 - Key standards of the programme include:

- Improving procurement and driving down contract costs
- Generating savings in processing and back office costs
- Asset management and rationalisation
- Identifying opportunities to generate income to increase the Council's resource base to protect front line services
- Ensuring that the allocation of resources takes account of budget pressure in order to protect the most vulnerable and disadvantaged (eg Child Protection and Adult Social Care).

Transform the Council

- 1.17 - Stage 1 and 2 of the Senior Management Re-Structure are being implemented to deliver savings of £0.8m in 2012/13 (0.9m in a full year).

- 1.18 - The programme of service modernisation and transformation is on going to protect frontline services and provide services residents value the most and need:

- Changing service delivery to improve outcomes for residents and communities
- Reducing duplication
- Working effectively with partners and the voluntary sector
- Freeing up resources to switch to core priority service areas such as Child Protection and Adult Social Care
- Protecting preventative services to minimise expensive long term costs

Summary of Savings

- 1.19 - The 2012/13 budget includes expenditure savings and income generation of £12.6m.

Table A

	£m
Efficiency Measures	5.3
Income Generation	1.4
Service change and transformation	2.0
Full year impact of savings carried forward from 2011/12	3.9
Total	<u>12.6</u> =====

Appendix 2 sets out details of the savings proposed for 2012/13.

- 1.20 - After taking account of the savings summarised in Table A the budget for 2012/13 will be £120.1m a reduction of £4.3m (3.5%) over the budget for 2011/12 of £124.4m.

Minimum General Fund Balance

- 1.21 - The proposed budget for 2012/13 includes savings and income generation of £8.7m plus the full year effect of savings from 2011/12 of £3.9m.
- 1.22 - Whilst these savings have reduced net expenditure to achieve a freeze in Council Tax, the downside is that budget risk potentially increases due to:
- Delay or non achievement of planned savings
 - Reduced scope to generate further savings to offset in year overspends and pressures.
 - Potential non achievement of income targets
- 1.23 - The current economic climate and associated uncertainty, particularly in the financial markets, has significantly increased the financial risks faced by the Council such as:
- Decline in revenue income in some areas
 - Decline in capital resources from asset disposals and Section 106 Receipts
 - Potential expenditure pressures
 - Increased security sought in the investment of funds and reduced interest rate return.

Income from Fees and Charges

- 1.24 - Proposals for increases in fees and charges were approved by Cabinet in November 2011. Appendix 3 sets remaining fees and charges proposals for approval.
- 1.25 - Close monitoring of fees and charges will continue over 2012/13 as this is an increased area of risk given the current economic climate and increased income targets set compared to recent years.

General Fund Balance

- 1.26 - The Council will recall that for 2010/11 the recommended minimum balance was increased from £4m to £5m. Taking the factors summarised in paragraphs 1.7 to 1.25 into account we consider that the 2012/13 budget continues to contain a high level of risk.
- 1.27 - As a result of these risks it is recommended that the minimum General Fund balance for 2012/13 and the medium term should be maintained at £5m.

Reserves

- 1.28 - In addition to the General Fund balance the Council also holds a number of other provisions and reserves to meet known future liabilities, and as a contingency against specific areas of risk.

Council Tax Capping

- 1.29 - In announcing the final Local Government Finance Settlement for 2012/13, capping criteria was also announced as follows: -

The Secretary of State considers an authority to have set an excessive increase if:

The amount calculated by the authority as its Band D council tax for 2012/13 is more than 3.5% greater than the same amount calculated for 2011/12.

An increase over 3.5% would trigger a Council Tax Referendum.

Future Financial Challenges

- 1.30 - Over the period 2008/09 to 2010/11 there was relative stability in respect of Local Government funding as a result of the introduction of a 3 year settlement.
- 1.31 - Following the 2010 spending review there has been a radical change to Local Government Grant Funding streams and settlement figures for 2011/12 and 2012/13 have been given. During 2011/12 the Government consulted on its Resource Review which will change the way Local Government grant funding is determined with the aim of introducing new arrangements for 2013/14. Public Health responsibilities will also transfer to Local Government from 2013/14 and the present housing subsidy system will be replaced by a new self financing system from 2012/13.
- 1.32 - Therefore, over the medium term there will be a greater level of funding uncertainty compared to recent years.
- 1.33 - Looking ahead over the medium term, the council will continue to face significant financial challenges.
- 1.34 - The forecast for 2013/14 and the following 2 years indicate that further significant savings will be needed to keep net expenditure within forecast available resources which assumes on-going reductions in Government funding and an expectation of no or low increase in Council Tax levels.

Table B

Forecast Government Funding and Savings

	Government Funding £m	Income from Council Tax £m	Total Resources £m	Forecast Budget £m	Savings required £m	Savings required %
2013/14	48.3	69.4	117.7	130.9	13.2	10
2014/15	43.0	69.4	112.4	124.2	11.8	10
2015/16	38.2	69.4	107.6	118.7	11.1	9

- 1.35 The above forecast is based on the current system of Local Government funding. At this time it is too early to speculate on the outcome of the Resource Review. Therefore the figures quoted in Table B should be treated with caution.
- 1.36 The proposals contained in the report assume a Council Tax freeze for which Council Tax Freeze Grant of £1.7m will be received for 2012/13 only.

1.37 For ease of reference Appendices contained in the report are as follows:

Appendices

1. Budget pressures for 2012/13.
2. Savings and income generation proposals for 2012/13.
3. Fees and Charges proposals for approval.
4. Directorate Budget Risk Assessment.
5. Budget Risk Strategy.
6. Statement of forecast Provisions and Reserves.
7. Treasury Management strategy.
8. Forecast Medium Term Financial Plan.

Summary Budget Book (Revenue and Capital)

2. RECOMMENDED ACTIONS

The Cabinet propose the following recommendations.

2.1 In considering the Budget for 2012/13 Cabinet at its meeting of 13 February 2012 made the following recommendations to Council:

The General Fund Budget and Council Tax in 2012/13 as follows:

SETTING THE COUNCIL TAX FOR THE READING BOROUGH COUNCIL AREA

- 1)** That the following, as set out in this report by the Director of Resources and in the Budget Book, be approved:
 - a) the revenue estimates for 2012/13
 - b) the capital programme for the period 2011/12 to 2013/14.

- 2)** It be noted that on 24 January 2012 the Council calculated

The Council Tax Base 2012/13 for the whole Council area as 53,879 [item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”)].

- 3)** Calculate that the Council Tax requirement for the Council’s own purposes for 2012/13 as £69,439,079

- 4)** That the following amounts be calculated for the year 2012/13 in accordance with Sections 31 to 36 of the Act.
 - a) **£419,860,150** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.

