

THE BUDGET PROPOSAL OF THE CABINET 2015/2016

Budget Headline

This is the third and final year of the period covered by the 2013-14 to 2015-16 medium term plans. The plans were set out in the Budget approved by Council in February 2013.

The proposed 2015/2016 Budget focusses on the variations required to this plan and continues to focus on protecting high priority frontline services, investing in the future of our area and promoting new homes and jobs.

We are proposing that Council Tax is frozen in 2015/16 for the fifth consecutive year, recognising the on-going pressure on household incomes. The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,201.85 which represents no change on the previous year (no increase).

The proposed net revenue budget for Bath & North East Somerset Council next year, 2015/16, is £119.914m, a net cash increase of £0.673m on the previous year. This includes the impact of significant reductions in government funding amounting to 13.7% for 2015/2016.

The Budget Context

The three year financial challenge was summarised in 2013/14 and this has been updated to take account of subsequent Government funding announcements and policy changes. Over the three-year period of the Medium Term Service and Resource Plan from 2013/2014 to 2015/2016 we estimate at least £30M of savings or additional income will have been delivered.

As part of the Budget considerations for 2015/2016, there have been a number of key Government announcements which have an impact on the original plan three-year plan. The most significant of these was the Local Government Finance Settlement announced in February 2015 which set out the following figures for 2015/16:

- A 13.7% reduction in the Council's funding assessments - this actually equates to reduction of 24.8% in the Council's Revenue Support Grant.
- A reduction of 18% in the Education Support Grant.
- Council Tax Freeze Grant equivalent to 1% of council tax for councils who freeze their council tax for the year.

Total reductions in Government Grant Funding are now estimated to average 11% per annum over the period 2011/12 to 2015/16 as set out in Table 1 below:

Table 1: Reduction in Government Grant Funding

	2011/12	2012/13	2013/14	2014/15	2015/16
Actual B&NES Funding Reduction	-13.5%	-8.3%	-9.4%	-9.6%	-13.7%

These changes, together with the existing savings to be identified, mean further variations to the Budget totalling £9.6m for the Council need to be identified as part of the 2015/2016 plan.

For 2015/16 the Budget focuses on the variations that are needed to the approved medium term plan to deliver a balanced Budget proposal. The specific variation proposals together with the new and emerging priorities are set out in more detail within this report.

The Cabinet's aim remains to achieve the medium term plan with minimal alterations, but at the same time to reflect public feedback together with local and national policy changes.

The Council has a prudent level of reserves and can use these to smooth the effects of policy changes and additional financial challenges, particularly recognising the ongoing reductions in public sector funding from 2016/17 and beyond.

The indication from Treasury figures is that at least an equally tough set of financial targets will need to be repeated in the next 4 year plan which starts in 2016/2017, and of course at that time the difficulty in meeting the challenge will have increased as efficiency opportunities will be less.

Structure of the Budget Proposal

Section 1 sets out the approach to the revenue and capital budget and the build-up of the recommended revenue budget for 2015/2016. Annex 1 provides the breakdown of the Budget for 2015/2016.

Section 2 sets out the position regarding future years 2016/7 to 2019/20.

Section 3 sets out the recommended capital programme for 2015/2016 including the indicative capital programme through to 2019/2020. Annex 3 provides more detail.

Section 4 sets out the current position on revenue balances taking into account the proposals for prudent use of reserves.

Section 5 sets out the implications of the revenue budget for Council Tax levels for 2015/2016.

Table 2: Summary Net Revenue Budget and Capital Programme 2015/16

	2015/16
Revenue Budget Funding:	£m
Council Tax	74.455
Council Tax Freeze Grant	0.813
Revenue Support Grant	20.504
Retained Business Rates (after tariff)	21.744
Reserves & Collection Fund Surplus	2.397
Total Funding	119.914
Net Revenue Budget Spend	119.914
Capital Programme – for approval	57.537
Capital Programme - for provisional approval (subject to)	27.065

Note: Some of the figures in the table are affected by rounding.

Section 1 – The Revenue Budget for 2015/2016

The Budget Proposal

Each Directorate of the Council prepared a detailed Medium Term Service and Resource Plan (MTSRP) covering a full three-year period from 2013/2014 to 2015/2016. These plans were agreed as part of the Budget in February 2013 and progress against each of these was reported to the relevant Policy and Development Scrutiny (PDS) Panel throughout November 2014.

The MTSRP's set out the specific service and resource requirements for 2013/2014 to 2015/2016. Feedback from the individual PDS panels, the four Budget Fairs, the community, trade unions and other stakeholders has been considered by the Cabinet in arriving at the proposed Budget for 2015/2016.

The proposed Budget continues to recognise the very difficult financial challenge facing the whole of the public sector and the increasing need to prioritise resources. The following principles have continued to be used to support this:

- Protecting frontline services;
- No increases in Council Tax;
- Investing in homes and jobs for local people.

There are no longer the available resources to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This will increasingly mean difficult choices.

The Budget proposal for 2015/2016 sets out the variations to the medium term plan approved by the Council in February 2013 that have arisen for 2015/2016 for a number of reasons including:-

- The provisional Local Government Finance Settlement for 2015/16
- The costs arising from implementation of the Care Act 2014
- The costs arising from changes to the Deprivation of Liberty Safeguards
- Savings in the approved medium term plan that are now unlikely to be delivered
- Reduction in the Education Support Grant
- Changes to the Council Tax Base
- Business rates Growth and the Somerset Business Rates Pool
- Social Care contribution from the Better Care Fund

In order to present proposals for a balanced budget in 2015/2016, the Cabinet have examined a range of options to generate the additional savings or income, required to address the arising Budget gap. The priority for the Cabinet has been to avoid further frontline service reductions and focus on efficiency, innovation, demand changes and trend analysis to meet this challenge.

Corporate Assumptions

The assumptions which underpin the 2015/2016 Budget are set out below:

- An agreed pay increase of 2.2% from 1 January 2015 which covers the period until 31 March 2016 (this also provides for some additional provision for lowest pay spine points and a number of one-off consolidated payments).
- Continued low rates of interest of under 0.5% per annum for treasury management cash investments. The Council will maintain a minimum cash policy.
- Balanced budgets are achieved for 2014/2015 with no new related on-going funding pressures.
- No general inflationary provision – specific inflation has been provided and identified as growth within service areas based on specific service circumstances and contractual commitments
- That capital funding is provided as far as possible from Capital Receipts and internal cash flow. New borrowing will be kept to a minimum subject to market conditions.
- Fees and charges set by statute will be calculated in accordance with defined calculations under statutory guidance.
- The level of discretionary fees and charges are delegated to Officers, in consultation with the relevant Cabinet member, will generally increase in line with the increase in the costs of the relevant service.
- No increases are proposed to Car Parking Charges during 2015/2016.
- Park and Ride Charges – charges are now set by the operator within agreed contractual limits.

Government Grant Funding

The final Local Government Finance Settlement was announced on 3 February 2015 and provided government grant funding figures for 2015/2016 only.

This showed the Council's funding baseline for 2015/2016 reducing by 13.7% which, whilst representing a significant reduction of £6.7M in cash terms, is in line with the scale of cuts we were anticipating in the updated medium term financial plan.

The funding baseline itself takes account of the start-up funding baseline for the Localised Business Rate element so the overall reductions in Revenue Support Grant (RSG) equate to far larger percentages (24.8% for 2015/16). In reality reductions to RSG will look increasingly large in percentage terms as the Government seeks to take the cash reductions from an increasingly reducing pot of RSG funding.

This settlement confirms that B&NES Council will remain one of the lowest funded unitary authorities in fact the Council has the 10th lowest spending power per dwelling when comparing all Unitary Authorities for 2015/2016.

The New Homes Bonus Scheme which provides funding for new homes brought into use and included in the Council Tax Base, was provisionally confirmed at a total of £3.709m for 2015/2016. This is the fifth year for funding for New Homes Bonus and includes an additional £1.044m for 2015/2016. The New Homes Bonus scheme runs for 6 years from the year of initial allocation. This funding is un-ring-fenced and is currently fully allocated as part of the overall revenue budget supporting all Council services.

