

**READING BOROUGH COUNCIL
REPORT BY THE CORPORATE MANAGEMENT TEAM**

TO:	COUNCIL		
DATE:	23 FEBRUARY 2016	AGENDA ITEM:	7
TITLE:	BUILDING A BETTER READING: CORPORATE PLAN AND BUDGET 2016-19		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	POLICY & FINANCE
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At the time of despatch of this report we had not received the Fire Authority Precept. When these become available it may be necessary to update that part of the resolution for Council.

1. PURPOSE AND SUMMARY OF REPORT

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

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

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

1.3 The Government will reduce the Revenue Support Grant income Reading receives by 92% over the next four years - this is a reduction of £22m (from £24m to less than £2m). The Government has made

significant alterations to the way local government is funded without advance warning. This is unfair and unprecedented. This means we are over £5m worse off in 2016/17 than expected. The final settlement for 2016/17 has now been issued; it confirmed the original figures but introduced a transition grant of £413k in 2016/17.

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

2. RECOMMENDED ACTIONS

Council is asked to approve:

- 2.1 the Corporate Plan 2016-19.
- 2.2 The General Fund Budget and Council Tax in 2016/17 as follows:

SETTING THE COUNCIL TAX FOR THE READING BOROUGH COUNCIL AREA

- 1) That the following, as set out in this report by the Managing Director & Head of Finance and in the Budget Book, noting the Equality Impact Assessment, be approved:
 - a) The Council Budget & Financial Plan 2016-19
 - b) The specific revenue estimates for 2016/17
 - c) The capital programme for the period 2016-19

- 2) It be noted that on 26 January 2016 the Council calculated
- The Council Tax Base 2016/17 for the whole Council area as 51050 [item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")].
- 3) Calculate that the Council Tax requirement for the Council's own purposes for 2016/17 as £1,419.59.
- 4) That the following amounts be calculated for the year 2016/17 in accordance with Sections 31 to 36 of the Act.
- a) £400,631,324 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- b) £328,161,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- c) £72,470,324 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(4) of the Act).
- d) £1,419.59 being the amount at 4(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.
- e) Valuation Bands
- | A | B | C | D | E | F | G | H |
|--------|---------|---------|---------|---------|---------|---------|---------|
| £ | £ | £ | £ | £ | £ | £ | £ |
| 946.39 | 1104.13 | 1261.86 | 1419.59 | 1735.05 | 2050.52 | 2365.98 | 2839.18 |
- being the amounts given by multiplying the amount at 4(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.
- 5) That it be noted that for the year 2016/17 Police & Crime Commissioner for the Thames Valley has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Precepting Valuation Bands {TO BE CONFIRMED}

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

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

Precepting Valuation Bands

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

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

Valuation Bands {TO BE CONFIRMED}

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1098.95	1282.11	1465.27	1648.42	1014.73	2381.05	2747.37	3296.84

- 2.3 Committee/Council is requested to note the savings and income proposals outlined in appendices 2 & 3 were approved at an earlier stage, and authorise officers to implement the additional savings and income proposals outlined in Appendix 4 subject to any necessary consultation and equality impact assessments being undertaken and the outcomes being reported back for consideration by the relevant committee;
- 2.4 Council is requested to AGREE that, after considering the advice of the Head of Finance on the adequacy of balances and reserves and the robustness of the Budget as set out in Section 5 below and Appendix 7, the minimum level of General Fund balance to be maintained over the year to 31 March 2017 be set at least £5m.
- 2.5 In the event that the Council decides to set a General Fund balance which is less than that advised by the Head of Finance of a minimum £5m then the reasons for this difference be recorded in the Minutes of the Council Meeting.

- 2.6 Council is requested to AGREE the Treasury Management and Investment Strategy and the Prudential Indicators set out in Appendix 8, and approve the revised MRP Statement to apply from 2015/16 in Annex D of the strategy.
- 2.7 Council is requested to APPROVE the Fees and Charges outlined in Appendix 6 of the report, and set out in detail on the Council's website and authorise officers to take the action necessary to implement these changes.
- 2.8 That the HRA budget for 2016/17 set out in Appendix 12 is approved, and that the Head of Housing & Neighbourhoods, in consultation with the Heads of Finance and Legal & Democratic Services be authorised to implement a rent change in line with the agreed rent policy or legislation as appropriate as set out in section 4.33 of the report.