 - b) **£350,421,071** being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

c) £69,439,079 - being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(4) of the Act).

d) £1,288.80 - being the amount at 4(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

e) Valuation Bands -

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
859.20	1,002.40	1,145.60	1,288.80	1,575.20	1,861.60	2,148.00	2,577.60

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

- 5) That it be noted that for the year 2012/13 Thames Valley Police Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

<u>Precepting Authority</u>	<u>Valuation Bands</u>							
	A	B	C	D	E	F	G	H
Thames Valley Police Authority	£ 102.87	£ 120.01	£ 137.16	£ 154.30	£ 188.59	£ 222.88	£ 257.17	£ 308.60

- 6) That it be noted that for the year 2012/13 Royal Berkshire Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

<u>Precepting Authority</u>	<u>Valuation Bands</u>							
	A	B	C	D	E	F	G	H
Royal Berkshire Fire & Rescue Service	£ 37.11	£ 43.29	£ 49.48	£ 55.66	£ 68.03	£ 80.40	£ 92.77	£ 111.32

- 7) That, having calculated the aggregate in each case of the amounts at 4(e), 5 and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each of the categories of dwelling shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£ 999.18	£ 1,165.70	£ 1,332.24	£ 1,498.76	£ 1,831.82	£ 2,164.88	£ 2,497.94	£ 2,997.52

2.2 Council is requested to AGREE the level of General Fund Balance to be maintained over the year to 31 March 2013, after considering the advice of the Director of Resources on the adequacy of balances and reserves and the robustness of the Budget as set out in Sections 6 and 7 of the report.

2.3 In the event that the Council decides to set a General Fund balance which is significantly less than that advised by the Director of Resources of a minimum £5m, then the reasons for this difference be recorded in the Minutes of the Council Meeting.

2.4 - Council is requested to AGREE the Treasury Management and Investment Strategy and the Prudential Indicators set out in Appendix 7, and the MRP Statement in Annex G of the strategy and subject to the principles set out by CIPFA that following self financing for single pool interest accounting.

2.5 Council is requested to AGREE the 3 year medium term financial plan 2013/14 to 2015/16 set out in Appendix 8 of the report.

Council is requested to AGREE the Budget Risk Management Statement submitted in Appendix 5 of the report.

Council is requested to AGREE the Fees and Charges proposals set out in Appendix 3 of the reports and authorise officers to take the action necessary to implement these increases.

3. - CONTEXT FOR SETTING THE 2012/13 BUDGET

- 3.1 - The 2012/13 budget has been built taking into account spending patterns and pressures experienced over the past few years, forecasts for next year and taking into account current Council priorities.
- 3.2 - The budget strategy outlined in this report is designed to meet the challenges ahead and provide some flexibility to deal with varying service pressures which may arise.
- 3.3 - The 2012/13 budget is part of a rolling medium term service and budget plan which aims to achieve a budget setting process linked to Value For Money and the Council's Corporate Plan, service priorities and policies, within an overall financial framework designed to align budget and service planning and strike the optimum balance between spending and tax levels.

Challenges Faced

- 3.4 - In building the 2012/13 Budget the Council has faced a number of issues such as:
 - Containing demand led budgets (Children Services & Community Care)
 - Responding to the challenge of Safeguarding Children
 - Reduction in funding from Government
 - Managing the revenue impact of the Capital Programme
 - Achievement of savings and driving efficiency across the Council
 - Making reductions in Senior Management Costs
 - Absorbing inflationary pressures

Economic Climate

- 3.5 - A significant challenge facing the Council is the impact of the current economic climate and resulting uncertainty.
 - Volatility of the financial markets and declining investment returns (greater detail set out in Appendix 7).
 - Uncertainty over inflation.
 - Declining capital resources.
 - Potential pressure on services such as Housing Benefit and Social Care.
 - Reduced income in some areas.
- 3.6 - Notwithstanding these pressures and uncertainties the Council has responded positively to the challenges faced by taking action to drive further efficiency to offer value for money to tax payers and by working with the voluntary sector, other partners to help people and businesses in Reading to deal with the impact of the uncertain economic climate.

- 3.7 - There is a range of forecasts for inflation towards the end of the 2012/13 financial year from around 1% to almost 4%, reflecting the uncertainty in the national and global economy, with the average forecast being around 2.5%, CPI being slightly below this level and RPI slightly above. The national OBR currently has forecast of 2.4% (CPI) & 2.8% (RPI). The Council will continue to closely monitor inflation over the year and revise future spending plans and forecasts as appropriate.

Meeting Priorities

- 3.8 - Although it has been necessary to make significant savings the Budget for 2012/13 takes account of the re-allocation of resources to key priority areas such as:

Table C

	Additional Funding £000
Learning Disabilities	771
Older Peoples Services	145
Mental Health	461
Physical Disabilities	305
Children and families	1,190
Concessionary Fares	494

- 3.9 - The budget also protects funding to the voluntary sector and allows for a small increase in funding.
- 3.10 - Funding has also been made available in the capital programme to meet investment priorities for improving Council assets and the infrastructure of Reading. During the current year the capital programme has generally slowed down.
- 3.11 - Full details of the Council's objectives and priorities for 2012/13 and over the medium term will be included in the Corporate Plan.

4. - LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 - Details of the provisional settlement for 2012/13 were reported to Cabinet in January 2012. Confirmation of the provisional settlement was received on 31 January 2012.

Table D

	2011/12	2012/13	Variance	
	£m	£m	£m	%
Formula Grant	55.9	50.3	-5.6	-10
Other Grants	16.9	19.4	+2.5	+14.8
Sub Total	72.8	69.7	-3.1	-4.3
Schools related Funding	87.1	89.1	+2.0	+2.3
Total	159.9	158.8	-1.1	-0.7

- 4.2 - The above figures include Council Tax Freeze Grant of £1.7m in 2011/12 and £3.4m in 2012/13.
- 4.3 - Excluding Council Tax Freeze Grant the reduction in General Fund Grant is £4.8m (6.8%)
- 4.4 - In terms of spending power (Grant and assumed Council Tax income) Reading has received the 21st largest reduction out of 54 Unitary Councils since 2010/11 equivalent to £73 per head of population.

General Fund Budget

- 4.5 - The draft General Fund Budget for 2012/13 totals £120.1m. The reduction in the budget over 2011/12 equivalent to 3.5% is set out in Table E.