The Settlement again included provision of financial support from the government for councils who freeze their Council Tax for next year – 2015/2016. The grant is equivalent to a 1% Council Tax increase and is confirmed as being included in the baseline grant funding calculations going forwards, albeit no information has been provided at all relating to 2016/17 council funding.

The Settlement announcement confirmed the requirements for a council tax referendum, where any council increases council tax by more than 2%. This is clearly irrelevant for councils accepting the council tax freeze grant although the position applies also to police and fire as major precepting bodies. The government is also consulting on the application of these requirements to larger parish and town councils although there are no specific proposals to include these for the 2015/2016 financial year.

Retained Local Business Rates

The 2015/2016 financial year will be the third year of operation of the retained local business rate shares although only one year (2013/14) has been fully completed at this point.

As part of the Settlement, the government gave the go ahead for the establishment of the Somerset Business Rates Pool; consisting of Somerset County Council, Bath & North East Somerset (B&NES) and North Somerset Unitary councils, Mendip, Sedgemoor and South Somerset District councils, and Taunton Deane Borough Council,

Using forecasts for business rates income based on 2014/15 NNDR1's, forecast gains from pooling are estimated as £2m for 2015/16. Modelling suggests that the potential financial benefits significantly outweigh the potential financial risks.

It is up to the pooling group as to how business rates income collected by the pool is distributed. The approach proposed is that each of the authorities receives the amount that they would have received if they had acted individually and also receive an additional amount, due to the benefits of pooling. These gains would be split between the Billing Authorities in whose districts the business rates growth is occurring and Somerset County Council. The forecast gain for the Council under these proposals is £350k and this is included in the Budget proposal.

The government also confirmed the extension of a range of business rate reliefs including small businesses, retail premises and a cap on the annual inflationary increase. The Government has confirmed that the cost of all these reliefs will be met through the payment of Section 31 Grants to meet the actual costs incurred for 2015/16.

As part of the proposed Budget, reasonable assumptions have been made for likely future Business Rate income. Any surplus or deficit on the Business Rate Collection Fund will be transferred to an earmarked reserve for consideration as part of the Business Rates calculations for 2016/2017.

The West of England City Deal arrangements have no impact on retained local business rates as the pooling arrangements include a “no worse off” provision. The City Deal also sits alongside the Somerset Business Rates Pool so the two financial arrangements operate completely separately and have no impact on each other.

Tackling Poverty

Social Fund and Food Banks

In April 2013 the Council started to operate a Local Welfare Support Scheme, which was previously funded by the DWP. Customer Services set up a dedicated team to administer this new provision in accordance with a newly established Welfare Support Policy which enables additional financial support to be given to the most vulnerable Members of our Community with payment towards short term support such as essential food supplies, and essential household items. The scheme has also been used to give short term support to those struggling to pay Council Tax following the introduction of the new Council Tax Support Scheme. The total budgeted cost of this provision was £300K including administration.

As previously anticipated the Settlement changed the basis of funding from 2015/16 with the specific grant to the Council being removed and the funding forming part of the RSG settlement to some degree.

The Budget proposal includes funding of £320K for 2015/2016 which includes support for food banks in the Council area. Further details of this and the other proposals for tackling poverty, are set out at Appendix 6

Low Pay Bands

As part of the Council's commitment to review low pay bands for Council employees, the Cabinet have reviewed the lowest scale points following the implementation of the Local Government Pay award from 1 January 2015. This review recognises that lowest pay point now in operation is SCP 5 which equates to £7.05 per hour and is significantly above the £6.50 per hour minimum wage.

The Budget proposal includes provision to increase the minimum pay point to SCP 11 from 1 April 2015, equating to a minimum rate of £7.88 per hour and fully implements the living wage rate of £7.85 per hour.

The total annual cost to the Council of this proposal is £213K with an annual cost of £175K for Schools Non-Teaching staff. It is proposed that the Council will fund the costs to schools budgets for a period of one year, the ongoing cost to be funded directly by schools thereafter.

This does not apply to Academy schools who responsible for setting their own terms and conditions.

Further details of this and the other proposals for tackling poverty, are set out at Appendix 6

Schools Funding

Schools are funded by the Dedicated Schools Grant (DSG) which is initially allocated to the Council by the Department for Education. The DSG supports all expenditure in schools (who set their own budgets) and the activities that the Council carries out directly for schools. It does not cover the statutory responsibilities the Council has towards parents. These responsibilities are funded through the Councils main revenue funding and included as part of the proposed Budget.

The Dedicated Schools Grant (DSG) increase compared to 2014/2015 is complicated by the conversion of several schools to academies, and the transfer of additional funding for new studio schools into the DSG from other funding routes. The overall increase in the DSG is estimated for 2015/2016 at £2.6m with total funding of £120.3m. The majority of the additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools. Additional funding to support the Pupil Premium in Early Years is also provided in this total. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

Whilst the Dedicated Schools Grant (DSG) is being allocated to Local Authorities on a cash freeze basis. In 2015/2016, The Pupil Premium allocations for maintained schools are increasing from £1300 to £1320 per Free School Meals (FSM) primary pupil, the FSM Secondary pupil sum remains at £935 and for pupils in categories of being Looked After the sum remains at £1900. This small increase is the last anticipated increase as part of the DFE rollout of the Pupil Premium and will bring the total payable to B&NES schools to £3.22m in 2015/2016, an increase of £370k. This represents approximately a further 0.3% increase in overall resources for schools.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £41.4m in 2015/2016 leaving £78.9m payable to the Council.

This recoupment by the DFE is based on 11 secondary, 3 special and 4 primary academies in 2015/2016. It is difficult to assess whether there will be more schools converting to academies over the next year.

Further budget changes to council funding are generated by the creation of the Education Services Grant (ESG) to replace the recoupment process for resources for academies taking on the statutory responsibilities of the council. Schools converting to academies and the Local Authority will be allocated resources that were originally part of the local government settlement. The grant allocations are based on pupil numbers in the establishments with academies being funded directly and the Local Authority receiving the allocation for all maintained schools. As schools convert to academies the resources allocated to the Local Authority under the ESG would diminish on a per pupil basis.

The Better Care Fund

The Better Care Fund was introduced in 2014/15 to be spent locally on health and social care services. The purpose of the fund is to drive closer integration and improve outcomes for patients, service users and carers through the establishment of pooled budgets.

Nationally this fund increases substantially in 2015/16 and will amount to some £3.5bn in revenue funding by 2015/2016 although crucially the majority of this is not new money, it is a reprioritisation of existing Health Service funding.

This Council already has a well-established integrated partnership in place with the Bath and North East Somerset Clinical Commissioning Group. This includes significant arrangements for shared funding and pooled budgets to support community health and social care.

The 2015/2016 Budget proposal incorporates the following financial provisions which will now be classified as falling within the Better Care Fund:-

- £2.57M of additional Section 256 Funding in the Council base budget to support adult social care demographic and cost pressures.
- £434k of funding in 2015/16 earmarked to contribute towards the cost of supporting Carers, additional assessments and informational advice and support.

To support the allocation and prioritisation of the Better Care Fund, the government has required the Council, Clinical Commissioning Group and Health and Wellbeing Board to develop and approve a Better Care Plan, outlining how the Fund will be used to improve a range of health and social care outcomes.

The B&NES Better Care Plan was approved through the Health and Wellbeing Board in September 2014 and submitted to the government. NHS England confirmed in October 2014 its approval of the Better Care Plan and indeed has identified the plan as a “best practice” example in its planning support documentation.

“Think Local” Procurement Strategy

On 3rd December 2014 the Cabinet reviewed the implementation of the Council’s “Think Local” Procurement Strategy and the progress that has been achieved in delivering spend with local businesses.

As part of this report, it was agreed to revise the Council's Contract Standing Orders to reflect the implementation of the Public Contract Regulations 2015 and other legislation and proposed including and increased financial limit to provide local businesses with the opportunity to obtain contracts of up to £50,000 (increased from the current £25,000).

The Budget proposal therefore confirms the intention to revise this limit with effect from the 2015/2016 financial year.

Variation Budget Savings

The medium term service and resource plan covering the period 2013/14 to 2015/2016 was agreed as part of the Budget process in February 2013. This included a range of actions to meet the majority of the anticipated financial savings required over this period.

