Bath & North East Somerset Council

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Date: 3 July 2013
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To: All Members of the Council

Chief Executive and other appropriate officers
Press and Public

Dear Member

Council: Thursday, 11th July, 2013

You are invited to attend a meeting of the **Council** to be held on **Thursday, 11th July, 2013** at **6.30 pm** in the **Council Chamber - Guildhall, Bath.**

The agenda is set out overleaf.

Tea, coffee & sandwiches will be available for Councillors from 5pm in the Aix-en-Provence Room (next to the Banqueting Room) on Floor 1.

Yours sincerely

Jo Morrison
Democratic Services Manager
for Chief Executive

Please note the following arrangements for pre-group meetings:

Conservative	**Brunswick Room, Ground Floor**
Liberal Democrat	**Kaposvar Room, Floor 1**
Labour	**Small Meeting Room, Floor 1**
Independent	**Independent Group room**

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

NOTES:

1. **Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Jo Morrison who is available by telephoning Bath 01225 394358.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above. Papers are available for inspection as follows:

   Public Access points – Guildhall – Bath, Riverside – Keynsham, Hollies – Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton Public Libraries.

   For Councillors and officers, papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Libraries.

3. **Spokespersons:** The Political Group Spokespersons for the Council are the Group Leaders, who are Councillors Paul Crossley (Liberal Democrat Group), Francine Haeberling (Conservative Group), John Bull (Labour Group) and Doug Deacon (Independent Group).

4. **Attendance Register:** Members should sign the Register, which will be circulated at the meeting.

5. **Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. They may also ask a question to which a written answer will be given. **Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.** Further details of the scheme can be obtained by contacting Jo Morrison as above.

6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. **Emergency Evacuation Procedure**

   When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

   Arrangements are in place for the safe evacuation of disabled people.

8. **Presentation of reports:** Officers of the Council will not normally introduce their reports unless requested by the meeting to do so. Officers may need to advise the meeting of new information arising since the agenda was sent out.

Council - Thursday, 11th July, 2013 at 6.30 pm in the Council Chamber - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chairman will draw attention to the emergency evacuation procedure as set out under Note 7.

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to complete the green interest forms circulated to groups in their pre-meetings (which will be announced at the Council Meeting) to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is **a disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer before the meeting to expedite dealing with the item during the meeting.

4. MINUTES - 16TH MAY 2013 (Pages 7 - 14)

To be confirmed as a correct record and signed by the Chair(man)

5. ANNOUNCEMENTS FROM THE CHAIRMAN OF THE COUNCIL OR FROM THE CHIEF EXECUTIVE

These are matters of information for Members of the Council. No decisions will be required arising from the announcements.

6. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

If there is any urgent business arising since the formal agenda was published, the Chairman will announce this and give reasons why he has agreed to consider it at this meeting. In making his decision, the Chairman will, where practicable, have consulted with the Leaders of the Political Groups. Any documentation on urgent business will be circulated at the meeting, if not made available previously.

7. QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM THE PUBLIC

The Democratic Services Manager will announce any submissions received under the arrangements set out in note 5 above. The Council will be invited to decide what action it wishes to take, if any, on the matters raised in these submissions. As the questions received and the answers given will be circulated in written form there is no requirement for them to be read out at the meeting. The questions and answers will be published with the draft minutes.

8. WEST OF ENGLAND CITY REGION DEAL GROWTH INCENTIVE PROPOSALS (Pages 15 - 48)

The purpose of this report is to seek Council approval to the formal adoption of the Growth Incentive proposals and the subsequent pooling of business rates across the West of England Enterprise Areas and Enterprise Zone.

9. YOUTH JUSTICE PLAN 2013-14 (Pages 49 - 86)

The Local Authority has a statutory responsibility to produce an annual Youth Justice Plan. The Plan sets out work to be undertaken to prevent youth offending and re-offending across Bath and North East Somerset.

10. ANNUAL REPORT OF THE AVON PENSION FUND (Pages 87 - 96)

The Avon Pension Fund Committee discharges the responsibilities of the Council in its role as the administering authority of the Avon Pension Fund in accordance with the Local Government Pension Scheme Regulations 2008 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

The Committee reports annually to Council on the work it has undertaken in the previous twelve months and reference is also made in the report to the future work programme. This report is for the 12 months to 31 March 2013.

11. TREASURY MANAGEMENT OUTTURN 2012-13 (Pages 97 - 112)

In February 2012, the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

This report gives details of performance against the Council's Treasury Management Strategy and Annual Investment Plan for 2012/13.

12. AGENDA MOTION FROM THE CONSERVATIVE GROUP - FRACKING (Pages 113 - 114)

13. QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM COUNCILLORS

The Democratic Services Manager will announce any submissions received. The Council will be invited to decide what action it wishes to take, if any, on the matters raised in these submissions. As the questions received and the answers given will be circulated in written form there is no requirement for them to be read out at the meeting. The questions and answers will be published with the draft minutes.

The Committee Administrator for this meeting is Jo Morrison who can be contacted on 01225 394358.

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BATH AND NORTH EAST SOMERSET COUNCIL

MINUTES OF COUNCIL MEETING

Thursday, 16th May, 2013

Present:- **Councillors** Simon Allen, Patrick Anketell-Jones, Rob Appleyard, Sharon Ball, Tim Ball, Colin Barrett, Gabriel Batt, Cherry Beath, David Bellotti, Sarah Bevan, Mathew Blankley, Lisa Brett, John Bull, Neil Butters, Bryan Chalker, Anthony Clarke, Nicholas Coombes, Paul Crossley, Gerry Curran, Sally Davis, Douglas Deacon, David Dixon, Peter Edwards, Michael Evans, Paul Fox, Andrew Furse, Charles Gerrish, Ian Gilchrist, Francine Haeberling, Alan Hale, Katie Hall, Liz Hardman, Nathan Hartley, Steve Hedges, Eleanor Jackson, Les Kew, Dave Laming, Malcolm Lees, Marie Longstaff, Barry Macrae, David Martin, Loraine Morgan-Brinkhurst MBE, Robin Moss, Paul Myers, Douglas Nicol, Bryan Organ, June Player, Vic Pritchard, Liz Richardson, Manda Rigby, Caroline Roberts, Nigel Roberts, Dine Romero, Will Sandry, Brian Simmons, Kate Simmons, Jeremy Sparks, Ben Stevens, Roger Symonds, David Veale, Martin Veal, Tim Warren, Chris Watt and Brian Webber

Apologies for absence: **Councillor** Geoff Ward

1 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure, as set out on the agenda.

2 ELECTION OF CHAIRMAN 2013/14

It was proposed by Councillor Nicholas Coombes, seconded by Councillor Patrick Anketell-Jones and supported by Councillors John Bull and Bryan Chalker and

RESOLVED that Councillor Neil Butters be elected Chairman of the Council for the year 2013/14.

Councillor Butters made and signed his Declaration of Acceptance of Office and received the chain of office from Councillor Rob Appleyard and presented the consort's badge to his wife, Charlotte.

Councillor Butters then addressed the Council.

FROM THIS STAGE OF THE PROCEEDINGS, COUNCILLOR NEIL BUTTERS, AS CHAIRMAN, PRESIDED AT THE MEETING.

3 ELECTION OF VICE CHAIRMAN 2013/14

It was proposed by Councillor Tim Warren, seconded by Councillor Paul Crossley and supported by Councillors John Bull and Bryan Chalker and

RESOLVED that Councillor Martin Veal be elected Vice-Chairman for the Council year 2013/14.

Councillor Veal made and signed his Declaration of Acceptance of Office, received the chain of office from Councillor Butters and thanked the Council for his appointment.

4 MINUTES - 4TH MARCH 2013

On a motion from Councillor Paul Crossley, seconded by Councillor Bryan Organ, it was

RESOLVED that the minutes of 4th March 2013 be confirmed as a correct record and signed by the Chairman.

5 DECLARATIONS OF INTEREST

There were no declarations of interest made.

6 ANNOUNCEMENTS FROM THE CHAIRMAN OF THE COUNCIL OR FROM THE CHIEF EXECUTIVE

Councillor Butters presented Councillor Appleyard with his past Chairman's badge. Councillor Appleyard then presented the past Chairman's Consort's badge to his wife, Alison.

It was proposed by Councillor John Bull, seconded by Councillor Charles Gerrish and supported by Councillors Dine Romero and Bryan Chalker and

RESOLVED that the Council places on record its appreciation of the services performed by Councillor Rob Appleyard in the office of Chairman of the Council for 2012/13.

Councillor Appleyard addressed the Council and, in so doing, thanked Members and officers for their support during his year in office. Councillor Appleyard outlined some of the highlights of his year, made reference to the charities he would continue to support and paid tribute to the support which he had received from Councillor Butters in his role as Vice Chairman over the previous Council year. He wished him well for his term of office as Chairman. Councillor Appleyard also thanked his wife Alison for her support throughout his year as Chairman.

The Chairman then made the customary announcements regarding mobile phones and a comfort break should one be needed.

7 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

There were no items of urgent business.

8 APPOINTMENT OF COMMITTEES, PANELS ETC AND OTHER ANNUAL BUSINESS

The Council considered a report inviting its approval for the non-executive and regulatory committee/Panel arrangements for the Council year May 2013 to May 2014.

In moving the motion (as circulated at the meeting), Councillor Paul Crossley thanked those Members who were not continuing in post as Cabinet Members and Group Leaders, for the dedicated service they had given to those roles. This was seconded by Councillor Dave Dixon and supported by Councillors Tim Warren, John Bull and Bryan Chalker.

It was then

RESOLVED to

1. Approve the structure for non-executive and regulatory decision making and Policy Development & Scrutiny working (set out in its current form in appendix 3) and revised political proportionality (as attached at amended Appendix 2);

2. Appoint those bodies with membership, terms of reference and delegated powers as set out in the Constitution (with an amendment to the Terms of Reference for the Wellbeing PDS Panel on page 30 of the appendix, 4th bullet point, to remove the words '*recommend to full Council whether to*');

3. Approve the allocation of seats on those Committees and Panels (such seats to be filled in accordance with the nominations made by the political groups);

4. Appoint to chair each committee and panel those Councillors as may from time to time be nominated by the political group to whom the chairmanship of the body is allocated (current arrangements are as set out in appendix 1);

5. Authorise the Monitoring Officer to fill any casual vacancies in membership of all the bodies constituted and vacancy in the office of Chair of such bodies in accordance with the wishes of the political groups;

6. Note the Terms of Reference of the Health & Wellbeing Board, approved by the Board on 30th April 2013 (and attached within Appendix 3), and formally appoint the Board, as described in section 10 of this report;

7. Note the resolution of the Licensing Committee to appoint one Sub-Committee, and their views on how this would operate, as set out in paragraphs 5.3 and 5.4 and accordingly approve, with no Member voting against, a pool of six Members in such proportions as Group Leaders may determine, from whom a Sub-Committee of three Members will constituted;

8. Agree the bodies on which co-opted members are to have seats as either voting or non-voting members and appoint such members accordingly as set out in revised Appendix 2);

9. Approve the appointment of the Independent Persons with responsibility for supporting the Standards Committee, as set out in section 8;

10. Authorise the Monitoring Officer, in consultation with the Chairs of the Policy Development & Scrutiny Panels, to constitute and support any required Panel joint working as outlined in section 7;

11. Confirm the current Member Champions in post for the roles set out in Section 9 and authorise the Chief Executive, in consultation with Group Leaders, to review the number and remits of the roles, and appoint members to fill such revised roles in accordance with the wishes of Group Leaders;

12. Authorise the Monitoring Officer, in consultation with Group Leaders, to make appointments on such outside bodies as are for the Council (rather than Cabinet) such to fill;

13. Note the arrangements for the conduct of Cabinet business and the report of a special urgency decision taken by Councillor Paul Crossley as set out in section 11;

14. Note the calendar of meeting dates that has been prepared up to May 2015 which is available on the Council's website; and

15. Authorise the Monitoring Officer to make and publicise any amendment to the Council's Constitution required, or take any other necessary action, as a result of decisions taken at this meeting on this and other reports within the agenda, or otherwise as required by law.

[Notes:

1. *The underlined wording in resolution 2 above was proposed by Councillor Vic Pritchard and accepted by the mover and seconder of the motion.*
2. *The resolutions above were carried with all in favour except for one abstention from Councillor Brian Webber.]*

9 DESIGNATION OF ELECTORAL REGISTRATION OFFICER, LOCAL RETURNING OFFICER AND OTHER STATUTORY ROLES

This item was withdrawn from the agenda with the consent of Council and deferred to a future meeting.

10 MOTION FROM COUNCILLOR PAUL CROSSLEY - COMMUNITY COVENANT PLEDGE

On a motion from Councillor Paul Crossley, seconded by Councillor Chris Watt, it was

RESOLVED to

1. Recognise the close ties between Bath and North East Somerset's communities and serving and former members of the armed forces and their families;

2. Note that the Armed Forces Community Covenant is a voluntary statement of mutual support between a civilian community and its local Armed Forces Community. It is intended to complement at local level the Armed Forces Covenant, which outlines the moral obligation between the Nation, the

Government and the Armed Forces;

3. Adopt the Community Covenant Pledge, comprising the following principles, objectives and intentions

   a) Encouraging support for the Armed Forces Community working in, living in and visiting Bath and North East Somerset
   b) Recognising and remembering the sacrifices made by members of this Armed Forces Community, particularly those who have given the most. This includes in-Service and ex-Service personnel, their families and widow(er)s in Bath & North East Somerset
   c) Taking opportunities to bring Council, partner and community knowledge, experience and expertise to bear on the provision of help and advice to members of the Armed Forces Community, including building on existing good work on other initiatives such as the Welfare Pathway.
   d) Encouraging the integration of Service life into civilian life and encouraging members of the Armed Forces community to help their local community.
   e) Complementing the principles of the Armed Forces Covenant which defines the enduring, general principles that should govern the relationship between the Nation, the Government and the Armed Forces community
   f) Encouraging all parties within a community to offer support to the local Armed Forces community and make it easier for Service personnel, families and veterans to access the help and support available from the MOD, from statutory providers and from the Charitable and Voluntary Sector working together in partnership at local level.
   g) Encouraging the Armed Forces community to do as much as they can to support their community and promote activity which integrates the Service community into civilian life.

4. That Bath and North East Somerset's Community Covenant Pledge includes a commitment to working with the armed services community on specific measures which meet and deliver real benefits for former and serving armed forces members and their families, and requests officers to work with the Armed Forces Community to establish a Community Covenant Action Plan;

5. Request the Chairman of Council to sign the Pledge on behalf of the Council along with representatives of the Armed Services community and partners;

6. Invite the Public Services Board to consider how public services can work together to address issues raised through the Covenant;

7. Publicise the Community Covenant in the local community and with parish and town councils; and

8. Request that Cabinet receive reports on progress on implementing the Community Covenant.

11 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM THE PUBLIC

Questions had been submitted by George Bailey and Ian Barclay. The Chairman referred to the responses that had been circulated.

Statements were made by the following people;

- Joe Scofield. In response to a question from Councillor Gerry Curran asking if Joe Scofield was aware that he and Councillor Tim Ball had visited this area 3 years ago with a Highways Officer and it had been put on the list of works to happen over the next few years, Mr Scofield responded that he was aware. He added that it did seem a long time ago now though and residents were asking why something couldn't happen sooner. In response to a question from Councillor Bryan Chalker regarding the exposed electric cable, Joe Scofield responded that he didn't know what it was for. [Members noted the need for urgent action to establish if the cable was live.]

- Karen Abolkheir. In response to a question from Councillor Paul Crossley about whether Karen Abolkheir was aware that the Gypsy & Traveller DPD was coming back to Cabinet in June with a full set of answers to the queries she had raised, Karen Abolkheir responded that she was aware of this now. In response to a question from Councillor Tim Warren about whether Ms Abolkheir had received responses to her earlier questions yet, she responded that she had received an e-mail earlier that evening which she was yet to fully digest.

- Phil Townshend. In response to a question from Councillor Tim Ball about whether Mr Townshend was aware that all applications that are refused or withdrawn are entitled to be re-submitted, he responded that he was not.

- Kris Mountford. In response to a question from Councillor Tim Warren regarding the 37 errors referred to in the statement and whether there was particular planning expertise in the Parish Council, Kris Mountford responded that there was not.

- The Chairman referred to a submission from David Redgewell.

In each case, the Chairman referred the statements to the relevant Cabinet Member apart from the one from Kris Mountford which was also referred to the Planning Department.

Copies of all statements submitted are available on the Minute book and online.

12 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM COUNCILLORS

2 questions had been submitted by Councillors John Bull and Dave Laming. The Chairman referred to the responses which had been circulated.

Councillor Will Sandry made a statement in his role as Chairman of the Student Community Partnership. This has been placed on the Council's Minute book and online.

The meeting ended at 8.10 pm

Chair(person) ....

Date Confirmed and Signed ....

Prepared by Democratic Services

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Bath & North East Somerset Council	
MEETING:	Council
MEETING DATE:	11 July 2013
TITLE:	**West of England City Region Deal Growth Incentive Proposals**
WARD:	ALL
AN OPEN PUBLIC ITEM	

List of attachments to this report:

Annex 1 – **Main report** – The same report is being used for each of the 4 West of England Unitary Authorities

Appendix 1 – Extract from West of England City Region Deal

Appendix 2 – Economic Development programme

Appendix 3 – Business rate growth scenarios

Appendix 4 – EZ and EA growth breakdown over 25 years

Appendix 5 – Growth Incentive Area Fiscal Boundaries

Appendix 6 – Proposed EDF governance

1 THE ISSUE

1.1 The purpose of this report is to seek Council approval to the formal adoption of the Growth Incentive proposals and the subsequent pooling of business rates across the West of England Enterprise Areas and Enterprise Zone.

2 RECOMMENDATION

2.1 Council is asked to:

(1) Approve the pooling of business rates across the 4 West of England Authorities for the designated fiscal boundaries of the Enterprise Areas (together with the Enterprise Zone) for 25 years, as set out in the report on the basis of the Growth Incentive proposals.

(2) Approve the operation of the business rates pool and funding arrangements on the basis of the Tier 1, 2 and 3 parameters as set out in this report.

(3) Delegate to the Chief Executive, in consultation with the Group Leaders, authority to finalise the detail of the proposals, following central government due-diligence.

(4) Delegate to the Divisional Director of Finance (S151) in consultation with the Monitoring Officer and Resource Lead Members, authority to finalise the detailed elements and operation of the pooling arrangements and associated elements of the Growth Incentive proposal including the necessary legal documentation.

