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Your ref:**Our ref:** CRS**Date:** 25 Jan 2011**E-mail:** Democratic_Services@bathnes.gov.uk**To: All Members of the Cabinet**

Councillor Francine Haeberling	Leader of the Council
Councillor Malcolm Hanney	Deputy Leader and Cabinet Member for Resources
Councillor Terry Gazzard	Cabinet Member for Development and Major Projects
Councillor Charles Gerrish	Cabinet Member for Service Delivery
Councillor David Hawkins	Cabinet Member for The Council as Corporate Trustee
Councillor Vic Pritchard	Cabinet Member for Adult Social Services and Housing
Councillor Chris Watt	Cabinet Member for Children's Services

Chief Executive and other appropriate officers
Press and Public

Dear Member

Cabinet: Wednesday, 2nd February, 2011

Please find attached a **SUPPLEMENTARY AGENDA DESPATCH** of late papers which were not available at the time the Agenda was published. Please treat these papers as part of the Agenda.

Papers are included for the following items:

14. FINANCIAL PLAN 2011/12-2013/14, BUDGET & COUNCIL TAX 2011/12

Yours sincerely

Col Spring
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

This Agenda and all accompanying reports are printed on recycled paper

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Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	2 February 2011	Forward Plan Reference E 2229
TITLE:	Medium Term Service & Resource Planning 2011/12 – 2013/14, & Budget and Council Tax 2011/12	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
<p>Appendix 1 - The Budget and Council Tax Proposal of the Cabinet 2011/12. This comprises a covering document, plus 4 Annexes</p> <p>Annex 1 Draft Base Revenue Budget 2011/12 – individual service cash limits (<i>TO FOLLOW</i>)</p> <p>Annex 2 Section 25 of the Local Government Act 2003 - Chief Financial Officer's Report on Adequacy of Balances and the Robustness of the Budget</p> <p>Annex 3 Draft Capital Programme 2011/12-2015/16 including other emerging projects and programmes on an indicative basis - items shown in italics</p> <p>Annex 4 Minimum Revenue Provision (MRP) Policy</p> <p>Appendix 2 - Medium Term Service & Resource Planning Assumptions 2011–2015</p> <p>Appendix 3 - Budget Setting Process – Advice of the Monitoring Officer</p>		

1 THE ISSUE

- 1.1 This report presents the Cabinet's draft medium term financial plan, and revenue and capital budgets for the 2011/12 financial year together with a proposal for a Council Tax level for 2011/12.

2 RECOMMENDATION

The Cabinet is asked to recommend:

- 2.1 That the Council approve:

- a) The General Fund net revenue budget for 2011/12 of £121.742m with no increase in Council Tax.

- b) That no Special Expenses be charged other than Town and Parish Council precepts for 2011/12.
 - c) The adequacy of reserves at Appendix 1 Table 9 with a risk-assessed level of £10.5m.
 - d) The individual service cash limits for 2011/12 summarised at Appendix 1 Table 5 and detailed in Annex 1.
 - e) That the specific arrangements for the governance and release of corporate headroom and one-off funding provided within the Budget, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Resources and the Chief Executive.
- 2.2 That the Council include the precepts set and approved by other bodies including the Local Precepts of Town Councils, Parish Councils and the Charter Trustees of the City of Bath, and those of the Fire and Police Authorities in its Council Tax setting.
- 2.3 That the Council acknowledges the Section 151 officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves (Appendix 1, Annex 2) and approves the conditions upon which the recommendations are made as set out throughout Appendix 1.
- 2.4 That in relation to the capital budget the Council:
- a) approves a capital programme of £34.108m for 2011/12 and notes indicative items shown in italics for 2011/12 and the programme for 2012/13 to 2015/16 as shown at Appendix 1, Annex 3 including the planned sources of funding .
 - b) approves the Minimum Revenue Provision Policy as shown at Appendix 1, Annex 4
 - c) approves the Capital Prudential Indicators as set out in Appendix 1 Table 7.
- 2.5 That the Council notes the O&S review of Medium Term Service and Resource Plans and 2011/12 Service Action Plans and instructs the relevant officers to finalise and publish their Medium Term Service and Resource Plans and Service Action Plans by end of March 2011, in consultation with the relevant Cabinet Member and in light of feedback from the O&S reviews, and in line with the approved cash limits.
- 2.6 Authorise the Divisional Director – Finance, in consultation with the Cabinet Member for Resources, to make any necessary presentational improvements to the draft budget proposal prior to submission to Council.

3 FINANCIAL IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

4 COMMUNITY STRATEGY OUTCOMES

4.1 The framework for service and resource planning aims to ensure that resources are aligned to corporate priorities as set out in the Council's current Corporate Plan, which in turn reflect the Bath & NE Somerset Community Strategy.

5 CORPORATE IMPROVEMENT PRIORITIES

5.1 The framework for Service and Resource planning aims to ensure resources are aligned to corporate priorities and improving the delivery of services and cross-Council priorities, linking performance with resources and value for money.

6 THE REPORT

6.1 In this document the Cabinet sets out the following:-

- Its medium term service and resource planning financial assumptions (Appendix 2) which set the basis for the draft budget proposal for 2011/12.
- Its draft budget proposal for 2011/12 (Appendix 1). This provides the detail of the first year of the Medium Term Service and Resource Plans and recommends revenue and capital budgets for 2011/12, together with capital commitments for future years, and recommends a level of Council Tax for 2011/12.

6.2 The budget proposal builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the significant financial challenge facing the public sector. Over the last 4 years the Council has achieved significant efficiency savings of £17.8m along with a further £7.3m of efficiency / change programme savings included in the 2011/12 budget which represents 64% of the total savings for next year. There is a focus on achieving a real reduction in our cost base by redesigning the shape and delivery of services together with considered and affordable capital investment to promote economic growth and future efficiency savings. The budget proposals include:

- A net £6.9m or 5.3% decrease in the non-schools budget
- A £14.7m increase in Dedicated School Grant (DSG) to £113.8m, which includes the transfer of specific grant funding for schools and early years which did not form part of DSG in 2010/11. On a like for like basis when compared to 2010/11 funding this represents a cash freeze (0% change)
- A freeze in the Council's level of Council Tax, which excludes Polices, Fire and Parish precepts.

6.3 These budget proposals are set within a context of:

- B&NES being the fifth lowest funded unitary authority per head of population (net budget requirement excluding Dedicated Schools Grant); with the Council continuing to receive less grant than the government calculates we need, over £2.5m per annum historically and at least £1m in 2011/12.
- A significant financial challenge in respect of reducing public sector revenue funding:

	10/11	11/12	12/13	13/14
Government Funding Reduction (£m)	£1.8m	£10.3m	£3.6m	TBC
%age	3%	16%	8%	TBC

2012/13 figures based on formula grant only

- Services facing increasing demand pressures and rising public expectations.
 - Significant financial pressures on services, many of which are already being experienced and additional duties from government which are not always fully funded; e.g. concessionary fares, landfill tax.
 - Recognising the need to deliver savings proposals whilst continuing with effective management of inherent risks.
- 6.4 The report assumes no changes to existing financial delegations or financial management arrangements except as specifically highlighted for approval in section 2 of this report.
- 6.5 It is important to be clear on the process to be followed in setting the 2011/12 Budget. The Monitoring Officer has given specific guidance which is set out at Appendix 3, and in particular the need for the Council to approve a balanced budget.
- 6.6 The Monitoring Officer has also highlighted the implications arising if it does not prove possible for the Council to set a budget at its meeting on 15th February and any decision having to be deferred until the reserve date on 24th February. This includes potential delays to the Council Tax billing process.

7 RISK MANAGEMENT

- 7.1 The report author and the Council's Section 151 Officer have fully reviewed the risk assessment related to this report and recommendations and consulted with the Lead Cabinet member.
- 7.2 In addition Appendix 1 to this report includes (at Annex 2) the Section 151 Officer's assessment of the Robustness of Estimates and Adequacy of Reserves. One of the considerations taken into account is the Directors' Review of Robustness of Estimates and Budget Risks/Sensitivities and the Corporate Risk Register. This is completed by all Directors in respect of their own services.

8 RATIONALE

- 8.1 The rationale for the recommendations is contained in the supporting paper to this report.
- 8.2 The Council's Section 151 Officer is the Divisional Director - Finance. This report reflects information already presented to Overview and Scrutiny by the Director. As Section 151 Officer his duties include ensuring a prudent and balanced budget is set on time which properly takes into account the financial constraints and risks facing the Council.

9 OTHER OPTIONS CONSIDERED

- 9.1 The supporting paper and appendices also contain the other options that can be considered in making any recommendations.

10 CONSULTATION

- 10.1 Meetings have been and will continue to be held with staff, trades unions and with other stakeholders during the development of service and resource plans which have fed into this budget. This has again included a Budget Fair, enabling cross service consideration of the range of proposals by a range of stakeholders.
- 10.2 A formal budget consultation exercise was also undertaken with the community using the Council's website during October and November 2010.
- 10.3 Representatives of the business community were engaged in these consultations together with specific meetings as budget proposals were developed.
- 10.4 Comments received from consultation, including the community consultation, Overview and Scrutiny Panels and Trade Unions have been provided for consideration by the Cabinet.

11 EQUALITIES

- 11.1 The Council's overall approach and commitment to the equality impact assessment of financial decisions and service planning is multi-faceted. It is acknowledged that these decisions have the potential to affect service users and potential users, visitors to our area, staff/workforce and other public and voluntary sector partners. In June 2010 the Council was assessed as meeting the Achieving Standard of the Local Government Equality Framework with particular praise for our process of assessment and our knowledge of our local community.
- 11.2 Every service has completed an Equality Impact Assessment (EqIA) of their draft service plan. These will be available for public scrutiny on the Councils website from 2 February 2011 - see [Equality impact assessments - Financial Plans](#) or from the Service itself. These have been subject to a quality assurance process including community representatives on a sample basis.

11.3 Monitoring and recording of the impact of budget proposals on staffing levels and numbers at a service and corporate level has been undertaken from the outset of the formal consultation processes. This has included whole council and service data showing the equalities impacts before, during and after each programme of organisational change.

11.4 The Council has been asked to participate in a Local Government Improvement and Development (formerly the IDEA) peer support and challenge. During February and March this will include support from LGID peers and associates who have a specialism in the areas of equality impact assessments and budget processes. This is also an opportunity to draw on and share emerging learning as quickly and effectively as possible.

11.5 The overall approach being taken demonstrates that financial decisions are being made in a fair, transparent and accountable way, considering the needs and the rights of different members of our community.

12 ISSUES TO CONSIDER IN REACHING THE DECISION

12.1 These include Social Inclusion; Customer Focus; Sustainability; Young People; Equality; Corporate; Impact on Staff and Other Legal Considerations such as the requirement to set a budget and Council Tax.

13 ADVICE SOUGHT

13.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer have had the opportunity to input to this report and have cleared it for publication.

Contact person	Tim Richens, Divisional Director – Finance (01225) 477468
Sponsoring Cabinet Member	Councillor Malcolm Hanney, Cabinet Member for Resources, (01225) 477034
Background papers	Medium Term Service & Resource Planning reports to Overview & Scrutiny Panels Draft Service Action Plan Reports to Overview & Scrutiny Panels in January 2011 Financial Settlement 2011/12 to 2012/13, CLG website
Please contact the report author if you need to access this report in an alternative format	

THE BUDGET PROPOSAL OF THE CABINET 2011/2012

Executive Summary

Budget Headlines

The proposed band D Council Tax for Bath & North East Somerset Council next year, 2011/12, 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, 2011/12, is £121.742m, which represents an overall net reduction of 5.3%. This reflects the impact of significant cuts in government grant funding both in terms of general grant and specific grants supporting direct service areas totalling 16% for 2011/2012.

A capital budget over the next five years of £203.6m which will provide for:-

- A significant commitment for the Keynsham Town Centre redevelopment including retail units, a library, a one stop shop, improved public space and new Council offices. This includes delivery of sustainable office accommodation with financial (10%) and carbon footprint (70%) savings in the medium term.
- Provision for new and improved leisure facilities within Bath.
- A significant contribution towards affordable homes particularly within the Bath Western Riverside Development.
- Improvements in the Public Realm.
- Continued additional investment in highways maintenance recognising the significant improvements made as a result of the additional £3m investment in 2010/11.
- Investment in transport infrastructure supported by government grant.
- Improvements to school buildings and facilities.

The proposed budget builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the significant financial challenge facing the public sector. There is a focus on achieving a real reduction in our cost base by redesigning the shape and delivery of services together with considered and affordable capital investment to promote economic growth and future efficiency savings.

The Budget Context

The Council's Budget for 2011/12 has been developed against the backdrop of the UK's biggest public sector deficit since the Second World War following the deepest recession since the 1930's. In the 2009-10 financial year, the national budget deficit reached £157bn, meaning the Government had to borrow £1 in every £4 it spent.

Some immediate steps were taken by the Coalition Government in the June 2010 budget to reduce the deficit by some £6bn in 2010/11 with approximately 21% falling on local government. For B&NES this meant a cut of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding alongside notice that Coalition Government funding of other critical B&NES capital schemes was to be reviewed. The savings in 2010/11 have been taken by the Coalition Government but the costs of implementing the savings (including redundancies and meeting contractual commitments) have fallen to B&NES and has required additional efficiencies and / or cuts of over £800k beyond the headline figures quoted.

In terms of tackling the significant ongoing national budget deficit, the Chancellor set out the Coalition Government plans in the Spending Review on 20th October. This deficit reduction programme indicated 28% cuts to local authority spending over the Spending Review period from 2011/2012 to 2014/2015. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Council has for some time recognised the financial challenge facing the public sector and has made prudent provisions within its reserves to help enable and facilitate the changes and implications that will result. In recent years the Council has maintained a high degree of focus on sound financial management (including the delivery of balanced budgets and significant efficiency savings of £17.8m over last 4 years) and it is anticipated this will continue with a balanced budget delivered for the current financial year 2010/2011 notwithstanding absorbing the in-year budget cuts made by the Coalition Government.

The Local Government Finance Settlement

Due to the earlier delays in the announcement of the Provisional Local Government Finance Settlement, at the time of writing this report the Final Local Government Finance Settlement had not been received and is now expected early in February 2011. As such the proposed Budget is based on the Provisional Settlement received on 13 December 2010. Whilst it is not anticipated there will be any significant changes to the figures previously announced this does present a degree of uncertainty and risk.