3. CONTEXT

What have we done so far?

- 3.1 Over the last five years the Government has cut the Council's income (Revenue Support Grant) by £39m and there have been major changes at the Council as a result of this.
- 3.2 By the end of this financial year, the Council will have saved almost £65m from its budget since 2011. Nearly 700 staff roles have been lost from the Council and some difficult decisions have been made such as:
 - Reviewing care packages for vulnerable people to often reduce high-cost care packages by promoting independence and reablement;
 - Reducing support for childcare providers and early years settings;
 - Reducing support provided to residents to manage their accommodation and live independently;
 - Reducing funding to the Voluntary and Community Sector;
 - Considering the future services provided by our libraries and reduced the amount we spend on Library Books;
 - Reducing the Council Tax support scheme for those on low incomes;
 - Closing the post office run by the Council within the Civic Centre; and
 - Considering the future of the South Street Arts Centre.
- 3.3 Despite the amount of money the Council has had to save, the Council has still been delivering important services and making a

difference across the town. Some of the key developments since the Corporate Plan was approved last year include:

- The number of good or outstanding schools increasing;
- Caring for 239 vulnerable children;
- Providing Adult Social Care services to 4,100 vulnerable adults;
- Continued to work towards creating 2,520 new primary school places in the Borough;
- Agreed proposals to create more temporary housing facilities to cope with increasing demand;
- Delivered the Local Sustainable Transport Capital Programme and Pinch Point substantially from grant to deliver the following schemes:
 1. Opened the new Pedestrian and Cycle Bridge over the Thames
 2. Built and opened two new Park and Ride facilities at Mere oak and Winnersh, creating nearly 1,000 new spaces
 3. Completed essential works to strengthen Reading Bridge
 4. Opened the new Napier Road underpass
 5. Restored the listed churchyard wall at St Laurence's and confirmed future funding for the Reading Abbey Revealed project
- Council-owned Reading Buses won UK Bus Operator of the Year Award;
- Announced proposals for two new swimming pools for the town;
- Helped 186 vulnerable people last winter to heat their homes using the Council's Winter Watch project;
- Committed to £350,000 worth of improvements to local parks and open spaces, with Green Flags for Forbury Gardens and Caversham Court Gardens again;
- Won a national award at the 2015 Clean Britain Awards for Love Clean Reading 1 and started work on Love Clean Reading 2;
- Received accreditation as a Living Wage Employer by the Living Wage Foundation;
- Started the process to help deliver a new and large performance theatre for Reading;
- Resurfaced 8 main roads and 17 residential streets;
- Completed work to reduce congestion and delays along the A33; and

Where are we now?

- 3.4 The Council is in the midst of making further significant changes with less money. The town is growing and some teams are seeing increasing demand for services - particularly from people who are vulnerable and in need. For instance, this includes paying for specialist accommodation for children to be looked after and residents with learning disabilities who need care. New responsibilities are also being passed to local authorities by Government with insufficient resources such as the cost implications

of the Care Act and the Supreme Court judgement on Deprivation of Liberty Safeguards.