3 FINANCIAL IMPLICATIONS

3.1 See main report

4 CORPORATE OBJECTIVES

4.1 All the corporate objectives apply:

- *Promoting independence and positive lives for everyone*
- *Creating neighbourhoods where people are proud to live*
- *Building a stronger economy*

5 THE REPORT

5.1 See main report

6 RISK MANAGEMENT

6.1 See main report

7 EQUALITIES

7.1 See main report

8 CONSULTATION

8.1 See main report

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have input to this report and have cleared it for publication.

Contact person	*Andrew Pate – Strategic Director of Resources tel 01225 477300* *Tim Richens – Divisional Director of Finance tel 01225 477468*
Background papers	*Presentation to PDS Resources on 17 June 2013*
Please contact the report author if you need to access this report in an alternative format	

WEST OF ENGLAND CITY REGION DEAL GROWTH INCENTIVE PROPOSALS

Purpose of Report

1. The City Region Deal is an agreement between Government, the West of England authorities and the West of England Local Enterprise Partnership giving increased local financial flexibility and freedoms in exchange for a focussed programme of investment to enable the region to achieve its full economic growth potential.

2. The City Region Deal Growth Incentive proposal provides a licensed exemption from the effects of the resets and levies of the local government finance system in five enterprise areas over 25 years, enabling the West of England (WoE) to retain 100% of growth in business rates against an agreed baseline in the EAs (and EZ).

3. The aim of the deal is to provide the West of England with a long term source of revenue linked to our economic fortunes, in order to incentivise investment and maximise economic growth in the West of England.

4. The Local Authorities will pool the business rates growth from the five Enterprise Areas, and the LEP will contribute the business rates growth from the Enterprise Zone into one West of England business rates pool, in order to make a contribution to an Economic Development Fund and funding to the local authorities to support the demographic and service pressures that follow.

5. The West of England Local Enterprise Partnership will facilitate the delivery of a programme of investment from the Economic Development Fund to unlock and accelerate economic growth in the West of England.

6. When the principles of the City Region Deal were agreed with Government, it was made clear that the Growth Incentive proposal would be subject to formal Council approval. It was agreed that if Council agreement was obtained from each UA, the Growth Incentive deal would come into effect from April 2014.

7. The purpose of this report is to seek Council approval to the formal adoption of the Growth Incentive proposals and the subsequent pooling of business rates across the West of England Enterprise Areas and Enterprise Zone. This could benefit the West of England to a sum of in excess of £600m over the next 25 years. Similar reports are being progressed by the other three West of England Unitary Authorities.

Background – City Region Deal

8. In July 2012 the principles of the Bristol and West of England City Region Deal were formally agreed between central government, the 4 Unitary Authorities, and the Local Enterprise Partnership. The City Region Deal (CRD) is made up of 5 main elements:

    - **The Growth Incentive** – creates a genuine incentive for the city region to invest in economic growth and job creation. It enables the West of England authorities to retain and pool 100% of business rates growth across its Enterprise Areas and Enterprise Zone for the next 25 years, with the additional business rates generated being used to support a £1 billion investment programme in economic growth and in managing the resultant local demographic and service pressures that arise.
    - **The Transport Devolution Agreement** – ensures the necessary powers are devolved alongside the investment in major transport schemes and the Greater Bristol Metro.
    - **The People and Skills programme** – is focussed on giving the business community real influence over skills provision in the West of England.
    - **The City Growth Hub** – will provide an enhanced investment and promotion service, pooling expertise and capacity across the West of England.
    - **The Bristol Public Property Board** – comprising all relevant Government departments and Bristol City Council will manage up to £1 billion of Bristol City Council assets and an estimated 180 land and property assets in the ownership of a range of other public sector parties. This element of the CRD is specific to Bristol City Council only.

9. In July 2012 it was made clear that the Growth Incentive proposal would be subject to future formal Council approval. It was agreed that this element, if confirmed, would come into effect from April 2014. The purpose of this report is to seek Council approval to the formal adoption of the Growth Incentive proposals as set out in the CRD and the subsequent pooling of business rates across the West of England for the Growth Incentive Area (GIA). The same approvals are being progressed by the other three West of England Unitary Authorities. Appendix 1 to this report extracts the relevant Growth Incentive proposal from the CRD signed in July 2012.

10. The delivery of the Growth Incentive proposals and resultant additional funding will be a critical element underpinning the other 4 parts of the CRD.

Background – National Local Government Funding System

11. The Growth Incentive proposal agrees certain licensed exemptions from the current local government finance system. This section explains at a very high level how the current local government finance system operates.

12. The business rate retention scheme (BRR) launched on the 1st April 2013 is now one of the primary forms of local government funding. The government has set the baseline level of business rates it expects each council to be able to generate in each year. If a council fails to deliver business rates to this base line it has to meet the shortfall from alternative council resources up to a ‘safety net’ figure, after this

the balance of the shortfall is met by national funds from a national safety net. It is important to note that this national safety net is funded by local government through the BRR via the payment of a 'levy' by some councils.

13. If a council exceeds its baseline in any one year, it is able to keep a share of that 'growth' locally. The growth is shared 49% (local authority) 1% (Fire authority) 50% (Central Government). Where that growth is deemed to be disproportionately large in the context of the council's base budget, the local authority has to pay a further 'levy' on its share of the growth. As set out above, this levy is then pooled at a national level and will be held to fund any calls on the national safety net.

14. In addition to this, any growth in business rates is only maintained until the next reset period. At which time the national system is 'reset' and the process begins again. Exactly how this reset will work is currently unclear, however it is expected the first reset will happen in 2020 (7 years) and thereafter every 10 years, although this is not guaranteed.

15. As an example, if an authority had a baseline of £100, in year delivered growth of £10, and had a levy of 40% in simplistic terms it would keep £2.94 as follows:

	Council **£**	**Fire** **£**	**Govt** **£**	**Total** **£**
In year growth (49%, 1%, 50%)	4.90	0.10	5.00	10.00
Less levy to Govt (e.g. 40%)	-1.96	0	1.96	0.00
Total business rate retention	**2.94**	**0.10**	**6.96**	**10.00**

16. Further, this growth is only retained until the national reset happens. Therefore, if this growth happened in year 4, the authority would only keep that growth (£2.94p.a.) for 3 years, before it was lost back into the national system. However, if this £10 of growth were to happen in the WoE GIA the growth incentive proposals would enable the West of England to retain both the council and government elements (£9.90) of growth for investment locally for each of the 25 years of the deal.

17. The current 'Levy' rate for each of the West of England Authorities is:
    - South Gloucestershire – 47%
    - Bristol – 10%
    - BANES – 31%
    - North Somerset – 0%

18. The benefit to be gained for the West of England which would otherwise be lost into the national pot would therefore be the 50% national share, plus the above levy rates for each local authority, plus the gain on reset for the next 25 years. It is assumed the 1% share for the Fire Authority would continue to be paid to the Fire Authority to ensure they are no worse off compared to the local government finance system.

Growth Incentive proposals

19. The West of England local authorities will retain 100% of business rates growth in the five West of England Enterprise Areas, and will pool this revenue with that from the existing Temple Quarter Enterprise Zone. The pool will make a significant financial contribution of up to £500m into a West of England Economic Development Fund which will support an overall package of £1bn of investment in the local economy. Income will also be used to ensure no local authority will be worse off compared to the local government finance system, and to manage associated population growth and service pressures. A diagram depicting this is shown in appendix 2.

20. In summary the local authorities will commit to pooling the business rate growth from the five Enterprise Areas alongside the Enterprise Zone. They will commit to making a significant contribution (up to £500m over 25 years) from this pool in to an Economic Development Fund (EDF). This payment will only be made if the growth in business rates across the areas allow and will be on a proportionate basis (this is explained later in the report). They will also commit with the LEP:
    - That the EDF investments target projects that maximise economic returns.
    - That the councils ability to cover costs associated with growth is protected as far as possible, to mitigate local demographic and service pressures
    - That there is an equality and fairness of approach across all 6 Enterprise Zone/Areas for determining how allocations of business rate revenue to the EDF, and to each local authority for demographic and service pressures, are made.

21. In return, the Government will provide a licensed exemption from the effects of the resets and levies of the local government finance system in the five enterprise areas over 25 years, enabling the West of England to retain 100% of business rate growth in these areas to go into the Pool. The rest of the West of England area will not be subject to any licensed exemptions from the national local government funding system.

22. The West of England Local Enterprise Partnership (LEP) will oversee a £1bn programme of investment in the local economy, including the allocation of funding from the EDF to unlock and accelerate economic growth in the West of England. A single pot (EDF) will comprise business rate revenues, which will be used in conjunction with other Government funding streams to deliver an investment programme focussed around the Enterprise Zone and five Enterprise Areas. It will so far as is reasonably possible ensure an equity of delivery of schemes being mindful of where the funds originated and where the greatest benefit can be returned.

23. It is therefore important to note that the local authorities (and the core purpose of this report) primary commitment under the Growth Incentive proposals is to the pooling of business rate growth, and the 3 activities of ensuring no council is worse off, making a significant contribution to the EDF, and supporting the councils in respect of the impact of that growth. This is the purpose of this report and its recommendations.

24. Distinctly separate to this, the local authorities in their role as members of the Local Enterprise Partnership, will then have a responsibility in reviewing and making decisions around the allocation of the EDF to ensure it is used to unlock and accelerate economic growth. This will need to be confirmed as part of the governance arrangements within the LEP when receiving payments from the business rates pool (see later in report).

25. The LEP Board will agree to the Enterprise Zone growth being pooled within the business rates pool referred to above, in return for an overall contribution of up to £500m from the pool to the EDF over 25 years.

26. It is important to note that in respect of the Enterprise Areas, the exact boundaries for Growth Incentive purposes will differ slightly. Fiscal boundaries within the Enterprise Areas have been created which will be used for the purposes of business rate pooling arrangements. This is explained further under the financial implications section of this report.

Pooling Arrangements

27. The pooling arrangements will be in place for 25 years with effect from 1st April 2014 to the 31st March 2038. Primary legislation will be laid in the Autumn of 2013 to enable the councils to retain 100% of the business rates growth from the Enterprise Areas. As the Enterprise Zone started in April 2013, a year earlier than the Enterprise Areas, the income from this year (2013) will be held and paid into the pool on its commencement. As the 25 year period of Enterprise Zone rate retention starts a year earlier than the Enterprise Areas, it will also end one year earlier than the Enterprise Areas.

28. All business rate growth across the Enterprise Zone/Areas will be pooled in one business rates pool. South Gloucestershire Council will be the accountable body for that pool. The use of the pooled business rates will then be determined on the basis of 3 ‘tiers’ of activity over the 25 year period. The financial value of each will be dependent on the level of business rates growth actually generated. The pool will be operated in such a way as to ensure that any financial risk to the authorities is mitigated as far as is possible. This is explained in more detail later in the report.

29. **Tier 1 Payment** – ‘no worse off’ payment. As set out above, under the national local government finance system each Local Authority would get to retain locally 49% of any business rates growth above the base line, less any applicable Levy (the baseline in this context is explained further under the financial implications section). The first call on the pool will therefore be to ‘repay’ each local authority what it would have got under the national local government finance system. In this respect no local authority should be ‘worse off’ as a result of signing up to the Growth Incentive Deal. In respect of Bristol City Council, it will receive a tier 1 payment for the Enterprise Zone as if it had been a normal part of the national local government finance system rather than operating under Enterprise Zone legislation, reducing the amount that would otherwise be available for Tier 2 and Tier 3 contributions.

30. Tier 1 is an important element of ensuring that each council’s ability to cover costs associated with growth is continued to be protected as it would be under the national system. There should be minimal risk associated with this element of the

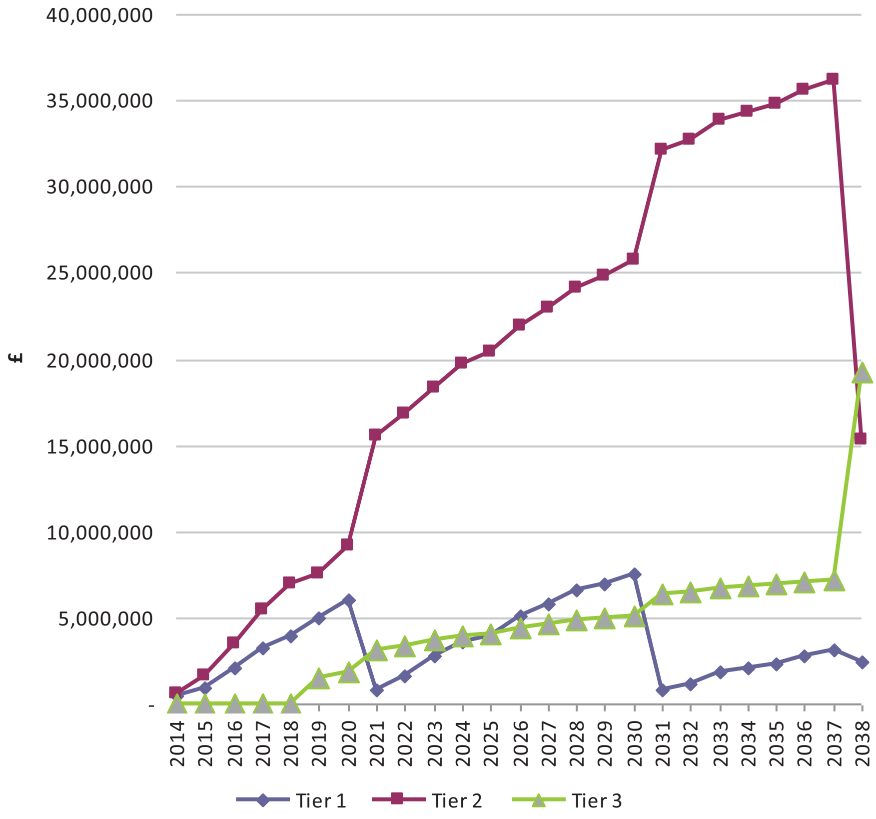
deal, as the growth has to be generated (and therefore the cash in the pool) before a Tier 1 payment would become due. In addition to this, Tier 1 will also include the setting aside of costs associated with the operation of the pool, and creating a contingency (similar to the national safety net) for meeting issues such as bad debts and revaluation appeals.

31. In calculating the tier 1 payment, an assumption has been made for projection purposes about the national reset impact, as guidance from central government about how this will work is not yet available. It has been assumed that growth up to each reset under the national local government finance system will be re-distributed by government based on need through RSG and not retained by Local Authorities. The actual mechanism for undertaking the reset could therefore impact on the split of funds in the future between Tier 1 and Tiers 2 and 3.

32. **Tier 2 Payment** – This will be the contribution from the pool to the EDF. Current forecasts have been worked on the assumption that this will be £500m over 25 years. This could be reviewed by the four local authorities in the future as necessary. This payment will only be made available to the LEP (EDF) if it is financially sustainable to do so (to the pool) having met Tier 1 costs and in proportion to the Tier 3 payments. Once again the cash needs to be generated before payments would be made, leaving minimal in year risk which would need to be accounted for as part of the tier 1 contingency sum. The costs associated with the programme management of the EDF and the development of scheme business cases through to delivery will be met by tier 2 (EDF) if supported by the LEP.

33. **Tier 3 Payment** – This will be a payment to each Unitary Authority to mitigate local demographic and service pressures arising from the additional growth impacting on the GIA. It is therefore important this payment grows in proportion to the level of growth being generated and a ratio of 5:1 has been assumed (for every £5 Tier 2 payment there will be a £1 Tier 3 payment). To support cash flow in the early years and prioritise investment in unlocking the growth sites earlier, it is proposed the Tier 3 payment will not be paid in the first 5 years of the deal. It will start in year 6 with the equivalent amounts due from years 1 to 5 being recovered over the following 5 years on top of the normal payments. Flexibility will be maintained by the pool to determine whether Tier 3 payments should begin earlier than year 5 once the detailed schemes and requirements of the EDF are more fully developed. Once the full Tier 2 payment has been made (£500m) any surplus sums over and above this will become a 100% Tier 3 payment to further mitigate the impact of growth. An exemplification of this is shown in the chart below.

EXAMPLE Tier 1, Tier 2 (Payments to EDF) and Tier 3 payments



Tier 1 shows the impact of the reset after years 7 and 17. The fall in the final year is as a result of the Enterprise Zone finishing in year 24. Tier 2 shows an increase to the full payment of the £500m being reached partly through the final year, and a similar proportionate (5:1) growth in Tier 3 payments. Over the 25 years this broadly totals payments of £500m to Tier 2 and £100m to Tier 3.This scenario therefore indicates no impact from additional investment resulting from the £500m EDF contribution to the LEP. It does however indicate how sensitive the projections are to the ability of achieving the full £500m EDF, and given this (together with uncertainties over issues such as the impact of the national reset), the LEP should focus its investment into the Enterprise Areas and Zone in order to confidently achieve the £500m contribution to the EDF.

34. The Tier 3 payment to each of the 4 Unitary Authorities will be split on the basis of a formula. 50% will be allocated to each council on the basis of what proportion of growth each Enterprise Area/Zone has contributed to the pool in each year (after Tier 1 payments). 50% will be allocated on the basis of housing growth seen in each whole council area on an annual basis. This latter element is to provide support to those areas which may be providing the housing related to the additional growth, but not necessarily the increase in business growth itself. It also acts as a proxy for population growth.

35. As the business rates pool is a local government funding stream, full accountability and discretion around decisions in relation to the pool will rest with the Local Authorities only. A business rates pool Board will be created made up of the 4 Council Section 151 Officers / Resource Directors (or substitutes), with an invitee representing the LEP and the Environment Directors. This will be a technical Board to monitor and administer the pool. It will operate within the parameters agreed by

Members as set out above. Any changes to the policy in which the Board operates will require member approval by the 4 authorities. Regular reports on the operation, monitoring and performance of the pool will be made to each Council and the LEP.