This plan as updated by the Council in February 2014 indicated that further savings of £3.84M remained to be identified 2015/2016 to fully close the anticipated budget gap.

In addition to this existing budget gap, a range of further variations to the medium term plan have arisen for 2015/2016 for a number of reasons including:-

- The costs arising from implementation of the Care Act 2014
- The costs arising from changes to the Deprivation of Liberty Safeguards
- Savings in the approved medium term plan that are now unlikely to be delivered
- A reduction in the Education Support Grant
- The borrowing costs of new capital proposals

In order to present proposals for a balanced budget in 2015/2016, the Cabinet have examined a range of options to generate the additional savings or income, required to address the arising Budget gap.

These proposals for variation budget savings will avoid further frontline service reductions and focus on efficiency, innovation, demand changes and trend analysis.

Full details of the variations are set out at Appendix 2

Resource Allocation including Recurring and One-Off Funding

The Cabinet has considered the allocation of recurring and one-off funding to meet resourcing priorities. This recurring or one-off funding is created from a number of sources and can only be finalised once all assumptions and calculations are completed for the proposed Budget. These sources include:-

- Changes in financial planning assumptions
- Variations in grant settlement
- Full year effect of savings proposals

- Adjustments to corporate finance items
- Calculation of the Council Tax Base
- Calculation of the Retained Local Business Rates
- One-off funding provisions and variations, for example the council tax collection fund surplus (or deficit).

The Budget includes the following allocations of resourcing to meet specific commitments and priorities:

On-going Resourcing Allocations - £3.24M

The following allocations are to be made for the available on-going funding resources:

- £770K to meet the costs associated with the changes to the provisions for Deprivation of Liberty Safeguards
- £1,500K to meet the estimated costs arising from the implementation of the Care Act 2014 from 1 April 2015.
- £320K to maintain the Welfare Support Scheme and support local food banks.
- £320K to support the estimated revenue costs of borrowing for new capital projects.
- £213K to support the ongoing cost of implementing the Living Wage for Council staff.
- £120K to meet the ongoing costs of Council decisions during 2014/15 including the emergency works to Kelston Road.

These allocations provide a prudent balance between addressing current funding commitment and priorities whilst recognising the scale of the future financial challenge.

One-off Funding Allocations - £2.502M

These following allocations are to be made from the anticipated Council Tax Collection Fund Surplus (£1,763K) together with a draw down from the Financial Planning Reserve (£739K):

- £1,553K to meet the unfunded recurring Budget Gap for 2015/2016. This will then carry forward as an unfunded revenue commitment for the 2016/17 Budget.
- £220K to fund the estimated costs of the Local Elections in 2015/16.
- £100K to meet the costs of the Council hosting cycling events in 2015/16 including the City Cycle Race Series.
- £100K to provide for the costs of re-commissioning the waste contracts during 2015/16
- £72K to meet the Council's contribution to the development of the Joint Planning Strategy for the West of England
- £175K to support the cost of implementing the Living Wage for Schools Non-Teaching staff for one year, to be funded directly by schools thereafter.

The following one-off allocations for 2015/16 were approved by Council at last year's budget meeting as part of two year allocations funded from the Financial Planning Reserve:

- £125K to the Green Deal, Energy at Home scheme 2015/16.
- £107k to support the aims of the proposed adult advice and information strategy.
- £50k to support the delivery of the Council's Advice Services Strategy and protect as far as possible the universal services currently provided under contract to the Council.

In the event that a qualifying petition for a Mayoral referendum is received by the Council during 2015/2016, the costs associated with running such a referendum would be met from the appropriate earmarked reserve.

In addition to these specific proposals, under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Resources, may authorise funding for robust and credible invest to save proposals from reserves (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings.

Robust and credible 'invest to avoid' proposals (where investment can avoid future costs), can also be considered, but in addition there needs to be specific provision within business cases to replenish the reserves over a 3 year period.

Council Tax

The local government financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). This financial support (in the form of a grant) for 2015/2016 is stated as being included in baseline funding although no specific details have been announced relating to funding from 2016/2017 onwards. The income from the grant is equivalent to a 1% increase in council tax.

The proposed Council Budget utilises the council tax freeze grant and provides for a zero increase in Council Tax for 2015/2016.

The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,201.85 which is no change on the previous year. Comparative details of the council tax levels from English Unitary Councils for 2014/2015 are attached at Annex 5 and illustrates that the council tax for this Council remains below the average level.

Revenue Budget Proposal – The Headline Numbers

The proposed revenue budget for 2015/2016 represents:

- A net £0.7m or 0.6% increase in the non-schools budget.
- An increase in the DSG estimated at £2.6m with total funding of £120.3m (including academies). The majority of the additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools. Additional funding to support the Pupil Premium in Early Years is also provided in this total. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.
- A freeze in the Council's level of Council Tax, which excludes Police, Fire and Parish precepts.

We are recommending a net revenue budget for 2015/2016 of £119.914m. Table 3 below, and Annex 1 to this Appendix, show the build-up of the recommended 2015/2016 revenue budget, compared to the rolled forward base budget from the current year.

Table 3: High Level Build-up of the 2015/2016 Budget (detail in Annex 1)

Description	£'000
Total Base Budget rolled forward – 2015/2016 (after removal of one-off items in 2014/2015 Budget)	119,241
One-off Allocations	949
Contractual and Unavoidable Inflation	3,169
New Legislation / Government Initiatives	2,486
Increased Service Volumes	1,891
Other / Technical (Including Capital Financing)	1,903
Total including Growth	129,639
Change Programme & Efficiency Savings	3,358
Increases in Income from fees, charges and other grants	4,134
Service Reduction	2,233
Total Savings	9,725
Recommended Net Revenue Budget 2015/2016	119,914

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2015/2016. These are shown in **Annex 1** to this Appendix. Table 4 shows the resource allocation for 2015/2016 by service area.

Table 4: Resource Allocation 2015/2016

SERVICE AREA	2015/2016		
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)
Adult Social Care	4,440	3,896	56,829
Children's Services	772	1,822	22,453
Place	1,292	717	27,755
Resources & Support Services	1,995	927	8,973
Corporate & Agency	1,899	2,363	3,903
Totals	10,398	9,725	119,914

Note: Some of the figures in the table are affected by rounding.

Section 2 – Future Years 2016/17 to 2019/20

The current Medium Term Service and Resource Plans were constructed to cover the 3 years 2013/14 – 2015/16 in line with the specific budget priorities and the council policy framework.

Given the national and local elections in May 2015, it is perhaps not unsurprising that no figures have been provided to local government for funding beyond 31 March 2016. Indeed the Settlement for 2015/16 reverted to a one-year only Settlement instead of the two year settlements which had been implemented several years ago to aid local financial planning.

We therefore cannot be certain about local government funding from 2016/2017 onwards although we can expect the financial challenge facing the public sector to continue throughout the period of the next parliament from 2016/17 to 2019/20.

Whilst the scale and speed of funding reductions will vary depending on the outcome of the national elections, there are a number of factors which we can identify that will impact on local government funding going forwards:

- Continuing reductions in the national control total for local government funding – we assume this will be at least 10% per annum for this Council or over £4M per annum in cash terms.
- A significant increase in employers national insurance contributions to fund the new national pension arrangements – equivalent to £2.5M in cash terms for this Council.
- The ongoing impact of the new funding arrangements for Adult Social Care arising from the Care Act 2014 – the full implications of this have yet to be assessed.
- The likelihood of increasing pay inflation.
- The potential impact of changes to interest rates and the revenue cost of meeting the Council's full borrowing requirement.
- The level of inflationary and demographic cost pressures arising on Council services.

Given the scale of savings already achieved and those outlined in the MTSRP's and this Budget, it is likely that future savings will require prioritised changes to Council services.

The initial Financial Planning work to look at the future scale of this financial challenge for the Council has estimated that the likely savings or additional income required will be over £38M for this 4-year period.

A rigorous process will therefore need to be applied to the development of the Council budget and medium term financial planning process going forwards to enable resources to be prioritised between service areas.