- 3.5 The Government has chosen to change the way it calculates local government income - the Revenue Support Grant. The Government has made this change without proper detailed consultation before the December settlement. Following that consultation the changes have been confirmed but a £150m transitional relief grant announced, of which Reading's share is £413k. The Government have made very optimistic assumptions about how much Council Tax income the Council will receive. The Government have assumed that the Council will raise Council Tax every year and they have then built this into the amount they reduce the RSG funding in the future. This means we are at least £5m worse off in 2016/17 than we expected.
- 3.6 Councillors should note that these are significant alterations to the way local government is funded and there was no advance warning. Officers have had insufficient time to safely recommend additional savings that are needed to bridge a funding gap for next year. It also means the Council would not have enough time to consult properly on any additional proposals to make these savings. As a result, your Officers are having to recommend using some one-off funding to close next year's (16/17) budget gap (outlined in section 4.15 below). If approved by Council, these proposals will allow the Corporate Management Team time to bring forward additional savings proposals to be considered by Councillors, and can be properly consulted on, that are needed to set a budget in future years. These proposals are outlined in further detail in Section 4.
- 3.7 Together with the cuts that were already being forecast, this means that the Council's main grant income from Government will reduce from this financial year to the next by £7.4m from £24.2m to £16.8m. This is a 30% cut in income from the Government. This cut is the highest 'cash cut' in Berkshire, despite Reading having more residents, more visitors and significantly more demand on most council services than our neighbours.
- 3.8 Alongside this cut in funding; increasing costs due to inflation, paying for service pressures, national insurance changes etc. means the Council needs to have savings or other budget reduction measures of over £18.3m next financial year.

What are we going to do next?

- 3.9 Because care for the elderly and those with disabilities has not been funded properly by Government, officers believe they have no other option but to request that Councillors consider introducing an Adult Social Care Precept to help offset some of the financial pressures the Council has to fund to look after older residents. This will generate £1.4m of income. Half the Council Tax increase is for this, but the

extra money only pays for 3.6% of the Social Care costs. It should be noted, that even if Councillors are minded to approve this proposal, service teams will still have to target support to those in most need, and on specific service responses that help vulnerable people regain independence. This could mean that people who do not meet national eligibility standards would not get Council funded support.

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

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

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

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

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

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

- Increasing Council Tax by 1.99%;

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

What after that?

3.14 Government has offered to provide local authorities a 4 year settlement on the proviso that we submit an efficiency plan. In the final settlement Government has indicated this will be required by October, but the detailed requirements for the content of this efficiency plan remain uncertain. We understand a balanced medium term financial plan for the period is what is needed and your Corporate Management Team will bring forward a new four year medium financial plan before the summer to meet this requirement. Officers will need to offer additional options for savings, particularly in the later years.

The outlook for the next 4 years

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

New Corporate Plan 2016-19

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

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

Corporate Plan Priorities



Looking Forward

- 3.17 Despite the continued uncertainty and challenging financial context, the Administration are determined to ensure that the Council can continue to provide essential frontline services to everyone across the town - all residents and the 69,000 households - with street cleaning, collecting rubbish, providing school places etc. In addition, the Council will need to provide all these services to the extra 700

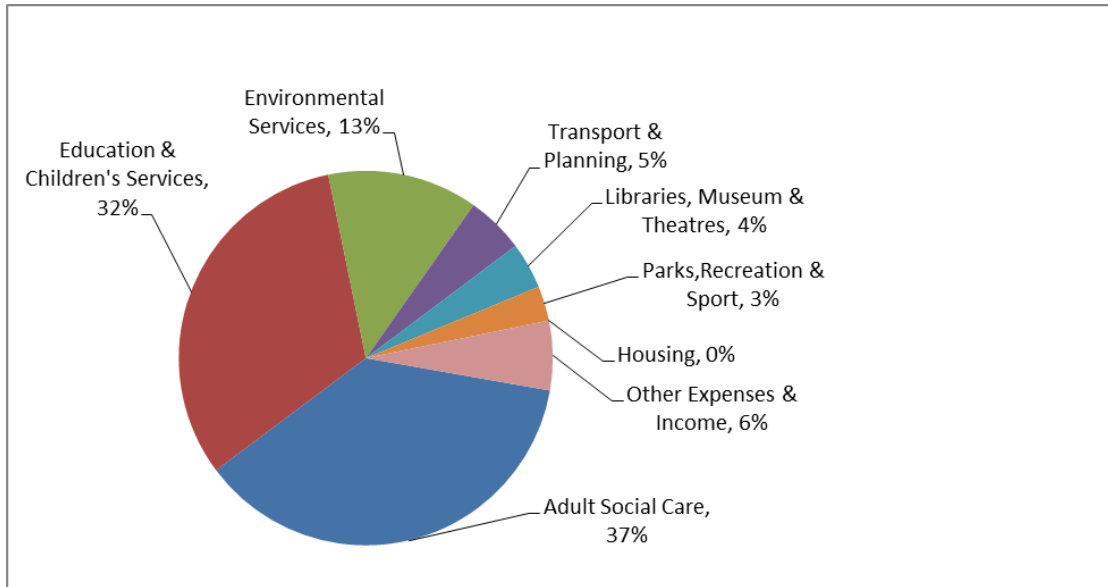
properties a year that get built in the town and the people who will live in them.