Economic Development Modelling

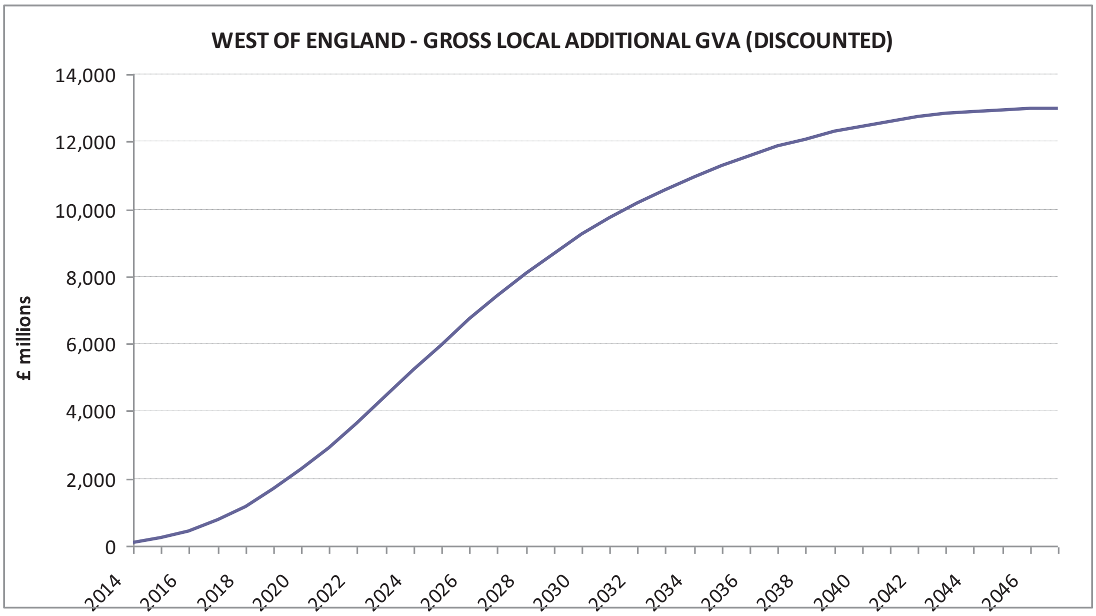
36. To provide an exemplification of the potential growth from each Enterprise Area/Zone that could be generated over the next 25 years, an external specialist company (Amion) was commissioned. As has been demonstrated above, broadly speaking any growth across the area should prove beneficial to the West of England under the Growth Incentive proposals as it will retain within the West of England an element that would otherwise be lost nationally. This work was undertaken for two primary purposes. Firstly to demonstrate the potential ability of the areas to generate enough growth to be able to make the £500m contribution to the LEP/EDF, and secondly to look at the broad phasing of when that growth may come on stream, and resultant cash-flows to the pool and subsequent Tier 2 and 3 payments.

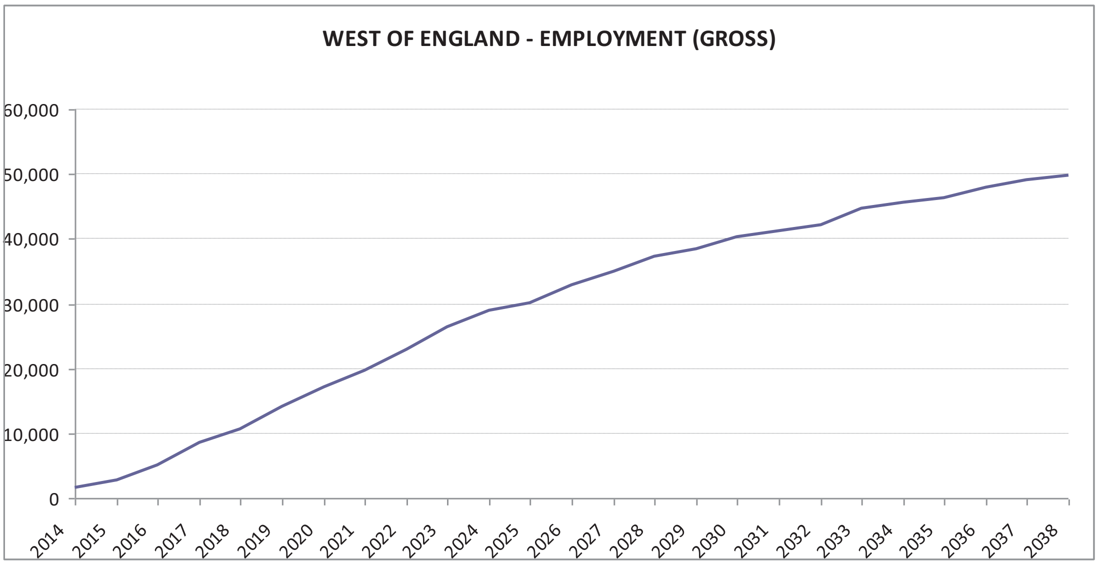
37. Amion consulting worked with officers from each council, talked with businesses and land owners, used past experience locally as well as national guidance, and tested their assumptions against an independent property specialist and specialist chartered surveyors. This has led to a series of assumptions and projections for each enterprise area and zone. Clearly trying to project forward the economy over 25 years is inherently difficult, in both totality and phasing terms. Therefore a base scenario, a pessimistic scenario, and an optimistic scenario were created, with relative probabilities attached.

38. The model shows that over the next 25 years the potential growth resulting from the GIA is £842m (baseline scenario), with a pessimistic assessment of £653m, and an optimistic assessment of £957m. To allow for risk, the ‘weighted average’ of these scenarios (£811m) has been taken into the financial modelling assessment outlined in the next section of this report. The results of this assessment are shown in appendix 3.

39. It is important to note that this is only one exemplification, and shows an indication of the potential growth achievable. This is broken down further by Enterprise Area and Zone in Appendix 4 of this report. Should this level of growth materialise over the next 25 years the net benefit to the West of England of signing up to the growth incentive proposals (i.e. after allowing for the Tier 1 payment which would have been retained locally under the national local government finance system anyway) could range between £492m and £720m.

40. In addition to the retained business rates benefit, the modelling shows additional benefits in terms of GVA uplift, and jobs creation over the 25 years as shown in the charts below.





41. Assuming the LEP further invests an element of the EDF in areas which benefit growth in the Enterprise Zone or Areas, this will further increase the level of business rate and GVA uplift over an above that shown above.

Financing Implications and Projections from Modelling

42. The Amion growth assumptions have been taken into a financial model for the purposes of projecting forward potential cash flows in respect of Tier 1, 2 and 3 payments based on a reference case. This reference case assumes no impact from the additional investment resulting from the £500m EDF contribution to the LEP (assuming this size of EDF is achieved). Intervention models can then be created in the future as part of determining the impact of different investment decisions resulting from the £500m EDF on this reference model (and maximising the likely achievement of £500m). Therefore as set out above, investment from the £500m

EDF (assuming it relates to the EAs/EZ) should only further enhance the level of growth resulting from the Growth Incentive proposals, having a positive impact on the cash-flows into the business rates pool.

43. As set out earlier in the report, Fiscal Boundaries within the Enterprise Areas have been created to financially de-risk the pool from future potential business rate falls as far as is possible. These are shown in Appendix 5. The boundary for the Enterprise Zone has already been set as part of its formation in April 2013 and cannot be amended as it is already set in primary legislation. Fiscal boundaries have been created as the Enterprise Areas already have businesses within them paying business rates. If a current business is included within the growth incentive proposals then its current level of business rates will form a baseline. It is only when this figure is met (i.e. only growth above this level after an annual inflationary uplift) that the growth incentive proposals come into effect.

44. The expected baselines for each Area and Zone are set out in the table below:

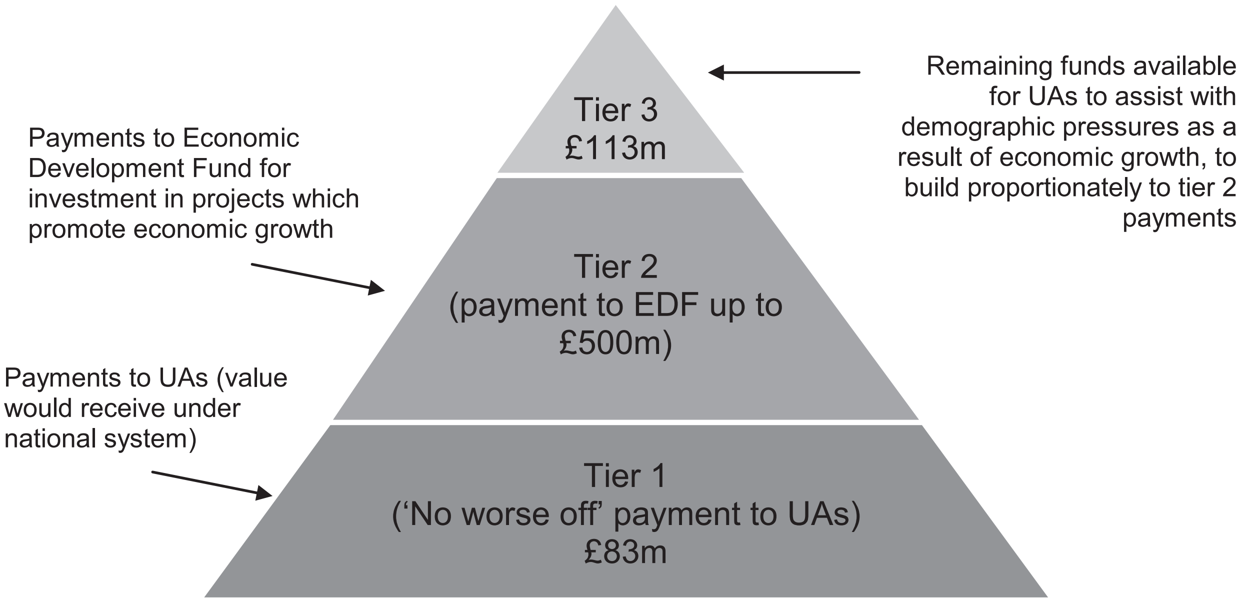
Enterprise Area	**Net Charge on 14 September 2012 (£)**
J21	191,247
Bath City of Ideas	4,703,086
Filton	523,000
Emerson’s Green	0
Severnside	185,660
Avonmouth	6,245,175
Total EA	**11,848,168**
Temple Quarter*	12,413,482
Total	**24,261,650**

*based on 31st December 2011. For purposes of the legislation, the baselines and fiscal boundary maps will be presented by local authority rather than by Enterprise Areas. Each UA will be responsible for meeting its own baseline level of rates including valuations appeal risk within the baseline, which if necessary will be dealt with under the tier 1 payment.

45. It has been agreed with the Department for Communities and Local Government that the EA baseline is based on data as of September 2012, and therefore any growth in business rates since that date (after allowing for an inflationary uplift on the baseline) will benefit this deal.

46. As explained above, the local authorities will not be paying a levy on any growth in the GIA. Under the national local government finance system this levy funds the national safety net. In this respect the GIA will not have access to the national safety net. This should not pose a significant risk to the pool so long as each UA is underwriting their respective baselines, and the pool only commits funding on an annual basis in line with its expected cash flow projections. The main risk to the pool in this circumstance will come from rating appeals lodged with the valuation office, especially those that are backdated in nature, which will need to be mitigated by the holding of a Tier 1 contingency as referenced earlier (appeals relating to baseline properties will remain the responsibility of the respective local authority).

47. Taking the weighted average Amion projection outlined above, and after allowing for a general contingency and provisions for bad debts, this leads to projected growth figures in the region of £696m. Based on a series of assumptions this would lead to provisional indicative Tier 1, 2 and 3 splits over 25 years for exemplification purposes only as shown below:



48. Over 25 years this would show an annual cash flow growing by tier as previously demonstrated under paragraph 33. This clearly shows that in the early years of the scheme cash is limited for investment and return, with the benefits starting to grow proportionately as the new businesses come on stream over the 25 years.

49. A simplified example of the impact of the proposal compared to the national local government finance system over 25 years (for growth in the GIA) is summarised below:

National local government finance system		**Growth Incentive proposal**	
Assumed growth	£703m	Assumed growth	£703m
Amount retained by Fire	£ 7m	Amount retained by Fire	£ 7m
Remaining National/Local	£696m	Remaining National/Local	£696m
Amount retained by councils:	£83m	Amount retained by councils (Tier 1)	£83m
		Amount invested in WoE Tier 2)	£500m
		Amount returned to councils (Tier 3)	£113m
Amount lost nationally:	£613m	Amount lost nationally:	£0

Next Steps

50. Government departments have confirmed that they are fully committed to the principles of the proposal, and are completing their due-diligence against the potential cost of these proposals for government departments which may impact on some of the detail set out in this report. This work is expected to be completed by mid July. It is recommended that the Chief Executive, in consultation with the Group Leaders, have delegated authority to agree the final detail of the proposals, if necessary, following the completion of central government due-diligence.

51. Once each council has approved its pooling of business rates under the Growth Incentive proposals a number of detailed agreements will be drawn up between the partners setting out the more specific arrangements reflecting the contents of this report. A legal agreement between the pool and the LEP will also need to be agreed.

52. A letter of comfort between the West of England and the Cabinet Office will also be entered into setting out the more detailed arrangements of the scheme, and specifically how it will operate in respect of the national local government finance system.

53. Significant work will then need to be undertaken in respect of setting up the pool and the detailed accounting and cash flow procedures that will need to be put in place. The preliminary costs of this will need to be reimbursed from the pool once live.

54. The incentive will come into operation from April 2014.

55. Proper governance will need to be in place by the LEP for the management of the EDF, and the accountable body will need to be satisfied with these arrangements as set out below. It is currently intended that the governance for this will be similar to that currently in place for the Revolving Infrastructure Fund, as outlined in Appendix 6.

Economic Development Fund

56. Payments will be made into the EDF on the Tier 2 pooling basis set out above. This means the EDF will only receive funds on the basis of cash actually being generated into the pool. On this basis the cash flows will be small in the early years. BANES will be the accountable body for the EDF in line with its current responsibilities around support to the LEP and WoE Office.

57. The LEP (comprising the 4 Local Authorities and 4 business representatives) will need to set the priorities against which the EDF will be spent in promoting and accelerating economic growth.

58. The relevant Unitary Authority (or Authorities) will need to sponsor schemes in their own area(s) and underwrite the financial implications prior to approval by the LEP Board. It will be a requirement of the UAs on agreeing the proposals that investments by the LEP from the EDF will not be made on schemes that could negatively impact on the reference case and pool. Further, given the sensitivity of

the projection, early spend from the EDF should be focussed on unlocking and accelerating growth within the Enterprise Areas and Zone.

59. The EDF will only be able to commit on an annual basis up to the sums it receives from the pool. On this basis should the LEP decide it wants to pump prime schemes by borrowing in advance of cash flows being generated, this would require the approval of the sponsoring local authority/ies, who would also be required to undertake (and therefore underwrite) that borrowing. This will need to be determined by each local authority at the time of approving each scheme, following a full business case and risk assessment on a case by case basis. The financing costs of any borrowing would need to be borne by the EDF, and similarly underwritten. Project management costs and risks would remain with the sponsoring local authority and are not at any time transferred to the EDF.

60. Protections have been sought, as far as is possible, from the Department of Communities and Local Government and Treasury in respect of mitigating the risk to future cash flows arising from changes at a national level impacting on the Growth Incentive proposals and any borrowing undertaken underwritten against future cash flows. These include the licensed exemption from the national system being laid in primary legislation, and the CLG confirming that whilst in existence the 'New Burdens Principle' (NBP) will apply to the details of this deal. The NBP is a Whitehall doctrine that requires all government departments to justify why new duties, powers, targets and other bureaucratic burdens should be placed on local authorities, as well as how much they will cost, and how the relevant government department will fully fund the net additional cost. Its aim is to ensure that the pressure on council tax is kept down. These will both be included in the letter of comfort referenced above.

61. In addition to this, negotiations are ongoing with Treasury to confirm that the LEP PWLB preferential borrowing rate for one scheme (up to £39m) can be applied to a package of schemes in respect of the WoE LEP and used for this purpose (on the basis the LEP can agree a package that meets scheme criteria). Further, discussions are ongoing around a package of works also being included within the Treasury's loan guarantee scheme if funded through the PWLB. Other routes of financing are also being investigated.

62. The LEP and Local Authorities have initiated a piece of work identifying those schemes that could be critical to the unlocking or accelerating of growth across Enterprise Areas, or would be priority schemes in the promotion of the GIA. Subject to more detailed business cases being required for many of these, they should form the first phase(s) of work funded by the EDF. If all schemes were to be funded at the earliest opportunity this would require borrowing to support.

Options

63. That the council does not sign up to the Growth Incentive Deal as part of the West of England City Region Deal. This option has the potential of causing reputational damage to the West of England. The council would not benefit from additional growth retained locally for as long as the deal was in operation. Specifically it would be unlikely to benefit from any investment originating from the LEP in respect of this element of EDF, and would not receive a Tier 3 payment to support demographic and service pressures should the remaining councils agree to move forward with the Deal. Funding will be lost into the national local government finance system rather than being retained within the West of England for local benefit.

Legal Implications

64. The statutory basis for the Local Retention of Business Rates Scheme is the Local Government Finance Act 2012.

65. The Government's exemption for the West of England's City Region Deal Agreement will apply for 25 years from its effective date of 2014, and will be laid in primary legislation.

66. In order to implement the Growth Incentive proposals and benefit from the freedoms and flexibilities that the scheme is intended to deliver, each UA will 'voluntarily' enter into binding agreements (4 party - between the 4UAs and 5 party – between the 4 UAs & Local Enterprise Partnership) These Agreements will address the detailed pooling/accounting arrangements for the business rate growth across the West of England as well as risk, governance, review, liabilities and indemnities and procedures for determining investment and spending priorities.

67. These Agreements will have a maximum term of 25 years to reflect the Government's licensed exemption period but will be terminable earlier subject to agreed provisions in the Agreements.

68. Lawyers for the 4 UAs are working to develop the detail of these Agreements to ensure that they are robust and that they comprehensively operate in the best interests of each UA whilst fully utilising the principles of the Scheme to the benefit of the West of England region.

69. In addition to these Agreements, the West of England will enter into a written letter of assurance with the Government (a letter of comfort) concerning the operational arrangements that have been agreed by the 4 UAs and LEP under the Growth Incentive proposals and the expectations of the WoE from Government into the future. (G Sinclair, x3039)

Human Resource Implications

70. There are no direct human resource implications arising from this report. The accountable body will be required to administer the business rates pool, and prepare monitoring reports for the LEP and Unitary Authorities. This will require additional staffing resource which will need to be met as part of the Tier 1 payments referenced earlier in the report. For the purposes of the projections, this has been estimated at £50,000 per annum.

71. Extra resource will be required for the management and governance arrangements for the EDF and these costs will be met from the Tier 2 payments.

Equality and Sustainability Implications

72. There are no direct equalities impact issues arising directly from this report

73. The Council will be facing significant additional economic and service pressures over the next 25 years. The additional funding that these proposals generate could help to alleviate some of those pressures, through both the provision of critical local infrastructure to support the economy, and through Tier 3 payments in respect of mitigating service and demographic pressures.

Consultation

74. In July 2012, the principles of the deal were formally agreed between central government, the 4 unitary authorities and the Local Enterprise Partnership, with the growth incentive proposals subject to future formal council approval.