Table E

	£m
APPROVED BUDGET 2011/12	+124.4
Payroll Costs	+ 1.4
Inflation Non Pay Budgets	+ 3.0
Capital Financing Costs	- 0.3
Income variations	- 0.5
Full year effect of 2011/12 savings	- 3.9
Unavoidable Pressures to Maintain Services	+ 3.8
Increase in Specific Grants	- 2.5
Savings	- 7.3
Provision for organisational change costs	+ 0.8
One off Funding Changes	+ 1.2
Budget 2012/13	120.1

General Fund Balance

- 4.6 The forecast General Fund balance is set out below.

Table F

	Approved Budget 2011/12 £000	Latest Forecast 2011/12 £000	Draft Budget 2012/13 £000
Forecast Balances 1 April	5,700	5,945	5,337
Use of Balances	<u>-602</u>	<u>-608</u>	<u>-333</u>
Forecast Balance 31 March	<u>5,098</u>	<u>5,337</u>	<u>5,004</u>

- 4.7 - As at 31 March 2013, the forecast General Fund balance is £5m, which will provide a degree of financial flexibility over the next year, and as a contingency against increased costs. The forecast balance at 31 March 2013 represents 4.2% of budgeted net expenditure.

Budget Monitoring

- 4.8 - Detailed monthly budget monitoring arrangements are in place across the Council which have been designed to provide an early warning of possible budget variations in order that prompt remedial action can be taken where appropriate. In addition, finance staffing resources are directed to key budget risk areas (eg Community Care because of the demand led nature of these services). It is essential that Service Managers operate within the approved budget to minimise the risk of overspending.
- 4.9 - All Directorates have access to detailed financial information via the Council's Oracle Financials system, and budget monitoring reports have been developed to enable financial commitments to be recognised when entered into and all budget holders and Directorates monitor their budgets and flag up potential variances at an early stage so remedial action to keep net expenditure within approved budgets in line with the Council's Budget framework can be agreed. The prime responsibility and accountability for budget monitoring and keeping within approved budgets rests with budget holders and Directorates.
- 4.10 - Budget Monitoring reports are submitted to each Cabinet meeting. These reports are then considered by the Audit and Governance (A&G) Committee.
- 4.11 - As part of setting the budget, a top level risk assessment has been undertaken. Although subjective, this assessment is a helpful tool in the overall management of the budget, and is consistent with Corporate Governance and Best Practice. During the year management will focus resources on key risk areas as part of the overall monitoring and management of services so the risk of overspending is minimised.

Council Tax Levels 2012/13

- 4.12 - For 2012/13 the Council Tax of the Council, Thames Valley Police Authority and Royal Berkshire Fire and Rescue Service will continue to be frozen at 2010/11 levels.

Capital Programme

- 4.13 - Forecast capital expenditure in 2012/13 totals £44.4m. Section 8 summaries how the forecast programme will be funded.

- 4.14 - Over the last 2 years the capital programme has been slowed down and revised as a result of reduced capital funding.

Housing Revenue Account (HRA)

- 4.15 - Council at its meeting on 24 January 2012 approved a rent increase from 1 April 2012 averaging 4.5% bringing the average weekly rent to £93.57 The approved HRA budget and the probable outturn are included in the draft budget book.
- 4.16 - The HRA budget plans will provide a forecast balance on the account of £7.9m as at 31 March 2013.

5. - GENERAL FUND BUDGET - DETAILED PROPOSALS

2011/12 Current Year

5.1 - The latest forecast for 2011/12 compared to the original budget is set out in Table G below.

Table G

	Approved Budget £000	Latest Forecast £000	Variance £000
Net Expenditure	125,046	125,052	+ 6
Add to (+) / Use of (-) Balances	<u>- 602</u>	<u>- 608</u>	<u>- 6</u>
Budget Requirement	<u>124,444</u>	<u>124,444</u>	<u>0</u>

5.2 - A summary of the budget variances for 2011/12 is set out below. Details of these variances were reported to Cabinet in January as part of monthly budget monitoring.

Table H

	£000
Environment, Culture and Sport	- 305
Resources and Chief Executive	- 89
Education and Children's Services	+ 951
Housing	+ 191
Community Care	- 564
Capital Financing Costs	- 331
Pension Costs	- 200
Energy Costs	+ 144
Contingency for 'red risk' savings	+209
Total variation	<u>+ 6</u> =====

5.3 - Therefore net actual expenditure is expected to be in line with the approved budget.

Draft General Fund Budget Build 2012/13

5.4 - A summary of Directorate budgets are set out in the draft budget book accompanying this report. The draft budget totals £120.1m.

5.5 - The 2012/13 budget has been drawn up in accordance with the Financial Guidelines agreed by Cabinet.

Budget Build

- 5.6 - The budget allows for inflation (pay and prices) increases of £4.4m. No provision has been made in the General Fund budget for pay awards in 2012/13.
- 5.7 - The Employers Pension Fund Contribution rate is set to increase from 15.1% to 15.4%.
- 5.8 - Inflation on non-pay budgets is based on estimated contractual commitments.
- 5.9 - The budget also allows for budget pressures and growth items arising from demographic change and service demand to the value of £3.8m. (details are given in Appendix 1).
- 5.10 - As part of the Council's continuing drive to provide Value For Money, new savings and income generation proposals of £8.7m have been allowed for (Appendix 2).
- 5.11 - Appendix 3 sets out further Fees and Charges proposals for approval.
- 5.12 - Priorities for capital funding include affordable housing, school programme, transport infrastructure improvements and IT investment to improve efficiency. However, due to the decline in capital receipts and the need to limit borrowing costs it has been necessary to reduce the overall level of planned capital investment, by slowing down the capital programme.
- 5.13 - The Council will continue to maximise external funding where this supports Council priorities.

6. - RISK MANAGEMENT

- 6.1 - In December 2006 Cabinet approved a review of the Risk Management Strategy and in setting the 2011/12 Budget a Budget Risk Management Statement was agreed.
- 6.2 - The work undertaken across the Council has resulted in a Corporate Risk log of key Business Risks. This log is updated annually by CMT and has been presented to the A&G Committee
- 6.3 - Work has now been undertaken to cascade the Risk Management process to Directorate Management Teams and Directorate based risk logs have been developed.

Link to the Budget

- 6.4 - As part of drawing up the budget a top-level risk assessment has been undertaken which, although subjective, is a helpful tool in the overall management of the budget.
- 6.5 - This risk assessment is designed to test the overall robustness of the budget. A risk scoring matrix has been used to provide an indication of the potential scale of each risk. This is based on a combination of risk probability and risk impact as shown below. The work described above on Business Risks has been used to inform the Budget Risk Assessment.
- 6.6 - Appendix 4 summarises the top level risk assessment for each Directorate.
- 6.7 - The Budget Risk Management Statement at Appendix 5 sets out roles and responsibilities for managing budget risks for approval by Council.

