

READING BOROUGH COUNCIL FINANCIAL SUSTAINABILITY PLAN 2017-2020

1. Executive Summary

- 1.1. The Council is facing a severe and financial challenge over the coming years, despite making significant savings over several years. As a result of continuing reductions in funding and increasing pressures, it is currently forecast that the Council needs to make revenue savings of £41.9m by 2019/20.
- 1.2. Savings of £23.4m have already been agreed by Councillors, and the Council is now working to deliver these.
- 1.3. This leaves a budget gap of £18.5m which will be closed through the adoption of the strategic approach to budget review and planning the Council's future service offer and delivery model.

2. Financial Context

Setting the Budget

- 2.1. The Council's annual Budget is set at Council each February and incorporates the Medium Term Financial Plan, which presents the budget forecast on a three year rolling basis. The report also updates the Council's Corporate Plan which sets out key priorities and service activities.
- 2.2. Council Budget reports are accessible at the link <http://www.reading.gov.uk/budget-reports> and the 2016/17 budget report is available here:

http://www.reading.gov.uk/media/4929/Corporate-Plan-and-Budget-2016-2019/pdf/Corporate_Plan_and_Budget_2016-2019.pdf

Managing the Budget Gap

- 2.3. Between 2011/12 and 2019/20 the Council's grant will have been cut by £57.5m. The most significant change was the cut this year because of changes to the distribution methodology. The Medium Term Financial Plan for 2016 to 2020 took account of the unexpected additional loss of £5m grant which was announced on 17 December 2015. The short notice of this reduction meant there was insufficient time to safely recommend further savings to bridge the funding gap for 2016/17 as it did not allow enough time for the Council to adequately consult on the additional proposals required to make the savings.

- 2.4. The financial table in the budget report (page (B)16) shows how the 2016/17 budget balanced, along with the position for the following years. The table incorporates Council Tax at 2016/17 levels, and it is anticipated that the 2017/18 savings gap of £1.45m could be covered by a future Council Tax and Adult Social Care Precept increase.
- 2.5. Based on the four year settlement forecast to 2019/20 we estimate that in addition to the savings identified in the Medium Term Financial Plan, we require further savings of around £15m spread across 2018/19 and 2019/20 to ensure a sustainable financial plan.
- 2.6. The Medium Term Financial Plan also incorporates £7.5m (including £0.7m use of the Prudential Reserve to smooth increases in borrowing costs) of one off resources to bridge the budget gap as well as high level, indicative savings of £21m which required detailed work immediately after the budget was set.

Increasing pressures on the budget

- 2.7. There have been increasing pressures and service demand on the current budget, so to ensure a prudent approach £6.4m additional and ongoing revenue demands have been built into the budget for the purposes of planning. This does not mean that the current overspend position is accepted or that any additional funding will be included in service specific budgets until the Council budget process has concluded.
- 2.8. The current year pressures include £3m for Children's Social Care due to the escalating demands on the service which continue to severely impact on the Council's overall budget position. Work is underway to implement a revised model of Children's Social Care, which has required increased staffing levels to reduce high caseloads and increased the structural cost above that budgeted by £0.7m. Additional costs arising from the level of agency staff required during the recruitment and transition period have meant that in 2016/17 actual costs are £1.4m above budget.
- 2.9. Work began immediately after the 2016/17 budget was set to work up the detail of the £21m high level savings indicated in the report. Further savings proposals were also identified and put forward to Councillors and a package of budget savings of £19.8m was approved at Policy Committee on 18 July. The link for this can be found at: [http://www.reading.gov.uk/media/5708/item09-2/pdf/item09_\(2\).pdf](http://www.reading.gov.uk/media/5708/item09-2/pdf/item09_(2).pdf)
- 2.10. Work is underway to implement these along with progressing all earlier agreed savings, including appropriate consultation with staff and the public.

- 2.11. This July report also updated the financial position and identified a £36.7m remaining budget gap for the period **2016-20** prior to delivery of savings which were then agreed at that committee. This gap reflected the further significant emerging pressures of £4m on the 2016/17 budget, which had then been identified and particularly relate to Children's Services.

Interim review of the budget

- 2.12. Since the July report the underlying budget assumptions have been reviewed, and the in-year overspend had increased to £6.9m based on the end of July budget, with continuing overspending in the Children's Social Care service. There was some offset due to an improved forward Council Tax receipts position due to a sharper rise this year than in recent years in new properties.
- 2.13. A report presented to September's Policy Committee set out in outline the changed Financial Position found at:

<http://www.reading.gov.uk/media/5974/Item09/pdf/Item09.pdf>

This identified that for the 2017-20 period, we had a budget gap of £41.9m before allowing for the agreed savings of £23.4m, which leaves the £18.5m gap.

- 2.14. To ensure prudent budget planning, these calculations assume that the current overspending will need to be allowed for within the budget to meet rising demand in Children's Social Care. However, before any changes to baseline budgets could be made, this must be considered within the context of the overall 2017/18 budget process and the review of in-year overspend mitigation.