75. The West of England Joint Scrutiny Committee received a report of the Growth Incentive proposals at their meeting on the 7th June 2013. The committee discussed the proposals and specifically issues around future governance, audit, decision making and pooling principles. The committee has asked to receive annual reports on the performance of the pool in the future.

76. Environment Directors and Resource Directors from each Local Authority have been involved in the development of the growth incentive proposals and the contents of this report. The LEP Board has also been engaged in the development of the proposals.

77. Ongoing engagement with HM Treasury, the Cabinet Office and Communities and Local Government has been undertaken during the development of these proposals.

Other Risk Implications

78. A key risk is that the business rates growth does not materialise as projected. This is highly likely given the difficulties of trying to project forward the economy and its impact on a specific area for the next 25 years. Should this level of growth not materialise then this would lead to less funding being available to the pool, resulting in lower Tier 2 and Tier 3 payments. Potentially leading to a lower overall payment to the EDF. So long as the pool does not pre-commit future funding streams the financial risk to the local authorities and the pool of this is minimal.

79. This risk will differ across the EA and EZ locations. Some do not currently have approved comprehensive planning concept statements, whilst others have elements subject to approved development guidelines and/or planning consents. This risk will need to be monitored and managed as sites become more certain, and the projections changed accordingly.

80. The operation of the pool will include the creation of a contingency which will need to grow over time and remain proportionate to the size of the financial risk faced. The projections included within this report are based on a weighted average likelihood of economic growth occurring, and have then been further reduced to account for bad debts and a general contingency.

81. A further risk comes as a result of changes that may happen over the next 25 years at a national level which could impact on the proposals. Examples of this might include a future government stopping or amending the scheme through primary legislation, or changes to the national business rate system which then impacts on the projected level of income.

82. Once again these risks can be mitigated by ensuring the pool does not pre-commit future cash flows. The proposals are laid in primary legislation, and the new burdens principle could apply where relevant. Should the scheme be ended early, then the West of England would have gained the additional benefit for as long as the proposals had been in operation. Should the national local government finance system be changed in such away as to make it more beneficial nationally to local authorities then this would need to be accounted for locally as part of the Tier 1 payment structure.

83. As discussed earlier in the report there could be a risk to local authorities who have borrowed via the EDF based on expected future income streams. This will need to be considered on a case by case basis when the local authority comes to support decisions around specific infrastructure / investments. Potential mitigating actions to this were outlined earlier in the report.

84. The letter of comfort between the West of England and the Cabinet Office will also seek, in so far as is possible, to mitigate any unforeseen risks that could occur when the national system is reset (currently expected in 2020 and thereafter every 10 years). An assumption has been made in the modelling about the impact of a reset in year 7 and 17. This impacts on the proportion of funding available to the local authorities in tier 1 and 3, although the total will remain the same.

85. The highest risk to cash flow will be in the early years of the scheme, although this should be mitigated through each UA underwriting its base line position to the pool, and the setting aside of a contingency for new growth. Expectations will need to be managed locally in the early years as to the level and availability of funding.

86. Audit of the pool will form part of the normal internal and external audit arrangements of the accountable body, and will be reported to each council's Section 151 officer as part of the monitoring arrangements.

RECOMMENDATIONS

1. That Council:

   - Approves the pooling of business rates across the 4 West of England Authorities for the designated fiscal boundaries of the Enterprise Areas (together with the Enterprise Zone) for 25 years, as set out in the report on the basis of the Growth Incentive proposals.

   - Approves the operation of the business rates pool and funding arrangements on the basis of the Tier 1, 2 and 3 parameters as set out in this report.

   - Delegates to the Chief Executive, in consultation with the Group Leaders, authority to finalise the detail of the proposals, following central government due-diligence.

   - Delegates to the Director of Finance (S151) in consultation with the Monitoring Officer and Resource Lead Members, authority to finalise the detailed elements and operation of the pooling arrangements and associated elements of the Growth Incentive proposal including the necessary legal documentation.

Appendix 1 – Extract from West of England City Region Deal

3.1 Growth Incentive

The West of England local authorities will retain 100% of business rates growth in the five West of England Enterprise Areas, and will pool this revenue with that from the existing Temple Quarter Enterprise Zone, generating a significant financial contribution for the £1bn West of England Development Fund. Income will also be used to manage local demographic and service pressures arising from economic growth. There will be a legally binding commitment to ensure that all investment through the Economic Development Fund is targeted to projects that will maximise economic returns. The Government will commit to a review of the scope for rolling out a growth incentive scheme to cover the entire West of England area at the next Spending Review.

The West of England local authorities will:

- Pool the business rate growth from these five Enterprise Areas alongside that from the existing Enterprise Zone, generating a significant financial contribution to the £1bn West of England Economic Development Fund.
- Agree a legally binding commitment between the four West of England local authorities and the LEP that: a) Economic Development Fund investments target projects that will maximise economic returns; b) the Council's ability to cover costs associated with growth is protected, to mitigate local demographic and service pressures; and c) there is an equality of approach across all 6 Enterprise Zone/Areas for determining how allocations of business rate revenues to the Economic Development Fund are made.

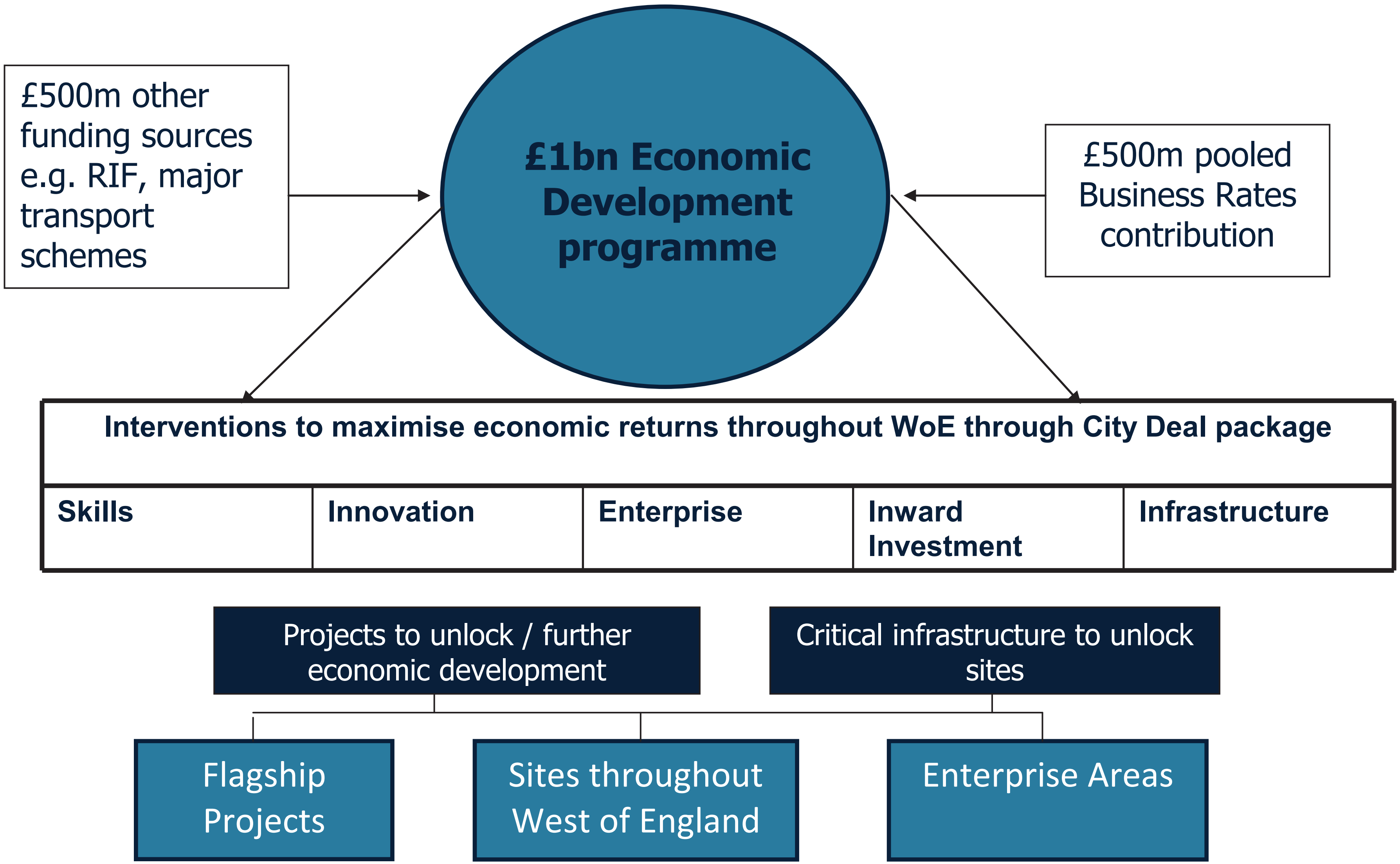
The Government will:

- Provide a licensed exemption from the effects of the resets and levies of the local government finance system in five Enterprise Areas over 25 years, enabling the West of England to retain 100% of business rates growth in these areas.
- The rest of the West of England area will not be subject to any licensed exemptions from the national local government funding system. Government will commit to a review of the scope for rolling out a growth incentive scheme to cover the entire West of England area, at the next Spending Review, providing the West of England local authorities agree to pool their business rates.
- Agree with the West of England LEP a consistent set of contractual obligations, programme level monitoring and governance arrangements (in line with arrangements for the Growing Places Fund) for existing and all future economic development funding from Government, to support the local management of economic development resources as a single pot.

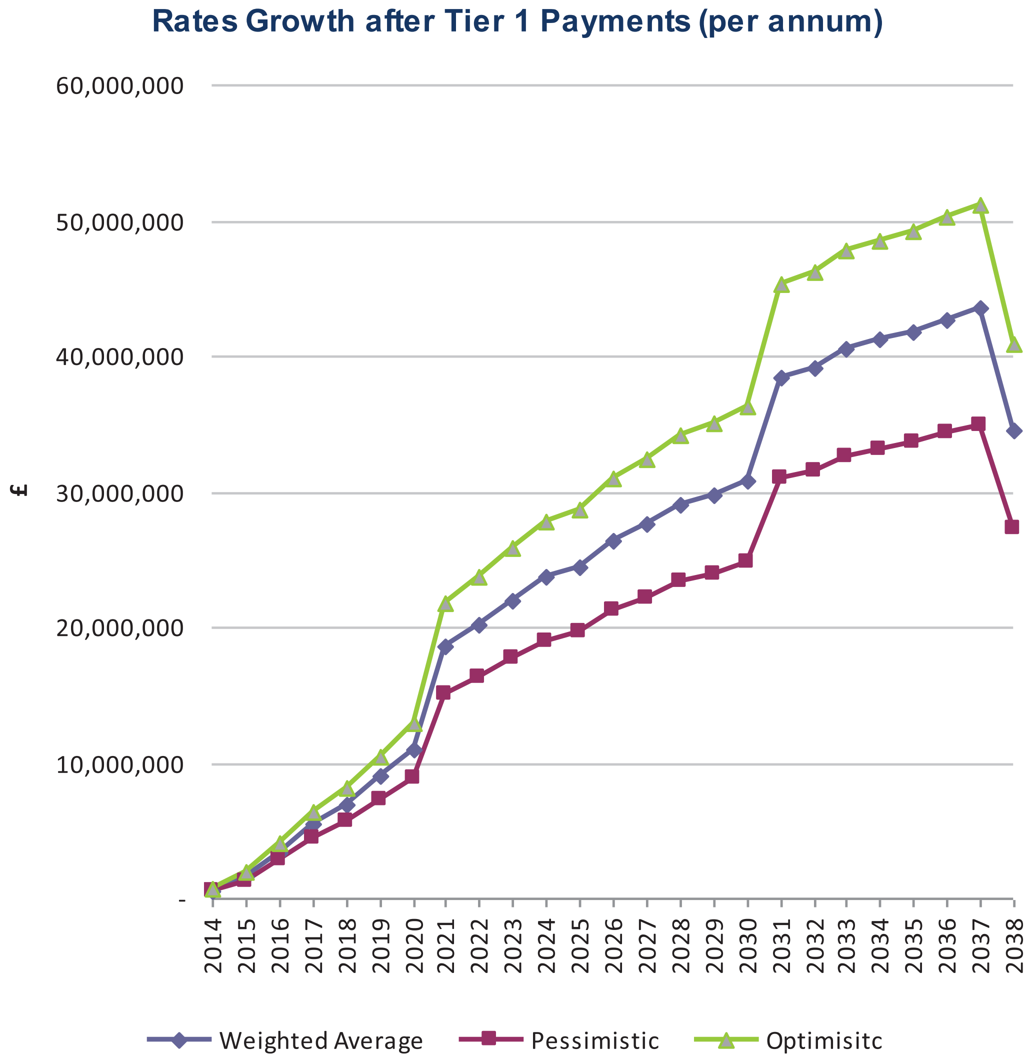
The West of England local enterprise partnership will:

- Deliver a £1bn programme of investment from the Economic Development Fund to unlock and accelerate economic growth in the West of England. This single pot will comprise business rate revenues, used in conjunction with Government funding streams to deliver an investment programme focussed on the Enterprise Zone and five Enterprise Areas. An independent financial sounding-board, including banking and financial experts from the private sector, will support the programme in an advisory capacity.

Appendix 2 – Economic Development programme

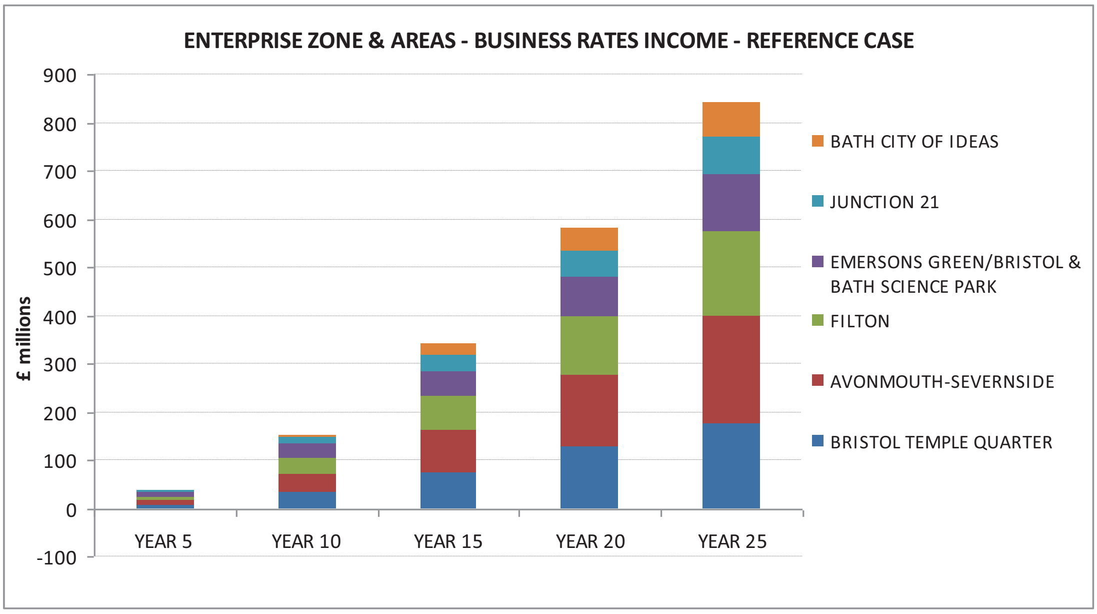


Appendix 3 – Base case, Pessimistic and Optimistic business rate growth (after tier 1 payment)



Fall in final year represents impact of Enterprise Zone finishing in year 24.

Appendix 4 – EZ and EA growth breakdown over 25 years



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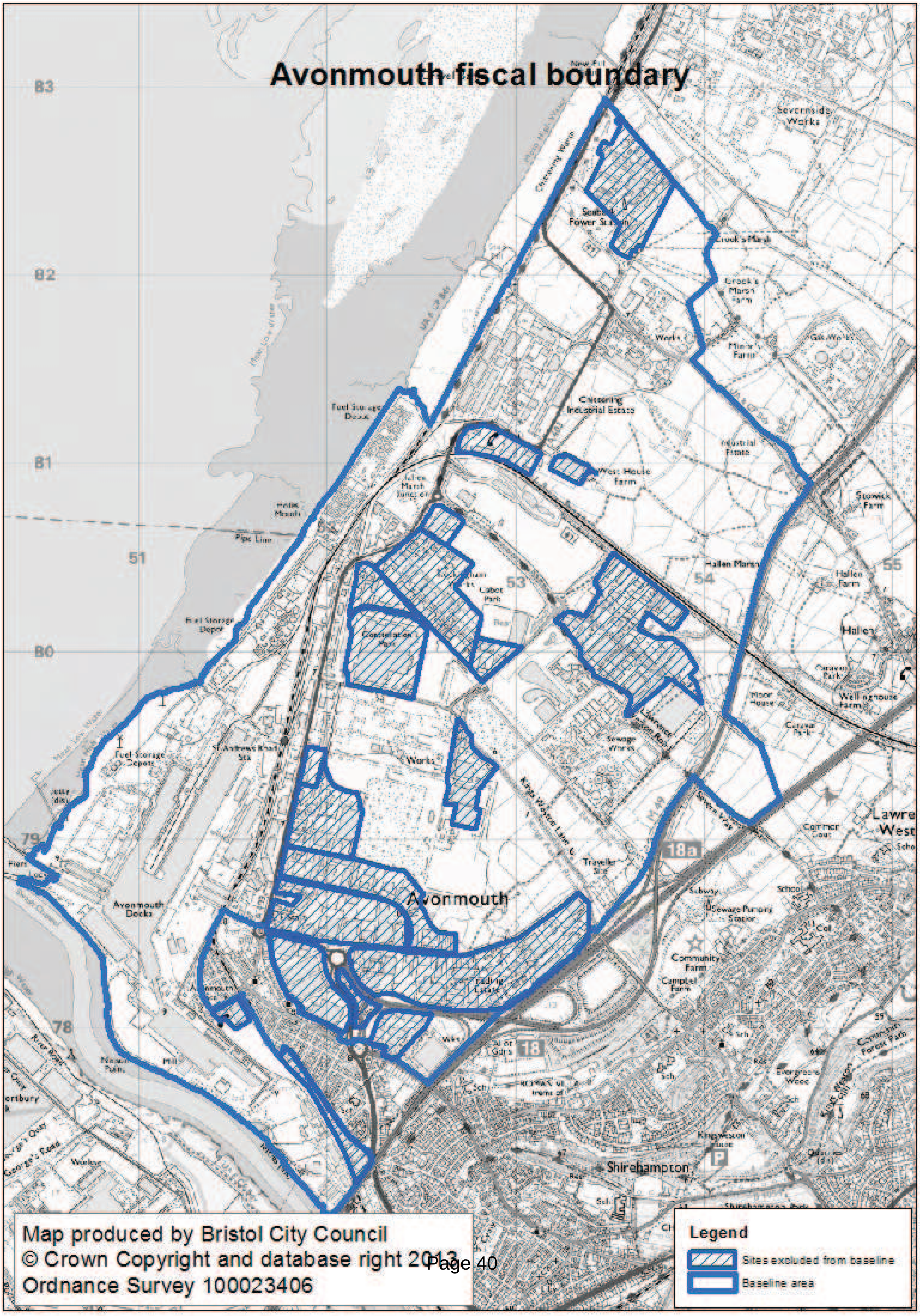
Appendix 5 – Growth Incentive Area fiscal boundary maps