The Council will therefore seek to develop a new Medium Term Financial Plan during 2015/16 to cover the four years from 2016/17 to 2019/20 once further information becomes available on the overall level of resourcing available to local government.

In order to prepare for this process, Council officers will be developing a range of actions to help support the development of the future Medium Term Service and Resource Plans as set out below:

- A range of key strategies are now in place or being finalised including the Core Strategy, the Health and Wellbeing Strategy, the Economic Strategy, the Transport Strategy and the Leisure Strategy.
- A new One Council approach with projects like 10 in 100 to stimulate new thinking and working across departments.
- Development of a future vision for the Council as a place for 2020 picking up on the changing nature of the Council's role for the delivery of services.
- A review process is underway to identify a range of options to deliver savings and generate additional income covering 4 key themes:-
 - Customer and Community
 - Prevention
 - Growth
 - Generating Revenue / Making the Finances Work
- The Approval of the West of England (WoE) City Deal with B&NES acting as the Accountable Body for the £500M, 25 year, Economic Development Fund for the sub region.
- Progressing with the Workplaces Programme which creates flexible working and new office layouts together with a new ICT strategy to support this.
- Greater clarity about how to improve links with local communities under the Council's Connecting Communities programme.

Section 3 – The Capital Budget for 2015/2016

Introduction

The Cabinet's proposals for the Council's capital programme are limited to a number of specific new additions to the existing approved programme full details of which are set out in this Section.

This Capital programme proposals:

- Limits new commitments to items which are in line with Council priorities and objectives and which are funded either from external sources, from anticipated future capital receipts, or where the potential costs of borrowing can be met from within the proposed Budget.
- Recognises that careful consideration has been made by Officers and Members regarding future commitments and the direction of this programme.

The MTSRP's recognise the intention to minimise new borrowing in the current market climate and fund the capital programme from a mixture of future capital receipts and internal cash flow wherever possible. However the decision on the timing of new borrowing will be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

The projected capital receipts were shaped by a Property Review of proposals for development of Council owned sites. These projected receipts are kept under regular review to ensure the latest position is reflected in budget planning and all existing and future projected capital receipts will be utilised to support the general financing of the Council's Approved Capital Programme.

The presentation of the Capital Programme retains the clear separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

Items gaining **Full Approval** are clear to proceed to full scheme implementation and delivery, subject to appropriate project management and governance.

Items for **Provisional Approval** will require further Officer and Member scrutiny, including a formal Cabinet decision for Full Approval. The budget numbers for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

Recommended Programme for 2015/2016

On this basis the Cabinet is recommending the Capital Programme as attached in **Annex 3** and summarised in the table below.

The proposed programme assumes total capital payments and funding in 2015/2016, comprising both the programme for Full Approval of £57.537m and a programme for Provisional Approval (subject to) of £27.065m, as shown in Table 5 below. This table also shows the indicative capital programme and

funding at summary level for 2015/2016 to 2019/2020. **Annex 3** shows the total capital programme for 2015/2016 to 2019/2020 in more detail.

Table 5: Summary Capital Programme and Financing 2015/16 - 2019/20

For Approval

Capital Scheme	Budget 2015/2016 £'000	Budget 2016/2017 £'000	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Total £'000
Place	36,973	1,230	125	50	0	38,378
People & Communities	9,603	802	65	0	0	10,470
Resources	10,961	25	90	135	0	11,211
Total	57,537	2,057	280	185	0	60,059

For Provisional Approval (Subject to)

Capital Scheme	Budget 2015/2016 £'000	Budget 2016/2017 £'000	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Total £'000
Place	11,569	30,890	20,511	11,383	5,377	79,730
People & Communities	5,593	8,694	0	0	0	14,287
Resources	9,903	1,557	1,557	1,557	1,557	16,131
Total	27,065	41,141	22,068	12,940	6,934	110,148

Grand Total	84,602	43,198	22,348	13,125	6,934	170,207
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Funded By

Financing	Budget 2015/2016 £'000	Budget 2016/2017 £'000	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Total £'000
Grant	30,469	14,668	5,132	4,749	4,749	59,767
Capital Receipts/RTB	8,524	11,162	11,050	0	2,800	33,536
Revenue	2,563	563	478	478	478	4,560
Borrowing	38,844	16,040	5,223	7,748	-1,243	66,612
3rd Party (inc S106)	4,202	765	465	150	150	5,732
Total	84,602	43,198	22,348	13,125	6,934	170,207

Note: Some of the figures in the above table are affected by rounding.

Funding

The revenue budget for 2015/2016 and the Medium Term Service and Resource Plans for 2016/2017 provide for the revenue consequences of the Council borrowing in support of capital expenditure where appropriate.

A desire to minimise the planned levels of external borrowing continues to be recognised within the funding arrangements for the Capital Programme. It is anticipated that all current and future capital receipts will be utilised, together with the Council's internal cash balances to fund the Capital Programme. However the decision on the timing of new borrowing will be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council.

The Capital Programme assumes the achievement of £33.5M of capital receipts over the five year period 2015/16 to 2019/20.

This prudent assumption recognises the difficulty in accurately projecting the actual level of capital receipts over longer-term periods, which will ultimately be dependent on the specific proposals for individual sites in the future.

New Schemes within the Capital Programme

PLACE

Highways Maintenance Programme for Full Approval of £5.971m

The Highways Structural Maintenance budget is included for Full Approval at £5.971m. This is funded by £3.771m Government Grant and additional funding for Highways Surfacing (£1m), Highways Structures (£1m) and Footway Improvements in the Highways (£0.2m) funded through Corporate Borrowing.

This will be used to address a programme of priority works across all highway asset groups namely carriageways, footways, structures (bridges, retaining walls, embankments & culverts), drainage and electrical infrastructure as identified through on-going inspection, monitoring and evaluation.

The proposed programme of work will help address the backlog of maintenance and improve the condition of the highway network, reducing the whole life costs of maintaining roads through earlier intervention.

It is proposed to enhance the quality of substandard footways in the district. This project supports the key objective of encouraging walking as sustainable travel and by resurfacing footways at the optimum time the council is saving the costs of more expensive and disruptive repair works.

A detailed list of schemes, attached at Annex 3(i), will be subject to consultation with cabinet and ward members. Any amendments to the programme will be approved by the Strategic Director for Place in consultation with the Cabinet Member for Transport.

Transport Improvement Programme for Full Approval of £1.931m

The Transport Improvement Schemes budget is included at £1.931m for Full Approval funded from £831k of Integrated Transport Block Government Grant and £1.1m Corporate Supported Borrowing.

The 2015/2016 proposals focus on supporting the five objectives identified in the West of England Joint Local Transport Plan:

- Reducing Carbon Emissions
- Supporting Economic Growth
- Promoting Accessibility
- Contributing to better safety, security and health
- Improving quality of life & a healthy natural environment.

£100k of the Corporate Supported Borrowing funds cycling schemes identified from the Sustrans review of cycle networks within the city as outlined in the Getting Around Bath Transport Strategy. The further £1m of Corporate Supported Borrowing will fund additional pedestrian schemes (£400k), additional cycle schemes (£400k) and 20mph scheme adaptations (£200k).

A detailed list of schemes, attached at Annex 3(ii), will be subject to consultation with cabinet and ward members and the general public where appropriate. Any amendments to the programme will be approved by the Strategic Director for Place in consultation with the Cabinet Member for Transport.

Riverside Path, Bath for Full Approval of £486K

A Local Strategic Transport Fund grant provides for an upgrade to the Riverside path in the Enterprise Area, supporting the delivery of the Bath City Riverside Masterplan and the Getting Around Bath Transport Strategy.

Metrowest for Full Approval of £329k

The Metrowest Phase 1 aims to increase rail frequencies into Bath and North East Somerset as well as other works across the West of England. The sum for 2015/16 continues the development of the project in readiness for funding bid for DfT Major Scheme Funding, devolved to the WoE LEP in the Single Growth Fund. The source of funds for 2015/16 is Integrated Transport Block Government Grant.

Saltford Station - reopening feasibility work for Full Approval of £250k

The project will develop the business case for re-opening a station in Saltford. It will include rail industry engagement, project management and governance, option development (GRIP 3) and working towards single option design (GRIP 4), once the station location has been agreed. There is a risk of revenue reversion if a full scheme were not to proceed.