The headline from the provisional local government financial settlement is a 13.5% reduction in the Council's formula grant funding from Government for 2011/2012. Within the settlement, the Coalition Government has given a greater level of protection to Councils they deem more dependent upon government grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. Furthermore, B&NES grant was 'damped' by an amount of £2.5m per annum by the previous Government so was receiving less than the Government's own assessment of B&NES needs requirement as protection was given to Councils receiving more than their needs entitlement.

The settlement represented a far more challenging position than had been expected based upon the earlier Comprehensive Spending Review (CSR) announcement, and the table below illustrates the scale to which the funding reductions have been front loaded for the Council.

Table 1: Reduction in Government Grant Funding

	2011/2012	2012/2013	2013/2014	2014/2015
CSR Indicative Funding Reduction	-10.7%	-6.4%	-0.9%	-5.6%
Actual B&NES Funding Reduction	-13.5%	-8.3%	TBC	TBC

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year. The financial support will be payable in the form of an un-ringfenced grant, Section 31 Grant, for a period of 4 years.

Further analysis shows that the numbers for 2011/12 and beyond have been complicated by the transfer of several specific and area based grants into the formula grant. Based on our analysis the actual reduction in total Government Grant (about a third of the Council's non-schools funding) is 16% for 2011/12.

The Medium Term Service and Resource Plans which have been prepared by Services have allowed for most of the implications of the financial settlement although up to £3M of grant funding could still be affected by grant funding details still to be announced or clarified by the Coalition Government. These particularly impact on Children's Services, Adult Services and Community Safety.

The financial settlement is only for 2 years, not 4 as had been indicated, and means that there remains a degree of uncertainty about these numbers in the medium term. This is compounded by a review of Local Government Finance which will affect 2013/14 onwards. Medium Term Service and Resource Plans will need to be revisited in the near future to see what adjustment to the year 2 (2012/13) figures are needed. This will include the need for further prioritisation in the allocation of resources in addition to further efficiencies to accommodate the impacts in future years.

Local Budget Impacts

The sound financial management of the Council over many years means we are in a better position to face the challenging financial climate than most other councils. Indeed the Council has correctly anticipated the main aspects of the financial settlement and has been planning for up to 30% reductions in funding over the next four years. This assumption appears reasonable in light of the actual 22% reductions announced for the next two years in the financial settlement which were always expected to be front loaded.

The proposed Budget for 2011/12 recognises the need to prioritise resources and does this with regard to the following principles:

- Reflecting the Council's already agreed and established priorities and Corporate Plan.
- Seeking to prioritise vulnerable and disadvantaged communities and the development of localism.
- Maximising efficiency.
- Incorporating the ongoing change programme to redesign the shape and delivery of services as set out in the Future Council Report.
- Considering if services are necessary or are being provided at the right level.
- Working even more closely with partners including the NHS, the Police, and the voluntary and private sectors to minimise duplication and maximise efficiencies and effectiveness
- Maintaining capacity to manage the changes.
- Investing in capital schemes that support economic growth and deliver future efficiencies at a time when other Councils do not have the resources or prudent financial position that would enable such investment to be undertaken.

Taking account of the Spending Review, the Financial Settlement and the funding pressures facing the Council, it is estimated that £30m of service budget savings are required over the next four years.

The Council has planned for and recognised many of these pressures within the proposed Budget; the most significant of these include:

- Grant funding historically to the value of £2.5M pa below the Government's assessed level of need for B&NES.
- Continuing additional funding of £1m per annum for maintaining the condition of the highways, the results of which similar investment in 2010/11 are already helping to alleviate significant future costs.
- Allocation of an additional £1.6M per annum to recognise the increasing elderly population placing significant demands on Adult Social Care and Health services, together with similar funding of £1.9m from NHS Bath & NE Somerset (the Primary Care Trust).
- Increases in national taxation including employers' national insurance and landfill tax.
- Major changes affecting Health and Adult Social Care delivery including:
 - the establishment of GP Commissioning Consortia (and the withdrawal of Primary Care Trusts (PCTs) by April 2013)
 - the transfer of responsibility for Public Health to local authorities
 - the required transfer of the provider elements of PCTs to other organisations by April 2012 with substantive progress required by April 2011
- Reviewing the Council's role as a Local Education Authority due to impacts of the Coalition Government's Academy school initiatives.
- One-off funding of £336k to support disadvantaged communities, regeneration and localism projects.

The proposed Budget includes total savings of some £11.4m in 2011/2012 which can be summarised as follows:-

Table 2: 2011/12 Savings Analysis

Description	£'000
Change Programme Savings	1,672
Efficiency Savings	5,586
Increases in Income from fees, charges and other grants	1,399
Service Reductions	2,759
Total Savings	11,416

Service Reductions represent 2% of the Councils net revenue budget and 1% of the gross budget excluding Schools.

Full details of the savings and impact on service areas is included within individual Medium Term Service and Resource Plans.

In addition to these savings a further £2.5m of spending reductions have been required in 2011/12 due to reductions and withdrawal of specific grants that were supporting direct service areas. The Council had little choice but to see the cuts made by the Coalition Government lie where they fell and this has been the generally applied principle with some exceptions. It will be necessary to keep this position under review as clarification of further grant funding of approximately £3m is awaited. To reflect this risk, funding of £944k has been allocated to the revenue budget contingency to provide an element of cover for any such grant reduction.

The proposed Budget for 2011/2012 has been delivered with the significant majority (64%) of savings coming from efficiencies and the Council's change programme, with limited impact on frontline service delivery. However, the scale of the projected reduction in local government funding is such that it cannot be met by efficiencies alone. There will need to be even greater prioritisation of services in future years and this will lead to cuts in service areas which are considered lower priority. It is anticipated that over the next four years in excess of 300 posts will be lost starting in 2011/2012.

The Council has anticipated for some time the scale of the financial challenge facing the public sector and has made prudent provisions in the form of Earmarked Reserves to help meet the associated costs, including the Council's change programme, severance costs, and other identified funding risks. These reserves are anticipated to be fully allocated over the next four years.

Council Tax

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 2011/12.

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 2011/12. Annex 1 provides the breakdown of the Budget for 2011/2012.

Section 2 sets out the position for future years 2012/13 and 2013/14 taking account of proposals developed in the medium term service and resource plans, in light of known pressures and assumptions about levels of funding. It also includes details of how the Council Change Programme for the Future Council will contribute to meeting the financial challenge.

Section 3 sets out the recommended capital programme for 2011/12 including the indicative capital programme through to 2015/16. 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 2011/12.

Table 3: Summary Net Revenue Budget and Capital Programme 2011/12 – 2013/14

	2011/12	2012/13	2013/14
Revenue Budget Funding:	£m	£m	£m
Council Tax	£77.427	£79.442	£81.506
Government Grant*	£45.443	£41.453	£41.098
Reserves & Collection Fund Surplus	(£1.128)	£0	£0
Total Funding	£121.742	£120.895	£122.604
Net Revenue Budget Spend	£121.742	£120.895	£122.604
Capital Programme – for approval	£34.108		
Capital Programme - for information	£16.538	£58.766	£55.367

* Includes £1.9m Council Tax Freeze grant

Section 1 – The Revenue Budget for 2011/12

Introduction & Process

The proposed Budget for 2011/12 has been prepared using the Council's medium term service and resource planning process.

The purpose of the Budget is to allocate financial resources across the Council to deliver services to the community to required standards and performance targets. The detail of what is spent must therefore be seen within the context of a service's overall plans.

Strategic Directors, in consultation with their Cabinet Members, have developed Medium Term Service and Resource Plans covering the years 2011/12 to 2013/14 recognising the challenging financial position of the Council. These Medium Term Service and Resource Plans supported by specific Service Plans set out the savings and efficiency proposals that each service will be taking forwards to meet their specific financial targets and available resourcing. This includes outlining the impacts of each of the proposals both in terms of service delivery and on staff.

The Medium Term Service and Resource Plans together with the individual Service Plans, have been reviewed by the relevant Overview and Scrutiny Panels. The O&S Panels were also given an update on the Council's overall financial position. These plans are available as background documents.

The Cabinet have now had the opportunity to further consider proposals from officers which develop the medium term financial planning and take account of the ongoing work of Strategic Directors and the comments from Overview & Scrutiny. In that context the Cabinet has developed the Budget proposal to reflect this position. The Cabinet has also considered feedback from consultation with the Trade Unions, the local business community and other partners / stakeholders.

Approach to the Budget

Corporate Assumptions

The Budget has been built up using a range of corporate financial planning assumptions for areas of income and expenditure which are subject to variation.

Assumptions relating to specific areas of growth or demand for individual services are separately identified within the Medium Term Service and Resource Plan for each service. This includes unfunded pressures arising from national policies for example continued increases in landfill tax rates.

Appendix 2 sets out in more detail the corporate financial assumptions which underpin the Budget, and the key financial planning assumptions are summarised below:

- A pay freeze for the next two years from 2011/12 with the potential for a small increase in respect of the lowest paid element of the workforce.
- An increase in employers' national insurance costs in 2011/2012 of 1%
- Continued low rates of interest from treasury management cash investments of 1% in 2011/2012 increasing thereafter as the bank base rate is expected to rise from the current level of 0.5%.
- No increase in cash terms to the overall level of the employers' contribution to the Local Government Pension Fund.
- Balanced budgets are achieved for 2010/2011.
- No general inflationary provision – specific inflation has been provided within service areas based on specific service circumstances and contractual commitments.
- The ability of the Council to generate capital receipts at acceptable values will continue to depend upon the extent of the wider economic recovery. The Council will maintain the policy of not committing capital receipts until they are realised.

Fees and Charges

The Council is reliant on a range of income streams from fees and charges, many of which are either set by statute or are subject to defined calculations under statutory guidance. Where the Council has discretion, the decisions are delegated to Officers, in consultation with the relevant Cabinet member, and increases in fees and charges are generally in line with the increase in the costs of the relevant service.

The 2011/12 Budget proposal and related Medium Term Service and Resource Plans do not include any proposed changes in fees and charges greater than the above guideline would imply, except as set out below.

The Medium Term Service and Resource Plan for Service Delivery assumes that, income from parking charges will be reviewed during 2011/2012 and any increases will be the subject of a specific consultation process prior to implementation.

As part of the Change Programme, and in accordance with the principle of Fair Charging the Council will be taking forward options to further optimise its income. Specific proposals are set out within Medium Term Service and Resource Plans where they apply.

Government Grant

The budget for the current year 2010/2011 marked the end of the funding settlement made as part of the Comprehensive Spending Review in 2007 and with weak economic conditions and an increasing national budget deficit it was clear that the next Spending Review Period from 2010 would present a significant financial challenge to the public sector.

The scale of that challenge began to emerge when the new Coalition Government announced significant in year budget cuts as part of its emergency budget in June 2010, with the Council having to find savings of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and £1.8m in capital funding within year. In addition the costs of implementing the savings (including redundancies and meeting contractual commitments) fell to the Council and required additional efficiencies and / or cuts of over £800k. These have all been met within the overall approved budget for 2010/2011.

In terms of tackling the significant ongoing budget deficit, the Chancellor set out the Coalition Government plans in the Spending Review on 20th October 2010. This deficit reduction programme indicated 28% cuts to local authority spending over the Spending Review period from 2011/2012 to 2014/2015 with a significant element front loaded to the first two years 10.7% in 2011/2012 and 6.4% in 2012/2013. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Provisional Local Government Finance Settlement was announced by the Coalition Government on 13th December 2010 and set out the specific level of national funding for the Council going forwards. The key elements of this announcement for the Council were:-

- Formula Grant reducing by 13.5% in 2011/2012 and then by a further 8.3% in 2012/2013.
- A new two level damping system was introduced with the Council first being placed into one of four groups based upon its reliance on government grant. The Council was deemed to be amongst the least reliant on government grant and so placed in the lowest group. All councils in this group faced larger grant reductions. The second historic damping system remained with the Council losing a further £1m compared to its assessed level of need.
- A financial settlement for only two years and not the full four years covered by the Comprehensive Spending Review. This will enable a wider review of Local Government Finance to be conducted by the Coalition Government during 2011.
- A number of grant funding streams and adjustments made to the Formula Grant Baseline which included:
 - A reduction of £475k as a result of the impact of Academies
 - A reduction of £300k for transport funding, including bus subsidies.
 - A reduction of £620k in the funding for concessionary fares
- Discontinued and reduced specific grants totalling £2.5m together with the future of a further £3m of specific grants yet to be announced.
- Capital grant reductions of 50% for the local transport plan, continued uncertainty over major capital scheme grants and the discontinuation of Private Sector Housing Renewal Capital Grant of approx £600k.

- Recycled funding within Formula Grant to provide funding for pressures facing Adult Social Care – estimated at £1.6m for the Council. Additional non-recurring funding to also be directed via NHS Primary Care Trusts for Health and Social Care estimated at £1.9m for 2011/2012.
- Reference to funding for a New Homes Bonus Scheme which will provide funding for new homes brought into use and included in the Council Tax Base. This funding has yet to be confirmed but provisional estimates for the Council indicate an amount of £600k for 2011/2012. This funding will not be allocated until a clear announcement is made by the Coalition Government confirming the payment and terms of this potential new funding.

The Council has correctly anticipated the main aspects of the financial settlement and had been planning for up to 30% reductions in funding over the next four years. This assumption appears reasonable in light of the actual 22% reductions announced for the next two years in the financial settlement which were always expected to be front loaded. The Budget proposal therefore did not require further savings to be made by services to implement the funding reductions set out in the provisional financial settlement and specific provisions have been made within the Budget to reflect a number of the specific elements set out above.

Resource Allocation, Use of Corporate Headroom and Collection Fund Surplus

The initial resource allocation parameters agreed in June 2010, required each service being asked to deliver a base savings level equivalent to approximately 5% of gross expenditure and a stretch savings level equivalent to 10%, excluding any impacts of specific grant changes. This approach, whilst somewhat direct, was felt to provide the likely level of flexibility required to mitigate the uncertainty surrounding the actual level of Government funding reductions which would not finally be known until the Provisional Financial Settlement (actually received on 13th December 2010).