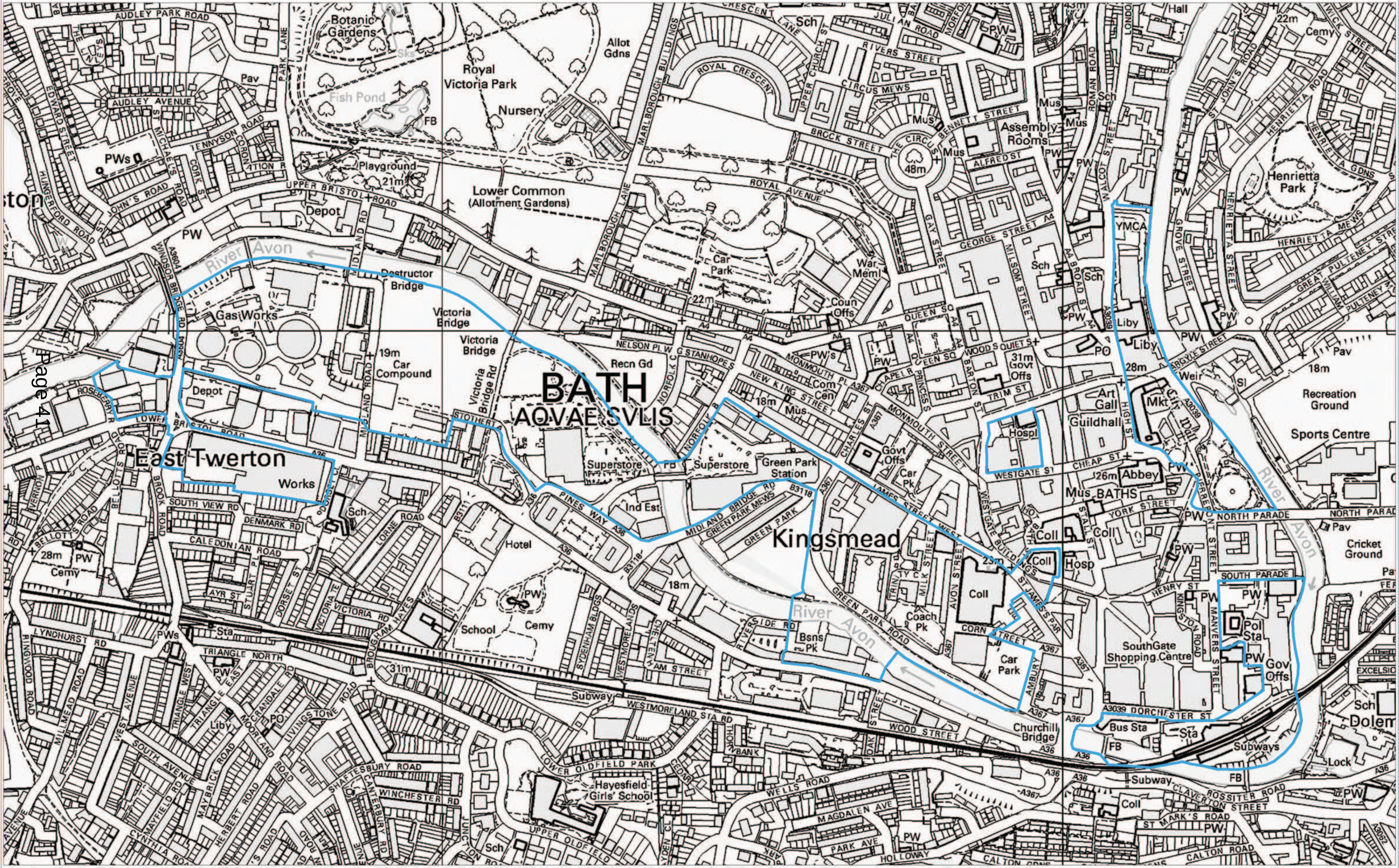
- **Avonmouth**
- **Bath**
- **Emersons Green**
- **Filton**
- **Severnside**
- **Junction 21, North Somerset**


Avonmouth fiscal boundary
Map produced by Bristol City Council
© Crown Copyright and database right 2013
Ordnance Survey 100023406
Legend
Sites excluded from baseline
Baseline area
Avonmouth
Shirehampton
Avonmouth Docks
Severnside Works
Hallen Marsh
Hallen
Cabot Park
Constellation Park
Chittening Industrial Estate
Crook's Marsh
West Howe Farm
Community Farm
Fuel Storage Depot
Sewage Works
Kings Weston Lane

Bath City Riverside Enterprise Area Fiscal Boundary

Date : 31/05/2013

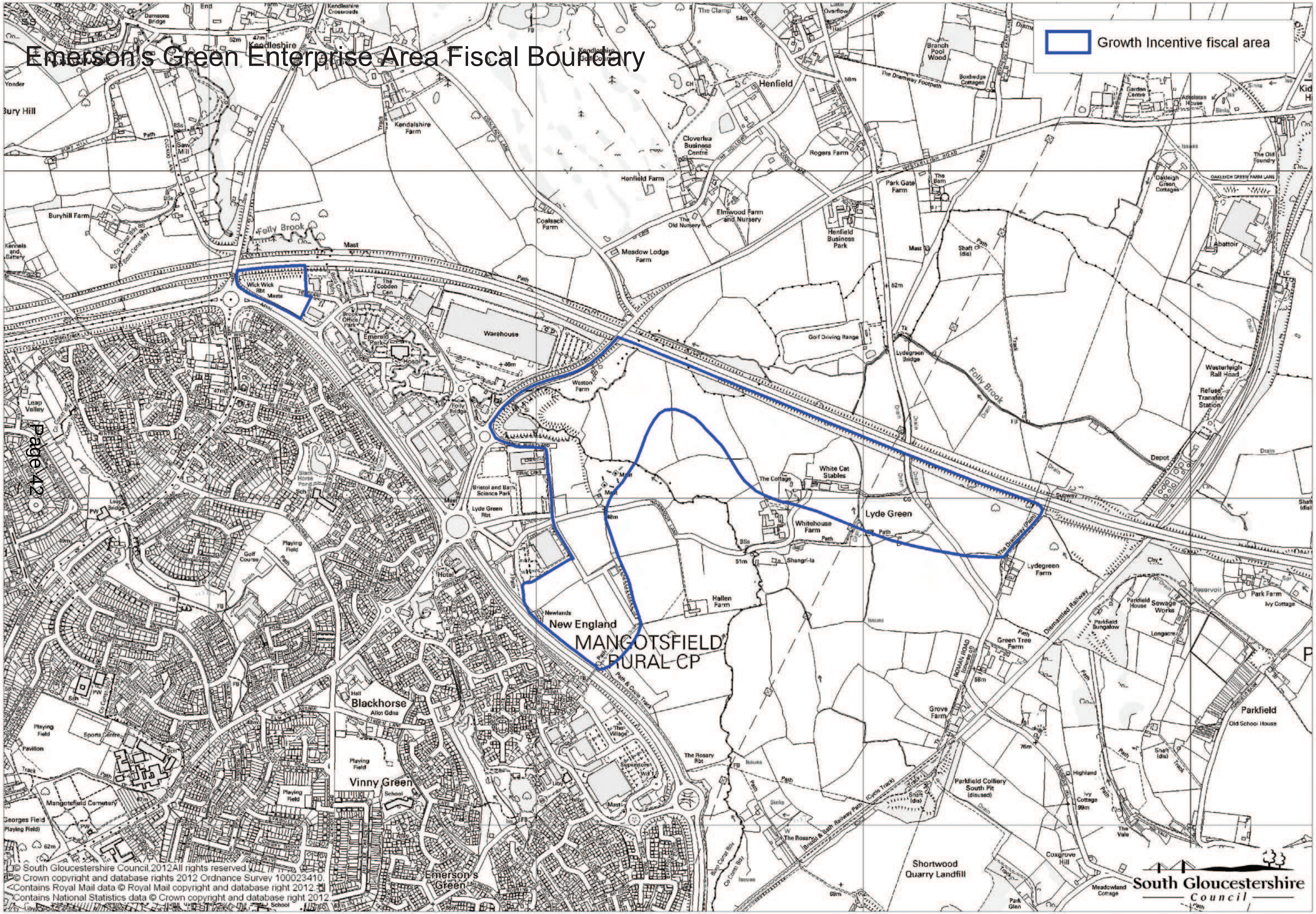
Bath & North East Somerset Council



License number 100023334

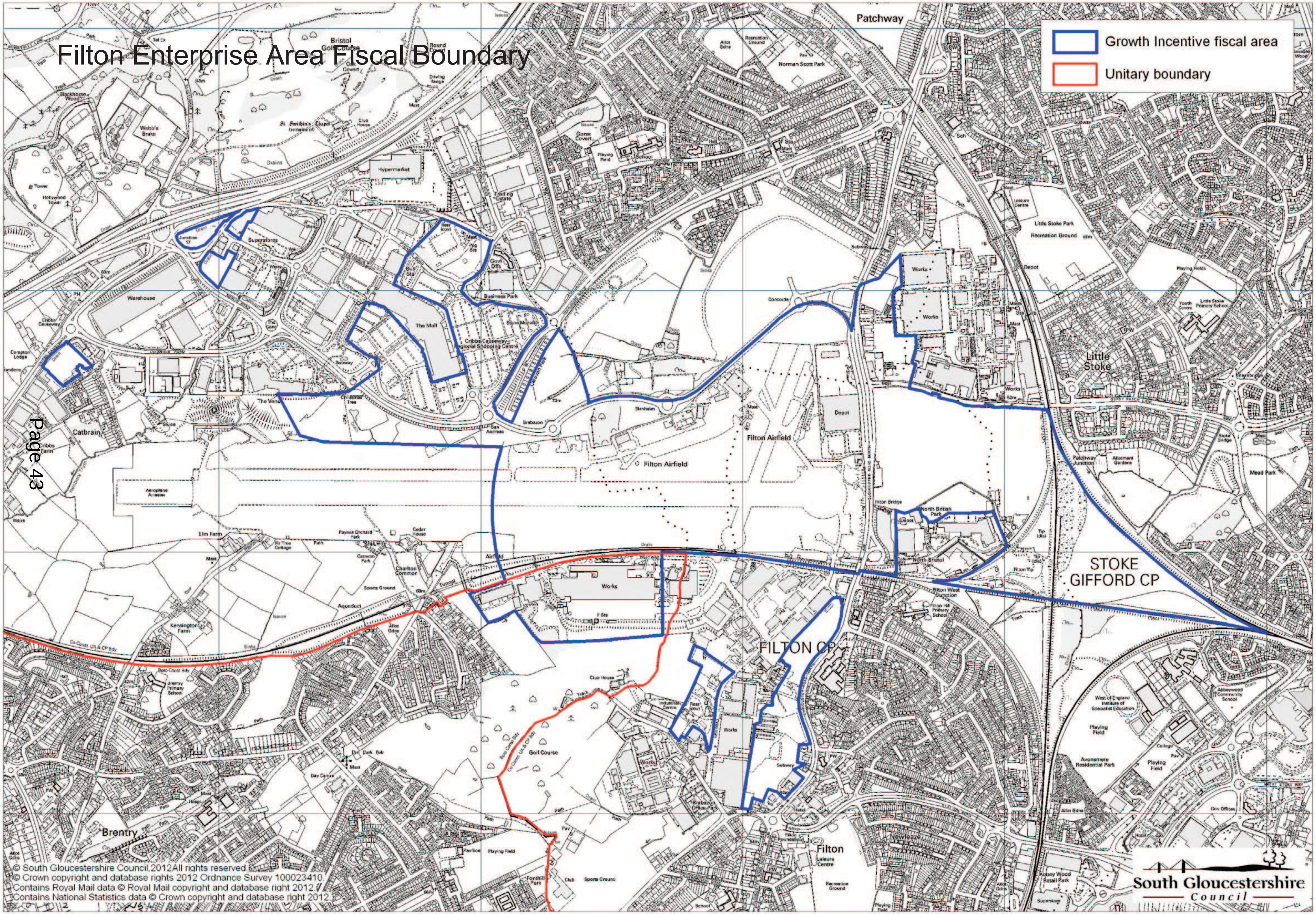
Emerson's Green Enterprise Area Fiscal Boundary

Growth Incentive fiscal area

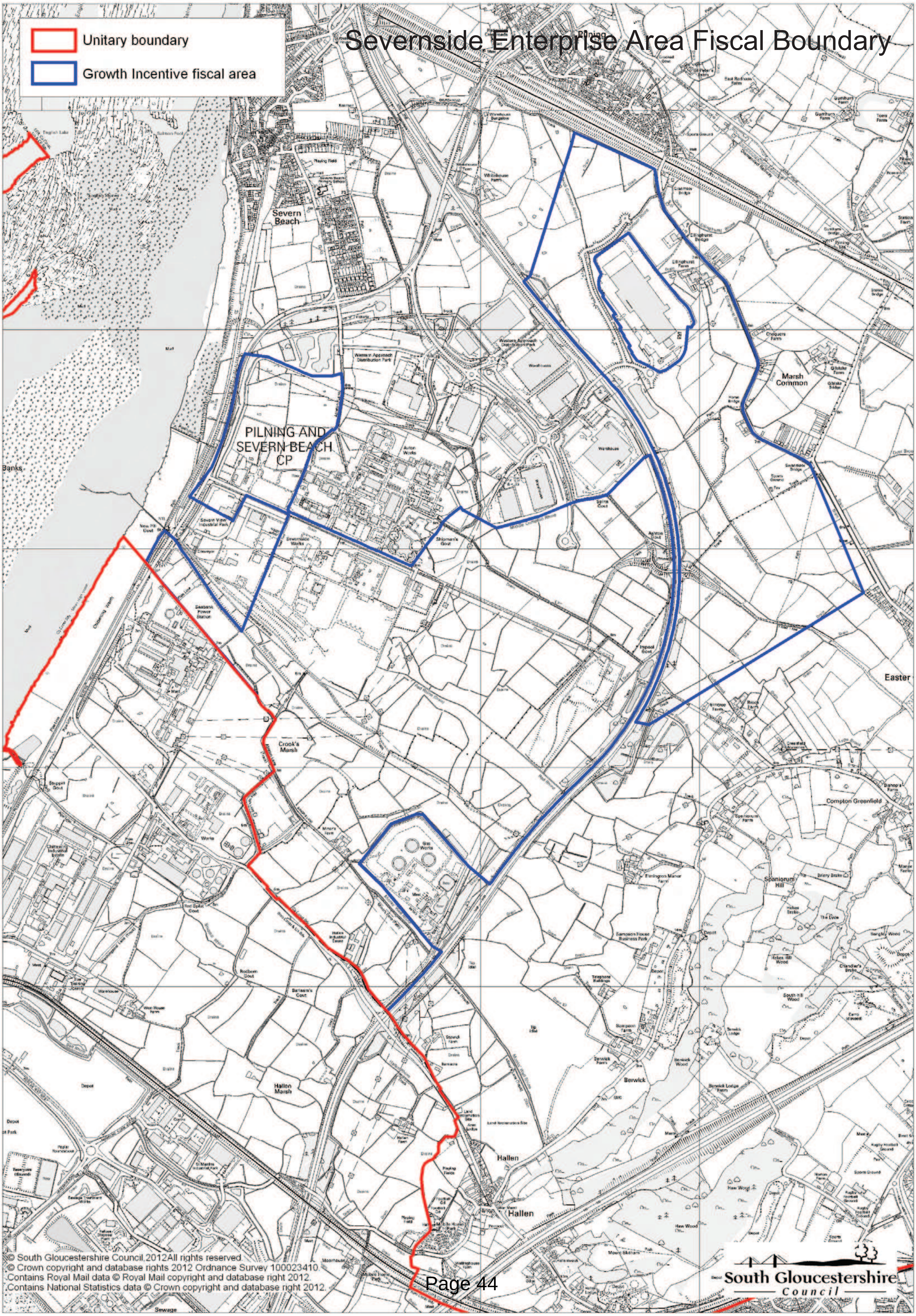


South Gloucestershire Council

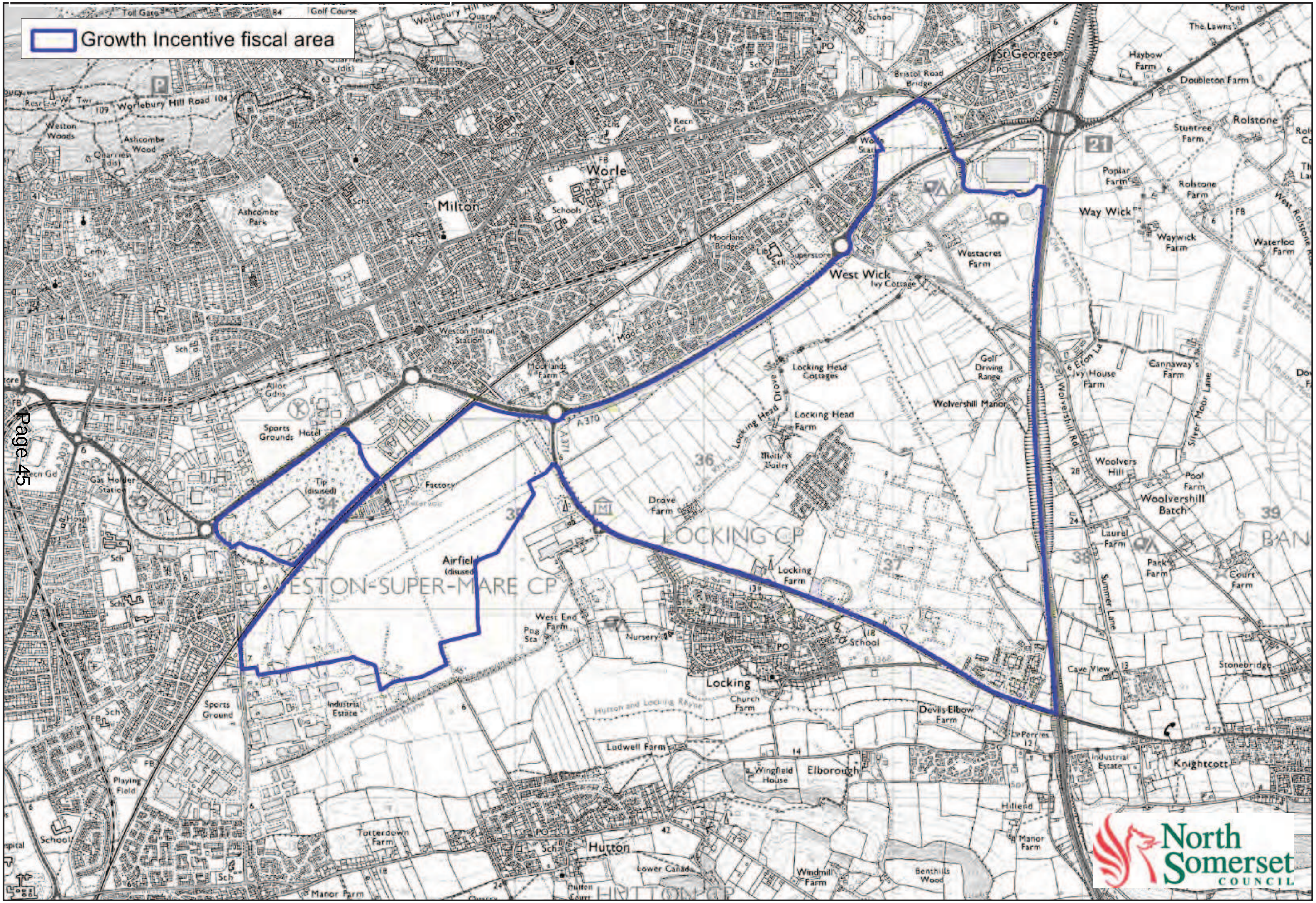
Filton Enterprise Area Fiscal Boundary



Severnside Enterprise Area Fiscal Boundary



Junction 21, North Somerset



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Appendix 6 – Proposed Economic Development Fund (EDF) governance

LEP Board

The Full LEP Board, (comprising the 4 Local Authorities and 4 business representatives) will agree the EDF objectives and priorities and will be responsible for final approval of all EDF project proposals.