The scoring system is shown below

Table I

Likelihood	Almost Certain (above 95%)	5	10	15	20	25
	Highly Likely (Above 75%)	4	8	12	16	20
	Likely (above 40%)	3	6	9	12	15
	Possible (above 10%)	2	4	6	8	10
	Rare (Less than 10%)	1	2	3	4	5
		Negligible	Slight	Moderate Impact	Critical	Catastrophic

**Table J -
Overall Budget Risk Assessment -**

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

6.8 Key Corporate Budget Risks for 2012/13 are summarised below:

Table K

Corporate Based	Mitigation
Overall capacity to deliver aims and objectives of the Council	Development of medium term priorities and improvement in service and financial planning to clearly focus resources on the delivery of priorities.
Reliance on income.	Budgets have been realigned to reflect current income trends. Monthly Budget Monitoring provides an effective early warning system of potential problems.

Corporate Based	Mitigation
Budgets are insufficient to meet increasing demand.	Budgets for 2012/13 have been drawn up in the light of customer and demographic demand for services. Again, effective budget monitoring arrangements are in place to identify potential problems at an early stage so remedial action can be taken. A management action plan is in place to manage potential risks in Community Care.
Impact of variations in interest rates on Capital Financing Costs	The Council has for many years undertaken a proactive approach to Treasury Management and uses specialist advisors to assist the Council in maximising the funding position. At present the Council's long- term borrowing requirement over the medium term plan period is fully funded at fixed interest rates. (See Appendix 7)
Insufficient capital resources	The Capital Financing Budget has been set reflecting the estimated level of borrowing needed over 2011/12 and 2012/13 to fund the Council's Capital Programme, after taking account of forecast income from grants, section 106 and capital receipts.
Unforeseen events leading to unplanned expenditure in year	Such events are identified through Budget Monitoring and will be funded by a combination of finding in-year savings elsewhere in the Budget and/or use of balances and reserves.
Impact of inflation	<p>No provision has been allowed for pay awards. However, provision has been made for employees increments and pay and grading implementation costs.</p> <p>For non staffing budgets, inflation has been based on estimated contractually committed inflation. General Fund balance provides cover for any in year variations.</p>
Equal Pay Claims	<p>Currently the Council has received around 200 equal pay claims. These claims are being assessed by officers with the Council's legal advisers to determine any potential liability. The claims received are currently being heard in Employment Tribunals.</p> <p>In the event that a liability is established then any costs arising will be subject to a request for a capitalisation direction from the government which if successful will allow any costs to be spread over time.</p>

Corporate Based	Mitigation
One off costs Service Delivery and Improvement Programme (SDIP)	A reserve has been set to meet one off costs arising from the Council's SDIP.
Pension Fund Increases	Following discussion with the Actuary the Employer's Pension Contribution Rate will be 15.4% for 2012/13.
Collection of Local Tax and other income	Collection is monitored on a monthly basis as part of the corporate monitoring of Pls. The position regarding tax collection performance was reported to Cabinet and Council in January 2012. Provision for bad debts is also reviewed monthly and when the final accounts are drawn up.
Savings	Directorates are responsible for implementing agreed savings. Any potential problems are picked up through monthly budget monitoring. Management action plans are in place to deliver the savings included in the budget.
Other reserves and provisions including insurance arrangements	Section 7 sets out details relating to reserves and provisions, including insurance provisions to meet potential insurance liabilities not covered by the Council's insurance policies, and for specific risks
Partnerships, major projects and associated funding arrangements	Project/Programme Management Arrangements are put in place to manage a wide range of major projects and partnerships. These arrangements are based on the PRINCE project management methodology.
School Budgets	Schools are funded by the DSG so do not normally impact upon the General Fund Budget. A number of schools are facing budget problems and Officers are working with these schools to agree options to address the problems faced. The Council will also need to carefully assess and monitor the impact of schools moving to academy status.
Economic climate	The budget has been drawn up to reflect known impacts e.g. reduced income budgets and change to capital financing and investment assumptions.
Emergency Planning Reserve	In recent years Reading, like many other areas, has faced flooding and heavy snow which has put a serve strain on our service capacity and resources to respond to these extreme conditions. An Emergency Planning Reserve of £0.2M has been set up to provide a greater degree of financial flexibility should problems occur in the future.

6.9 - As set out in Appendix 5, it is the responsibility of managers to take ownership of, and be accountable for the resources they manage. This includes implementing agreed proposals for corrective action to bring net expenditure in line with the approved budget under their control.

Advice on the Robustness of the Budget

6.10 - The Council is a multi-million pound organisation providing a wide range of statutory as well as discretionary-based services, which can often be subject to external influences outside the Council's direct control.

6.11 - Therefore the Council faces risks in delivering its objectives and the budget underpinning its activities.

6.12 - To help manage these potential risks the 2012/13 Budget has been drawn up to reflect forecast trends in expenditure and income, which have been subject to the risk assessment process outlined in this section of the report.

6.13 - Robust Budget Monitoring and Internal Control arrangements are in place throughout the Council, and these act as an effective early-warning system in identifying potential problems and for managing potential areas of risk.

6.14 - Taking all of these factors into account and the proposed level of the General Fund balance, we consider that the Council is setting a very tight Budget for 2012/13 which contains a continuing high level of risk.

6.15 - In providing this assessment, we would make the following further points:

(a) - The overall budget has limited capacity to meet unforeseen costs or income shortfalls. Therefore careful monitoring and early corrective action will be essential to keep net expenditure within the Budget next year.

(b) - The 2012/13 budget includes £3.8m to fund identified expenditure pressure. However Community Care and Children Services budgets remain high risk due to the volatile and demand led nature of these services.

(c) - Overall expenditure savings and income generation of £12.6m have been built into the 2012/13 budget. It is essential that these savings and additional income are delivered in accordance with the budget assumptions made. In the event that variances are identified then prompt remedial action will be necessary.