The indicative service cash limits were also set to recognise previously identified growth/pressures with a general principle that any growth provision needed to be met with equivalent savings.

Table 4 in this report shows how the budget rolled forward from 2010/2011 has then been built up with total growth and savings identifies by services and set out in Medium Term Service and Resource Plans.

In arriving at the savings, services will have taken into account the agreed key budget principles as follows:-

- Reflecting the Council's already agreed and established priorities and Corporate Plan.
- Seeking to prioritise vulnerable and disadvantaged communities and the development of localism.
- Maximising efficiency.
- Incorporating the ongoing change programme to redesign the shape and delivery of services as set out in the Future Council Report.
- Considering if services are necessary or are being provided at the right level.
- Working even more closely with partners including the NHS, the Police, and the voluntary and private sectors to minimise duplication and maximise efficiencies and effectiveness

- Maintaining capacity to manage the changes.
- Investing in capital schemes that support economic growth and deliver future efficiencies at a time when other Councils do not have the resources or prudent financial position that would enable such investment to be undertaken.

In most service areas savings have been assumed at the base level, however a stretch level of savings has been applied to the Resources and Development and Major Projects directorates - overall savings of some £11.4m have been made within services.

In addition to these savings a further £2.5m of spending reductions have been required in 2011/12 due to reductions and withdrawal of specific grants that were supporting direct service areas. The Council had little choice but to see the cuts made by the Coalition Government lie where they fell and this has been the generally applied principle. It will be necessary to keep this position under review as clarification of further grant funding of approximately £3m is awaited and funding has been allocated to the revenue budget contingency to provide a degree of cover in relation to this risk.

Each year the Council calculates an overall collection rate for council tax, based upon a number of assumptions. The actual rate of collection will vary each year and, based on current collection levels, it is expected that actual rates this year will exceed the base assumption. This represents an excellent performance by the Revenues team given the difficult economic environment. The Council's share of this surplus is estimated at £591,000 and this therefore provides additional "one-off" funding that can be applied as part of the 2011/2012 budget.

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

Transfers to Revenue Budget Contingency - £1,719k

- £944k to reflect the ongoing risk surrounding approximately £3m of specific grants which are still subject to further announcements from the Coalition Government. These include significant grants in areas such as drug action and youth justice.
- £775k to be held within the reserve to reflect the potential further risk relating to outstanding grants, the actual delivery of savings identified within service areas for 2011/2012, and emerging priorities.

The consideration for allocation of this funding will be subject to further review by Cabinet once further information is available.

Ongoing Headroom Allocations - £2,340k

- £1,600k to Adult Social Care and Health. This funding together with a further £1,900k to be allocated via the Primary Care Trust on a non-recurring basis will be used to support fundamental change to secure long term sustainability in the face of demographic growth and changed expectations. A key element of delivery will be through support for a viable Social Enterprise for integrated community health and social care services.

- £400k to support capital financing costs as part of the overall funding of the capital programme as set out in Section 3.
- £300k to cover the estimated impacts of the government's carbon trading scheme. As announced in the Comprehensive Spending Review, this funding will now be retained by the Treasury rather than recycled into the scheme.
- £40k to cover the cost of the Council's contribution to the Business Improvement District Levy.

One-off Headroom Allocations - £591k

- £150k to support the development and negotiation of potential new leisure facilities within Bath. (See also Capital Programme – Section 3)
- £105k to introduce a community enablement programme to support provision of Youth Services. This resource is to specifically support community groups and voluntary organisations (including Parish Councils) to develop volunteer-led positive activities for young people.
- £336k towards a fund to support disadvantaged communities, regeneration and localism projects.

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.

Governance

The Council is requested to approve that the specific arrangements for the governance and release of corporate headroom and one-off funding together with invest to save proposals provided within the Budget, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Resources and the Chief Executive.

Local Area Agreement – Performance Reward Grant

The Local Area Agreement 1 covering 2007- 2010 has now concluded with organisations within the Local Strategic Partnership successfully achieving £1.3m worth of reward. This reward, which is split 50% revenue and 50% capital, is due to be paid to the Council (as the accountable body) by the end of the financial year 2010/11. The Local Strategic Partnership has agreed that this reward will be spent on building capacity in the community through a bidding process that will be managed by the Council. To facilitate this process the reward grant will be transferred to an Earmarked Reserve when received.

Summary of the Revenue Budget Proposal

The proposed revenue budget for 2011/12 represents:

- A net £6.9m or 5.3% decrease in the non-schools budget
- A £14.7m increase in Dedicated School Grant (DSG) to £113.8m, which includes the transfer of specific grant funding for schools and early years which did not form part of DSG in 2010/11. On a like for like basis when compared to 2010/11 funding this represents a cash freeze (0% change)
- 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 2011/12 of £121.742m. Table 4 below, and Annex 1 to this Appendix, show the build-up of the recommended 2011/12 revenue budget, compared to the rolled forward base budget from the current year.

Table 4: High Level Build-up of the 2011/12 Budget (detail in Annex 1)

Description	£'000
Total Base Budget rolled forward – 2011/12 (after removal of one-off items in 2010/11 Budget)	128,597
Contractual and Unavoidable Inflation	2,610
New Legislation / Government Initiatives	908
Increased Service Volumes	1,746
Other / Technical	(703)
Total including Growth	133,158
Change Programme Savings	1,672
Efficiency Savings	5,586
Increases in Income from fees, charges and other grants	1,399
Service Reduction	2,759
Total Savings	11,416
Recommended Net Revenue Budget 2011/12	121,742

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2011/12. These are shown in **Annex 1** to this Appendix.

Section 2 - Future Years

The medium term service and resource plans were constructed to cover the 3 years 2011/12 – 2013/14 with proposals that meet corporate and service objectives, with budgets which are being capable of being balanced over each of the next 3 years, but with regard also being given to the longer term.

The corporate financial assumptions and initial resource allocation as set out in Appendix 2 covered each of the next three financial years. Appendix 2 also explains that we cannot be certain at this stage about local government funding beyond 2012/2013

Table 5 below summarises the resource allocation from this Budget proposal together with the indicative position for each of the following two years covered by the medium term service and resource plans.

Whilst the medium term service and resource plans will ensure financial balance for 2011/2012, further work will be required in relation to 2012/13 and 2013/14. It is also the case, at this stage, that there is insufficient information available to fully identify future funding pressures including new government requirements, future demand changes and emerging issues. It is therefore expected that the requirements for savings in future years may increase although there is a possibility that any return of business rates to local control may benefit the Council - at the present time the Council collects £50m pa of business rates for Government and only gets back £34m.

Given the scale of efficiency savings already achieved and those planned for 2011/2012 it is increasingly likely that future savings will require some reductions in Council services. A rigorous process will therefore need to be considered for the 2012/2013 budget and medium term financial planning process to enable resources to be prioritised between service areas.

Table 5: Resource Allocation 2011/12 to 2013/14

SERVICE AREA	2011/2012			2012/13	2013/14
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)
Adult Social Care & Housing	2.018	3.228	51.598	50.649	50.805
Children's Services	0.457	1.441	21.180	20.226	20.048
Service Delivery	2.201	3.729	27.870	26.418	26.096
Development & Major Projects	0.330	0.580	1.635	1.510	1.415
Resources & Support Services	0.321	2.438	5.885	4.690	4.032
Corporate, Agency & Headroom	0.363	0.000	13.574	17.402	20.208
Totals	5.690	11.416	121.742	120.895	122.604

The Cash limits for 2012/13 and 2013/14 are at this stage indicative and will be reviewed as part of the Medium Term Service & Resource Planning process for 2012/13 onwards.

The Medium Term Service and Resource Plans will also need to be updated to reflect the impacts and delivery of the Council's change programme. Further details of the change programme are set out below.

Council Change Programme

The Council Change Programme will move the organisation from the existing Council to a future organisation, ready to meet the challenges ahead. This means both the services we provide and the way we do things will be different.

The Change Programme has been refocused to take account of changes since July 2010 which include the Coalition Government's austerity measures, the Academies Act, new requirements on the NHS, which affect our Health and Wellbeing Partnership and the new Economic Growth White Paper.

The programme has been extended to:

- Create an organisation (Core Council) that understands local needs and commissions the right service from the right provider.
- Reshape Customer Services to be the public face of the Council, where 80% of questions are dealt with at the first point of contact.
- Bring together Support Services to deliver more effective and efficient services.
- Make better use of the Council's property assets by partnering the Commercial Estate to generate up to £100m to be used to help generate economic prosperity in the future.
- Meet the Government's requirements for Children's Services, Academies, Health and Social Care.
- Make further efficiency savings of £8m on top of other savings from the re-prioritisation of services and which by 2014 will contribute to ongoing savings of £30m pa.

The Change Programme is making a significant contribution to both the future delivery of Council Services and helping to meet the overall financial challenge set out in this Budget. Full details of the Council Change Programme and how it is delivering real benefits can be seen on the Council's website at:

<http://wwwi/SiteCollectionDocuments/Press%20Office/Change%20Programme%20Dec%202010.pdf>

Section 3 – The Capital Budget for 2011/12

Introduction

The Cabinet's proposals for the Council's capital programme are formulated in the context of:

- An ambitious capital programme over a relatively short period of time.
- The inclusion of indications of significant government funding streams in relation to transport and schools which, while supporting the Council's strategic priorities, add to the Council's delivery risk and require match funding and/or pre funding in some cases.
- A trend towards government funding for large projects being awarded on a partnership basis (e.g. West of England) which further increases the complexity and hence potential risk of delivery arrangements, along with continued uncertainty around grant funding of such projects.
- The prospective development of various city centre sites and which are in emerging forms at present.
- The need to resolve matters relating to the Recreation Ground (including Bath Rugby's stadium and the Leisure Centre) which will require the provision of new leisure facilities.
- The future financial challenge in particular lack of clarity over future capital grant awards
- The Council's Prudential Indicators, and increasing pressures on the revenue budget

The approach to the capital programme remains as set out in the approved Capital Strategy including considered and affordable capital investment to promote economic growth and future efficiency savings.

This Budget proposal:

- Limits new commitments to items which are in line with Council objectives and are funded either from external sources, from rationalisation of existing assets, or where the costs of borrowing can clearly be met from within medium term service and resource plans.
- Recognises that careful consideration has been made by Officers and Members regarding future commitments and the direction of this programme.

Given that pressures on the revenue budget will increase over time, the Council continues to develop a more fundamental and medium term approach to revenue resource planning through the medium term service and resource plans which take into account any revenue costs of capital. The Council is also developing other capital funding sources, such as its ability to generate capital receipts (without significant loss of income), grants and further Section 106 monies and is considering other sources of financing, including bonds.

The capital receipts targets for 2011/12 onwards are shaped by the Property Review, and the strategy of ear-marking non-scheme specific receipts for investment in the public realm; the assumption of receipts of £2.757m during 2011/12 takes account of current market conditions. The need to ensure that receipts are actually confirmed before expenditure can be authorised remains, and this process will take account of receipts generated since 1 April 2008. The level of receipts will be kept under review and the Council retains the flexibility to bring forward expenditure to the extent that receipts are higher than planned and plans for such expenditure have been developed.

The Council will be developing the potential to make better use of the Council's property assets by partnering the Commercial Estate to provide up to £100m to be used to help generate economic prosperity in the future, including public realm, infrastructure, World Heritage Site management, and leisure and cultural facilities.

In addition to the strategy of 'ear-marking' non scheme specific receipts in relation to public realm, any receipts from the school estate are 'earmarked' to fund the schools investment programme.

As in last year's capital budget, a number of items in 2011/12 and future years are shown in 'italics'. The process grades schemes on a Red/Amber/Green basis, with 'Reds' not being included, and the 'Ambers' shown in 'italics'. Where an item is in italics it requires further Officer and/or Member scrutiny and decision making before it is formally included. The numbers are therefore shown here on an indicative basis, and as an aid to planning, and the resolutions recognise the distinction between what is being authorised at this stage, and where future decisions are required.

B) Recommended Programme for 2011/12

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 2011/12, comprising both the programme for approval of £34.108m and indicative programme in italics of £16.538m, as shown in Table 6 below. Table 6 also shows the indicative capital programme and funding at summary level for 2012/13 to 2015/16. **Annex 3** shows the total capital programme for 2011/12 to 2015/16 in more detail.

Table 6: Summary Capital Programme and Financing 2011/12-2015/16.

Capital Scheme	Net Planned spend 2011/12 £'000	2012/13 Indicative budget £'000	2013/14 indicative budget £'000	2014/15 indicative budget £'000	2015/16 indicative budget £'000	Total £'000
Service Delivery	19,675	22,693	17,615	11,891	5,273	77,147
Children's Services	10,364	6,356	600	600	600	18,520
Adult Care & Health	2,207	1,000	1,000	1,000	1,000	6,207
Support Services	3,512	2,355	1,983	1,391	1,391	10,632
Development & Major Projects	4,827	5,800	4,975	3,851	3,412	22,865
Corporate	9,561	20,062	29,194	7,157	1,238	67,212
Sub Total	50,146	58,266	55,367	25,890	12,914	202,583
Contingency	500	500	0	0	0	1,000
Total	50,646	58,766	55,367	25,890	12,914	203,583

Financing	Net Planned spend 2011/12 £'000	2012/13 Indicative budget £'000	2013/14 indicative budget £'000	2014/15 indicative budget £'000	2015/16 indicative budget £'000	Total £'000
Grant	12,926	19,298	14,614	10,933	6,045	63,816
Capital Receipts/RTB	4,277	7,448	6,945	5,442	4,903	29,015
Revenue	1,418	1,542	1,170	2,356	1,397	7,883
Service Supported Borrowing	9,839	22,177	29,783	6,103	254	68,156
Unsupported Borrowing	21,810	7,924	2,775	-248	-919	31,342
3 rd Party	376	377	80	1,304	1,234	3,371
Total	50,646	58,766	55,367	25,890	12,914	203,583

Funding

The revenue budget for 2011/12 and the Medium Term Service and Resource Plans for 2012/13 and 2013/14 provide fully for the revenue consequences of the Council-supported expenditure. The level of unsupported borrowing required over the period is nonetheless relatively high, and will put some pressure on the revenue budget in future years. In line with previous years, borrowing costs for new capital projects are charged to individual services through Service Supported Borrowing and included in those services' revenue budgets. The practice of using grant or other income as soon as it is received to finance capital expenditure wherever possible in order to delay the requirement for borrowing has a catch up point, at which time borrowing is required to 'repay' those projects for which the grant was originally intended; this catch up is anticipated to start in 2011/12.