Investment Award Panel

S151 Officer

EDF officers will provide a report to the Investment Award Panel supporting each Business Case put forward by a sponsoring Unitary Authority, and this will include details of the funding position including implications for the EDF pool and sponsor Authority funding. The Investment Award Panel will form a recommendation to the LEP Board in respect of project approval.

Officer Review & Due Diligence

Business cases will be subject to EDF officer review, including state aid compliance, alignment to EDF objectives& priorities and a cost/benefit analysis.

Project Proposals and Business Cases from Unitary Authorities

All project proposals for EDF consideration should be in the form of a Business Case completed by the sponsoring Unitary Authority. All projects must have appropriate approvals of the sponsoring Authority, including underwriting of project funding and a commitment to project delivery.

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Bath & North East Somerset Council	
MEETING:	Council
MEETING DATE:	11 July 2013
TITLE:	Youth Justice Plan 2013-14
WARD:	ALL
AN OPEN PUBLIC ITEM	
List of attachments to this report: Youth Justice Plan 2013-14	

1 THE ISSUE

1.1 The Local Authority has a statutory responsibility to produce an annual Youth Justice Plan. The Plan sets out work to be undertaken to prevent youth offending and re-offending across Bath and North East Somerset.

2 RECOMMENDATION

Council is asked to agree that:

2.1 The Youth Justice Plan can be accommodated within the Council budget approved in February 2013 and can be approved as part of the Council's Policy and Budget Framework

2.2 The Youth Justice Plan can be approved as fulfilling the requirements of the Crime and Disorder Act 1998 and can be submitted to the Youth Justice Board.

3 FINANCIAL IMPLICATIONS

3.1 The Council is the lead partner in the multi-agency arrangements to prevent youth offending, working closely with Police, Probation and Health Services, in accordance with the Crime and Disorder Act 1998. All partners have a statutory responsibility to participate in the resourcing of the Youth Offending Service. The Council makes a significant contribution in terms of staff, cash and additional support, including provision of office accommodation and a range of financial and human resources services. In 2013-2014, the Council is contributing £422,457, or 48% of an overall budget of £878,307.

3.2 The budget has accommodated a further reduction of £44,000 in funding from the Youth Justice Board but now includes £27,000 from the Police and Crime Commissioner; this is Home Office funding that has come directly to the Youth Offending Service as part of the Youth Justice Board's grant in previous years. Whilst the Council contribution has changed from last year, the funding of £105,000 previously received for the Family Intervention Project has now moved with that service into the Connecting Families Service. The change also reflects loss of the Service Manager post but an increase of 1% for salaries.

3.3 The Service Manager has delegated responsibility from the Youth Offending Service Management Board for delivery of services set out within the Youth Justice Plan, within the agreed budget.

4 CORPORATE OBJECTIVES

- Promoting independence and positive lives for everyone
- Creating neighbourhoods where people are proud to live
- Building a stronger economy

5 THE REPORT

5.1 The principal, statutory aim of the youth justice system is to prevent youth offending. The Local Authority is the lead partner in the multi-agency arrangements for work undertaken with young people who have committed offences. The Youth Justice Plan reviews the positive progress made last year and sets out how services are to be resourced and delivered in 2013-2014.

5.1 Actions in the work plan included will contribute to making Bath and North East Somerset a safer place and to helping young people work towards more positive outcomes in their lives

6 RISK MANAGEMENT

A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

An Equality Impact Assessment has been completed and no adverse or other significant issues were found.

8 CONSULTATION

8.1 Cabinet member, Trades Union, Staff, Other B&NES Services, Stakeholders/Partners, Other Public Sector Bodies, Section 151 Finance Officer and Monitoring Officer

8.2 The work of the Youth Offending Service is informed by feedback from service users. It has been consulted with staff within the service, including through completion of a self assessment, and with the Management Board through its regular meetings. A briefing meeting has been held with the Lead Member and a copy has been sent to the Trade Union.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

Social Inclusion, Customer Focus, Young People, Human Rights and Other Legal Considerations

10 ADVICE SOUGHT

The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Sally Churchyard, 01225 396966
Background papers	Youth Justice Plan 2012-13
Please contact the report author if you need to access this report in an alternative format	

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Bath and North East Somerset

Youth Justice Plan 2013 – 2014

Working in partnership to prevent youth offending

DRAFT

Bath & North East Somerset Council

Avon and Somerset Probation Trust

NHS Bath and North East Somerset Clinical Commissioning Group

Working together for health & well-being

Contents

1. Introduction

Multi-agency Youth Offending Teams were established in April 2000 under the Crime and Disorder Act 1998, to work with young people aged 10-17 years who have committed offences. They include staff from a wide range of backgrounds including Police, Health, Social Care, Education and Probation. Youth Offending Teams work in an integrated way alongside other specialists and have key statutory functions, including supervision of young people on Court Orders, giving victims a voice, enabling young people who have offended to re-pay the harm they have caused and strengthening parenting skills. In Bath and North East Somerset, the statutory work is supplemented by a preventions service, Compass, which works on a voluntary basis with children aged 8-17 years who are at high risk of offending and with their families. Additionally, it co-ordinates the Strengthening Families, Strengthening Communities parenting programme for parents and carers across the Authority. The Youth Offending Service is also responsible for safeguarding young people and supporting them to make more positive lifestyle choices, with a particular focus on education, training and employment. A summary of these functions and an organisational chart can be found in the appendices.

The Youth Offending Service has a statutory responsibility to prevent youth offending and, in addition to reviewing outcomes with individuals, it measures success in this using three key national outcomes; reduction in rate of first time entrants, reduction in rate of re-offending and a reduction in the rate of custody. Local performance against these indicators in 2012-2013 has continued to be excellent and reported crime and the number of young people within the youth justice system continues to fall, helping to make Bath and North East Somerset a safer area.

In addition to its principal work of preventing youth offending, as part of the wider children’s workforce, the Youth Offending Service has adopted the five priority areas identified in the Children and Young People’s Plan 2011-2014:

- Providing children and young people with a safe environment, including empowering them to recognise and manage risks
- Promoting children and young people’s emotional health and resilience for learning and life
- Reducing health, education and social inequalities in specific groups of children and young people and specific geographical areas
- Supporting all young people to engage in employment, education and training from 16-19
- Promoting and supporting healthy lifestyles for children and young people

This annual Youth Justice Plan is written in accordance with the Crime and Disorder Act 1998. It summarises the excellent work undertaken by the Youth Offending Service and its partners in 2012-2013 and, based on self-assessment undertaken within the Service and with the oversight of the Management Board, sets out a work plan for 2013-2014. The work plan includes continuing developments and responses to changes in legislation and national changes in how youth justice services are to be delivered and outlines actions the service will take locally to continue to improve its high quality service to young people and their families and to victims of crime, thereby also contributing to public safety in this area.

2. Review of Youth Justice Plan 2012-2013

2.1 Review of Work Plan 2012-2013

Actions	End of Year Position
1. Priority Area: Service Development	
1. Renew the statutory partnership's vision for the delivery of youth justice services	**Completed. I**t remains "working in partnership to prevent youth offending," with clear objectives.
2. Refresh the Management Board Partnership Agreement	**Completed** and signed by all statutory partners. This is now reviewed annually.
3. Ensure Service readiness for the new Inspection regime, in accordance with advice issued	**Completed**. Basic readiness has been achieved and continued work is taking place to ensure the Service is ready to respond within the new framework.
4. Introduce an annual cycle for auditing assessments, plans and interventions	**Completed –** there has been a particular focus on ensuring internal consistency and feedback has been given to individual staff on some excellent examples of this.
5. Participate in Youth Justice Board pilot of new standard operating systems for safeguarding and public protection issues in the community	**Action closed** No relevant cases arose during the period and the new system has now been implemented nationally. Arrangements are in place for local use if a serious incident occurs.
6. Introduce a system for staff participation in the continuing development of the statutory service	**Completed**. The formal consultation on changes has been completed and the new structure is in place, with some remaining appointments to be made.
7. Review the administrative function within the Youth Offending Service	**Completed** and new Job Descriptions and structure are in place.
8. Ensure the Service has a robust framework for measuring and reporting outcomes	**Ongoing**. Better measures are in place and the service is looking at its role in implementing wider approaches across the Preventative Services division.
9. Agree the model for future delivery of youth justice services in the light of emerging new organisational structures within the Council and anticipated pressure on budgets	**Completed** – the new structure has been through a formal period of consultation and appointments are being made to implement structural changes within an overall reduced budget. This work will be ongoing.
10. Identify and engage with emerging new players (including the Police and Crime Commissioner, the Health and Well-Being Board, the Clinical Governance Group and schools as Academies) and respective strategic planning	**Completed and ongoing –** clear mechanisms are in place for engaging with the Police and Crime Commissioner and further funding has been secured for 2013-2014. The Clinical Governance Group has agreed to support continuation of a Speech and Language post but work remains to be done to maintain the profile of youth justice work. Local Authority staff attendance at Schools' Behaviour and Attendance Panels is providing more opportunities to integrate work.

Actions	End of Year Position
11. Introduce annual assurance reporting to Management Board	**Completed** – in future, this will happen at the end of each financial year, with a report on a 'dashboard' of quality indicators.
12. Progress plans to procure an updated or new case management and reporting database, in readiness for implementation from April 2014	**Completed and ongoing** – the business case has been accepted and is supported by the Youth Offending Service Management Board to place an order for ChildView. Work to implement this system will be undertaken during 2013-2014.
13. Review the Service's participation in the Council commitment to reduction of carbon emissions	**Ongoing –** there has been renewed commitment to good office 'housekeeping'.
14. Hold a Service-wide event to promote the continuing development of a restorative service	**Completed –** next steps were agreed at development day in February. Cross-service peer supervision has now been introduced (in addition to continuing individual staff Supervision arrangements).
15. Ensure the Service is ready to work in accordance with the new Working Together guidance for safeguarding young people	**Ongoing** - new guidance, published towards the end of the financial year, has been brought to the Service's attention and work is planned to embed this during 2013-2014.
16. Achieve the Bronze level Charter Mark for young people's participation in the statutory work of the Youth Offending Service	**Ongoing -** key tasks have been identified and allocated.
17. Achieve the Gold level Charter Mark for young people's participation in the preventative work of the Youth Offending Service	**Ongoing -** young people are involved in staff recruitment through design of questions and interviewing candidates. Compass is confident of receiving this award in 2013-2014.
18. Deliver the Service's Workforce Training and Professional Development Plan	**Completed** and training undertaken has been audited and discussed with staff to ensure that training needs are being met.
2. Priority Area: Reduction in the rate of First Time Entrants (national impact indicator)	
1. Engage with the consultation on the People and Communities Department structure to ensure the best arrangements for continued delivery of youth crime prevention services	**Completed –** Compass is to continue and will be involved in the next stage of consultation on development of a targeted prevention service. The Family Intervention Project has been integrated into the wider Connecting Families agenda.
2. Evaluate the recent impact of the Compass Project (young people receiving a service in 2011-2012) to support the case for continued funding	**Completed**– the agreed targets were met and very positive feedback was received from young people and their parents/carers; some feedback about frequency of contact (currently weekly) is being considered. 80% of young people had a reduced risk of offending, based on ONSET Assessment.

Actions	End of Year Position
3. Ensure delivery of the Youth Crime Prevention Board's Work Plan	**Ongoing** Work Plan agreed and leads/groups identified to take forward key elements but staff turn-over within the Youth Offending Service and the wider partnership has slowed delivery.
4. Work with Police and other partners to establish processes and interventions for the new pre-Court disposals system (Legal Aid, Sentencing and Punishment of Offenders Act 2012)	**Completed** as part of an Avon and Somerset-wide approach, and the new arrangements are in place locally. This work will remain ongoing as it becomes embedded in practice.
5. Support implementation of the proposals made in the local, interim evaluation of the Family intervention Project	**Completed** – the proposals were accepted by the Children's Leadership Team and have been shared with the new Connecting Families Service
6. Work with key partners, including Curo Housing, to develop the Family Intervention Project as part of the Connecting Families initiative	**Completed -** this approach to working with families is continuing as part of the Connecting Families initiative and the proposals were fed into the early planning for the development of the new service.
7. Re-commission a youth crime prevention project for 2013-2016	**Ongoing** – the Local Authority decided to extend the contract for 12 months and commissioning is to be led by the new Preventions Commissioner during 2013-14. The Youth Offending Service will be actively involved.
8. Participate in the development of Behaviour and Attendance Partnership Panels and other initiatives to promote early intervention with vulnerable young people	**Completed**. The 11-19 Outcomes Manager attends the Bath Secondary Panel and the Interface Panel for young people needing additional support in transition between services. This work continues to develop.
3. Priority Area: Reduction in the rate of Re-offending (national impact indicator)	
1. Ensure there is a clear mechanism for collecting and collating feedback from victims and demonstrate how this is used to inform service improvements	**Completed –** mechanism is in place, with administration staff support. Victims are positive about the services they receive.
2. Ensure the Service has access to programme materials to address the identified needs of girls and young women who have offended and that they are delivered in an accessible way	**Ongoing -** programme now available to be delivered. The needs of girls and young women in the youth justice system are now receiving some national attention.
3. Host a Speech and Language Therapy placement and agree sustainable output and outcomes for the Service	**Completed** - and positively evaluated. The evaluation report has assisted securing on-going funding for Speech and Language Therapy work within the Youth Offending Service.
4. Evaluate the outcomes achieved through use of the new Positive Choices programme	**Completed** through continuing engagement of the programme provider.
5. Ensure that every young person on a Court Order has restorative justice included in their individual intervention plan	**Ongoing** and now part of local audit arrangements.

Actions	End of Year Position
6. Develop practice to ensure that all young people are fully prepared and supported for their participation in decision-making meetings and reviews	**Completed** by the Assessment and Planning Team and ongoing with statutory and Compass Team inductions.
7. Ensure the Assessment and Planning Team's readiness to work to new sentencing provisions ((Legal Aid, Sentencing and Punishment of Offenders Act, 2012)	**Completed** and reflected in practice and relevant policies and guidance.
4. Priority Area: Reduction in the rate of Custody (national transparency indicator)	
1. Introduce a process to promote consistent enforcement of Court Orders	**Completed** following a work shop with the Assessment and Planning Team and Interventions team. Breach guidance has been updated to reflect developments.
2. Review the remit of Custody Review Panel in light of new single remand framework (Legal Aid, Sentencing and Punishment of Offenders Act, 2012)	**Completed –** the Panel has been briefed about new framework and a local workshop is planned. Audit of work to support young people held overnight in Police custody has now been added to the remit.
3. Ensure the Assessment and Planning Team's readiness to support implementation of the new single remand framework (Legal Aid, Sentencing and Punishment of Offenders Act, 2012)	**Completed** and supported through the Custody Review Panel and practice within the service in anticipating remands to custody.
4. Ensure Local Authority readiness to work within the new funding arrangements for the single remand framework (Legal Aid, Sentencing and Punishment of Offenders Act, 2012)	**Completed -** this has been reviewed in Custody Review Panel, which now holds a small budget to support young people who may be vulnerable to secure remands and to strengthen Bail Conditions.
5. Ensure Local Authority readiness to extend Children in Care status to all young people securely remanded and Leaving Care status to all those who are securely remanded for more than 13 weeks (Legal Aid, Sentencing and Punishment of Offenders Act, 2012)	**Completed** - this has been reviewed in Custody Review Panel and a flow chart has been agreed to make responsibilities and process clear.
6. Ensure that all young people released from custody benefit from an 'enhanced offer' of support, including in accommodation, employment, health and parenting issues (link with South West Resettlement Consortium)	**Completed -** we continue to be active participants in the South West Resettlement Consortium. There is direct manager oversight of planning and provision and an enhanced offer has been in place for the two young people released from custody in this period.

"Thank you all for the help and support you have given me. Couldn't have got where I am today without your support". Young person aged 17, on completing a Youth Rehabilitation Order.

2.2 Performance against the three National Outcome Indicators

1. Reduce the rate of first time entrants to the Youth Justice System

This performance measure helps understanding of how effective the local area has been in supporting young people not to offend and enter the youth justice system for the first time. It is shown as a rate of young people per 100,000 in the general population of 10-17 year olds who received their first substantive outcome (a Police Reprimand or Final Warning following admission of an offence, or a conviction in Court), to enable comparisons to be made. Police Reprimands and Final Warnings were abolished under the Legal Aid, Sentencing and Punishment of Offenders Act and so in future, this measure will address those receiving Youth Cautions and Youth Conditional Cautions.