- (d) - Over the next 3 years Government funding will continue to reduce and this coupled with the aspiration of low increase in Council Tax will mean a reduction in the resources available to fund expenditure. Therefore it will be necessary for the Council to continue to drive cost reduction and efficiency and to maximise income generation. The medium term financial forecast in Appendix 8 sets out the level of forecast savings needed over the next 3 years.
- (e) - We consider the level of balances of £5m and reserves of £19.8m (by 31/3/13) provides a robust financial position to help manage the risks set out in Table K, bearing in mind the sound budget management arrangements in place.
- (f) - In setting the 2012/13 Budget it is planned that £0.3m of balances will be used to keep the Council's Budget to £120.1m. The use of balances is a short-term funding measure which will increase budget pressures in future years. In addition Council Tax Freeze Grant for 2012/13 is for one year only and therefore has the same impact going forward as if the Council had used balances of a similar amount. Using balances and taking advantage of £1.7m of Council Tax Freeze Grant for 2012/13, giving a total use of one off funding of £2m, is equivalent to 1.7% of the net budget. (In setting the 2011/12 budget £1.6m of balances and reserves were used to fund net expenditure so using £0.3m of balances in 2012/13 reduces the reliance on one off funding from Council balances and reserves).
- (g) - In addition to the use of balances and reserves mentioned in paragraph (f) above reserves of £2.7m over 2011/12 and 2012/13 will also be used to fund redundancy and early retirement costs arising from the savings proposals contained within this report. In the event that this reserve proves to be inadequate to meet estimated redundancy and early retirement costs then any shortfall will need to be funded from further in year savings. For 2013/14 no reserves will be available to fund one off costs resulting from savings proposals. Therefore, savings proposals will need to allow for such costs and implemented in 2012/13 to enable the maximum level of savings to be built into the 2013/14 budget.
- (h) - The medium term financial plan included in the report assumes no further use of balance will be made. It will be necessary for the Council to keep its level of balances and reserves under review to take account of changing circumstances and risk in particular the outcome of equal pay claims which remains a significant financial risk to the Council.

- (i) - For 2012/13 and 2013/14 the size of the capital programme will reduce due to reduced grant and the need to minimise borrowing costs. Based on the current forecasts of capital expenditure and funding General Fund borrowing is set to stabilise and show a small reduction of £0.6m by 31 March 2014. This will have the benefit and impact of stabilising the capital financing budget. This forecast excludes any impact on the capital programme arising from decisions relating to the relocation of the Civic Offices.
 - (j) - Whilst the economy has technically emerged from recession at the end of 2009 there remains considerable uncertainty as to the pace of growth, and risk remains high in this area with consequent potential adverse effects upon the Council.
- 6.16 - We have used the Risk Assessment process set out in this section of the report to formulate our advice on the robustness of next year's Budget and the adequacy of balances and reserves. This advice is set out in Section 7 of the report.

7. - CONSIDERATION OF THE LEVEL OF GENERAL FUND BALANCE / RESERVES

- 7.1 - The General Fund balance is held for the purpose of meeting unplanned or unforeseen expenditure which may be incurred over the course of the financial year, and to provide a degree of financial flexibility during the year and year-on-year (eg over the medium term).
- 7.2 - Deciding the level of the General Fund balance is a matter of professional judgement.
- 7.3 - Clauses 25, 26 and 27 of the Local Government Act 2003 place a duty on the Chief Financial Officer to give advice on the minimum level of balance to be held by the Council throughout the forthcoming year, and also to advise on the robustness of the budget.
- 7.4 - Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget *for* a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:
 - 7.5 - CIPFA provide the following advice to Chief Financial Officers:
 - 7.6 - "In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority. Where authorities are being reorganised, this assessment should be conducted on the basis that the services will continue to be provided, and adequate reserves will therefore be required by successor authorities. The assessment of risks should include external risks, such as flooding, as well as internal risks. In England and Wales, the Accounts and Audit Regulations require authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control', which will include risk management. The CIPFA/SOLACE framework *Delivering Good Governance in Local Government* details an approach to giving assurance that risk, control and governance matters are being addressed in accordance with best practice.
 - 7.7 - The Codes of Audit Practice in England, Wales, Scotland and Northern Ireland make it clear that it is the responsibility of the audited body to identify and address its operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. The financial risks should be assessed in the context of the authority's overall approach to risk management.

7.8 - Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget and financial strategy alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget Assumptions	Financial Standing and management
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc.). Recent rises in the price of some commodities, e.g. fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Recent volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium term plans. Authorities will also need to take into account changes in the property market, and adjust estimates and assumptions for reserves accordingly.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.
The treatment of planned efficiency savings/ productivity gains	The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.

The general financial climate to which the authority is subject	External factors, such as future funding levels expected to be included in Spending Reviews and expected capping criteria, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.
---	---

Whilst many of these factors relate to setting the annual budget, the level of risk and uncertainty associated with these factors will be relevant in determining an appropriate level of reserves”.

- 7.9 - The advice should be set in the context of the authority's medium term financial plan and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a convenient short-term option. However, where reserves are to be deployed to finance recurrent expenditure this should be made explicit. Advice should be given on the adequacy of reserves over the lifetime of the medium term financial plan.
- 7.10 - CIPFA's Best Practice Guidance advises that in setting the budget, a Council must have regard to the advice given by its Chief Financial Officer, and both the advice of the Chief Financial Officer and the decision on the level of balance to be held, and reasons for any variance from the advice given be recorded in the minutes of the Council Meeting.
- 7.11 - In order to fulfil our duties to advise of the minimum level of balance we have undertaken, in consultation with the Chief Executive and Corporate Directors, a risk assessment of Directorate Budget proposals to test their robustness. The results of this exercise are summarised in Section 6 and Appendix 4.
- 7.12 - In past years our budgetary performance has been as follows:

Table L

Year	Net Expenditure £000	Variance from Budget £000	Variance %
2011/12 (Estimate)	124,450	+ 6	-
2010/11 (Actual)	122,055	- 849	- 0.7
2009/10 (Actual)	120,387	- 294	- 0.2

7.13 Based -on the risk assessment exercise and budgetary performance in previous years my advice, based on the “traffic light principle”, is as follows:

Table M

Ideal level of balance to be achieved over the medium term	5% of net General Fund Budget (£6m)	Green
Planned Level	£5m, 4.2% of budget	Green
Recommended minimum level for 2011/12 of £5m	£ 5m, 4.2 % of Budget	Green
Between £4.5m and £5.0m	£4.75m, 4% of Budget	Amber
Between £4.0m and £4.5m	£4.25m, 3.5% of Budget	Red
Balance of £4m	£4m, 3.3% of Budget	Red

7.14 -The recommended minimum level of £5m will provide “cover” against potential variances which in recent years have been minimal due to the sound budgetary control arrangements in place across the Council.

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

- Adverse budget variations.
- New demands which were unforeseen when the budget was set.
- Ability to respond to opportunities requiring financial commitment from the Council which were not identified when the budget was set.
- Emergency situations which might require funding.
- “Bridging” or pump priming funding which might be needed pending receipt of grant funding, other contributions, or generation of capital receipts.