- 3.18 The Administration also wants to continue to provide some specialist, but often more expensive services, for a fewer number of people. These include services such as caring for older people, residents with learning disabilities and children who need our protection or are looked after by us. Getting the balance right between paying for these specialist services and the universal services across the town is at the heart of what the Administration is continuing to do. Officers have tried to find the best options to save money with the least impact. Councillors will appreciate that this is increasingly difficult with the scale of the savings required.
- 3.19 The Council has some strong services but there are others that need to be improved. The Corporate Plan outlines ambitious plans to do this.

4. GENERAL FUND BUDGET

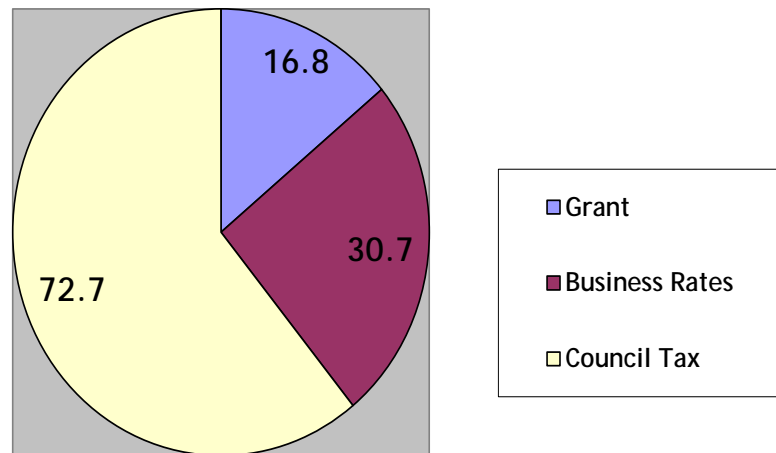
- 4.1 The Council is required to set a budget for day-to-day expenditure for the financial year starting on 1 April. This is called the revenue budget and it is the amount of money the Council needs to provide services during the year.
- 4.2 It is a legal requirement for the Council to set a balanced budget within its Budget Framework by 17 March 2016.
- 4.3 Funding comes to us in four ways:
- Central Government Grant;
 - Council Tax;
 - Business Rates; and
 - Income from fees, charges and rents.

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



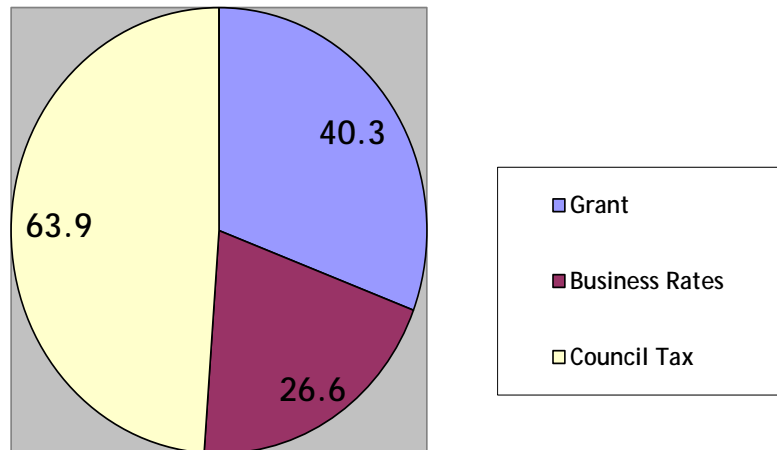
4.4 The chart below shows the proportion of Council spending funded by main grant and tax income for the new financial year, subject to approving the recommendation regarding Council Tax.