First time entrant rate per 100,000 of local population aged 10-17 (Source: Youth Justice Board)	***Bath and North East Somerset***	***South West***	***'Family' comparator group***	***England***
January - December 2012	***705***	***561***	***690***	***537***
January – December 2010	***813***	***715***	***870***	***712***
Percentage change from selected baseline	***-13.2%***	***-21.6%***	***-20.7%***	***-24.5%***

Date range for the last five financial years	**Number of young people entering the youth justice system for the first time**
April 2008 – March 2009	179
April 2009 – March 2010	150
April 2010 – March 2011	167
April 2011 – March 2012	114
April 2012 – March 2013	85

Data is taken from the Police National Computer and is published in rolling full years for the twelve month periods ending March, July, September and December each year. Local performance is continuing to improve, but at a slower rate than comparators and the relative rate of first time entrants is still stubbornly higher than comparators.

The continuing success in the reduction in first time entrants is attributable to the work of a range of partner agencies. The use of the Police's diversionary Youth Restorative Disposal scheme has addressed many minor matters, some of which may otherwise have resulted in a young person being formally Reprimanded or Finally Warned. The practice of targeted early prevention is developing well locally and is recognised as a worthwhile investment in young people's lives. Targeted work by the Youth Service and other partners, including the Children's Society's restorative community work, is likely to have positively impacted on offending rates. Specific youth crime prevention projects, such as Mentoring Plus, are able to demonstrate the specific positive impact they have had on young people. The Compass project also plays a significant part, demonstrating a reduction in risk of offending in just over 80% of young people completing the programme last year, as measured by the ONSET assessment tool. These projects actively support young people's engagement in education, as this is the single most important protective factor reducing the risk of offending. They also challenge and support young people to make constructive use of their time through a range of positive activities..

Data is regularly scrutinised by the multi-agency Youth Crime Prevention Board and discussed with the Police District Commander to understand this and improve targeting of young people at highest risk into crime prevention services. Effective prevention of youth crime benefits the community and contributes to a wide range of improved outcomes for children, young people and their families.

"Compass has helped my family through some rough times with my son. Compass helped our relationship to blossom into a loving, fun and happy relationship that I'm thankful for."

2. Reduce the rate of re-offending

This performance measure helps understanding of the effectiveness of the youth justice system in supporting young people who have previously offended to avoid re-offending. It is a quarterly rolling measure of the rate of re-offending after twelve months of a cohort of young people who received a Police Reprimand or Final Warning or a sentence in Court or were released from custody. The data is taken from the Police National Computer and published as a frequency rate (the average number of re-offences per 100 young people) and as binary information (a count of the number of young people who re-offend, expressed as a percentage of the cohort).

Re-offending rates after 12 months (Source: Youth Justice Board)	***Bath and North East Somerset***	***South West***	***'Family' comparator group***	***England***
Average frequency of re-offending per 100 young people in the cohort of young people dealt with in the youth justice system between July 2010–June 2011	***0.69***	***0.93***	***1.15***	***1.04***
Average frequency of re-offending per 100 young people in the cohort of young people dealt with in the youth justice system between July 2009–June 2010	***0.80***	***0.95***	***1.07***	***0.96***
Change	***-0.12***	***-0.03***	***+0.08***	***+0.08***
Binary rate: percentage of young people dealt with in the youth justice system between July 2010– June 2011 who re-offended	***30.4%***	***34.1%***	***39.0%***	***36.0%***
Binary rate: percentage of young people dealt with in the youth justice system between July 2009– June 2010 who re-offended	***29.6%***	***34.2%***	***34.7%***	***34.1%***
Percentage change	***+0.08%***	***-0.01%***	***+4.3%***	***+1.9%***

The average frequency of re-offending is much lower (better) in Bath and North East Somerset than all comparators and has improved more in the latest data available than comparators.

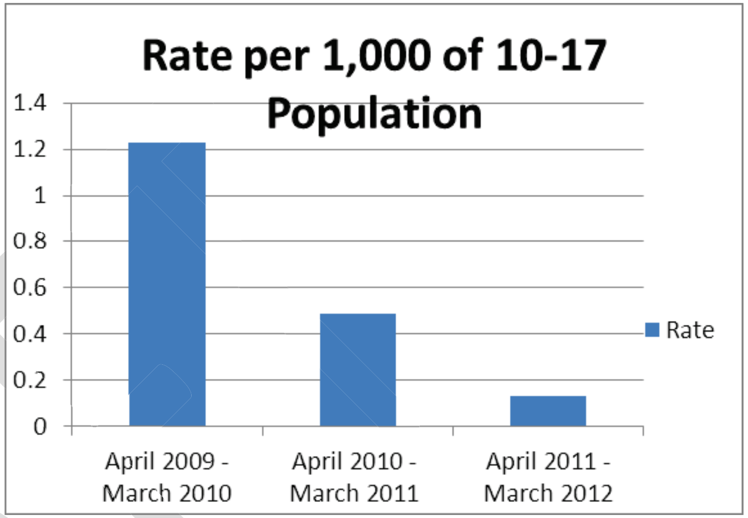
A core function of the Youth Offending Service is the supervision of young people on statutory Court Orders including the Referral Order, the Youth Rehabilitation Order, and the Detention and Training Order. Each young person is assessed using the standard ASSET Assessment Tool, which identifies areas of concern and strength in a young person's life and informs the intervention plan which is subsequently delivered to reduce the risk of re-offending. The Service uses a "scaled approach" to determine frequency of contact with each young person to ensure that resources are targeted at those who present the highest risk. For those young people who do commit further offences, the focus of work is to help them reduce the frequency and seriousness of offending, their risk of harm and provide a service which is tailored to meet their individual needs. For young people who present a serious risk of harm, the Youth Offending Service holds risk management meetings with key partners from the wider children's workforce. These meetings present an opportunity to make realistic plans to safeguard the public and to manage this risk as effectively across the agencies as possible. The Intensive Supervision and Surveillance requirement of a Youth Rehabilitation Order can be one such measure. For those who present the most serious risk of harm, Multi Agency Public Protection Arrangement procedures are employed. For young people who meet the criteria and/or are at the point of transition to the Probation Service, the Youth Offending Service works closely with the Integrated Offender Management scheme, Impact.

The reduction in re-offending is attributed to the effectiveness of integrated work with young people, drawing on a range of disciplines.

3. <u>Reduce the rate of custodial sentences</u>
The third performance measure relates to the use made of custody as a sentencing option. Any Court's decision to sentence a child or young person to custody for a serious offence is not taken lightly and is avoided wherever they can be safely supported to remain within the community. The table below shows the marked reduction in the number of custodial sentences passed on young people living in Bath and North East Somerset across the last five years. The indicator is of the rate of custodial sentences per 1,000 young people aged 10-17 in the general population. The table below shows that the local rate of custodial sentencing remains lower than all comparators and shows greater improvement in the last three years than local comparators.

<u>Use of Custody rate per 1,000 young people in the population aged 10-17</u> (Source: Youth Justice Board)	***Bath and North East Somerset***	***South West***	***YOT comparison group selected****	***England***
April 2012– March 2013	*0.13*	*0.27*	*0.86*	*0.55*
April 2011– March 2012	*0.13*	*0.36*	*1.06*	*0.82*
Change	*-0.00*	*-0.19*	*-0.20*	*-0.27*

Date range for the last five years	Number of occasions on which a young person was sentenced to custody
April 2008 – March 2009	15
April 2009 – March 2010	20
April 2010 – March 2011	8
April 2011 – March 2012	2
April 2012 – March 2013	2



Work to reduce of the use of custody is closely aligned to reducing re-offending. In order to have confidence in a reduction in custody, the Youth Offending Service, partners and the public need to feel confident that robust, evidence based and closely monitored community sentences are being delivered. This relies on strong partnerships and a commitment to ensuring public safety. The Youth Offending Service actively works with partner agencies to look at effective ways of reducing re-offending and the use of custody, including through a quarterly Custody Review Panel. The South West Resettlement Consortium has given the Youth Offending Service opportunities to develop an enhanced offer for young people leaving custody and re-settling in the community. Through this initiative, we have been able to establish an accommodation resource for young people on release from custody. The current low level of custodial sentencing is not matched with an increase in re-offending, supporting the belief that that young people continue to be supervised effectively in the community.

3. The Context for Youth Justice

Wider changes in government policy impact upon the Youth Offending Service and are incorporated into our planning, policies and procedures. The following developments are the most significant changes impacting on the Service in the year ahead.

3.1 Working Together 2013

The work of the Youth Offending Service with vulnerable young people means it is directly affected by changes in safeguarding practice and the new national framework for keeping young people safe, Working Together 2013 was issued in April 2013, following a consultation period. It outlines all partners' responsibilities to work together to safeguard young people and highlights some specific areas of responsibility for Youth Offending Services and their interface with the secure estate. There is also a requirement that the Youth Offending Service has a named safeguarding lead.

3.2 The Legal Aid, Sentencing and Punishment of Offenders Act 2012

This Act is now in its first full year of implementation following a staggered introduction of the different requirements and the necessary changes to practice. The areas of most significant change are:

(a) Youth Remands

The creation of a single remand framework has raised the criteria for remanding any young person to custody and now retains that power only for serious offences. All young people who are remanded in custody will become Children in Care and this Act sees the transfer of financial responsibility for remands to youth detention accommodation from the Youth Justice Board to Local Authorities. The Youth Justice Board will retain the commissioning role, with Local Authorities having more effective oversight.

(b) Out of Court Disposals

In April 2013, Reprimands and Final Warnings were replaced by a new Youth Caution and Youth Conditional Caution, administered by the Police but involving a process for joint decision-making with the Youth Offending Service at a fortnightly Youth Disposals Clinic. Youth Conditional Cautions are enforceable and any failures to comply could result in the young person being charged to Court. This is a significant difference to the Final Warning which was voluntary.

Further to these changes, the Act has given the Courts additional flexibilities in their use of Referral Orders and thereby, a commitment to an increased focus on restorative justice which is line with wider criminal justice policy shifts across all age ranges. The Court also has greater flexibilities in the timing and sentencing options for Breach of a Detention and Training Order, amendments to options for requirements and Breach penalties within Youth Rehabilitation Orders and the removal of the provision for young people to receive a custodial sentence of Detention for Public Protection. Potentially very significant for young people is the creation of a new offence related to the aggravated use of an offensive weapon or blade. The Rehabilitation of Offenders Act 1974 has been amended so that custodial sentences of up to four years can become 'spent' and only need to be declared in specific circumstances.

3.3 Appointment of a Police and Crime Commissioner for Avon and Somerset

The Police Reform and Social Responsibility Act 2011 replaced Police Authorities with directly elected Police and Crime Commissioners. The first Police and Crime Commissioner assumed full responsibility from April 2012 and is charged with providing strong leadership to tackle crime and community safety priorities through publication and delivery of a five-year Police and Crime Plan. She is responsible for appointing the Chief Constable and holding him to account. In turn, her work is scrutinised by a Police and Crime Panel formed of all the Local Authorities in the Police Force area. The Act provides a framework for partnership working between the Commissioner and community safety and criminal justice partners, including Youth Offending Services. The Home Office element of the national Youth Justice Grant is now part of the Commissioner's budget and Youth Offending Services are promoting youth justice priorities in order to secure continuation of this funding locally.

The Police and Crime Plan 2013-2017, Supporting you to Be Safe and Feel Safe, outlines the Police and Crime Commissioner's priorities for the next four years: Anti-Social Behaviour, Burglary, Domestic and Sexual Violence and ensuring that victims of crime are at the heart of the justice system. In addition to these priorities, the commissioner commits to four other key areas of work , including "early intervention and prevention of crime and anti-social behaviour by educating young and vulnerable people about how they can avoid becoming involved in crime and improving opportunities to deal with young and low risk offenders outside the criminal justice." The Police and Crime Commissioner has a responsibility to consult with the public and places a particular emphasis on victims of crime. Their policies will have a major impact on young people whether through their experience of the Police or how safe they feel in their local communities. The Youth Charter, written by young people in 2012, spells out the principles of engagement between Police and Crime Commissioners and young people. It is designed to encourage the Police and Crime Commissioner's engagement with young people and provides principles that young people have asked them to follow.   During the course of the next twelve months, the local Police District will be merging with South Gloucestershire and the custody suite at Bath Police Station will be closing and moving to Keynsham.

3.4 Changes in the National Health Service

Changes in the running of the National Health Service saw the introduction of NHS England from 1 April 2013, with Clinical Commissioning Groups and Health and Wellbeing Boards operating at a local level. The Crime and Disorder Act 1998 has been amended by the Health and Social Care Act 2012 to give Clinical Commissioning Groups the responsibilities previously discharged by Primary Care Trusts. As part of this reform, Local Authorities receive a public health grant for commissioning health outcomes for their communities. Due to links between public health and public safety, these outcomes include:

- Preventing and reducing re-offending, domestic abuse and violent crime
- Fewer young people entering the youth justice system for the first time

The Youth Offending Service is undertaking work to contribute to the local Joint Strategic Needs Assessment . Work is also underway to confirm an appropriate level of involvement in the governance of the Youth Offending Service and links between it and the Health and Wellbeing Board. One of the tangible benefits of these new arrangements has been the agreement to commission Speech and Language Therapy services for young people at risk of offending and re-offending.

3.5 Connecting Families

In 2012, the Prime Minister announced his commitment to turn around the lives of 120,000 ‘troubled’ families by 2015 and the Troubled Families Initiative was launched. This initiative targets families who may typically have a history of worklessness and includes young people involved in crime or anti-social behaviour and young people not engaging in education. A number of these families are likely to be known to the Youth Offending Service. Locally, the Connecting Families initiative will integrate the work of a wide range of agencies to provide the support these families need to improve outcomes for all members, but particularly for the children. The Family Intervention Project which was managed by the Youth Offending Service until January 2013 played a key role in providing a framework of team around the family planning and intensive support for a small number of families who find it hardest to engage with services. The Youth Offending Service will continue to participate in the work with families who meet the criteria for this service.

3.6 Changes to national funding for Youth Offending Services

The Crime and Disorder Act 1998 gave the national Youth Justice Board authority to award funding to local Youth Offending Teams to ‘develop good practice.’ This funding has reduced in each of the last three full years. The previous Home Office element of this funding is now part of the Police and Crime Commissioner’s budget and has been retained for 2013-2014, to continue to support commissioning of substance misuse work and delivery of the Compass Project.

3.6 Courts and the Secure Estate

During the course of 2012-2013, the local Bath and Wansdyke Youth Court Panel merged with Somerset and North Somerset Youth Benches and the Somerset Local Justice Area was established. Since the de-commissioning of HMP&YOI Ashfield for under 18-year-olds, the Court catchment for this area is now HMP&YOI Feltham, in south west London.

4. Plan for 2013-2014

4.1 Governance, Leadership and Partnership Arrangements

Bath and North East Somerset Council, as the relevant Local Authority, is the lead partner for youth justice. It has the primary responsibility to the Secretary of State for ensuring that the Youth Offending Service fulfils requirements and deliver services required under the Crime and Disorder Act 1998, and any subsequent criminal justice legislation and that it meets the requirements of all relevant legislation applicable to young people. The statutory partners (Social Care, Police, Probation, Education and Health) have a duty to ensure that, through the provision of resources and other support, statutory requirements are met.

Governance of the Youth Offending Service rests with the Community Safety Partnership's Responsible Authorities Group, and immediate oversight and accountability is provided by the Youth Offending Service Management Board, with representation from the key statutory partners. The Board, currently chaired by the Police District Commander and has a Partnership Agreement in place, setting out its responsibilities for the strategic direction, resourcing and operational delivery of youth justice services. A member of the Youth Offending Service Management Board represents the Youth Offending Service's interests at the Children's Trust Board and at the Health and Wellbeing Board.

This Youth Justice Plan will be monitored by the Youth Offending Service Management Board, which meets quarterly and there will continue to be a level of support and oversight from the Youth Justice Board. Quarterly exception reports are submitted to the Responsible Authorities Group. An annual report is made to the Council's relevant Development and Scrutiny Panel. The Youth Offending Service is managed within the People and Communities Department and is now part of the Preventative Services division. As a result of Bath and North East Somerset Council's wider response to required budget cuts, the role of Youth Offending Service Manager was deleted in 2012 and a new 11-19 Outcomes Manager post has been established to take on strategic responsibility for the Youth Offending Service alongside wider work with vulnerable young people. This in turn has necessitated some re-structuring within the Youth Offending Service and, within an overall reduced budget, the three Team Manager posts have been deleted and a new Operational Manager post has been introduced to have oversight of all services delivered. This post is supported by a new Partnership and Intervention Manager post and a part-time Senior Practitioner. A Youth Justice Worker post has been deleted and another has been re-fashioned to give the service greater capacity to support volunteering. The resulting new structure can be found summarised in an organisational chart in the appendices.

The Youth Offending Service is very well established within the Authority and makes a substantial contribution to the work of a range of other partnerships and work streams. It regards these as opportunities to learn and share good practice and to influence other strategies to ensure they take account of the interests of young people at risk of offending and re-offending, their parents/carers and victims. Relationships with other key partner agencies within the Authority and across Avon and Somerset are set out in written protocols which are regularly reviewed and updated.

All plans delivered within the Local Authority sit beneath the Public Services Board. Key plans relating to the work of the Youth Offending Service are listed below:

(a) Children and Young People's Plan 2011-2014

The Children's Trust Board's Children and Young People's Plan sets out the vision that has been developed in consultation with children, young people, parents and carers and professionals. The plan sets out its action plan under the five Every Child Matters outcomes and the actions relating to the Youth Offending Team are found under "Delivering a positive contribution.

(b) Reducing Re-Offending Strategy

The Community Safety Strategy incorporates the Reducing Offending Strategy which outlines the wider plan to reduce offending and cut crime in Bath and North East Somerset. The Youth Offending Service leads on the Children and Young People's pathway within this Strategy. It is also a partner with the multi-agency integrated offender management team known locally as Impact which manages a locally defined cohort of offenders involved in prolific, acquisitive crime and causing the most concern.