7.15 Maintaining a -“healthy” balance is a key element underpinning the sound financial management of an organisation.

Forecast General Fund Balance -

7.16 The forecast of the General Fund balance is as follows:

Table N

	Approved Budget 2011/12 £000	Latest Forecast 2011/12 £000	Budget 2012/13 £000
1 April	5,700	5,945	5,337
Use of Balances	- 602	- 608	- 333
31 March	5,098	5,337	5,004

The planned General Fund balance of £5.1m represents 4.2% of the budget (excluding schools budget).

Other Provisions and Reserves

7.17 In closing the final accounts for 2010/11, proper and adequate provisions were made for known liabilities and forward commitments which will be incurred over 2011/12, 2012/13 and future years. These provisions and reserves total £29.7m (31/03/11) and are set out in Appendix 6 together with the reasons for holding them.

7.18 Specifically the following provisions and reserves will provide further cover to meet budget risks as follows:

Table 0

Provision/Reserve	Financial Cover £m	Risk Mitigation (2012/13)
Organisation change	2.9 To meet costs over 2011/12 and 2012/13	Provision to meet the cost of redundancy arising from agreed budget reductions. The provision will be used up by the end of 2012/13.
Emergency Planning and Property Liabilities	0.4	To meet any additional costs arising from flooding and adverse winter weather conditions that cannot be from the annual revenue budget.
Service Delivery and Improvement Programme	0.3	Funding to help manage the cost of the programme and provide for pump priming funding relating to the Service Delivery and Improvement Programme and Corporate IT, Procurement and Investment.

7.19 In looking ahead to the end of 2011/12 we expect the following movement in Reading's provisions and reserves.

Table P

	Provisions £m	Reserves £m	Total £m
1 April 2011	4.8	24.9	29.7
Movement in the year	+ 0.5	- 9.4	- 8.9
Forecast 31 March 2012	5.3	15.5	20.8
Movement in the year	+ 0.5	- 1.5	- 1.0
Forecast 31 March 2013	5.8	14.0	19.8

7.20 The assessment of provisions and reserves has been made in accordance with best practice and accounting requirements in line with the advice given by CIPFA.

7.21 We consider the level of forecast provisions and reserves to be adequate on the basis of information known. As in previous years, we will keep the level of provisions and reserves under regular review, reporting the outcome of such review when the budget is set and the accounts closed each year. If appropriate, further advice on the adequacy of provisions and reserves will be included in Budget Monitoring reports submitted to Cabinet. In particular we will review in consultation with our External Auditor the reserve for equal pay claims as these claims progress through the legal process.

7.22 The management and use of provisions and reserves has been undertaken by me in accordance with the following objectives:

- Optimising the Council's overall financial position by creating a degree of financial flexibility over the year and between years.
- Maintaining contingencies against unbudgeted expenditure or unexpected events.
- Ensure funding of known or predicted liabilities falling in the year or future years.

7.23 Any proposal to set up or to vary any existing provision or reserve is subject to the approval of the Director of Resources or the Head of Finance.

8. - CAPITAL PROGRAMME

Forecast of Capital Resources and Expenditure

8.1 - Table Q shows the forecast of capital expenditure and resources over the period 2011/12 to 2013/14.

Table Q

	2011/12 £m	2012/13 £m	2013/14 £m
Forecast Capital Expenditure	52.0	44.4	26.4
Forecast Funding			
External Funding (Grants)	29.5	23.0	15.2
Section 106 and Capital Receipts	11.4	11.0	9.2
Forecast Borrowing	11.1	10.4	2.0
Total Forecast Funding	52.0	44.4	26.4

8.2 - Careful monitoring of capital expenditure and funding, in particular the generation of capital receipts, will continue next year and in future years to ensure the programme is affordable and borrowing is minimised.

8.3 - With regard to the General Fund element of the programme forecast new borrowing and repayment of borrowing is as follows:

Table R

General Fund Borrowing			
	New Borrowing £m	Repaid Borrowing £m	Net Variance in Borrowing £m
2011/12	10.1	7.3	+ 2.8
2012/13	10.4	7.8	+ 2.6
2013/14	2.0	8.0	- 6.0
	22.5	23.1	- 0.6

8.4 - General Fund borrowing is expected to reduce by 0.6m over the three year period. This will be subject to the achievement of the forecast programme and funding summarised in Table Q. The forecast excludes any capital expenditure which may arise from the decision being made later in the year on the relocation from the Civic Offices.

- 8.5 - It should also be noted that in 2011/12 and 2012/13 £10.7m of General Fund borrowing is in respect of funding Solar Panels and a loan to Reading Buses. The capital funding cost from this borrowing is being met by Reading Buses and energy savings from solar panels.
- 8.6 - In recent years the Council has been successful in attracting Partnership Funding and winning resources from various competitive Government initiatives. During the year officers will continue to take advantage of any bidding and partnership opportunities that may arise in order to maximise resources available to the Council.
- 8.7 - Under the Prudential Code for Local Authority Borrowing, the Council has freedom to borrow to fund capital investment subject to affordability and the Prudential Indicators set out in Appendix 7.
- 8.8 - Where appropriate reports seeking formal scheme and spending approval will be submitted to Cabinet in March/April.
- 9. - TREASURY AND INVESTMENT MANAGEMENT STRATEGY AND PRUDENTIAL CODE FOR LOCAL AUTHORITY BORROWING**
- 9.1 - Appendix 7 sets out the Treasury Management Strategy. The Strategy sets out the detailed Prudential Indicators for approval by the Council.
- 9.2 - The Council's Treasury Management Strategy has been drawn up to reflect the CIPFA code.
- 9.3 - Regulations require us to have an Investment Management Strategy. This is included within Appendix 7 and emphasis ensuring the security of the Council's investments.
- 10 - FIVE YEAR INTEGRATED BUDGET PLANNING: 2013/14 TO 2015/16**
- 10.1 - Appendix 8 sets out the 3 year Medium Term Financial Plan which will be incorporated in the Council's Corporate Plan published in March 2011. The Plan will be reviewed and updated in June /July in light of the 2011/12 Final Accounts.
- 11. - CONTRIBUTION TO STRATEGIC AIMS**
- 11.1 - Equal Opportunities - The budget has been prepared taking into account the Council's personnel policies. The budget reflects the Council's commitment to improving the access of all groups in the community to the use of Council services.

11.2 - Sustainability - The budget has been prepared taking into account the Council's environmental policies, and reflects the Council's commitment to promoting awareness of environmental issues.

12. - COMMUNITY ENGAGEMENT AND INFORMATION

12.1 - The proposed Budget has been discussed with representatives of the Business Community at the Annual Statutory Business Ratepayers Meeting.

13. - LEGAL IMPLICATIONS

13.1 - The Council has a legal duty to set a precept and Council Tax by 11 March each year.