Funding of Budget Requirement 2016/17 (£m)



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

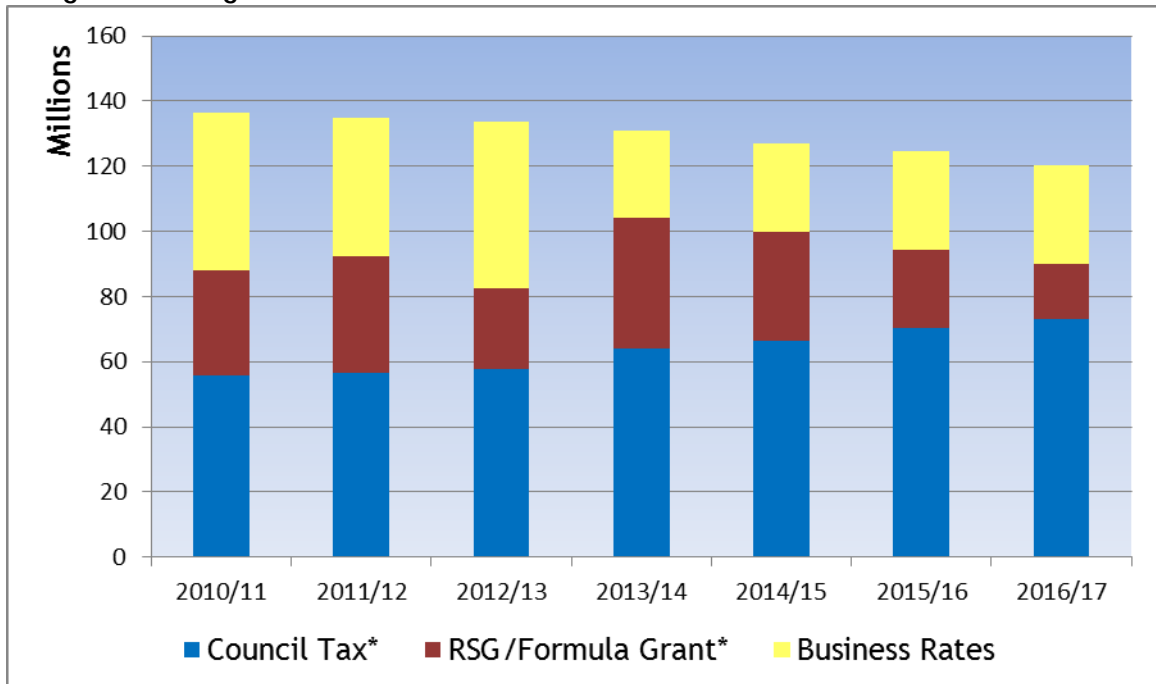
Funding of Budget Requirement 2013/14 (£m)



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

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

Budget Funding over Time



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

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

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

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

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

Service growth and pressures

- 4.9 The Council is not receiving additional funding to compensate for additional cost pressures arising from:
- General inflation;
 - Cost pressures in the care sector, particularly caring for the elderly;
 - Increases in the number of children and young people needing support and rising levels of need;
 - Increases in demand for everyday services as the population grows;
 - Pressure on homelessness budgets; and
 - Increases in core costs such as the major change to National Insurance in 2016/17, the National Living Wage and pension contributions.
- 4.10 We need to cater for these increased costs. Members will recall that last year we included approximately £4m of service pressures when setting the budget. We have just completed a similar exercise looking at:

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

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

Council Tax

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

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

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

2016-19 Financial Forecast

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

Recommendations for a safe budget next year

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

Along with changes to capital financing to help ensure the budget is robust, these measures include:

- The Council holds earmarked cash reserves/provisions that it knows it will need to cover the cost of future redundancies and compensation in relation to Equal Pay claims. In order to maintain and/or build up these reserves the Council normally makes a contribution to them each year, as part of the budget. In order to help close the gap in next year's budget the officer proposal is that we should not make a contribution to these reserves/provisions this (2015/16) and next financial year (2016/17) and that this money be used instead to help close the gap in the 2016/17 budget; and
- As part of the Council's wider asset review and rationalisation, the Council has also been ramping up its programme of asset disposals in order to secure capital receipts. Financial rules mean that the Council cannot normally use these receipts to directly help close the budget gap. They are normally used to help pay for capital investment such as building new schools, etc., thereby reducing the revenue cost of borrowing money to fund the programme. However, the rules also allow capital receipts to be used to cover the cost of equal pay liabilities and repay debt.

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

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

Reading's estimated grant

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

the worst settlement within the County area, our position is actually a little better than the national average grant loss which is around £49 per head.

Business Rates income

- 4.19 Looking forward there remains considerable uncertainty regarding the impact that retention of business rates will have in funding our budgets beyond next year and the outlook remains difficult to predict. Put simply, at this stage we do not know how much of our business rates will be clawed back by central government to be redistributed.
- 4.20 Government have announced that Business Rates will be retained locally by 2020, but this is at a national level. The Council currently only keeps 27p for every £1 of business rates generated in the town. Government officials have acknowledged that they have no clear plan how business rates will work in the future and whilst there may be opportunities to retain more of the business rates from 2020, there may also be significant risks for places like Reading with a large business rate income.
- 4.21 The forecast for 2015/16 includes a share of locally retained business rates income. In the Autumn Statement in both 2013 and 2014 the Government decided to limit increases to 2% rather than RPI, which has been used, in line with the legislation every previous year since business rates were nationalised in 1990. Government also made changes to the Small Business Rate supplement. Both of these changes continue to be compensated for through a government grant, and the initial estimate is that grant in Reading will be £1.3m. However, this grant is substantially wiped out by the 44% levy on Reading's share of business rate growth.
- 4.22 We estimate that after allowing for losses and the impact of appeals we will collect £107.3m of business rates, of which the Council will keep £29.3m.

The detailed apportionment is as follows:

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

- 4.23 Since 2013/14, when the Local Government Finance regime was changed to localise up to 50% of rates income, retention of Business Rates has significantly shifted risk from Central Government to Local

Government. Variations in collection and the impact of appeals are now shared with the Government. Any reduced income in Business Rates need to be recognised in year and must be taken account of in setting the following year's budget. During the year we have estimated that liability may be around £12m. The above estimate of business rate income allows for most of this; however, there is a risk that appeals are settled more quickly than resources are available which will require additional budget reductions in future years.

Public Health grant

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

Capital Investment Programme

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

Additional School Places

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

Homes for those in most need

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

Providing Infrastructure and Remaining Financially Sustainable

- 4.29 This year saw the completion of major investment in the town's transport infrastructure, made possible by grants from the Local Sustainable Transport and Pinch Point Funds. While the scale of investment has reduced, the Council continues to invest in maintaining its highway assets, including a £9.8m "invest to save" street light replacement programme.
- 4.30 As already outlined in Section 3 above, in the autumn the Council announced a major review of its leisure facilities, commencing with repairs to Central Pool and the provision of additional temporary pool at Rivermead, pending the future replacement of Central and Arthur Hill Pools through a competitive process to secure a commercial operator. The successful bid to the Heritage Lottery Fund will see a £2.8m investment in the Abbey Quarter over the next 3 years, along with a rolling programme of developer-funded improvements to parks and open spaces.
- 4.31 A range of "Invest to Save" initiatives, costing approximately £20m, is a key component of the capital programme, and includes investment in Digitisation and ICT, replacement fleet vehicles, and the continued rationalisation of council buildings, including the creation of community hubs.