There is £400k included within ongoing headroom which is to be used to support capital financing (service supported borrowing costs) of particular projects. It is anticipated that this will finance the borrowing costs of Bath Transport Package, which includes the CPO Public Inquiry and property purchase costs.

The £3m set aside in an earmarked revenue reserve for affordable housing and capital development in 2010/11 is committed to support the provision of affordable homes and, in particular, the Bath Western Riverside development.

The capital budget for 2011/12 assumes the following achievement of capital receipts:

- £0.3m of Housing Right to Buy (RTB) Receipts. These receipts are set aside to fund affordable housing in future years. The original assumption of a level of receipts of £1m per annum will not be achieved; the shortfall in funding is in part being met through the £3m set aside in the one off earmarked revenue reserve for affordable housing as above.
- no service specific receipts (excluding any not achieved and slipped from 2010/11 to 2011/12)
- £3.9m of general receipts as part of the Property Review. It is currently forecast that £0.5m of general receipts will actually be achieved during the year ending 31 March 2011, with much of the £3.9m having been received in previous years. Given the uncertainty over the generation of capital receipts in the very short term this approach is considered prudent.

Significant Elements of the Capital Programme

Bath Transportation Package

An expression of interest for Government funding for transport infrastructure has been submitted by Bath & North East Somerset Council that would support existing financial commitments to unlock economic growth potentially resulting in an extra £700 million going into the local economy annually, significantly improving the public realm, reducing reliance on cars, and improving air quality.

Underlining its case for Government investment, the Council has released a map of key development sites, including Bath Western Riverside, running along Bath City Riverside that will be supported by the proposed Bath Transportation Package (BTP) and Bus Rapid Transit route. The BTP also has a crucial role in the delivery of the public realm improvements to create a world-class city centre.

The BTP will help unlock the sustainable development of these sites to support an increase in the amount of modern, flexible office accommodation required to broaden the economy beyond tourism, retail and a public sector which is going into decline. The proposed transport infrastructure will make a contribution towards unlocking:

- An extra £700 million going into the local economy every year once sites are developed to their potential;
- An extra 5,600 jobs;
- An £8.1m business rate gain per year part of which, subject to Government legislation, could be reinvested into supporting further economic growth in the area.
- Potentially 3,000 new homes; relieving pressure on a currently constrained supply.

The Bath Transportation Package scheme is at a key stage. As a result of the comprehensive spending review and public expenditure cuts, and along with other schemes around the country, the project has been required to re-bid for funding. The Council has subsequently issued an Expression of Interest to the Department for Transport (DfT) with a full bid submission planned for later in the year. The DfT have indicated that the Public Inquiry into the Compulsory Purchase Orders (CPOs) to acquire the necessary land, which was postponed last year, can now take place and this is planned for 2011/12.

Confirmation of government funding is dependent on securing the land, and the CPO process is being pursued to enable this.

The Council will continue to secure land in advance of the CPO Inquiry. The remainder of the land will be secured after the Inquiry. The £400k revenue funding headroom to support specific capital projects, as referred to earlier, will be used to fund land acquisitions prior to confirmation of government funding.

The Council continues in discussions with the DfT to ensure necessary approvals remain on track and to emphasise the key elements of importance of the scheme. These include doubling the number of Park & Ride spaces, providing an off-road Bus Rapid Transit to support Bath Western Riverside, improving the city centre environment, improving traffic flows through real time traffic signs and improvements to 10 showcase bus routes. This will reduce CO2 emissions, improve air quality, improve access to the city and support the development of the local economy, as part of the economic strategy recently agreed.

Re-provision of Leisure Centre in Bath

A commitment of £10m by the Council (in its corporate capacity) is provided for under the capital programme towards the provision of a new Leisure Centre in Bath. It is currently anticipated that the proposals for the resolution of matters relating to the Recreation Ground (including Bath Rugby's stadium and the current Leisure Centre) will require the provision of new leisure facilities. The Council is in detailed and constructive discussions with Bath Rugby with a view to finding an overall solution to the Recreation Ground that meets the requirements of Bath Rugby, the Recreation Ground Trust, the Charity Commission, the Council (in its corporate capacity) and most importantly the beneficiaries of the Recreation Ground Trust, being the residents of Bath and its environs.

Heads of Terms relating to commercial arrangements as between the Council (in its corporate capacity) and Bath Rugby are well advanced and the Council has indicated its willingness to fund up to £10m towards the provision of a new Leisure Centre for local residents as part of these negotiations. Appropriate provision in the capital programme is therefore being made for the proposed investment.

Keynsham Town Centre Redevelopment (including Office new build)

As part of the Workplaces programme, a £33 million commitment for the Keynsham Town Centre redevelopment, which will support the future prosperity of the town. The development will include retail units, a library, a one-stop shop for the Council and other local public sector services, improved public space, and new Council office space.

The regeneration is part of the Council's plans to reduce the amount of office space it uses resulting in reduced running costs that will deliver an overall forecast saving of over 10% to the Council as a result of the programme; in addition to this there are significant carbon savings (around 70%) as a result of new/improved and more efficient office space. Other benefits include potential business rate income as a result of office space freed up in the district.

Rossiter Road

The Rossiter Road Scheme is included in italics in the capital programme at £1.3m, some of which will be spent in 2010/11. The scheme will significantly reduce the amount of general traffic travelling through Widcombe Parade and will remove almost all HGVs. These lower levels of traffic will allow significant environmental improvements to this important shopping/community centre.

Highways Capital Maintenance

The Highways Capital Maintenance is now funded through Government Grant (previously through Government Supported Borrowing), in 2011/12 this amounts to £4m. In addition the Council has made provision within the capital programme for an additional £1m investment. This will build upon last year's additional investment by the Council of £3m and help prevent the deterioration of the network and avoid significant future cost of more major and extensive repairs.

Homeless Hostel

The financial provision for a Homeless Hostel remains, although this is subject to overall funding viability.

Minimum Revenue Provision (MRP) & Depreciation 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 & Depreciation Policy in advance each year. The Council is recommended to approve the statement in Annex 4 which is unchanged from that agreed in 2008/09 and defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008.

Prudential Indicators

The Capital Prudential Indicators are shown in table 7 below.

Table 7: Capital Prudential Indicators.

PRUDENTIAL INDICATOR	2009/10 Actual	2010/11 Probable Outturn	2011/12	2012/13	2013/14
Current Financial Plan Data	£'000	£'000	£'000	£'000	£'000
Estimate of Capital Expenditure					
Actual/estimates of capital expenditure	73,907	66,135	50,646	58,766	55,367
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)					
The estimate of incremental impact of the new capital investment decisions on the council tax			£3.02	£5.43	£-0.01
Cumulative totals:			£3.02	£8.45	£8.44
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			7.49%	9.26%	12.38%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			2.67%	3.23%	4.37%
Capital Financing Requirement (as at 31 March)					
Actual/estimate of capital financing requirement	93,612	124,482	151,427	180,018	207,197

Section 4 – Revenue & Capital Reserves and Contingencies

A) Earmarked Reserves

As part of the Budget for 2010/2011 a number of earmarked reserves were established to support the Council through the range of changes required in light of significant future financial challenge. This included specific provisions for the costs of the change programme (delivering the Future Council report) together with a contribution towards restructuring and severance costs. A reserve was also established to support spending on Affordable Housing

The Budget for 2011/2012 will consolidate and utilise these reserves to meet these objectives over the next four years in support of the future direction of the Council. The consequence of this reserves strategy is:

- redundancy and other severance costs as a result of the prospective loss of around 300 posts will be funded,
- the Future Council change programme is funded,
- £3m is allocated in support of affordable housing,
- the potential further loss of, or reduction in, specific grants is mitigated,
- the potential further risk relating to outstanding grants, the actual delivery of savings identified within service areas for 2011/2012, and emerging priorities.

The earmarked reserves will therefore be utilised as follows:-

The Revenue Budget Contingency – the reserve will be maintained at the level of £1m to recognise the potential for in-year budget overspending. This will be supplemented with funding to recognise the risk around the outstanding £3m of specific grants, the increased risks around in-year delivery of the required service financial savings and emerging priorities. The balance of this reserve arising from allocations as part of the 2009/2010 outturn position will be transferred to meet commitments from the Medium Term Financial Challenge Reserve and the Restructuring Reserves.

The Pensions Reserve – this reserve consists of funding set aside to meet potential increases in employer pension contributions following the Actuarial Valuation in 2010. Due to statutory changes in the level of inflation impacting on pension costs (CPI to be used going forward instead of RPI), together with the excellent performance of the fund, this reserve is no longer required and will be transferred to meet commitments from the Restructuring Reserve.

The Medium Term Financial Challenge Reserve – the Council is currently undertaking a significant change programme both to redesign and reshape a range of services to recognise the future shape of the Council. A number of the specific changes are also required to respond to the initiatives imposed by the Coalition Government including the transformation of community health and social care services, responsibilities for public health, and the move to academy schools.

All these changes will require significant investment in terms of financial and human resources to develop, implement and embed them within the future organisation. This reserve will meet the costs associated with these changes and is fully committed. Based on current estimates, the reserve will be fully utilised by the end of 2013/2014.

The Restructuring Reserve – the significant financial challenge facing the Council will inevitably lead to job losses as savings and efficiencies are delivered. The Council has estimated around 300 posts (possibly more) will be lost as a result including through redundancy. The associated severance costs will be significant and the proposed Budget recognises the impact this may have on future savings requirements. It is proposed that this reserve will be available to meet an average of 50% of severance costs with the balance being met by services using an invest to save approach from Unearmarked Reserves. The reserve is fully committed and it is anticipated to be fully utilised by the end of 2014/2015. Use of this reserve is subject to detailed business case review and the percentage of central funding may vary depending upon other factors.

The Affordable Housing Reserve – this reserve is committed to fund the Council's contribution to affordable housing including within the Bath Western Riverside development.

Table 8 below sets out the projected level of earmarked reserves taking account of anticipated commitments over the next 4 years to 2014/2015. This reflects that Earmarked Reserves are fully committed but with the likely allocation of the Revenue Budget Contingency remaining uncertain pending clarification of outstanding specific grants and delivery of future savings.

Table 8: Projected Earmarked Reserves

	Revenue Budget Contingency £000	Pensions Reserve £000	MTFC Reserve £000	Restructuring Reserve £000	Affordable Housing Reserve £000
Current Balance	4,054	3,082	3,607	2,000	3,000
Consolidation of Reserves	-3,054	-3,082	2,538	3,598	
Allocation in 2010/2011	-	-	-1,180	-500	-
Estimated Reserves @ 1st April 2011	1,000	Nil	4,965	5,098	3,000
Allocation in 2011/2012	1,719*	-	-3,515	-1,080	-
Balance C/F	2,719	Nil	1,450	4,018	3,000
Allocation in 2012/2013	-	-	-1,400	-1,700	-
Balance C/F	2,719	Nil	50	2,318	3,000
Allocation in 2013/2014	-	-	50	-1,150	-
Balance C/F	2,719	Nil	Nil	1,168	3,000
Allocation in 2014/2015	-	-	-	-1,150	-3,000
Balance C/F	2,719	Nil	Nil	18	Nil

***Note** – this figure reflects the specific allocations into Revenue Budget Contingency on the basis that future Cabinet Decisions will be required to support any allocation of the Revenue Budget Contingency pending clarification of outstanding specific grants and actual delivery of future savings.

B) 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 - Finance are an integral part of our budget recommendations. This sets an unearmarked reserves target of £10.5 million based on the thorough risk assessment and in the context of the "one-off" funding proposals contained within this Budget.

Table 9 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. In particular 2011/2012 includes analysis of proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Workplaces Project – requires investment of £2.1m over the period to 31 March 2015 with reserves fully repaid by 2016/2017 and ongoing revenue savings thereafter of over 10%.
- Restructuring costs – the Budget includes provision from within Earmarked Reserves to meet 50% of anticipated restructuring costs. The remaining 50% will be initially funded from the Unearmarked Revenue Reserves to be repaid by services over a period of up to two years commencing from 2012/2013.

This actual level of unearmarked reserves will also depend on the Outturn position for 2010/2011 and on future decisions by the Cabinet about any overspends. For financial planning purposes the December 2010 Outturn estimate has been used based on guidance from Cabinet to Strategic Directors. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

C) Adequacy of reserves

We recommend the s151 officer's report on the adequacy of reserves which 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 9 below.

Table 9: Projected Non-Earmarked Revenue Reserves

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Estimated Reserves @ 1st April each year	10,480	9,631	7,738
2010/2011 Invest to Save Funding	-196	-	-
2010/2011 Projected Outturn Underspending	269	-	-
Invest to Save Funding	-1,080	-2,433	-1,965
Invest to Save Repayments	158	540	1,390
Estimated Reserves @ 31st March each year	9,631	7,738	7,163

Based on anticipated invest to save commitments to the Workplaces Project and Restructuring Costs, the Non-Earmarked Reserves will be repaid in full by 2016/2017 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 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.

D) Capital Risk Contingency

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

Firstly individual major projects within the capital programme hold their own contingency;

Secondly, the capital programme includes a funded corporate risk contingency of £1m over the 5 year period 2011/12-2015/16 of which £0.5m is assumed in 2011/12. This will be increased at outturn by any unused contingency from 2010/11 (currently forecast to be £1.4m).

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.

Finally, while the generation of capital receipts cannot be relied on in the current economic environment, the capital programme does not rely in year on funding from capital receipts, so any receipts generated in 2011/12 also provide additional short term flexibility in future years (2012/2013 onwards), pending their being required to fund any planned expenditure on items such as public realm and/or school investment.

The capital programme does not rely upon the potential to make better use of the Council's property assets by partnering the Commercial Estate to generate up to £100m in capital receipts although this represents a significant opportunity to help generate economic prosperity in the future.

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

Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2011/12.