Great Western Mainline Electrification - Rail & Ride for Provisional Approval of £1.5m

Policy GABP8 within the Getting Around Bath Transport Strategy, commits the Council to developing a bus based Park & Ride if needed, while a railway option is developed. The early delivery of the rail based proposal is a priority to

support the Core Strategy and Enterprise Area. There may be opportunities within the next year to bring either of these P&R facilities forward more speedily following completion of the appraisal being carried out by Mott MacDonald.

In addition the work being undertaken by Network Rail during electrification will have a significant impact on some of the Council's road, cycle and pedestrian network in the vicinity of the Great Western Mainline Railway. In the event of some structures requiring repair or indeed needing to be rebuilt during electrification the Council could take the opportunity to undertake improvement to enhance the transport network at the same time and at reduced cost.

Vehicle Replacement Programme for Full Approval of £581k

The vehicle replacement programme covers Cleansing vehicles (£146k), Parks vehicles (£167k), Waste (£181k), Environmental Protection Pest Control (£32k) and Parking (£15k) vehicles as well as a specialist grave digger (£40k). The use of hybrid and electric vehicles will be considered during procurement.

Neighbourhoods - Bin and Bench Replacement for Full Approval of £50k

This funding will support the replacement of old and damaged litter bins and benches across Bath and North East Somerset. The prioritisation for replacement will be driven from the recently completed condition survey of the assets.

Play Equipment for Full Approval of £115k

This funding will support the replacement of existing, life-expired play and outdoor gym equipment in consultation with local members and cabinet member. The prioritisation criteria in selecting locations to provide support are condition of existing equipment and levels of use.

Haycombe Cemetery Entrance for Full Approval of £60k

Funding will be used to design and build a wider entrance and gates to the Haycombe Cemetery and Crematorium. This will allow two way traffic flow which will ease congestion onto Whiteway Road, improving safety for road users, pedestrians and customers.

Waste Re-provision feasibility work for Full Approval of £100k

The existing Midland Road Waste Facility site within the Enterprise Area cannot remain as it is for the following reasons:

- The existing facility is no longer fit for purpose: it cannot cope well with current quantities of waste or traffic and it is an inefficient design which presents significant Health & Safety risks to be managed.

- The facility is over 30 years old and is approaching the end of its economic life and therefore needs significant maintenance.
- Council has allocated the site for housing purposes within Core Strategy so it cannot continue in its current use in future.

Therefore this £100K project will deliver the feasibility of the Midland Road waste site to provide improved recycling and waste management facilities to meet the expected growth in demand created by SHLAA housing growth.

Parks Service Schemes for Provisional Approval of £200k

This budget is to utilise existing section 106 balances which have been received in recent years to contribute to parks schemes; the programme will be developed according to the scope of the s106 agreements and the needs assessed by the service.

Leisure facility modernisation for Provisional Approval of £15m

This budget is for capital investment into leisure facilities in conjunction with the leisure provider. The Preferred Bidder is due to be appointed in March 2015 and the capital, used mainly for refurbishment of Bath and a new build at Keynsham, will be repaid to the authority within the lifetime of the contract. In addition £500k will be offered for a Combined Heat and Power, subject to a business case, at Bath Leisure centre (see later Resources update).

Passenger Transport Vehicles for Provisional Approval of £1.38m

The investment in replacement vehicles for the Passenger Transport Service is subject to the consideration of a detailed value for money business case.

Sawclose: Pedestrianised Highway Space for Provisional Approval of £100k

This project is to develop the highway and public space adjacent to the new Casino development. This budget is to develop the business case and progress through planning and design. The implementation of the project will be an emerging item, subject to consideration of a detailed business case.

Heritage Infrastructure Development for Full Approval of £100k

The Heritage Infrastructure Development Programme is a rolling programme of projects to invest in the Roman Baths and Pump Room buildings, facilities and 'visitor experience'. The projects currently planned for 2015/16 involve conservation works to the Great Bath, which is a key element of the visitor experience, together with façade consolidation works deferred from 2014/15.

Any amendments to this programme will be approved by the Strategic Director for Place in consultation with the Cabinet Member for Sustainable Development.

Roman Baths Development: East Baths Development for Full Approval of £1m

This project involves the conservation and re-interpretation of the East Baths, and is the latest significant element of investment on the Roman Baths site that began in 2006/07.

The project will improve the environment of the scheduled ancient monument and minimise further degradation and disfigurement through the ingress of water back up the Roman drain. It will improve the accessibility and interpretation of this end of the Roman Baths, bringing it up to the standard of presentation achieved elsewhere on the site.

BWRE/Green Park for Full Approval of £150k

This budget will be used for the production of a Delivery Plan to enable physical regeneration across the BWR East site, improving city centre linkages to the new residential community at BWR and completing the regeneration of this area. Spend will be focussed on specialist development consultancy, legal and planning advice, and transport advice in relation to re-modelling of highways accesses and rationalisation of the Pinesgate Gyratory. Working with landowners, this will establish a process through which future re-development of the site could deliver new employment and additional Business Rate generation in line with Corporate aspirations on a key site within the Enterprise Area.

Radstock and Westfield Implementation Plan for Full Approval of £100k & Provisional Approval of £50k

This budget is to support the regeneration of Radstock town centre by supporting Norton Radstock Regeneration to create a community service hub at new premises adjacent to Victoria Hall and developing proposals for the next phase of regeneration in the town centre. This may include jointly working with Children's Services to determine the best future use for the Library site, which will remain as Provisional, subject to a more detailed plan.

River Corridor and RoSPA safety works for Full Approval of £150k

The aim of the River Corridor Fund is to deliver environmental, safety and usage improvements to the River Avon, specifically the stretch within the city of Bath. The priorities for the Fund in 2015/16 will be the delivery of further safety and accessibility improvements as listed below.

- Feasibility study to deliver additional stretches of the Walcot River Path

- Community accessibility improvements (canoe access) at Bath Quays Waterside
- Extension of the provision of B-Line cabinets beyond the 2014/15 delivery from Norfolk Crescent to Green Park
- Extension of the 14/15 scheme to replace substandard railings between the railway bridge to Churchill footbridge

This list of projects has been developed in consultation with the Strategic River Group and River Safety Group and covers recommendations in the recent Environment Agency /RoSPA report. Any amendments to this programme will be approved by the Strategic Director in consultation with the Cabinet Member for Sustainable Development

Disabled Facilities Grant for Full Approval of £1.180m

This is the mandatory grant service administered for eligible applicants that satisfy the following criteria:

1. it is a necessary and appropriate home adaptation to enable them access to and use of their home;
2. the required adaptation is reasonable and practical; and
3. it meets the requirements of a test of resources.

The assessment of need is carried out by Sirona's Occupational Therapy service, whilst the grant scheme is administered by Housing. The scheme allows an eligible applicant to continue to live independently in their own home by providing a stair lift, suitable washing facilities or other relevant home adaptations.

ECONOMIC DEVELOPMENT FUND SCHEMES

As part of the West of England (WoE) City Deal, the Economic Development Fund (EDF) was established to support infrastructure and regeneration projects across the sub-region. Programme Entry status was approved by the Strategic Leaders Board for a range of projects including a number for this Council.

The capital and associated borrowing costs for these projects are anticipated to be met in full by the EDF upon practical completion of the project or agreed project phase. The Council is responsible for any financing costs to this point and for underwriting the project costs in the unlikely event there is insufficient funding within the EDF.

The following EDF projects are coming forwards for progression within the proposed Capital Programme:

Invest Bristol and Bath

Invest Bristol and Bath (IBB) is the inward investment marketing vehicle for the four West of England (WoE) Unitary Authorities. Its role is to attract external commercial organisations to the WoE supporting aspirations for economic growth, employment creation and increases to business rates income. The annual running costs for up to 5 years will be met from the EDF although for all EDF schemes, this is underwritten by the UA's. The Council confirms that it underwrites the B&NES contribution (up to 25%) of the running costs of IBB in the event that the expected EDF funding package does not materialise. A Memorandum of Understanding is to be agreed subject to a business case.