13.2 - The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves (see sections 6 and 7 of the report).

13.3 - The requirements of the Act are as follows:

(a) - Reporting on the Robustness of Estimates

In setting the Budget each year the Director of Resources is required to report on the robustness of the Budget and also the adequacy of proposed financial balances and reserves.

The Council in setting the Budget is required to "have regard" to the report when making its Budget decisions.

CIPFA Best Practice Guidance recommends that where the Council sets its balances at a different level to that recommended, then its decisions and the reasons for any variance from the advice given should be recorded in the minutes of the Council Meeting.

(b) - Budget Monitoring

With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year", and also to take any action it deems necessary to deal with the situation arising from monitoring.

Currently Budget Monitoring reports are submitted to Cabinet regularly throughout the year and therefore we comply with this requirement.

14. - FINANCIAL IMPLICATIONS

These are covered in detail in the report.

The Council Tax billing run is booked with our IT suppliers and printers for late February 2012.

15. - EQUALITY IMPACT ASSESSMENT

15.1 - 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.

15.2 - The Government has issued guidance 'The Equality Act 2010: Public Sector Equality Duty' in which it sets out that having *due regard* means consciously thinking about the three aims of the Equality Duty as part of the process of decision-making. This means that consideration of equality issues must influence the decisions reached by public bodies - such as in how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others.

15.3 - It also makes reference to case law which has shown that it is essential for those who exercise the public body's functions to be aware of the requirements of the Equality Duty. The Equality Duty must be complied with before and at the time that a particular policy is under consideration or decision is taken. It must be exercised in substance, with rigour and with an open mind in such a way that it influences the final decision. The decision maker must make the decision on all the information available. Public bodies are responsible for ensuring that any third parties, which exercise functions on their behalf, are capable of complying with the Equality Duty. Public bodies must have regard to the aims of the Equality Duty not only when a policy is developed and decided upon, but also when it is implemented and reviewed.

15.4 - Section 153 gives Ministers the power to impose specific duties through regulations.

15.5 - In this regard you must consider whether tonight's decision will or could 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.

15.6 The Equality Impact Assessment (EIA) on the budget for 2012/13 is set out below.

Provide basic details

Name of proposal/activity/policy to be assessed 2012/13 Budget Setting.

Directorate: Corporate Resources Chief Executive's

Service: Councilwide

Name and job title of person doing the assessment

Name: Dave Peasley

Job Title: Director of Resources

Date of assessment: 30 January 2012

Scope your proposal -

What is the aim of your policy or new service?

Setting the 2012/13 Budget

Who will benefit from this proposal and how?

It is necessary to set the 2012/13 Budget and Council Tax to ensure funding for services to the benefit of Reading Communities

What outcomes will the change to achieve and for whom?

The freeze in Council Tax and resource allocation to services is within resources available to the Council in line with Council policies

Who are the main stakeholders and what do they want?

Councillors, Employees and residents/communities in Reading

See Working Better with You - 'Let's Talk' and service specific consultations

Assess whether an EIA 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)

Yes No

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

Yes 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

An Equality Impact Assessment is not relevant because:

In drawing up the 2012/2013 Budget, directorates have undertaken a range of consultation exercises with stakeholders and employees as appropriate. These consultations have focussed on proposals for change linked to the generation of savings and service transformation. The budget also reflects the financial impact in 2012/2013 of decisions made in previous years to make savings and transform services.

The Council has also undertaken an extensive consultation exercise with residents over the autumn of 2011, the outcome of which been reflected in the budget process and resource allocation.

The Budget is being set within approved Council policies which themselves have been subject to consultation and Equality Impact Assessment as appropriate. Budget proposals are consistent with existing Council aims, objectives and policies and subject to extensive consultation and issues raised during consultation addressed.

Where there has been a change of policy or a significant change in service delivery then directorates have produced specific service based Equality Impact Assessments and where appropriate these have been or will be incorporated in reports to Cabinet. These are listed below:

Learning disabilities Project (Continuation of scheme currently in progress)

Extra Care Housing

Normal increase in Residential Care Client contributions

Review of the in-house LD Supported living and respite services

Reductions Equality Services project budget

Improved administration of special needs transport service eligibility

Reduction in some grant to voluntary sector organisations

Youth Service Restructure

In terms of the overall budget the assessment made is that no negative impact has been identified which require a further Equality Impact Assessment of the overall budget.

Signed (completing officer) Dave Peasley

Date 2 February 2012 -

Signed (Lead Officer) Dave Peasley

Date 2 February 2012 -

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 proforma do it now. The checklist helps you make sure you follow good consultation practice. ([hyperlink to Consultation proforma](#))

Relevant groups/experts	How were/will the views of these groups be obtained	Date when contacted
Consultation with Residents through Lets Talk programme. Specific Consultations in the past re Community Care transformation Programme which were subject to EIAs. Consultation with staff and Trade Unions (e.g. DECS)	see Lets Talk Programme and reports to Cabinet. Specific Consultation papers and meetings with staff, teams and TUs	On-going through 2011/12

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.

Describe how this proposal could impact on Racial groups

Is there a negative impact? Yes No Not
sure

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

Is there a negative impact? Yes No Not
sure

Describe how this proposal could impact on Disability

Is there a negative impact? Yes No Not
sure

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

Is there a negative impact? Yes No Not
sure

Describe how this proposal could impact on Age

Is there a negative impact? Yes No Not
sure

Describe how this proposal could impact on Religious belief?

Is there a negative impact? Yes No Not
sure

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**

You must give due regard or weight but this does not necessarily mean that the equality duty overrides other clearly conflicting statutory duties that you must comply with.

Reason

3. **Negative impact identified or uncertain**

What action will you take to eliminate or reduce the impact? Set out your actions and timescale?

How will you monitor for adverse impact in the future?

Through the Council's Performance Monitoring Framework

Signed (completing officer) Dave Peasley

Date 2 February 2012

Signed (Lead Officer) Dave Peasley

Date 2 February 2012

16. - LIST OF BACKGROUND PAPERS

Local Government Finance Settlement announcements from the DCLG.