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 2011/12. **Table 10** explains the calculation of this figure:

Table 10: Council Tax 2011/12 for Bath & North East Somerset Council Services

Description	Amount	Comments
Recommended Net Revenue Budget	£121,742k	See Annex 1
Less Grant, reserves and estimate of Collection Fund surplus £k	£44,315k	See Annex 1 Sources of Funding
To be funded by Council Tax	£77,427k	
Tax base (Band D properties equivalent)	64,422.90	Approved by the Section 151 Officer in January 2011
Recommended Council Tax at Band D for 2011/12	£1,201.85	
2010/11 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 Finance Committee of Avon and Somerset Police Authority will be meeting on 25th January to consider a precept level for recommendation to the full Police Authority on 9th February 2011. The report includes two options of either a freeze in Council Tax or a "to be" determined increase in Council Tax.

At its meeting on 5th January 2011 Avon Fire Authority agreed to consult on the following four budget options:

- Option A – No Council Tax Increase
- Option B – 5% Council Tax Increase
- Option C – Zero Budget Increase (10.68% Council Tax Increase)
- Option D – No Savings (14.33% Council Tax Increase)

The Fire Authority will meet again on 11th February 2011 to finalise its budget and set its Council Tax and precepts for 2011/12.

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 highlighted above.

Table 11 sets out the composite Council Tax likely to be charged:

Table 11: Potential Total Council Tax 2011/12 (Band D)

Council Tax charges (Band D) made by	Charge made now 2010/11 £	Proposed Charge 2011/12 £	% Change
Bath and North East Somerset Council	1,201.85	1,201.85	0% (£0.00 at Band D)
Avon and Somerset Police	168.03	TBC	Final Decision to be taken on 9 th February 2011.
Avon Fire & Rescue	60.38	TBC	Final decision to be taken on 11 th February 2011
Total excluding parishes	1,430.26	TBC	
Parishes (average)	31.07	TBC	Not known at time of writing
Total	1,461.33	TBC	The 2011/12 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 15th February, and so the necessary updated information will be set out in the report.

Special Expenses

As part of the 2010/11 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 2011/2012 budget.

Chief Financial Officers' Opinion on Adequacy of Balances and the Robustness of the Budget

The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:

(1) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major Precepting authority) or section 85 of the Greater London Authority Act 1999 (c. 29) (Greater London Authority) applies is making calculations in accordance with that section, the chief finance officer of the authority must report to it on the following matters-

(a) The robustness of the estimates made for the purposes of the calculations, and

(b) The adequacy of the proposed financial reserves.

(2) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.

Summary Report of the Divisional Director - Finance (as Chief Finance Officer for the Authority)

I have examined the budget proposals contained in this report, and believe that whilst the spending and service delivery proposals contained are challenging, they are nevertheless achievable. I am satisfied that, in general, the requisite management processes exist within the Council to deliver this budget, and to identify and deal with any problems which may unexpectedly arise throughout the year.

The key points to highlight are:

- Un-earmarked reserves are now at a prudent level and have been maintained at or above this level by sound financial management. It is expected that this reserve will be utilised for invest to save initiatives going forwards but at no point will the reserve fall below the risk assessed minimum level.
- This budget provides some additional revenue budget contingency provision to recognise the specific risk around outstanding grant announcements.
- Sound financial planning processes are in place, the Corporate Plan is used to prioritise and there is member scrutiny at each key stage
- Revenue spend is closely monitored on a monthly basis and integrated finance and performance management reports are produced

- Capital schemes are managed through a tightly controlled and integrated project management, risk and financial management process
- The intense external pressures on public finances create a climate of decreasing budgets and this has already begun to impact and will need to be closely managed.
- There is a need to use invest to save approaches to enable the Council to maintain its spend within acceptable parameters and to achieve requisite efficiencies.

The Medium Term Service and Resource Plans rely on the delivery of strategies and action plans within individual services and it will continue to be necessary to give a high priority to the monitoring and review the implementation of these plans as part of the performance management processes of the Council.

The level of exposure and commitment in our capital programme in the coming years remains challenging. Solid monitoring, review and programming of schemes will need to continue, as will individual project management processes. Where projects form part of partnership arrangements, satisfactory partnership governance arrangements will need to be in place.

On the matter of unearmarked reserves, I have continued to evidence the requisite level by use of internal risk assessment. The 2011/12 recurring budget contains no reliance on the use of unallocated reserves.

The Council is maintaining its unearmarked reserves at the appropriate risk assessed level. As a result some of these reserves (above a minimum level) will be utilised on an Invest to Save basis under the parameters and criteria set out in Appendix 1.

In view of the challenging financial climate ahead, it remains essential that unearmarked reserves are maintained at risk assessed levels, the only prudent exceptions being to fund invest to save schemes (provided a minimum level is maintained) and to enable exceptional risks or contingencies to be funded where no other funding is available.

It will be essential in the event of any exceptional use of unearmarked reserves for the Council to continue to put in place arrangements in future years' budgets to recover the level of reserves within 3 years which will place more pressure on revenue and capital budgets.

From 2001/2, the Council adopted a risk management approach, which assesses the level of unearmarked reserves required against a corporate assessment of the risk being carried. The assessed risk suggests reserves of £10.5M for 2011/2012 with a minimum level of £6M, excluding earmarked reserves.

My recommendation that the budget is reasonably robust and Unearmarked reserves are adequate is on the basis that the Council and the Cabinet:

- Recognise the need to continue to regularly review the level of reserves in the light of the regularly updated corporate risk assessment
- Recognise that in any use of reserves to fund 'one-off' corporate priorities on an invest to save basis, the council needs to be clear that the overall level of reserves remains adequate and that the relevant business cases for such expenditure are fully scrutinised and monitored appropriately.
- Recognise that where there is a draw down on risk assessed reserves taking them below the prudent level, for whatever reason, this is paid for within 3 years.
- Maintain a rigorous approach to financial monitoring, particularly at this time when a significant level of savings are expected to be delivered in the financial year ahead.
- Ensures that capital schemes are funded prudently and do not rely excessively on revenue funding not create unaffordable revenue consequences including maintenance and other running costs
- Maintain a prudent approach to budgeting for capital receipts, given current market conditions and the need to optimise value over the medium term.
- The Cabinet Members, Strategic Directors and Assistant Directors achieve their cash limits for 2010/11.

Processes

Budget estimates are exactly that - estimates of spending and income made at a point in time. This statement about the robustness of estimates cannot give a guarantee about the budget but gives members reasonable assurances that the budget has been based on the best available information and assumptions at the time. The budget process aims to set challenging budgets while recognising the risk of this within its reserves strategy.

In order to meet the requirement on the robustness of estimates a number of key processes have been put in place, including:

- The issuing of clear guidance to Directorates on preparing budgets.
- The development of Council wide risk assessment.
- The continuing use of budget monitoring and financial outturn information to identify risks.
- The Council's s151 Officer and his staff providing advice throughout the process of budget preparation and budget monitoring.

- The Directors' review of the robustness of their budgets and budget sensitivities.

Notwithstanding these arrangements, which are designed to test the budget throughout its various stages of development, considerable reliance is placed on the Strategic Directors and Divisional Directors having proper arrangements in place to identify issues, project costs, service demands, to consider value for money and efficiency, and to implement changes in their service plans. This is supported by appropriately qualified financial advisors.

Corporate and departmental processes will continue to be improved in future years. Recent experience indicates that improvement needs to be greatest in relation to Service Delivery where there are inherent risks associated with the large income budgets such as for parking and where there are large management contracts such as for highways, waste etc.

Robustness of Estimates

The 2011/12 Budget and the service and resource planning process continue the need to link financial resources to corporate priorities and risks. There are complex and difficult choices for the Council:

- To realise ongoing efficiencies
- To increase financial resources to meet demand and reduce risk; or
- To reduce where necessary service levels and standards, frequency of service delivery, and eligibility for services.
- To ensure all resourcing decisions reflect statutory and other external requirements, as well as Council priorities

As part of developing the Budget, Members of the administration have considered these options and they are reflected in the proposed Budget.

Most notably the Council has had to address significant reductions in government grant funding, unavoidable cost increases, and demand pressures as well as the corporate priorities including;

- Significantly reduced Formula Grant
- Discontinued or reduced specific grants
- Continued application of formula grant damping
- Priorities as set out in the Corporate Plan
- Low levels of interest rates
- Demand and price pressures in Adult Social Care
- Demand and price pressures in Children's Social Care

- Uncertainty in relation to capital receipts
- Need for investment in highways maintenance
- A significant change agenda as a result of national policy changes e.g. Adult Social Care and Health, Academies Bill, Localism Bill etc.

The assumptions used for 2011/12 and potentially changing circumstances will require the forecasts for future years to be reviewed early in each financial year leading to more detailed budgets being prepared for the next financial year and the medium term during the autumn of each financial year.

Given all these factors I, as the Council's Section 151 Officer, consider the estimates for 2011/12 to be sufficiently robust, and the reserves adequate, to be recommended for approval by the Council.

Over the medium term, the service and resource plans reflect the continuing impact of only growth in relation to issues that are unavoidable. Within the challenging financial climate over the medium term it is very likely that service improvement and reasonable Council Tax levels, will only be achieved through very difference ways of working, and clear prioritisation between services.

The Capital Budget

Projects, formally included in the capital programme (i.e. excluding 'italics' items'), were prepared by Divisional Directors and managers in line with financial regulations and guidance. All projects were agreed by the relevant Strategic Director and Cabinet Member and are fully funded, and reviewed through the Project Initiation and Delivery Group.

Projects have been estimated and costed at outturn prices with many subject to tender process after inclusion in the programme. This may lead to variance in the final cost.

Directorates are required to work within the given cash envelope so any under or over provision must be found within these limits.

In addition, I will require a clear commitment from the Council to:

- Ensure that all future commitments on the capital programme provide for a prudent source of funding in terms of revenue provision, including where investment will lead to future revenue savings.
- Carefully consider and balance the use of capital receipts to ensure they are prudently applied to help the council manage its resources effectively and achieve its priorities
- Review capital commitments in light of any future changes to Central Government support for capital projects where they are dependant on substantial Government funding.

I will require the Council, Strategic Directors and Divisional Directors:

- To remain within their service budget for 2011/12 and to commence early work to identify options to balance medium term service and resource plans for future years while maintaining strict adherence to recovering overspends within future years' plans (i.e. services will need to absorb any overspends, pressures over the medium term).
- Repayment to reserves over 3 years should risks materialise, and need to be funded temporarily from reserves.

Estimated Available Revenue Reserves

Earmarked Revenue Reserves

The Council's earmarked revenue reserves have been reviewed as part of the 2011/2012 Budget process and are fully committed over the medium term financial planning period as set out in Appendix 1. This position will be regularly reviewed.

Non-Earmarked Revenue Reserves

Detailed in the table below is the estimated level of non-earmarked revenue reserves over future years, reflecting the specific elements within the Budget as set out in Appendix 1.

Table: Projected Non-Earmarked Revenue Reserves

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Estimated Reserves @ 1st April each year	10,480	9,631	7,738
2010/2011 Invest to Save Funding	-196	-	-
2010/2011 Projected Outturn Underspending	269	-	-
Invest to Save Funding	-1,080	-2,433	-1,965
Invest to Save Repayments	158	540	1,390
Estimated Reserves @ 31st March each year	9,631	7,738	7,163

Assessment of Adequacy of Reserves

Under the Local Government 2003 Act the Secretary of State has reserve powers to set a minimum level of reserves. The most likely use of this power is where an authority is running down its reserves against the advice of their s151 Officer.

Determining the appropriate levels of reserves is not a precise science or a formula e.g. a %age of the Council's budget. It is the Council's safety net for risks, unforeseen or other circumstances and must last the lifetime of the Council unless contributions are made from future years' revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the Council as these can and will change over time.

Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions, and the Council's track record in budget management. This judgement is subject to monthly review as an integral part of the Council's financial reporting cycle, and annual review by full Council as an integral part of budget-setting and 3 year financial planning. Clearly, as circumstances change, the currently recommended level of reserves can be expected to change.

The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run a serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.

The recommendation on the prudent level of reserves has been based on the robustness of estimate information and the Corporate Risk Register. In addition, the other strategic, operational and financial risks taken into account when recommending the minimum level of unearmarked reserves include:

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. Directors have been requested to be prudent in their assumptions and have clear action plans to deliver such savings.
- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The Local Authority is able to claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
- The extent to which the Council is dependent on traded income.
- The risk of major litigation, both current and in the future.
- Risks in the inter-relation between the Council and other partner authorities and organisations.
- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.
- The need to retain a general contingency to provide for any unforeseen circumstances or emergencies, which may arise.
- The need to retain reserves for general day-to-day cash flow needs.

The recommendations of the Council's s151 Officer are:

- That the Council continues to maintain an absolute minimum prudent level of unearmarked reserves (excluding schools) of £6m at the end of any financial year, in addition to any specific earmarked reserves. The minimum level is designed to cope with risk and unforeseen circumstances that cannot be addressed by management or policy action within the year. Management and policy action should be the first actions taken before any resort to reserves.
- That an appropriate level of unearmarked reserves to provide resilience against day to day risks is £10.5m. This level of reserves is designed to allow the Council to withstand a measure of changes in circumstances during the year or minor variations in projected resources or spending over the period of the medium term service and resource plans.
- That the Council must restore reserves used to meet risks that crystallise within a period of 3 years.