2.15. The following table identifies the current position:

	2017/18	2018/19	2019/20	Total
Budget Requirement (previous year):	120,197	119,957	120,474	
Impact of Agreed Funding measures and Budget Overspend in 2016/17	13,634	-	-	
Estimated Impact of Budget build in accordance with agreed guidelines	10,527	10,866	7,543	
Budget before savings	144,358	130,823	128,017	
Resources Available to Fund Budget	-119,957	-120,474	-120,842	
Budget Gap	24,401	10,349	7,175	41,925
Agreed Savings to date (from February Council, July 2015, July 2016 & September 2016 Policy Committees)	-14,851	-6,002	-2,587	-23,440
Remaining Gap	9,550	4,347	4,588	18,485

2.16. The key changes from the £36.7m gap presented in July to the £41.9m above are an additional 2016/17 overspend of £2.8m and the impact of revised budget build assumptions of £1.7m as above.

2.17. It should also be noted that there are some potential additional pressures that have not yet been costed or incorporated, such as the Apprenticeship Levy, impact of the Pension Fund Revaluation.

3. Developing the Medium Term Financial Plan

3.1. In the context of our interim budget review, we have now begun to identify further savings to balance the budget over the next three years using the approach set out below to take into account the changing operational landscape. The planned timetable brings identified savings before members in early December for approval to allow for consultation with a view to setting the 2017/18 budget and having a balanced Medium Term Financial Plan with agreed savings to 2019/20.

Our approach

3.2. Since 2010/11 the Council has successfully managed the reduction in resources available to fund services, which has required a combination of innovative solutions and difficult choices made by the Council. To put this in context, by the end of the financial year

2015/2016, the Council had agreed savings of almost £65m from its budget since 2011 and difficult decisions have already been made.

- 3.3. A variety of methods have been taken to the budget setting process to enable the Council to set and maintain a balanced budget including assessments of services' relative contributions to Council priorities, assessments of statutory and non-statutory services, as well as more rudimentary approaches such as equalised budget reductions.
- 3.4. The Council has made service cuts and reductions, as well as adopting more efficient models of service delivery such as developing shared services with partners and outsourcing.
- 3.5. We are working through a Council wide programme of digitisation and increasing self-service by both customers and employees, with services redesigned to deliver efficiencies. A major programme of transformation is underway in Adults Services where expectations about service provision among our communities and partners will change with initiatives underway to help people to look to their own resources and communities to meet their social care needs. In Children's Services while we work to manage the current structural pressure, it is expected to move to a steady state in the medium term with a focus on early help and prevention to manage demand.
- 3.6. For discretionary services we have a strategy to maximise income by developing successful Council businesses which have an identified market. We have also embarked on a programme to make best use of Council assets through rationalisation.
- 3.7. In the context of the financial situation outlined above, and the certainty of a minimum four year grant settlement proposed by Central Government, the Council is now developing its latest Medium Term Financial Plan based on the approach set out below. This builds on the work we have done historically to manage budgets and which we are drawing on to stabilise our financial position within the current financial year and to develop further proposals for the Council to consider to bridge the medium term gap in a sustainable way.

Managing
Demand

Increasing
Productivity

Reductions in
Service

Service
Delivery
Models

Managing Demand

- 3.8. Around 70% of the Council's existing revenue budget supports the delivery of Adults and Children's Social Care. Additionally the Council operates a vibrant leisure and cultural offer for citizens, which is largely self-sustaining. Going forward, a key strategic aim of all transformation plans will be to reduce and manage demand more effectively, working with service users to deliver greater independence, sustainability, and more cost effective support from the authority as well as focussing on business development to increase income where possible.
- 3.9. We will work more effectively with other public sector partners and the voluntary/community sector to ensure we are joining up service delivery to meet the needs of local communities.

Increasing Productivity

- 3.10. The Council has driven efficiency in the services it delivers over many years. However, it is recognised that there are further efficiencies/productivity gains that can be made. The Council is continuing its digitisation plan, and this will begin to allow productivity to increase over the four year period to 2020.

Service Delivery Models

- 3.11. We have taken a pragmatic approach about models of service delivery and we already have a variety of shared service relationships with partners across Berkshire, for example in the areas of legal services, waste disposal, cultural services, procurement,

etc. and we are exploring other opportunities to consolidate across the region. We have also externalised some services, for example ICT provision and much of Adult Social Care provision is commissioned from the private sector.

- 3.12. However, we recognise there are further opportunities that need to be considered where other councils have been very successful in generating substantial savings. The Council is currently considering the potential for other models for additional back office services such as Revenues & Benefits, as well as front line services such as Leisure Services.

Reductions in services

- 3.13. The Council's financial situation is such that now it needs to consider the extent to which additional services should be reduced or stopped using the approach detailed above.

4. Conclusion

- 4.1. Whilst the Council has had a long history of adapting to change and robust decision making to ensure it has delivered required savings to live within its means, it is now facing unprecedented times and challenges.
- 4.2. However, the additional certainty provided by the four year settlement and additional flexibility to use capital receipts strengthens our ability to plan for the future and decide what local services we will provide, how they are delivered and how we fund the changes that will be required.
- 4.3. Over the coming months we will work to set a sustainable Medium Term Financial Plan for 2017-2020 to bridge the budget gap and set the future direction of the Council.