Innovation Quay – Economic Development Funding Enabling Infrastructure for Provisional Approval of £25m

Innovation Quays is Bath and North East Somerset (B&NES) Council's Flagship Project seeking funding from West of England's Economic Development Fund (EDF). The project seeks to enable the delivery of a new Central Business District in the heart of Bath, delivering much needed modern office stock for the city in a highly attractive and sustainable location.

The proposals seek to enable this by using the Council's strategic land ownership at Bath Quays and utilise EDF infrastructure funding to overcome fundamental viability challenges. These challenges have prevented the provision of modern office stock within the city for over 20 years which result from high land values, high development costs, stagnant office rents and limited occupier covenants.

The West of England Local Enterprise Partnership has granted Programme entry status for £25m of funding via EDF towards enabling infrastructure. This will re-provide the current uses of coach and car-park provision and enable the office development. Detailed options appraisal and full business case approval for each phase of works will be required as the scope emerges.

A36 Lower Bristol Road Bus Lane for Provisional Approval of £3m

The Council has a long standing policy of seeking a bus lane to support bus services approaching the city along the A36 Lower Bristol Road approaching Windsor Bridge Road. This was a key part of the Bath Transport Package but was dropped in 2011 because of the potential for a CPO inquiry delaying the delivery of the remainder of the Package (which could be delivered without further land acquisition). The need for this improvement has been supported by the development of the Bath City Riverside Enterprise Area Masterplan. This project could now be brought forward using resources released from the completion of the Bath Transportation Package. Finally, Windsor Bridge Road is a critical link within the road network, and will be increasingly under pressure through the continued development within the Enterprise Area. The opportunity for an improvement to the bridge itself has been included in this project.

Enterprise Area - Flood Mitigation Phase 2 for Provisional Approval of £100k

Strategic Flood Mitigation will enable delivery of other Enterprise Area (EA) sites to the west of Midland Bridge. We will carry out an initial investigation to define extent of necessary works to enable redevelopment of riverside sites within the EA.

SCHOOLS CAPITAL INVESTMENT

Overview

The Council retains responsibility for capital funding of schools excluding academies and for the expansion of school places at all schools, including academies.

Schools capital grant funding £6.375m in 2015/16 and £6.694m in 2016/17 has been confirmed by the Education Funding Agency (EFA) for Basic Need to support the provision of additional pupil places where there is population growth. An allocation for Capital Maintenance has yet to be announced, but an indicative figure of £2m is assumed.

2015/16 Basic Need Schemes

Our increased level of Basic Need grant funding reflects the growing number of additional places required as identified in the School Organisation Plan and annual School Places Return (SCAP). The funding is to provide the projected number of places that will be needed by September 2017. The allocation is non ring-fenced to enable the Council to fulfil its statutory duties in ensuring sufficient school places. There are no revenue implications for the Council arising from the expansion of schools as these will be met by the Dedicated Schools Grant (DSG).

The Council has a statutory duty to provide sufficient school places for every child resident in the Local Authority who requires a place with Projects identified in line with these responsibilities. The key priority for investment is the need to provide additional primary pupil places driven both by underlying population growth and new housing. Funding has been provided for places required within the next two years and a number of schools have been identified where capacity will be required. This list is not exhaustive as factors such as the need to revise projections as a result of updated information on births and resident population particularly when most primary schools are full or filling, may mean even small numbers of additional pupils can trigger the need for additional classrooms. Other factors such as changes to the timescales of new housing delivery or a free school being approved can increase or reduce the need to add capacity.

Basic Need has been allocated for 2015/16 for the following schemes.

Oldfield Park Junior School for Full Approval of £200k

Works to accommodate a bulge class transferring through from Oldfield Park Infant School. Accommodation will be required for Year 3 pupils from September 2015.

Westfield Primary School for Full Approval of £100k

To refurbish existing accommodation and bring 2 classrooms back into use. These works will support a bulge class for September 2015 admissions to accommodate an Admission Number of 90.

Paulton Junior School for Full Approval of £1.465m

To provide 4 new additional classrooms required to meet the increase of Pupil Admissions numbers rolling through from the Infant School. It is anticipated that a S106 contribution may be received towards this cost but this is currently under review.

Bishop Sutton Primary School for Full Approval of £1.984m

To provide two additional new build classrooms and replace three temporary classrooms that are in very poor condition. The School's PAN will increase from 21 to 25 from September 2015. Funding from a S106 contribution of £42K and 2014/15 Capital Maintenance grant also support the project budget. The works will support a further Pupil Admission Numbers increase to 30 at a future point when required.

St John's School Keynsham for Full Approval of £59k

A classroom refurbishment to accommodate an additional class in a bulge year. These costs will be met from a £59k Section 106 contribution.

Feasibility Studies for Full Approval of £250k

The council has a statutory duty to ensure there is sufficient provision of school places in the right areas to meet needs. Development work is required to inform detailed project plans for future capital schemes.

Ensleigh – New School for Provisional Approval of £2.5m

A new school will be required to serve the Ensleigh North, Ensleigh South, Royal High School playing fields and Hope House developments, as well as provide places to meet basic need requirements from underlying population growth in the local area. The Council will be required to make a proportionate contribution for land value and funding for these places. Section 106 negotiations are ongoing but it is anticipated that Council funding of between £2.4 and £2.7m will be required to meet the land costs and basic need funding. The Ensleigh School is likely to be delivered by September 2017.

**School Basic Need Schemes Unallocated for Provisional Approval of
£1,069k**

There are a number of housing developments where Section 106 contributions have been agreed that will provide funding to extend existing schools and meet future basic need requirements. In some circumstances, there may be additional basic need pressures in the local area and Council funding may be required to address the additional accommodation needs. This may be necessary for the MoD Warminster Road development where it is expected that Bathwick St Mary will be extended to meet both need generated by the development and also increasing pupil numbers locally.

**Schools Capital Maintenance Programme 2015/16 for Full Approval of
£1.830m**

In recent years allocations from the Department for Education (DfE) for Capital Maintenance funding have been made on the basis of one year allocations. This funding is non ring-fenced grant funding to address the worst building condition issues at schools. To date the funding allocations have not been announced for 2015/16 but are expected to be made by the DfE in late January 2015.

In 2015/16 it is proposed to allocate £1.5m to address the larger condition schemes at 22 schools and these are detailed in Annex 3(iii) These schemes will cover a range of projects such as re-roofing, replacement of heating systems and health and safety. At some schools more than one scheme will be undertaken to address condition issues. Additionally, projects will be undertaken to remove asbestos at four primary schools. In the event of the funding allocations being reduced in 2015/16 it is proposed the number of schemes may need to be reduced to reflect the amount of funding available.

A minor works budget of £200k is proposed to address smaller condition issues such as replacement heating controls and obsolete distribution boards. This funding will be used to address ad hoc condition and health and safety issues as they arise throughout the year.

It is proposed to replace the existing poor condition temporary building at St Mary's Writhlington. The School has agreed to an increase in PAN from 20 to 25 with effect from September 2015. Replacement of the poor condition building will help support this basic need requirement. A sum of £100k was approved by Cabinet on 3 December 2014 for inclusion in the 2015/16 Capital Maintenance Programme.

It is proposed to allocate a sum of £30k to address future DDA adaptations at school sites.

These proposed projects are in line with the intended purpose of DfE capital maintenance funding and are priorities within the Schools Capital Maintenance Programme to ensure schools remain open and operational, statutory duties are met and longer term strategic planning is embedded.

School Capital Maintenance Schemes Unallocated for Provisional Approval of £949k

The balance of the estimated funding available for this year of £949k is to be held provisionally at this time, the value to be confirmed once the grant notification has been received.

The Schools capital maintenance team maintain a rolling list of capital works required, currently totalling £4.761m and this funding will be used to work through these projects as they are fully reviewed and prioritised. Timing of the work on these projects will be reliant on resources available to cost and prioritise these projects and so may slip into future years as has occurred previously. This unallocated balance may also be called upon if any emergency works are required, and will be approved if these works are identified.