Appendix 1 Annex 3
5 Year Capital Programme 2011/12 -
2015/16

2011/12								
Expenditure								
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2010/11 to 2011/12	Less rephasing from 2011/12 to 2012/13	New items/ adjustments	NET PLANNED SPEND	For Approval	<i>Italics Items - For info as at Feb Council</i>
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Delivery								
Planning & Transport								
<i>Local Transport Improvement Schemes</i>		<i>1,463</i>				<i>893</i>		<i>893</i>
Two Tunnels - Council Element	100	100			69	169	169	
5 Arches					9	9	9	
<i>Rossiter Road</i>	<i>400</i>	<i>400</i>			<i>600</i>	<i>1,000</i>		<i>1,000</i>
CIVITAS schemes	217	217				217	217	
GBBN Construction	66	66			487	553	553	
Bath Package Pre Construction Costs					2,132	2,132	2,132	
Bath Package Main Scheme Project	23,893	23,893			-23,893	0		
Bath Package Scheme Property	5,583	5,583			649	6,232	6,232	
Bath Package A4 Park & Ride								
31,722	0	31,722	0	0	-20,517	11,205	9,312	1,893
Environmental Services								
Highways								
<i>Highways Maintenance</i>	3,300	3,300			716	4,016		4,016
<i>Highways Maintenance - top up</i>	1,000	1,000				1,000		1,000
Waste								
In Cab Technology			30			30	30	
Recycling Collection Containers			45			45	45	
Vehicle Replacements - Waste	322	322				322	322	
ANPR CCTV at Recycling Centre					99	99	99	
Parking								
<i>ANPR Bus Lane Enforcement Upgrade</i>					120	120		120
<i>Software Upgrades</i>					40	40		40
<i>Vehicle Replacement - Parking</i>					50	50		50
<i>Parking Ticket M/c's On & Off street</i>					625	625		625
Neighbourhoods								
Vehicle Replacement - Neighbourhoods					440	440	440	
Vehicle Tracking Equipment					33	33	33	
<i>Vehicles - Cleansing Equipment</i>					220	220		220
<i>Play Area Equipment</i>	150	150				150		150
<i>Allotments</i>					95	95		95
<i>Newbridge Hill - Contaminated Land</i>					300	300		300
4,450	322	4,772	75	0	2,738	7,585	969	6,616
Tourism Leisure & Culture								
Roman Baths Site Development - Catering	333	333				333	333	
Roman Baths Infrastructure Development		100	100			100	100	
<i>Refurb of Tourist Information Centre</i>		0			186	186		186
Bath Spring Water Strategy	82	82	84			166		166
<i>Roman Baths Site Development (ii)</i>						0		0
<i>Mobile Libraries</i>					100	100		100
415	100	515	84	0	286	885	433	452
36,587	422	37,009	159	0	-17,493	19,675	10,714	8,961
Childrens Services								
BSF Writhlington School	1,793	166				166	166	
<i>Schools Capital Maintenance Programme</i>					600	600		600
Batheaston PCP	150	150				150	150	
WASPS PCP	136	136				136	136	
Midsomer Norton PCP	120	120				120	120	
The Link KS3 accommodation (Med schemes)		400				400	400	
Ralph Allen Applied Learning Centre					1,226	1,226	1,226	
Wellsway Sports Hall (inc 6 court)		1,554	400			1,954	1,954	
Spend at school level - DFC non VA schools	2,000	2,000	2,673	-2,000	327	3,000	3,000	
BN - Moorland Inf Expansion (small schemes)		188				188	188	
BN - Newbridge Expansion (small schemes)		188				188	188	
BN - Bathampton temp replacement (small schemes)		252			-31	221	221	
Southside Regeneration								
<i>Oldfield Park Jnr Playing Field</i>	270	270				270		270
<i>St Gregory's/St Mark's</i>								
<i>Oldfield Co Ed Capital Improvements</i>					1,745	1,745		1,745
4,199	1,225	5,424	3,073	-2,000	3,867	10,364	7,749	2,615
Adult Care & Health Service Delivery								
<i>Home adaption grants</i>					40	40		40
<i>Minor works - H&S</i>					57	57		57
<i>Social Care IT Infrastructure</i>								
Adult Care & Health Commissioning								
<i>Disabled Facilities Grants</i>	543	543			457	1,000		1,000
<i>Discretionary Grants - Private Sector Renewal</i>								
Social Housing Grant	935	935	683		-600	1,018	1,018	
<i>Mental Health Provision</i>								
<i>Care Reform Grant</i>			92			92		92
1,478	0	1,478	775	0	-46	2,207	1,018	1,189

**Appendix 1 Annex 3
5 Year Capital Programme 2011/12 -
2015/16**

2011/12								
Expenditure								
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2010/11 to 2011/12	Less rephasing from 2011/12 to 2012/13	New items/ adjustments	NET PLANNED SPEND	For Approval	<i>Italics Items - For Info as at Feb Council</i>
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support Services								
Property & Facilities								
Corporate Estate Planned Maintenance	905	905			-22	883		883
Risk Assessment/Disabled Access (DDA)	552	552			-14	538		538
Cost of Sales - General					171	171	171	
Cost of Sales - Children's Services					111	111	111	
Cost of Sales - Developments					248	248		248
Property Development Work	149	149			-149	0		
Commercial Estate Development	200	200			-200	0		
Support Services - non-Property								
Comms Hub - Equipment					650	650		650
Agresso update	44	44	27			71	71	
Transformation								
Government Connect Project			26			26	26	
Server & IT Refresh	723	723			91	814		814
2,573	0	2,573	53	0	886	3,512	379	3,133

Development & Major Projects

Combe Down Stone Mines (HCA)			861	-43		818	818	
Combe Down Stone Mines (Council)	148	148	206		-291	63	63	
Southgate (Multi)			113		8	121	121	
Southgate (Council)			138			138	138	
Public Realm - Wayfinding	462	462	475		91	1,028	1,028	
Public Realm - Preparatory Projects			372		238	610	610	
Public Realm - Union Street/Bath Street	700	700	1,482	-1,071		1,111	1,111	
Public Realm - Stall Street					270	270	270	
Public Realm - City Centre/High Street					100	100	100	
Public Realm - Design element of next location	500	500			-332	168	168	
Public Realm - Pulteney Bridge								
Public Realm - Cheap Street/WestGate Street	954	954			-954	0		
Public Realm - Saw Close/Kingsmead	480	480			-480	0		
Public Realm - Orange Grove								
Public Realm - Broad St/St Michael's Place								
Public Realm - Lower Borough Walls								
Public Realm - WestGate Buildings								
Public Realm - Upper Borough Walls								
Public Realm - Barton Street								
Public Realm - Wood Street								
Public Realm - Manvers St Contr								
Public Realm - Laura Place								
Public Realm - Grande Parade								
Public Realm - Terrace Walk								
Milson St & Old Bond St								
Public Realm - Street Furniture phase 2	250	250			-250			
Public Realm - potential upgrades to planned maintenance work	100	100				100		100
Contingency					300	300		300
3,594	0	3,594	3,647	-1,114	-1,300	4,827	4,427	400

Corporate

BWR								
BWR Council Project Team	240	240			182	422	422	
BWR - Affordable Housing	1,343	1,343	419	-762		1,000	1,000	
BWR - Infrastructure		2,800	2,200	-3,000		2,000	2,000	
Workplaces Programme								
Lewis House	354	354			780	1,134	894	240
The Hollies			1,892		-34	1,858	1,858	
Workplaces - Other	717	717			170	887	887	
Keynsham New Build					2,260	2,260	2,260	
Leisure Re provision								
Other Corporate								
Contingency	500	500				500	500	
3,154	2,800	5,954	4,511	-3,762	3,358	10,061	9,821	240

GRAND TOTAL

51,585 4,447 56,032 12,218 -6,876 -10,728 50,646 34,108 16,538

Funded By:

£000's

Government Supported Borrowing	0
EU/Government Grant	12,926
Capital / Right to Buy Receipts	4,277
Revenue	1,418
Service Supported Borrowing	9,839
Corporately / Unsupported Borrowing	21,810
s106 Contribution	0
Other 3rd Party Contribution	376
	<u>50,646</u>

2012/13						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Expenditure	Add rephasing from 2011/12 to 2012/13	Less rephasing from 2012/13 to 2013/14	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Delivery						
Planning & Transport						
<i>Local Transport Improvement Schemes</i>						
1,556		1,556			-340	1,216
<i>Two Tunnels - Council Element</i>						
<i>5 Arches</i>						
<i>Rossiter Road</i>						
485		485			-285	200
<i>CIVITAS schemes</i>						
49		49				49
<i>GBBN Construction</i>						
<i>Bath Package Pre Construction Costs</i>						
<i>Bath Package Main Scheme Project</i>						
10,199		10,199			163	163
<i>Bath Package Scheme Property</i>						
<i>Bath Package A4 Park & Ride</i>						
					-1,099	9,100
					3,336	3,336
					3,000	3,000
12,289	0	12,289	0	0	4,775	17,064
Environmental Services						
Highways						
<i>Highways Maintenance</i>						
3,300		3,300			521	3,821
<i>Highways Maintenance - top up</i>						
1,000		1,000				1,000
Waste						
<i>In Cab Technology</i>						
<i>Recycling Collection Containers</i>						
<i>Vehicle Replacements - Waste</i>						
<i>ANPR CCTV at Recycling Centre</i>						
Parking						
<i>ANPR Bus Lane Enforcement Upgrade</i>						
<i>Software Upgrades</i>						
<i>Vehicle Replacement - Parking</i>						
<i>Parking Ticket M/c's On & Off street</i>						
Neighbourhoods						
<i>Vehicle Replacement - Neighbourhoods</i>						
<i>Vehicle Tracking Equipment</i>						
<i>Vehicles - Cleansing Equipment</i>						
150		150			60	150
<i>Play Area Equipment</i>						
<i>Allotments</i>						
<i>Newbridge Hill - Contaminated Land</i>						
					80	80
4,450	0	4,450	0	0	661	5,111
Tourism Leisure & Culture						
<i>Roman Baths Site Development - Catering</i>						
200		200			200	200
<i>Roman Baths Infrastructure Development</i>						
<i>Refurb of Tourist Information Centre</i>						
<i>Bath Spring Water Strategy</i>						
<i>Roman Baths Site Development (ii)</i>						
<i>Mobile Libraries</i>						
		0			18	18
					100	100
200	0	200	0	0	318	518
16,939	0	16,939	0	0	5,754	22,693
Childrens Services						
<i>BSF Writhlington School</i>						
<i>Schools Capital Maintenance Programme</i>						
<i>Batheaston PCP</i>						
<i>WASPS PCP</i>						
<i>Midsomer Norton PCP</i>						
<i>The Link KS3 accommodation (Med schemes)</i>						
<i>Ralph Allen Applied Learning Centre</i>						
<i>Wellsway Sports Hall (inc 6 court)</i>						
0	40	40	2,000		716	716
1,000		1,000			40	3,000
<i>Spend at school level - DFC non VA schools</i>						
<i>BN - Moorland Inf Expansion (small schemes)</i>						
<i>BN - Newbridge Expansion (small schemes)</i>						
<i>BN - Bathampton temp replacement (small schemes)</i>						
<i>Southside Regeneration</i>						
<i>Oldfield Park Jnr Playing Field</i>						
<i>St Gregory's/St Mark's</i>						
<i>Oldfield Co Ed Capital Improvements</i>						
					2,000	2,000
1,000	40	1,040	2,000	0	3,316	6,356
Adult Care & Health Service Delivery						
<i>Home adaption grants</i>						
<i>Minor works - H&S</i>						
<i>Social Care IT Infrastructure</i>						
Adult Care & Health Commissioning						
<i>Disabled Facilities Grants</i>						
543		543			457	1,000
<i>Discretionary Grants - Private Sector Renewal</i>						
<i>Social Housing Grant</i>						
<i>Care Reform Grant</i>						
543	0	543	0	0	457	1,000

2012/13						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Expenditure	Add rephasing from 2011/12 to 2012/13	Less rephasing from 2012/13 to 2013/14	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000

Support Services

Property & Facilities

Corporate Estate Planned Maintenance
Risk Assessment/Disabled Access (DDA)

Cost of Sales - General
Cost of Sales - Children's Services
Cost of Sales - Developments

Property Development Work
Commercial Estate Development

Support Services - non-Property

Comms Hub - Equipment
Agresso update

Transformation

Government Connect Project
Server & IT Refresh

928		928			-45	883
566		566			-58	508
153		153			-153	
200		200			-200	
					964	964
1,847	0	1,847	0	0	508	2,355

Development & Major Projects

Combe Down Stone Mines (HCA)
Combe Down Stone Mines (Council)

Southgate (Multi)
Southgate (Council)
Public Realm - Wayfinding
Public Realm - Preparatory Projects
Public Realm - Union Street/Bath Street
Public Realm - Stall Street
Public Realm - City Centre/High Street
Public Realm - Design element of next location
Public Realm - Pulteney Bridge

Public Realm - Cheap Street/WestGate Street

Public Realm - Saw Close/Kingsmead
Public Realm - Orange Grove
Public Realm - Broad St/St Michael's Place
Public Realm - Lower Borough Walls
Public Realm - WestGate Buildings
Public Realm - Upper Borough Walls
Public Realm - Barton Street
Public Realm - Wood Street
Public Realm - Manvers St Contr
Public Realm - Laura Place
Public Realm - Grande Parade
Public Realm - Terrace Walk
Milson St & Old Bond St

Public Realm - Street Furniture phase 2
Public Realm - potential upgrades to planned maintenance work

Contingency

250		250	43		-250	43
63			91		-90	1
					209	209
			368			368
					836	836
					1,339	1,339
					491	491
					755	755
600		600			-100	500
2,330		2,330			-2,130	200
					117	117
					541	541
250		250			-250	
100		100				100
					300	300
3,593	0	3,530	502	0	1,768	5,800

Corporate

BWR

BWR Council Project Team
BWR - Affordable Housing
BWR - Infrastructure

Workplaces Programme

Lewis House
The Hollies
Workplaces - Other
Keynsham New Build

Leisure Reprovision

Other Corporate

Contingency

200		200			43	243
1,023		1,023	762	-335		1,450
			3,000	-2,000		1,000
1,811		1,811			-819	992
		0			6,377	6,377
					10,000	10,000
500		500				500
3,534	0	3,534	3,762	-2,335	15,601	20,562

GRAND TOTAL

27,456 40 27,433 6,264 -2,335 27,404 58,766

Funded By:

£000's

Government Supported Borrowing	0
EU/Government Grant	19,298
Capital / Right to Buy Receipts	7,448
Revenue	1,542
Service Supported Borrowing	22,177
Corporately / Unsupported Borrowing	7,924
s106 Contribution	297
Other 3rd Party Contribution	80
	<u>58,766</u>