Reports to Cabinet and Council in January 2012

- Local Government Finance Settlement 2012/13
- Council Tax base and Collection Rate

CALCULATION OF COUNCIL TAX FOR 2012/13 -

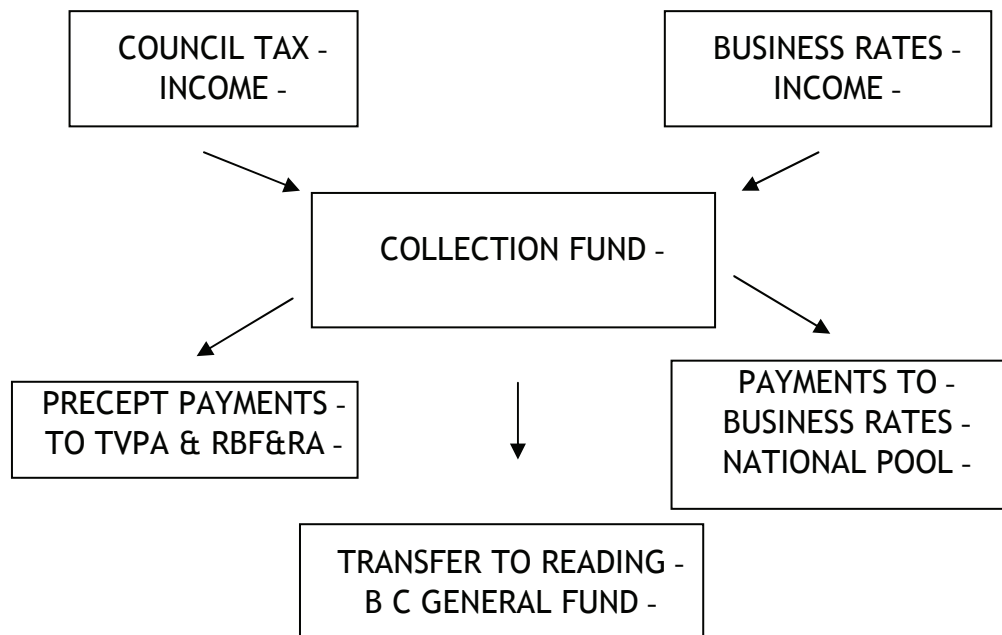
Council 21 February 2012 -

1. - COUNCIL TAX COLLECTION FUND

Collection Fund

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

COLLECTION FUND INCOME AND EXPENDITURE



Formula Grant Allocation (RSG & Share of Business Rates)

- 1.2 - Reading, Thames Valley Police Authority and the Royal Berkshire Fire Authority will receive Formula Grant Allocation (FGA) direct from the Government. This income will be credited to each Authority's General Fund. Therefore Council Tax precepts will be calculated after deducting FGA.

Business Rates (National Non Domestic Rates)

- 1.3 - During 2010/11 the exercise by the Government to re-value Business Rates rateable values was completed and changes to rateable values published.
- 1.4 - The following new transitional arrangements have been issued by the Government to cap increases and decrease arising from the re-valuations.

The scheme will cap increases to rates bills over a five-year period and will be funded by capping reductions in other rates bills. The caps will be structured as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
upward cap (small properties)	5%	7.5%	10%	15%	15%
upward cap (large properties)	12.5%	17.5%	20%	25%	25%
downward cap (small properties)	20%	30%	35%	55%	55%
downward cap (large properties)	4.6%	6.7%	7%	13%	13%
Note: there are year on year caps on increases. For instance, the maximum increase for small properties over 5 years would be 64%. But a small property with an increase of 7% would reach their full bill in year 2.					

Note: Small properties are defined as properties with a rateable value of under £18,000 (outside London).

Rate Poundage

- 1.5 - Under Schedule 7 to the Local Government Finance Act 1988 (the 1988 Act) as amended there are two multipliers.
- 1.6 - The small business non-domestic rating multiplier, which is applicable to those that qualify and successfully apply for the small business relief, and the non-domestic rating multiplier, which includes the supplement to pay for the small business rate relief scheme.
- 1.7 - The small business non-domestic multiplier is determined by Schedule 7 to the 1988 Act. These rules ensure that the Government does not raise extra revenue, before inflation, as a result of revaluation. The small business multiplier in 2012/13 is based on the 2011/12 multiplier adjusted for inflation at September 2011 of 5.6%
- 1.8 - This provides a provisional small business non-domestic multiplier for 2012/13 of 45p (42.6p in 2011/12).

- 1.9 Schedule 7 of the 1988 Act also provides that the non-domestic rating multiplier is the small business non-domestic multiplier plus an adjustment to fund the estimated cost of the small business rate relief scheme.
- 1.10 The Secretary of State has estimated that the supplement to fund small business rate relief should be at 0.8p for 2012/13.
- 1.11 The provisional non-domestic multiplier will therefore be 45.8p in 2012/13 (43.3p in 2011/12).
- 1.12 In accordance with Schedule 7 to the 1988 Act, the provisional multipliers will be confirmed after either the local government finance report for 2012/13 has been approved by Parliament or 1st March 2012.
- 1.13 For 2012/13 we expect to collect around £98m in Business Rates.

2. - CALCULATION OF COUNCIL TAX

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

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

2.2 - The Council at its meeting on 24 January 2012 set a Council Tax base for 2012/13 of £53,879

2.3 - Cabinet also received a report explaining the need to estimate the Collection Fund position as at 31 March 2012. This was done in accordance with Government Regulations and a 500k surplus was estimated in respect of Council Tax transactions. This deficit is split between the Council and precepting authorities as follows:

Reading Borough Council	429,955 -
TVPA	51,476 -
Royal Berkshire Fire and Rescue Service	<u>18,569 -</u>
	500,000
	=====

2.4 - Table B sets out the amount to be collected from Tax Payers in 2012/13.

Table A

	<u>£</u>
Budget	120,135,150
Council Tax Collection Fund surplus	- 429,955
Add back 2011/12 Council Tax Freeze Grant (included in the Budget figure above)	1,720,677
Share of Business Rates	- 50,998,205
Revenue Support Grant	- 998,588
Amount to be collected from Council Tax Payers for Reading	69,439,079
Thames Valley Police Authority	8,313,530
Royal Berkshire Fire & Rescue Authority	2,998,905
Total amount to be collected from Council Tax payers	<u>80,751,514</u>

Forecast of Council Tax for 2012/13

2.5 The Council Tax at each band is set out below:

Table B

		Reading £	RBFRS £	TVPA £	Total £
A	5,598	859.20	37.11	102.87	999.18
B	13,320	1,002.40	43.29	120.01	1,165.70
C	27,338	1,145.60	49.48	137.16	1,332.24
D	10,138	1,288.80	55.66	154.30	1,498.76
E	5,244	1,575.20	68.03	188.59	1,831.82
F	3,223	1,861.60	80.40	222.88	2,164.88
G	1,780	2,148.00	92.77	257.17	2,497.94
H	79	2,577.60	111.32	308.60	2,997.52
	Total Properties 66,720				

2.6 For 2012/13 Council Tax will continue to be frozen at 2010/11 levels. -