RESOURCES & SUPPORT SERVICES SCHEMES**Property Maintenance and Equality Act Works for Full Approval of £1.457m**

Capital Planned Maintenance and Equality Act works will be undertaken on the Council Corporate Estate. Annex 3(iv) provides the detailed plan for 2015/2016, with prioritisation informed by full condition surveys. Any amendments to the programme will be approved by the Strategic Director for Resources in consultation with the Cabinet Member for Resources.

Children's Education Management System for Provisional Approval of £750k

We plan to procure new IT to update the current Children's Education Management System, which supports statutory provision of many Education services including for School Admissions, Home to School Transport, Free School Meals, Statementing of Special Education Needs and statutory reporting including school attendance. This will reduce risks of obsolescence, legal challenge and support no longer being readily available, as well as achieving better fit with the Council's IT Strategy. We will be looking to secure enhanced functionality for a better experience for the public and staff and will achieve better value for money, including looking with interest at joint procurement opportunities with other Councils.

LGA Bonds Investment for Full Approval of £50k

The Municipal Bonds Agency is a company set up and owned by Local Government to provide access to capital finance at advantageous borrowing rates. It will also seek to facilitate inter-local authority lending and access to other financial instruments. Our investment is to provide a contribution towards its working capital.

IT Asset Refresh for Full Approval of £201k

The Council has always had and continues to need an annual refresh budget to cover the replacement of key infrastructure assets at their end of life (e.g. servers, network switches). Without this refresh programme, PSN compliance lapses (e.g. the ability to process benefits, revenues, safeguarding and other data), IT security will be breached and IT devices and systems used by services will become unsupported, obsolete and will fail. The programme is managed as a 5 year commitment.

This request is to fund Year 3 of the present 5 year refresh programme. Technology is constantly changing and so forecasts are reviewed again annually before being made firm. Capital costs can be met from service supported borrowing funded through savings created in IT budgets.

Energy Efficient Fund Update for Provisional Approval of £500k

The capital programme has £500k loan fund for the installation of Biomass boilers on the basis that the capital cost can be repaid by those participating through their energy savings over a period of time. Feasibility studies have established that a Combined Heat and Power solution at Bath Sports and Leisure Centre is the most effective use of the money to meet the objective of reduced carbon emissions and to be able to repay the loan. Delivery of this scheme will be through the Leisure contractor being appointed through the current procurement exercise and will be subject to a supported business case.

Emerging Capital Schemes

The following schemes are not yet fully developed and outline business cases have not been produced at this stage so it is not possible to identify an appropriate provision for them within the proposed Capital Programme.

These schemes may require significant capital expenditure some or all of which may be met through external sources or the related service provider. As the specific business cases are more developed and the capital requirements are more fully understood these schemes will come forward for Council consideration and decision at that point.

The business cases will need to identify suitable capital and, if necessary, revenue funding provision at this time.

Bath Western Riverside Phase II

Bath Riverside (BWR) has now established itself delivering a strong foundation for growth within the Enterprise Area and a vibrant new community within Bath is emerging. With completion of the first phase (813 homes) now likely ahead of programme in 2018/9 and gas holder decommissioning and demolition complete, the project can plan to continue delivery across the entire site, including the current waste site. This will deliver the primary school, 1200+ new homes and commercial space.

In order to realise full regeneration in line with the Core Strategy, further significant capital investment may be required to support project partners in delivering comprehensive regeneration, some or all of which may be met through external sources.

Implementation of Transport Strategies

As a result of the adoption of the Getting Around Bath transport strategy by Council and the emerging Getting Around Keynsham Draft Transport Strategy, there will be a need to progress and implement the agreed actions. External funding sources will be targeted, but these may need to be supplemented by Council funds.

Cycle City Ambition Fund

The Council is submitting a bid to DfT (at their invitation) for funding for the continuation of the Cycle City Ambition Fund with Bristol CC and South Gloucestershire Council. This could bring in approx. £3.8m of capital funding over the period 2015/16 to 2017/18 to develop cycling commuter routes and optimise economic benefits. If successful this will become an additional set of projects in the Capital Programme commencing in 2015/2016.

Business Expansion Space - Property Lease

The economic development strategy review identified a significant shortfall in available commercial space for expanding small businesses outgrowing the Guild Co-working Hub and the Bath University Innovation Centre; this is leading to a long term issue in relation to business retention, employment growth and business rates retention.

In conjunction with the Bath University the Council is developing a commercial incubator model that would require the Council to take a long lease on a suitable property, providing up to 40,000sq ft of additional space. This is subject to the development and subsequent approval of a business case being at minimum revenue neutral to the Council.

New School Provision from Future Housing Development

It is expected that up to six new primary schools will be required to meet future housing development by 2029. Of these schools, three will be delivered by the housing developers and three are likely to be delivered by the Council.

The following table provides information on development sites where agreement has been reached or discussions are ongoing for the developer to deliver the school site and buildings. Each of the schemes will be delivered with Early Years Provision.

APPENDIX 1

Development Name	Developer	Provision to be delivered by Developer	Anticipated opening date.
Somerdale	Taylor Wimpey	A new one form entry primary school, delivered on site	September 2017
Foxhill	Curo	A new one form entry primary school, delivered on site	September 2017/18 – this date may be later.
Bath Western Riverside - Crest	Crest	A new one form entry primary school, delivered on site	September 2020

Three other areas may require new school provision. This cannot be easily delivered by a developer as the need is generated by several developments. In these circumstances, it will be for the Council to deliver the new school.

The longer term provision of additional places or new schools at other development sites will need further consideration by the Council. At this point in time no, agreements have been made as to when this new provision might be required but it may have an impact on future Capital budgets if any shortfalls in funding are identified.

Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year. The policy defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing. The Council is recommended to approve the statement in Annex 4 which is unchanged from last year.

Prudential Indicators

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. The Capital Prudential Indicators are shown in Table 6 below.

Table 6: Capital Prudential Indicators.

PRUDENTIAL INDICATOR	2013/14 Actual	2014/15 Probable Outturn	2015/16	2016/17	2017/18
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	44,572	85,726	84,602	43,198	22,348
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the council tax			£0.94	£3.76	£2.31
Cumulative totals:			£0.94	£4.70	£7.01
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			10.35%	12.79%	13.93%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			3.84%	4.61%	4.93%
Borrowing Limits (£m)					
Operational boundary – borrowing			£182m	£193m	£190m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
Operational boundary - total			£184m	£195m	£192m
Authorised limit - borrowing			£219m	£227m	£224m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
Authorised limit - total			£221m	£229m	£226m
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	153,025	186,903	219,176	227,354	224,387

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that external debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

After reviewing the capital programme and borrowing proposals, the Section 151 officer reports that the Council will continue to meet the demands of this indicator.

Borrowing limits

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed use of the Council's longer term cash flow balances to "internally" meet the financing requirements for the Keynsham Town Centre Regeneration project, subject to overall treasury management decisions.

Section 4 – Revenue & Capital Reserves and Contingencies

Significant Earmarked Reserves

In developing the proposed Budget for 2015/2016 all the Council's earmarked reserves have been routinely reviewed and the related potential liabilities assessed to establish the future requirements for each of the reserves.

Based on the most recent review, the majority of the Council's reserves remain committed to the specific purposes for which they were established. The proposals for significant earmarked reserves will be as follows:-

The Revenue Budget Contingency – the reserve has been utilised during 2014/15 to meet a range of in-year pressures and priorities. It is anticipated that this reserve will stand at £1.239M for 2015/16. The balance of the Revenue Budget Contingency will be available for allocation to meet new and emerging priorities of the Council during the financial year, including the management of any Outturn overspending.

Financial Planning Reserve – this reserve supports the future medium term financial planning of the Council. The reserve will generally be allocated as part of the Budget process each year to support the specific medium term financial proposals and priorities of the Council. As a general principle, this reserve will be used to support the transition to the delivery of future identified savings, as opposed to supporting ongoing revenue expenditure.

The Transformation Investment Reserve – will support the development and progression of a significant transformation programme to redesign and reshape a range of services to recognise the future shape of the Council. A number of the specific changes are progressing including a future service review, shared service opportunities and the implementation of a new HR/Payroll system.

Subject to the overall limits, the reserve will continue to be utilised to provide one-off resources in support of the development and delivery of specific savings or income generation plans subject to an overall business case and project plan.