2013/14						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2012/13 to 2013/14	Less rephasing from 2013/14 to 2014/15	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Delivery						
Planning & Transport						
<i>Local Transport Improvement Schemes</i>						
<i>Two Tunnels - Council Element</i>						
<i>5 Arches</i>						
<i>Rossiter Road</i>						
<i>CIVITAS schemes</i>						
<i>GBBN Construction</i>						
<i>Bath Package Pre Construction Costs</i>						
<i>Bath Package Main Scheme Project</i>						
<i>Bath Package Scheme Property</i>						
<i>Bath Package A4 Park & Ride</i>						
2,155		2,155			-930	1,225
					8,700	8,700
					2,039	2,039
2,155	0	2,155	0	0	9,809	11,964
Environmental Services						
Highways						
<i>Highways Maintenance</i>						
<i>Highways Maintenance - top up</i>						
3,300		3,300			367	3,667
Waste						
<i>In Cab Technology</i>						
<i>Recycling Collection Containers</i>						
<i>Vehicle Replacements - Waste</i>						
<i>ANPR CCTV at Recycling Centre</i>						
Parking						
<i>ANPR Bus Lane Enforcement Upgrade</i>						
<i>Software Upgrades</i>						
<i>Vehicle Replacement - Parking</i>						
<i>Parking Ticket M/c's On & Off street</i>						
Neighbourhoods						
<i>Vehicle Replacement - Neighbourhoods</i>						
<i>Vehicle Tracking Equipment</i>						
<i>Vehicles - Cleansing Equipment</i>						
<i>Play Area Equipment</i>						
<i>Allotments</i>						
<i>Newbridge Hill - Contaminated Land</i>						
150		150			366	366
3,450	0	3,450	0	0	733	4,183
Tourism Leisure & Culture						
<i>Roman Baths Site Development - Catering</i>						
<i>Roman Baths Infrastructure Development</i>						
<i>Refurb of Tourist Information Centre</i>						
<i>Bath Spring Water Strategy</i>						
<i>Roman Baths Site Development (ii)</i>						
<i>Mobile Libraries</i>						
0	0	0	0	0	200	200
					18	18
					1,250	1,250
0	0	0	0	0	1,468	1,468
5,605	0	5,605	0	0	12,010	17,615
Childrens Services						
<i>BSF Writhlington School</i>						
<i>Schools Capital Maintenance Programme</i>						
<i>Batheaston PCP</i>						
<i>WASPS PCP</i>						
<i>Midsomer Norton PCP</i>						
<i>The Link KS3 accommodation (Med schemes)</i>						
<i>Ralph Allen Applied Learning Centre</i>						
<i>Wellsway Sports Hall (inc 6 court)</i>						
<i>Spend at school level - DFC non VA schools</i>						
<i>BN - Moorland Inf Expansion (small schemes)</i>						
<i>BN - Newbridge Expansion (small schemes)</i>						
<i>BN - Bathampton temp replacement (small schemes)</i>						
<i>Southside Regeneration</i>						
<i>Oldfield Park Jnr Playing Field</i>						
<i>St Gregory's/St Mark's</i>						
<i>Oldfield Co Ed Capital Improvements</i>						
0	0	0	0	0	600	600
Adult Care & Health Service Delivery						
<i>Home adaption grants</i>						
<i>Minor works - H&S</i>						
<i>Social Care IT Infrastructure</i>						
Adult Care & Health Commissioning						
<i>Disabled Facilities Grants</i>						
<i>Discretionary Grants - Private Sector Renewal</i>						
<i>Social Housing Grant</i>						
<i>Care Reform Grant</i>						
543		543			457	1,000
543	0	543	0	0	457	1,000

2013/14						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2012/13 to 2013/14	Less rephasing from 2013/14 to 2014/15	New items/adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000

Support Services

Property & Facilities

Corporate Estate Planned Maintenance
Risk Assessment/Disabled Access (DDA)

Cost of Sales - General
Cost of Sales - Children's Services
Cost of Sales - Developments

Property Development Work
Commercial Estate Development

Support Services - non-Property

Comms Hub - Equipment
Agresso update

Transformation

Government Connect Project
Server & IT Refresh

951		951			-68	883
580		580			-72	508
157		157			-157	
200		200			-200	
					592	592
1,888	0	1,888	0	0	95	1,983

Development & Major Projects

Combe Down Stone Mines (HCA)
Combe Down Stone Mines (Council)
Southgate (Multi)
Southgate (Council)
Public Realm - Wayfinding
Public Realm - Preparatory Projects
Public Realm - Union Street/Bath Street
Public Realm - Stall Street
Public Realm - City Centre/High Street
Public Realm - Design element of next location
Public Realm - Pulteney Bridge
Public Realm - Cheap Street/WestGate Street
Public Realm - Saw Close/Kingsmead
Public Realm - Orange Grove
Public Realm - Broad St/St Michael's Place
Public Realm - Lower Borough Walls
Public Realm - WestGate Buildings
Public Realm - Upper Borough Walls
Public Realm - Barton Street
Public Realm - Wood Street
Public Realm - Manvers St Contr
Public Realm - Laura Place
Public Realm - Grande Parade
Public Realm - Terrace Walk
Milson St & Old Bond St
Public Realm - Street Furniture phase 2
Public Realm - potential upgrades to planned maintenance work
Contingency

250		250			-250	
28		28			-28	170
					170	
					175	175
					300	300
					500	500
					2,330	2,330
1,085		1,085			15	1,100
500		500			-500	
500		500			-500	
250		250			-250	
100		100			-100	
					400	400
2,713	0	2,713	0	0	2,262	4,975

Corporate

BWR

BWR Council Project Team
BWR - Affordable Housing
BWR - Infrastructure

Workplaces Programme

Lewis House
The Hollies
Workplaces - Other
Keynsham New Build

Leisure Re provision

Other Corporate

Contingency

200		200	335		34	234
			2,000		665	1,000
					200	2,200
3,195		3,195			-2,859	336
					25,424	25,424
3,395	0	3,395	2,335	0	23,464	29,194

GRAND TOTAL

14,144 0 14,144 2,335 0 38,888 55,367

Funded By: £000's

Government Supported Borrowing	0
EU/Government Grant	14,614
Capital / Right to Buy Receipts	6,945
Revenue	1,170
Service Supported Borrowing	29,783
Corporately / Unsupported Borrowing	2,775
s106 Contribution	0
Other 3rd Party Contribution	80
	<u>55,367</u>

2014/15						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2013/14 to 2014/15	Less rephasing from 2014/15 to 2015/16	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Delivery						
Planning & Transport						
<i>Local Transport Improvement Schemes</i>						
<i>Two Tunnels - Council Element</i>						
<i>5 Arches</i>						
<i>Rossiter Road</i>						
<i>CIVITAS schemes</i>						
<i>GBBN Construction</i>						
<i>Bath Package Pre Construction Costs</i>						
<i>Bath Package Main Scheme Project</i>						
<i>Bath Package Scheme Property</i>						
<i>Bath Package A4 Park & Ride</i>						
2,115		2,115			-392	1,723
					4,753	4,753
2,115	0	2,115	0	0	4,361	6,476
Environmental Services						
Highways						
<i>Highways Maintenance</i>						
<i>Highways Maintenance - top up</i>						
3,300		3,300			135	3,435
Waste						
<i>In Cab Technology</i>						
<i>Recycling Collection Containers</i>						
<i>Vehicle Replacements - Waste</i>						
<i>ANPR CCTV at Recycling Centre</i>						
Parking						
<i>ANPR Bus Lane Enforcement Upgrade</i>						
<i>Software Upgrades</i>						
<i>Vehicle Replacement - Parking</i>						
<i>Parking Ticket M/c's On & Off street</i>						
Neighbourhoods						
<i>Vehicle Replacement - Neighbourhoods</i>						
<i>Vehicle Tracking Equipment</i>						
<i>Vehicles - Cleansing Equipment</i>						
<i>Play Area Equipment</i>						
<i>Allotments</i>						
<i>Newbridge Hill - Contaminated Land</i>						
150		150			480	480
3,450	0	3,450	0	0	615	4,065
Tourism Leisure & Culture						
<i>Roman Baths Site Development - Catering</i>						
<i>Roman Baths Infrastructure Development</i>						
<i>Refurb of Tourist Information Centre</i>						
<i>Bath Spring Water Strategy</i>						
<i>Roman Baths Site Development (ii)</i>						
<i>Mobile Libraries</i>						
0	0	0	0	0	100	100
0	0	0	0	0	1,250	1,250
0	0	0	0	0	1,350	1,350
5,565	0	5,565	0	0	6,326	11,891
Childrens Services						
<i>BSF Writhlington School</i>						
<i>Schools Capital Maintenance Programme</i>						
<i>Batheaston PCP</i>						
<i>WASPS PCP</i>						
<i>Midsomer Norton PCP</i>						
<i>The Link KS3 accommodation (Med schemes)</i>						
<i>Ralph Allen Applied Learning Centre</i>						
<i>Wellsway Sports Hall (inc 6 court)</i>						
<i>Spend at school level - DFC non VA schools</i>						
<i>BN - Moorland Inf Expansion (small schemes)</i>						
<i>BN - Newbridge Expansion (small schemes)</i>						
<i>BN - Bathampton temp replacement (small schemes)</i>						
<i>Southside Regeneration</i>						
<i>Oldfield Park Jnr Playing Field</i>						
<i>St Gregory's/St Mark's</i>						
<i>Oldfield Co Ed Capital Improvements</i>						
0	0	0	0	0	600	600
Adult Care & Health Service Delivery						
<i>Home adaption grants</i>						
<i>Minor works - H&S</i>						
<i>Social Care IT Infrastructure</i>						
Adult Care & Health Commissioning						
<i>Disabled Facilities Grants</i>						
<i>Discretionary Grants - Private Sector Renewal</i>						
<i>Social Housing Grant</i>						
543		543			457	1,000
543	0	543	0	0	457	1,000

2015/16						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2014/15 to 2015/16	Less rephasing from 2015/16 to 2016/17	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Delivery						
Planning & Transport						
<i>Local Transport Improvement Schemes</i>						
<i>Two Tunnels - Council Element</i>						
<i>5 Arches</i>						
<i>Rossiter Road</i>						
<i>CIVITAS schemes</i>						
<i>GBBN Construction</i>						
<i>Bath Package Pre Construction Costs</i>						
<i>Bath Package Main Scheme Project</i>						
<i>Bath Package Scheme Property</i>						
<i>Bath Package A4 Park & Ride</i>						
0	0	0	0	0	1,723	1,723
Environmental Services						
Highways						
<i>Highways Maintenance</i>						
<i>Highways Maintenance - top up</i>						
Waste						
<i>In Cab Technology</i>						
<i>Recycling Collection Containers</i>						
<i>Vehicle Replacements - Waste</i>						
<i>ANPR CCTV at Recycling Centre</i>						
Parking						
<i>ANPR Bus Lane Enforcement Upgrade</i>						
<i>Software Upgrades</i>						
<i>Vehicle Replacement - Parking</i>						
<i>Parking Ticket M/c's On & Off street</i>						
Neighbourhoods						
<i>Vehicle Replacement - Neighbourhoods</i>						
<i>Vehicle Tracking Equipment</i>						
<i>Vehicles - Cleansing Equipment</i>						
<i>Play Area Equipment</i>						
<i>Allotments</i>						
<i>Newbridge Hill - Contaminated Land</i>						
0	0	0	0	0	150	150
0	0	0	0	0	3,450	3,450
Tourism Leisure & Culture						
<i>Roman Baths Site Development - Catering</i>						
<i>Roman Baths Infrastructure Development</i>						
<i>Refurb of Tourist Information Centre</i>						
<i>Bath Spring Water Strategy</i>						
<i>Roman Baths Site Development (ii)</i>						
<i>Mobile Libraries</i>						
0	0	0	0	0	100	100
0	0	0	0	0	5,273	5,273
Childrens Services						
<i>BSF Writhlington School</i>						
<i>Schools Capital Maintenance Programme</i>						
<i>Batheaston PCP</i>						
<i>WASPS PCP</i>						
<i>Midsomer Norton PCP</i>						
<i>The Link KS3 accommodation (Med schemes)</i>						
<i>Ralph Allen Applied Learning Centre</i>						
<i>Wellsway Sports Hall (inc 6 court)</i>						
<i>Spend at school level - DFC non VA schools</i>						
<i>BN - Moorland Inf Expansion (small schemes)</i>						
<i>BN - Newbridge Expansion (small schemes)</i>						
<i>BN - Bathampton temp replacement (small schemes)</i>						
<i>Southside Regeneration</i>						
<i>Oldfield Park Jnr Playing Field</i>						
<i>St Gregory's/St Mark's</i>						
<i>Oldfield Co Ed Capital Improvements</i>						
0	0	0	0	0	600	600
Adult Care & Health Service Delivery						
<i>Home adaption grants</i>						
<i>Minor works - H&S</i>						
<i>Social Care IT Infrastructure</i>						
Adult Care & Health Commissioning						
<i>Disabled Facilities Grants</i>						
<i>Discretionary Grants - Private Sector Renewal</i>						
<i>Social Housing Grant</i>						
<i>Care Reform Grant</i>						
0	0	0	0	0	1,000	1,000

2015/16						
Expenditure						
Base Planned Expenditure Feb 10 budget report	Additions/ approvals during 2010/11	Revised Base Planned Expenditure	Add rephasing from 2014/15 to 2015/16	Less rephasing from 2015/16 to 2016/17	New items/ adjustments	NET PLANNED SPEND
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Support Services						
Property & Facilities						
Corporate Estate Planned Maintenance	951	951			-68	883
Risk Assessment/Disabled Access (DDA)	580	580			-72	508
Cost of Sales - General						
Cost of Sales - Children's Services						
Cost of Sales - Developments						
Property Development Work						
Commercial Estate Development						
Support Services - non-Property						
Comms Hub - Equipment						
Agresso update						
Transformation						
Government Connect Project						
Server & IT Refresh						
0	1,531	1,531	0	0	-140	1,391
Development & Major Projects						
Combe Down Stone Mines (HCA)						
Combe Down Stone Mines (Council)						
Southgate (Multi)						
Southgate (Council)						
Public Realm - Wayfinding						
Public Realm - Preparatory Projects					112	112
Public Realm - Union Street/Bath Street						
Public Realm - Stall Street						
Public Realm - City Centre/High Street						
Public Realm - Design element of next location						
Public Realm - Pulteney Bridge						
Public Realm - Cheap Street/WestGate Street						
Public Realm - Saw Close/Kingsmead						
Public Realm - Orange Grove						
Public Realm - Broad St/St Michael's Place						
Public Realm - Lower Borough Walls						
Public Realm - WestGate Buildings					700	700
Public Realm - Upper Borough Walls						
Public Realm - Barton Street						
Public Realm - Wood Street						
Public Realm - Manvers St Contr					500	500
Public Realm - Laura Place						
Public Realm - Grande Parade					800	800
Public Realm - Terrace Walk					250	250
Milson St & Old Bond St					750	750
Public Realm - Street Furniture phase 2						
Public Realm - potential upgrades to planned maintenance work						
Contingency					300	300
0	0	0	0	0	3,412	3,412
Corporate						
BWR						
BWR Council Project Team			2,122		234	234
BWR - Affordable Housing					-1,122	1,000
BWR - Infrastructure						
Workplaces Programme						
Lewis House						
The Hollies						
Workplaces - Other					4	4
Keynsham New Build						
Leisure Reprovision						
Other Corporate						
Contingency						
0	0	0	2,122	0	-884	1,238
GRAND TOTAL	0	1,531	1,531	2,122	0	9,261

Funded By:	£000's
Government Supported Borrowing	0
EU/Government Grant	6,045
Capital / Right to Buy Receipts	4,903
Revenue	1,397
Service Supported Borrowing	254
Corporately / Unsupported Borrowing	-919
s106 Contribution	1,000
Other 3rd Party Contribution	234
	<u>12,914</u>

Council MRP Policy

Bath and North East Somerset will make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008.