Housing Revenue Account

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

requiring rents to be reduced by 1% pa for each of the next 4 years. The legal power to require this has appeared in the draft Welfare Reform & Work Bill which is currently in the parliamentary process. The draft legislation says that

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

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

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

5. RISK MANAGEMENT

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

5.2 The report is included at Appendix 7, and observes that both the inherent and residual risks in the Council’s budget plans are higher than they were for the 2015/16 year. We can set a legally balanced budget for the new financial year, but the position is very tight and the Head of Finance has concluded that overall the budget is robust provided the established regular monitoring arrangements remain

properly resourced and remedial action promptly taken should an adverse variance be identified and that the Council will need, during 2016/17 to identify deliverable plans to ensure we remain operationally viable and balances remain robust in the medium term.

- 5.3 With regard to balances, the report discusses the various reserves and provisions the Council holds and observes that almost all of them are earmarked against liabilities or costs that have arisen, or are expected to arise during the next three years.
- 5.4 Nevertheless, the report concludes, given the Council's good track record in delivering its budget in recent years and that all significant known liabilities are covered during 2016/17 that:
- The proposed minimum level of the General Fund balance will be £5 million. The Council is setting a very tight budget for 2016/17 which contains a continuing high level of risk; and
 - The minimum level of balance of £5m and reserves of up to £8.8m (estimated for 31/3/17) provides adequate balances to help robustly manage the corporate budget risks facing the council.

6. RESERVES

- 6.1 The Council holds reserves for a number of reasons to enable the Council to:
- Deal with unexpected events;
 - Manage changes in demand for services; and
 - To fund specific projects or liabilities.
- 6.2 The assessment of reserves is based on the following:
- The level of risk within the budget;
 - Judgement on the effectiveness of budgetary control with the Council; and
 - The degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.
- 6.3 The level of risk within the budget is clearly increasing. Whilst this does not necessarily mean we need to increase reserves, it sets the context in which the Council needs to consider the level of reserves it holds. As Councillors will see, reserves are forecast to fall over the next 3 years.
- 6.4 At the end of 2015/16 (excluding self insurance and revenue grants unapplied) it is proposed to have earmarked general fund reserves of £9.5m which is a reduction of £3.9m compared to the 31 March 2015

position (mainly because the Social Care Demand reserve has been fully utilised in 2015/16).

6.5 The General Fund balance should be at least £5m.

7. TREASURY MANAGEMENT STRATEGY STATEMENT (TMSS)

7.1 There is a requirement for the Council to have all of the following:

- Treasury Management Strategy for 2016/17;
- Annual Investment Strategy for 2016/17;
- Prudential Indicators for 2016/17, 2017/18 and 2018/19 {note that these have been updated since Policy Committee to correct some omissions}; and
- Minimum Revenue Provision Statement (in connection with debt repayment) - this has been revised to move the approach on MRP on historic debt from to an annuity method, as explained in the appendix, and make various other detailed changes.

7.2 The Treasury Management Strategy, enclosed within Appendix 8, brings these together and the statement explains:

- how the Council tries to minimise net borrowing costs over the medium term;
- how we ensure we have enough money available to meet our commitments;
- how we ensure reasonable security of money we have lent and invested;
- how we maintain an element of flexibility to respond to changes in interest rates; and
- how we manage treasury risk overall.

7.3 In line with recommended practice, a draft of the statement was presented to Audit & Governance Committee, at its January meeting. The "liability benchmark" graph included in the Treasury Management Strategy identifies that within the next couple of years the Council will need over £50m additional long term borrowing for around 15-20 years to finance its present capital plans. The cost of funding this additional borrowing has been built into the Financial Plan.

8. COMMUNITY ENGAGEMENT AND INFORMATION

8.1 We have based what we will deliver in the Corporate Plan on the things residents and businesses have told us via a variety of consultation and involvement events and initiatives that we have held.

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

9. OTHER OPTIONS

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

10. EQUALITY IMPACT ASSESSMENT

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

- 10.3 The savings proposals identified for further development (Appendix 4) will be subject to any necessary consultation and equality impact assessments being undertaken and the outcomes being reported back for consideration by the relevant committee.

11. IMPLICATIONS

How this could impact on residents, businesses and partners

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

Legal

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

Financial

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

12. BACKGROUND PAPERS

12.1 Appendices:

1. Corporate Plan 2016-19
2. Savings income proposals agreed in previous years

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