This reserve will be committed to meet the costs associated with these changes over the next three to four years and allocations will be subject to the approval of the Chief Executive in consultation with the Cabinet member for Resources and the S151 Officer.

The Restructuring and Severance Reserve – the significant financial challenge facing the Council will lead to reductions in staffing number as savings and efficiencies are delivered. The MTSRP indicated that around 300 posts would be lost over the 3-year period to 31 March 2015 including through redundancy.

The associated costs have been managed largely within existing budgets for the period to 31 March 2015 although it will be increasingly difficult to contain these one-off costs going forwards. The reductions in staffing levels are likely to continue for several years and the associated severance costs may be significant.

It is estimated that this reserve will be available to help meet these costs, avoiding the need for subsequent additional service savings purely to pay such severance costs. This approach will be regularly reviewed to ensure it is being applied appropriately within the overall scale of anticipated staffing reductions.

The Affordable Housing Reserve – this reserve is currently committed to fund the Council's contribution to affordable housing including within the Bath Western Riverside development. Right to Buy Receipts are forecast to be £1.467m above originally forecast levels for the period up to the end of 2014/15 and this has reduced the call on the affordable housing reserve for Phase 1 of the Bath Western Riverside development. The uncommitted balance of this reserve will be available to fund future affordable housing developments.

All service based Earmarked Reserves are anticipated to be fully committed.

Table 7 below, sets out the projected level of the significant earmarked reserves taking account of anticipated commitments over the next 3 years to 2017/2018.

Table 7: Projected Significant Earmarked Reserves

	Revenue Budget Contingency	Transformation Investment Reserve	Restructuring & Severance Reserve	Affordable Housing Reserve	Financial Planning Reserve
	£'000	£'000	£'000	£'000	£'000
Estimated Reserves @ 1st April 2015	1,239	2,909	4,918	3,000	5,844
Allocation in 2015/2016	0	-923	-900	-1,130	-739
Balance C/F	1,239	1,986	4,018	1,870	5,105
Allocation in 2016/2017	0	-1,000	TBC	-85	TBC
Balance C/F	1,239	986	TBC	1,785	TBC
Allocation in 2017/2018	0	-986	TBC	0	TBC
Balance C/F	1,239	0	Nil (est)	1,785	Nil (est)

Unearmarked Revenue Reserves

The Local Government Act 2003 contains a duty on the statutory finance officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director – Business Support are an integral part of our budget recommendations. This sets an unearmarked reserves target of £10.5 million based on a financial risk assessment and in the context of the "one-off" funding proposals contained within this Budget proposal.

Table 8 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. This analysis includes the proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Workplaces Project – requires total cumulative revenue investment of £2.6m over the period to 31 March 2016 with repayment of the reserves commencing in 2016/17 from the on-going revenue savings of around 14%.

This actual level of unearmarked reserves will also depend on the Outturn position for 2014/2015 and on future decisions by the Cabinet about any overspends. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

Contingent Liabilities

In September 2014 the Council received a letter from Curo Places Limited identifying a potential claim relating to the presence of asbestos within the housing stock that was transferred to Curo Places Limited (formerly Somer Community Housing Trust Limited) in March 1999.

On receiving the letter the Council and Curo have been in discussion relating to the basis of the claim and the liability for the treatment of asbestos. Much of the claim related to future liabilities. As part of these discussions the Council has been working with Curo on ways of mitigating future costs relating to the management of asbestos within their housing stock.

Following a number of meetings Curo have agreed to suspend all activities relating to the claim while both parties explore the opportunity for a commercial settlement. This work is ongoing and at this stage is not anticipated to impact on the Council's reserves position.

Adequacy of reserves

The s151 officer's report on the robustness of estimates and adequacy of reserves is set out at Annex 2. This provides a reserves strategy to maintain non-earmarked General Fund reserves at £10.5m based on a thorough risk assessment. The projected reserve levels are set out in Table 8 below.

Table 8: Projected Non-Earmarked Revenue Reserves

	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Reserves @ 1st April each year	8,312	7,834	8,116
2014/2015 Projected Outturn Underspensing	-	-	-
Projected Invest to Save Movements	-477	+282	+531
Estimated Reserves @ 31st March each year	7,834	8,116	8,647

Based on anticipated invest to save commitments mainly associated with the Workplaces project, the Non-Earmarked Reserves will begin to be repaid in 2016/17 and at no point will reduce below the risk assessed minimum level of £6M.

Under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Community Resources, can authorise funding from within the non-earmarked reserve for robust and credible invest to save proposals (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings). This is subject to the overall level of non-earmarked reserves being maintained above the risk assessed minimum level of £6M.

Capital Risk Contingency

There are three levels of risk provision in relation to the capital programme.

Firstly individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;

Secondly, the capital programme includes a funded corporate risk contingency currently forecast to be £0.780m. This reduced level reflects a number of calls on the contingency made during the current 2014/15 financial year and therefore this level will need to be reviewed during 2015/2016.

Thirdly the corporate risk assessment on which the general reserves target is based includes an element in the context of the capital programme based on the risks of the current programme.

As with all capital projects, relevant risks are being considered as part of the overall risk-assessed general reserves and the Corporate Risk Register.

Governance

The Council is requested to confirm the specific arrangements for the governance and release of Council reserves, including invest to save proposals, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Community Resources and the Chief Executive.

Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2015/2016.

The financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). The proposed Budget provides for a zero increase in Council Tax for 2015/2016. **Table 9** explains the calculation of this figure:

Table 9: Council Tax 2015/16 for Bath & North East Somerset Council Services

Description	Amount	Comments
Recommended Net Revenue Budget	£119,914k	See Annex 1
Less grant, retained business rates, reserves and estimate of Collection Fund surplus	£45,459k	See Annex 1 Sources of Funding
To be funded by Council Tax	£74,455k	
Tax base (Band D properties equivalent)	61,950.62	Approved by the Section 151 Officer in December 2014
Recommended Council Tax at Band D for 2015/16	£1,201.85	
2014/15 Council Tax Band D	£1,201.85	
Recommended Increase	£0.00	0% increase

The figures above exclude parish, fire and police precepts.

This Council collects Council Tax on the behalf of the parishes, Fire and Police Authorities and the final bills issued will include the Council Tax they have requested this Council to collect. These will form part of the Council's overall budget-setting resolution.

The Police & Crime Commissioner's current budget proposals include a planned increase in Council Tax of 1.99% for 2015/16. The Final budget and precept proposal will be presented to the Police and Crime Panel at their meeting on 12th February 2015.

The Avon Fire Authority at its meeting on 12th December 2014 agreed to consult on the following two budget options:

- Option 1 – a 2% increase in Council Tax
- Option 2 – a Council Tax freeze

The Fire Authority will meet on 6th February 2015 to finalise its budget and set its Council Tax and precepts for 2015/2016.

The headline increase will be affected by the final decisions of the parishes, Fire and Police Authorities, and any decision made concerning special expenses (see below). Final figures will not be available until after Fire and Police meetings and decision dates highlighted above.

Table 10 sets out the composite Council Tax likely to be charged:

Table 10: Potential Total Council Tax 2015/16 (Band D)

Council Tax charges (Band D) made by	Charge made now 2014/15 £	Proposed Charge 2015/16 £	% Change
Bath and North East Somerset Council	1,201.85	1,201.85	0% (£0.00 at Band D)
Avon and Somerset Police	171.37	TBC	Final Decision to be taken on 12 th February 2015.
Avon Fire & Rescue	65.30	TBC	Final decision to be taken on 6 th February 2015
Total excluding parishes	1,438.52	TBC	
Parishes (average)	35.72	TBC	Not known at time of writing
Total	1,474.24	TBC	The 2015/16 figure will depend on decisions taken by the Police, Fire and Parish/Town Councils

The precepts required by Parishes, Fire and Police will form part of the Council Tax setting resolution at Council on 17th February 2015, and so the necessary updated information will be set out in the report.

Special Expenses

As part of the 2014/2015 Budget preparation process no special expenses were declared (with the exception of Parish and Town Council precepts). It is proposed that this policy remains unchanged for the 2015/2016 budget.