For all Government Supported Borrowing

a) The Council will determine that its MRP is equal as the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations, as if they had not been revoked by the 2008 regulations.

For all new schemes of Council supported borrowing after 1st April 2008 it will use the Asset Life Method

b) This will be calculated where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be made in equal annual instalments over the life of the asset, in accordance with the following formula:

$$\frac{A - B}{C}$$

Where-

A is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements

B is the total provision made before the current financial year in respect of that expenditure

C is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

c) Subject to paragraph f below, MRP will normally commence in the financial year following the one in which the expenditure was incurred.

d) Asset life. The estimated life of the asset will be determined in the year that MRP commences and not subsequently be revised.

e) Freehold land. If no life can reasonably be attributed to an asset, such as freehold land, the life will be taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.

f) Construction period. When borrowing to construct an asset, the authority will treat the asset life as commencing in the year in which the asset first becomes operational. It may accordingly postpone beginning to make MRP until that year. "Operational" here has its standard accounting definition. Investment properties will be regarded as becoming operational when they begin to generate revenues.

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**MEDIUM TERM SERVICE & RESOURCE PLANNING ASSUMPTIONS
2011/12 to 2014/15**

1. Background

This Appendix sets out the specific assumptions that have been made in the development of the Budget for 2011/2012 together with the Medium Term Service and Resource Plans for 2011/2012 to 2014/2015.

As with any assumptions these are based on the data and information available at the time and it is anticipated these assumptions will need to be reviewed and revised over the medium term financial planning period.

2. Government Grant Funding

Background

The Council currently (2010/2011) receives approximately £41.5m in formula grant from the Government which is distributed using a complex formula known as the Four Block Model. This formula includes significant weightings attached to deprivation based indicators across a range of specific service blocks

The Council has traditionally lost around £2.5m per annum from its formula grant settlement through the application of the damping system or, in layman's language, the protection by Government of other authorities who should be getting less on a needs basis than they currently are.

In addition the Council receives a range of specific and area based grants directly supporting activity in each service area.

The Public Sector Financial Challenge

The Council's Budget and Medium Term Service and Resource Plans for 2011/12 were developed against the backdrop of the UK's biggest public sector deficit since the Second World War following the deepest recession since the 1930's. In the 2009-10 financial year, the budget deficit reached £157bn, meaning the Government had to borrow £1 in every £4 it spent.

Anticipating the impact of this at the start of the Budget process in June 2010, the Council assumed funding reductions of up to 30% over the four year period 2011/2012 to 2014/2015 to coincide with the expected period of the next Comprehensive Spending Review. This was the basis upon which the original cash limit targets were set for the medium term financial planning period.

In-Year Cuts

The Budget for the current year 2010/2011 marked the end of the funding settlement made as part of the Comprehensive Spending Review in 2007 and with weak economic conditions and an increasing national budget deficit it was clear that the next Spending Review Period from 2010 would present a significant financial challenge to the public sector.

The scale of that challenge began to emerge when the new Coalition Government announced significant in year budget cuts as part of its emergency budget in June 2010, with the Council having to find savings of £1.8m per annum in revenue funding and £1.8m in capital funding within year. In addition the costs of implementing the savings (including redundancies and meeting contractual commitments) fell to the Council and required additional efficiencies and / or cuts of over £800k. These have all been met within the overall approved budget for 2010/2011.

Comprehensive Spending Review 2010

In terms of tackling the significant ongoing budget deficit, the Chancellor set out the Coalition Government plans in the Spending Review on 20th October 2010. This deficit reduction programme indicated 28% cuts to local authority spending over the Spending Review period from 2011/2012 to 2014/2015 with a significant element front loaded to the first two years 10.7% in 2011/2012 and 6.4% in 2012/2013. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Local Government Finance Settlement

The Provisional Local Government Finance Settlement was announced by the Coalition Government on 13th December 2010 and set out the specific level of national funding for the Council going forwards. The key elements of this announcement for the Council were:-

- Formula Grant reducing by 13.5% in 2011/2012 and then by a further 8.3% in 2012/2013.
- A new two level damping system was introduced with the Council first being placed into one of four groups based upon it's reliance on government grant. The Council was deemed to be amongst the least reliant on government grant and so placed in the lowest group. All councils in this group faced larger grant reductions. The second historic damping system remained with the Council losing a further £1m compared to its assessed level of need.
- A financial settlement for only two years and not the full four years covered by the Comprehensive Spending Review. This will enable a wider review of Local Government Finance to be conducted by the Coalition Government during 2011.
- A number of grant funding streams and adjustments made to the Formula Grant Baseline which includes a reduction of £475k as a result of the impact of Academies, a reduction of £300k for transport funding, including bus subsidies and a reduction of £620k in the funding for concessionary fares.

- Discontinued and reduced specific grants totalling £2.5m together with the future of a further £3m of specific grants yet to be announced.
- Capital grant reductions of 50% for the local transport plan, continued uncertainty over major capital scheme grants and the discontinuation of Private Sector Housing Renewal Capital Grant of approx £600k.
- Recycled funding within Formula Grant to provide funding for pressures facing Adult Social Care – estimated at £1.6m for the Council. Additional non-recurring funding to also be directed via Primary Care Trusts for Health and Social Care estimated at £1.9m for 2011/2012.
- Reference to funding for a New Homes Bonus Scheme which will provide funding for new homes brought into use and included in the Council Tax Base. This funding has yet to be confirmed but provisional estimates for the Council indicate an amount of £600k for 2011/2012.

3. Medium Term Service and Resource Plans

To accommodate the anticipated level of savings required by the Council to both the reductions in government funding and the significant cost pressures we will have to meet, each service block has been given a cash savings base target and stretch target for 2011/12 of about 5% and 10% respectively (based on gross spend – the figure based on net spend is about double this percentage).

The Specific Savings Targets for each Service Area are set out below:-

Directorate	Cash Limit B/F £m's	Total Growth £m's	Base Cash Limit 2011/2012 £m's	Base Savings Required 2011/2012 £m's	Memo Stretch Savings Required £m's
Service Delivery	28.3	2.5	27.6	3.2	2.7
Children's Services	24.2	0.4	23.2	1.4	2.2
Adult Social Services and Housing	52.8	2.9	51.6	4.1	3.1
Resources & Support Services	8.2	0.4	6.9	1.7	1.9
Development & Major Projects	1.9	0.3	1.8	0.4	0.1
Total	115.4	6.5	111.1	10.8	10.0

Actual savings requirements for 2011/2012 and future years are determined as part of the final stages of the Budget setting and resource prioritisation process.

4. Council Tax

The Finance Settlement included provision of financial support from government for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). The financial support will be payable in the form of a un-ringfenced grant, Section 31 Grant, for a period of 4 years. This grant is based around an assumed 2.5% increase.

The Council tax assumptions for purely planning purposes are as follows:-

2011/2012 – utilise Section 31 Grant

2012/2013 – a 2.5% increase

2013/2014 – a 2.5% increase

A 1% increase in Council Tax generates approximately £800K.

5. Reserves

The risk assessed level of the Council's Unearmarked Reserves is £10.5m based on updated robustness statements.

The Unearmarked Reserves can be utilised for invest to save projects provided they are repaid within 3 years and do not fall below the minimum level of £6m.

Earmarked Reserves as set out below are assumed to be fully allocated to support the Council change programme, severance costs, affordable housing and identified funding risks.

- Revenue Budget Contingency - £4.054m
- Pensions Reserve - £3.082m
- Medium Term Financial Challenge Reserve - £3.607m
- Restructuring Reserve - £2.000m
- Affordable Housing - £3.000m

The Council's reserves position is relatively strong and places the Council in a good position to meet the financial challenges ahead. Reserves can only used once and should avoid support for recurring budget pressures for any significant period.

6. Pensions

The last actuarial review dated 31 March 2007, required a relatively small increase in employers contribution from 16.4% to 17.5% at a cost of £654K. This was implemented from 1 April 2008 in full.

Work on the latest actuarial review as at 31 March 2010 has reached a conclusion and a number of positive factors indicate that there is no variation in the cash contribution level overall. These factors include:-

- The Avon Pension Fund investments have performed well.
- The Government has switched the rate for future pensions increases from the Retail Price Index (RPI) to the historically lower measure of the Consumer Price Index (CPI).
- A national review of public sector pensions schemes is being undertaken by the Government (the Hutton Review).

The review has recognised the likely decrease in the future payroll level of the Council so will be switching the future contribution level to be expressed as a cash sum rather than as a percentage of the payroll. This will require the Council to consider further the basis of recharging employer pension contributions to individual services in the future although no changes will be made in 2011/2012.

7. Pay Awards

The costs of pay awards have been included to reflect the pay freeze announced by the Government as part of the Emergency Budget in June 2010. This provides for a small increase for the lowest paid element of the workforce with all other salaries receiving no annual increase for 2011/12 or 2012/13.

For financial planning purposes a 1% increase has been assumed for 2013/2014.

Services are having to absorb a 1% increase in pay costs due to higher employers National Insurance contributions in 2011/12.

8. Other Assumptions

Some of the other assumptions being used are:

- No further provision has been made for the Government's in-year cuts in 2010/2011. All costs and related actions are assumed to be fully met in the current year.
- Balanced budgets are delivered for 2010/2011 - there is no provision for overspending.
- No general provision for inflation has been made although services have provided for known specific costs pressures.
- Interest earnings are based on a 1% return in 2011/2012, 2% in 2012/2013 and 3% in 2013/2014 and reflects the expectation that the bank base rate (currently 0.5%) will begin to rise by the end of 2011.

BUDGET SETTING PROCESS – ADVICE OF THE MONITORING OFFICER

1. It is important to be clear on the process to be followed in setting the 2011/12 Budget. This paper sets out the guidance provided by the Council's Monitoring Officer.
2. The Cabinet has the responsibility to prepare and propose a draft Budget to Council for its approval.
3. The Cabinet can, in its absolute discretion, receive from any political group that so wishes, an alternative budget proposal to that published in the Cabinet agenda papers. It can only consider such proposals if it is satisfied that they have been discussed with the Council's statutory officers and relevant Directors and that an impact statement from Officers about such proposals is available.
4. All proposals that the Cabinet meeting is prepared to consider will therefore be cleared with the Section 151 Officer, the Monitoring Officer, and relevant Strategic / Divisional Directors beforehand.
5. The Cabinet will formulate a budget proposal and Council Tax recommendation to the Council meeting on 15th February 2011. Such budget proposal may either take the form of a composite proposal or may include agreed core proposals and options for allocating parts of the budget.
6. The Council has available to it at the budget setting meeting two options. It can object to specific parts of the proposals and if it does so must require the Leader on behalf of Cabinet to reconsider its proposals. The Council is required to give the Cabinet the reason(s) why it considers those proposal(s) should be changed and it is then for the Cabinet to consider those proposed changes and the reasons put forward. Alternatively it is, of course, open to the Council to accept the budget in its proposed form at the meeting, in which case no further action is necessary.
7. Council may then determine the budget on the basis of the Cabinet's recommendations as set out in paragraph 5 above plus any insignificant changes adopted as amendments at the Council meeting. The constitution provides that the meeting itself (on advice from the Chief Executive) will decide whether any amendment to the budget proposals is of such significance as to amount to an "objection" to the budget so as to require reconsideration by the Cabinet.

8. However if a significant proposal is accepted on a vote at Council, from those notified at the Cabinet meeting, this stands as a formal objection within the terms of the law and will be referred to the Leader for her to secure consideration by the Cabinet and report back to the Council meeting on 24th February 2010.
9. When the Cabinet has considered the objections, it is required to put its proposals (which may or may not be revised) back to the Council Meeting. If the Cabinet does not agree with Council's views on a proposed change, it is required to state why and the Council can then take those reasons into account, along with its original thoughts as to why the change was desirable. At the meeting, it is open to Council to take such decision as it sees fit on any variation from the budget as originally proposed that has been the subject of consideration under the process outlined in paragraphs 6 to 8.
10. In setting the budget the Council is required to approve a full budget resolution including the police, fire and parish precepts and the proposed Council revenue and capital budgets for 2011/12. That budget will include within it the overall proposed Council cash limits for 2011/12 including the provision for inflation, the proposed use of balances in the 2011/12 budget (if any) and the resulting budget requirement and Council Tax for Bath and North East Somerset including any recommendations for special expenses. The Council will also approve the borrowing limits for 2011/12 and prudential indicators.
11. Legally, the Council must set a balanced budget for the forthcoming year and determine the level of Council Tax. If a budget is not set by the date of the reserve budget-setting meeting (24th February), this will lead to a delay in billing and a loss in council tax cash flow. It is highly likely that this will also translate into a higher level of uncollectable debt and debt collection costs and in addition this will significantly impact on council tax performance indicators. A delay until 24th February will also compromise the Council's ability to meet current billing deadlines, and there is a serious risk billing will be delayed also with negative cash flow impacts.
12. The final Council Tax set will encompass all parish and police and fire precepts (that is the money we collect on behalf of the parishes, fire and police and pay to them).

Vernon Hitchman
Council Solicitor (Monitoring Officer)