(c) Community Safety Strategy

The local Community Safety Partnership's priorities have been re-affirmed, as follows:

- Enhance the quality of life in our communities and increase public confidence by reducing anti-social behaviour
- Create a safe, strong and vibrant city economy
- Increase protection of the most vulnerable victims of crime
- Reduce crimes of local concern by working together with our communities
- Minimize the harm that substance misuse causes to society, communities, families and individuals
- Safeguard young people and prevent them from becoming victims or perpetrators of crime. This latter priority includes all the actions within this Youth Justice Plan

(d) Local Safeguarding Children Board Work Programme 2013-2014

The Youth Offending Service has a statutory duty under Section 11 of the Children's Act to safeguard and promote the welfare of children. The Youth Offending Service contributes to the Local Safeguarding Children Board and related sub-groups (Training Management Committee and Children in Care Quality sub-group).The Youth Offending Service has contributed to an in-year review of the work developed by Keepsafe for children and young people posing a risk of sexually harmful behaviour. The Youth Offending Service is also involved in promoting the safeguarding needs of young people, including ensuring improved early identification of vulnerable 11-19 year olds and well-targeted services to reduce the need for statutory services.

(e) Youth Crime Prevention Strategy

The Youth Crime Prevention Board oversees the partnership working to reduce first time entrants to the youth justice system and reports to the Youth Offending Service Management Board. The local Youth Crime Prevention Strategy contains a comprehensive two-year action plan for the partnership and highlights it's priorities for youth crime prevention work as well as outlining challenges for the future. This is now the second year of the current plan and decisions will be taken during the course of the year about the future of the Youth Crime Prevention Board.

(f) Joint Health and Wellbeing Strategy

The Health and Wellbeing Board sets out the local strategic priorities to improve the health and well-being of people of Bath and North East Somerset, as assessed through the Joint Strategic Needs Assessment. This year sees the first Joint Health and Wellbeing strategy and the Youth Offending Service will have the opportunity to contribute to a consultation on the priorities outlined therein. Some of the proposed priority areas in this draft consultation overlap with the work of health staff attached to the Youth Offending Service and will be reflected in our planning for the year ahead.

4.2 Work Plan 2013-2014

What will be done	Lead	Timescale
Priority Area 1: Strategic Development		
1. Develop a strategy for the active participation of the Service in the Connecting Families Service's work with troubled families.	Operational Manager	December 2013
2. Promote the Service as a restorative service across the Council's People and Communities Department and with all partners represented on the Management Board.	Service Manager	December 2013
3. Ensure the Service utilises a framework for measuring and reporting outcomes in line with developments across the 11-19 service.	Service Manager	March 2014
4. Complete the youth justice component of the Joint Strategic Needs Assessment and use this, together with other thematic work and analysis, to understand where the youth justice partnership can achieve greatest impact.	Service Manager	March 2014
5. Review the delivery model for youth justice work within the changing context for young people and the Service's statutory partners.	Service Manager	March 2014
6. Position the Youth Offending Service, including its preventative work, within the wider arrangements for early help and integrated support for young people.	Service Manager	March 2014
Priority Area 2: Operational Development		
1. Ensure that the service has an action plan for the roll-out of the new assessment tool, *Assetplus,* and a local change lead in place.	Operational Manager	June 2013
2. Ensure that protocols with the Avon and Somerset Probation Trust demonstrate effective arrangements for the transfer of young people from youth-based to adult-based services, in community and custodial settings, and reflect the YJB Transitions Framework (Thematic Inspection recommendation).	Operational Manager	June 2013
3. Appoint staff and consolidate the new management structure.	Service Manager	September 2013
4. Establish a new users' group to participate in developing feedback systems on all areas of service delivery.	Operational Manager	September 2013

What will be done	Lead	Timescale
5. Enable the service to continue to develop as a restorative service, including through the peer supervision and support groups and an audit of their efficacy.	Operational Manager	December 2013
6. Develop the new Speech and Language Therapy resource and staff capacity within the Youth Offending Service.	Partnership and Interventions Manager	March 2014
7. Develop a good practice guide for the Service, drawing on evidence-based practice for preventing offending and safeguarding young people	Operational Manager	March 2014
8.Develop the Service's community involvement, including the participation of volunteers in delivery of services	Partnership and Interventions Manager	March 2014
8. Implement the upgraded data-base, ChildView, ensuring compliance with all Council guidelines.	Systems & Information Manager	March 2014
Priority Area 3: Safeguarding Young People		
1. Ensure that the service is working in accordance with the Working Together 2013 guidance for safeguarding young people, including the identification of a safeguarding lead.	Service Manager	September 2013
2. Work with partners to introduce a framework for supporting young people at high risk, including risk of sexual exploitation.	Service Manager	December 2013
3. Increase the number of fathers receiving parenting interventions, drawing on the learning from the Local Safeguarding Children Board's "Celebrating Fatherhood" campaign.	Partnership and Interventions Manager	December 2013
4. With neighbouring Youth Offending Service and Police colleagues, plan arrangements for keeping young people safe, including the provision of an integrated Appropriate Adult Service, within the new merging custody facilities.	Partnership and Interventions Manager	March 2014
5. Complete work to achieve the Bronze Level Charter Mark for hearing young people's voice in the statutory work of the Youth Offending Service.	Operational Manager	March 2014
6. Complete work to achieve the Gold Level Charter Mark for hearing young people's voice in the preventative work of the Youth Offending Service.	Senior Practitioner	March 2014
Priority Area 4: Reducing the rate of First Time Entrants (national impact indicator)		

What will be done	Lead	Timescale
1. Ensure young people have information about the new Out of Courts disposals system, including by designing and sharing a web-based leaflet .	Partnership and Interventions Manager	September 2013
2. Work with Police involved with Impact to identify vulnerable young people and refer them into suitable crime prevention projects.	Senior Practitioner	September 2013
3. Work with the Integrated Working Team to heighten the understanding and recognition of all staff in child-centred roles of the crime-related risk and protective factors. (Thematic Inspection recommendation).	Partnership and Interventions Manager	December 2013
4. Work with the Avon and Somerset Probation Trust to identify children of adults under Probation supervision who could be referred to Compass. (Thematic Inspection recommendation).	Senior Practitioner	December 2013
5. Review the use of team-around-the-child meetings for children and young people at risk of offending to demonstrate integrated and joint outcome measures with partners, particularly health and education. (Thematic Inspection recommendation).	Senior Practitioner	December 2013
6. Work with the seconded nurse to establish and evaluate a system for provision of targeted interventions for all 11-12 year olds who are of an unhealthy weight and make sure they are signposted to Change4Life.	Partnership and Interventions Manager	December 2013
7. With the Preventions Commissioner, support commissioning of a new prevention project .	Partnership and Intervention Manager	March 2014
Priority Area 5: Reducing the rate of Re-offending (national impact indicator)		
1. Ensure that intervention plans are specific, sequenced and appropriately reviewed to enable all offending related needs to be met and offending to reduce.	Partnership and Interventions Manager	September 2013
2. Fully refresh the first appointment guidelines by establishing a working group to design "packs" which are consistently delivered, explained to and understood by all young people attending the Youth Offending Service.	Operational Manager	September 2013
3. Deliver YJB training on facilitating restorative justice meetings to Community Panel Members and YOS practitioners, in line with the Restorative Justice Council's National Occupational Standards and Best Practice Guidance for Restorative Practice.	Partnership and Interventions Manager	December 2013

What will be done	Lead	Timescale
4. With partners, primarily Schools/Colleges and the Youth Service, provide information sessions for young people on the impact and consequences for victims and young people of knife crime.	Partnership and Interventions Manager	December 2013
5. Ensure that all children and young people entering the preventions service or subject to Out of Court disposals who are living in a home where domestic violence takes place have an appropriate, targeted intervention which is reflected in their assessment and their intervention plan.	Senior Practitioner	December 2013
6. With young people and community panel members, establish a quarterly process for reviewing and evaluating interventions used to reduce offending behaviour and develop a young person-centred process for preparing feedback for Referral Order reviews and final panels.	Partnership and Interventions Manager	December 2013
7. Ensure that whenever young people end their statutory contact, their final team-around-the-child meeting considers the need for appropriate exit plans or refers them to the Interface Panel, including young people at high risk of harm.	Operational Manager	December 2013
8. Develop the framework for the Youth Offending Service working in a preventative capacity with young people who have already been subject to a youth justice substantive outcome.	Operational Manager	December 2013
Priority Area 6: Reducing the rate of Custody (national transparency indicator)		
1. Develop the use of the Custody Review Panel to identify which young people at risk of custody will benefit from additional support paid by the remands allocation to support interventions to prevent remands to custody. (Based on aThematic Inspection recommendation).	Operational Manager	September 2013
2. Deliver a workshop with the Youth Offending Service, Children's Social Care and the Independent Reviewing Service to ensure knowledge is disseminated on the single remand framework.	Operational Manager	December 2013
3. Establish working relationships with key staff in the newly designated custodial facilities for young people from Bath and North East Somerset and provide information to affected young people and families, Social Care staff and Independent Reviewing Officers to facilitate contact and participate in plans for resettlement.	Operational Manager	March 2014

4.3 Budget Summary 2013-2014

Responsibility for resourcing the Youth Offending Service is shared between the statutory partners and most contributions are unchanged. There is a notional 1.5% reduction in the Probation contribution, but the full-time secondment is continuing. It is noted that the Trust sometimes makes a financial contribution into the Youth Offending Service's budget at the end of each financial year, based on any staff savings. The Council contribution is changed from last year, as the £105,000 for the Family Intervention Project has now transferred into the Connecting Families Service, and the dedicated Service Manager post was deleted last year. There is also an additional 1% for salaries. The Youth Justice Board funding has reduced by a further £44,000, but the Police and Crime Commissioner has awarded the full amount from the Home Office, that previously came via the Youth Justice Board. Changes in the management structure and to some posts, to achieve these reductions, have been subject to a formal consultation with staff.

Source	Pooled budget	Staffing costs	Non-staffing costs	Comments	Total and %
Police	26,472	82,472		On-site access to Police National Computer is also provided	108,944 (12.4%)
Probation (based on 2013-14 costs)	0	43,378		Unpaid work requirements are also provided as needed	43,378 (4.9%)
Health	14,885	20,505		CAMHS consultation and Speech and Language Therapy pilot are delivered through separate contracts	35,390 (4.0%)
Local Authority	18,317	356,637	47,503	Office base, Financial and Human Resources services are also provided. Connexions input is delivered through a separate contract	422,457 (48.1%)
Police and Crime Commissioner	n/a	14,937	12,519	This was previously the Home Office element of the Youth Justice Grant	27,456 (3.1%)
Youth Justice Board	n/a	174,923	65,759	This funding is used to develop good practice and effectiveness	240,682 (27.4%)
Total	**59,674**	**692,852**	**125,781**		**878,307**

4.5 Partner Agency Commitment

Partner Organisation	Name of Chief Officer	Signature	Date
Local Authority	**Jo Farrar** **Chief Executive**		
Social Care	**Richard Baldwin** **Divisional Director** **Children and Young People's Specialist Services**		
Health Service	**Tracey Cox** **Chief Operating Officer** **Bath and North East Somerset Clinical Commissioning Group**		
Police Service	**Geoffrey Spicer** **Bath and North East Somerset District Commander**		
Probation Service	**Peter Brandt** **Assistant Chief Officer**		
Prevention Services	**Tony Parker** **Divisional Director** **Prevention Services 0-19**		

5. Appendices

Appendix (a): Summary of the main areas of work undertaken by the local Youth Offending Service

1. Compass Project - voluntary support to young people aged 8-17 who are assessed as being at high risk of offending.
2. Strengthening Families, Strengthening Communities parenting programme – co-ordinated for parents/carers across the Authority, not just those with young people at risk of offending, and including a significant time commitment from a range of partner agencies.
3. Appropriate Adult services to safeguard a young person's interests when they are being interviewed by the Police in the Custody suite of a Police station.
4. Support to young people who are bailed by the Courts, which can attach conditions to maintain contact with the Youth Offending Service and help with arrangements for young people Remanded to the Care of the Local Authority.
5. Assessment and work with young people as part of the new Out of Court disposals framework, including those who are subject to Youth Conditional Cautions.
6. Preparation of Reports to help with key decision-making about young people who have offended (supporting contract requirements for Referral Order Panels, proposing sentencing options to the Courts and providing assessment information to the Parole Board).
7. Supervision of young people on community Court Orders – meeting regularly to help them to face up to the consequences of offending and address the factors that make it likely that they will re-offend, including lack of engagement in education, training and employment. These include Referral Orders, Reparation Orders and Youth Rehabilitation Orders. Those most likely to re-offend may have Intensive Supervision and Surveillance requirements attached to a Youth Rehabilitation Order.
8. Restorative Justice Services designed to provide victims with the information they want and to engage them and young people in meetings or activities to repair the harm caused by offending. Young people can also make reparation through community projects.
9. Support for young people sentenced to Custody and supervision of them when they return to the community. The most common youth Custodial sentence is the Detention and Training Order, lasting up to two years. Longer sentences apply for more serious offences.
10. Individual work with parents/carers, access to parenting programmes and supervision of Parenting Orders.

Appendix (b): Values and Behaviours Framework

During the course of 2012-2013, the Youth Offending Service reviewed its core values and agreed that the following represents our shared view and approach to our service users and each other.

- Respect young people for who they are and take their needs and wishes seriously
- Listen to young people and take any action necessary to keep them safe
- Recognise the damaging impact of crime on individuals and communities and uphold the importance of preventing it
- View diversity positively
- Believe in the possibility and desirability of change
- Want the best for young people and their families
- Work restoratively
- Work in an integrated and multi-agency way
- Have a drive for results and courage when things don't go to plan

The Children and Young People's Plan 2011-2014 set out the following vision for children and young people: We want all children and young people to enjoy childhood and to be well prepared for adult life.

To deliver this vision, a set of values was identified for the entire children and young people's workforce. Everyone who works with and on behalf of children and young people, and their parents and carers, are to collectively and individually:

- Expect the best of our children and young people across Bath and North East Somerset
- Shows respect for all
- Uses help/services that are evidenced based
- Ensures transparency in decision making
- Has energy and purpose
- Does not "assume" without thinking
- Is positively disposed to deliver the best outcomes for each individual child
- Recognises that young people's participation in cultural, sports, play and leisure opportunities is valuable and is to be encouraged.

To support these values, there is an agreed set of behaviours that everyone is expected to embrace:

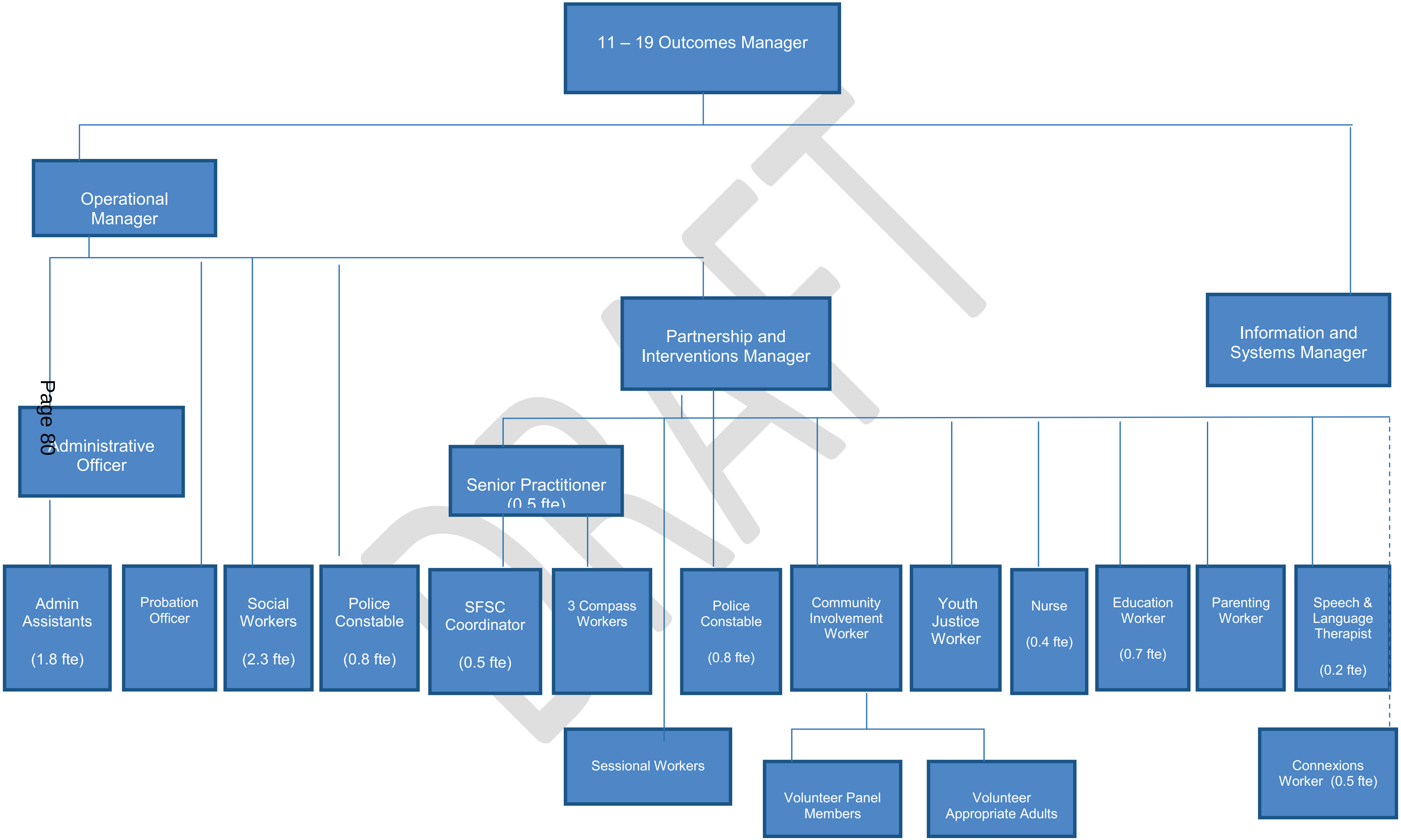
- Young people are central to any discussions of their needs
- Young people are involved in any meetings/discussions about their individual needs and plans
- All staff front –line staff /Head Teachers /managers/volunteers across the workforce will take responsibility for looking at the young people's needs and assessments holistically- look at the big picture : will join up their work with that of other colleagues and or the family and develop one plan of support/intervention
- The young person will know who is the lead person for their plan and how to contact them
- Staff will be accountable to the young person in delivering the plan
- Line managers will make it happen

Young people across Bath and North East Somerset have identified the following as important behaviours and therefore we will provide workers who are:

- Honest
- Responsible
- Arrive on time
- Non-judgemental
- Show a caring attitude towards the young people
- Start at the point the young person wants them to
- Empower young people to take control of their lives
- Involve young people in all decisions/ panels/ meetings
- Do what they say they will do
- Communicate clearly and keeps young people up to date
- Committed to the principles of equity and diversity
- Safeguard the welfare of young people

Parents and carers want the same from the workforce, together with an active consideration with the young person of the right level of support from the parent/carer in planning for the young person. Taken together, these values and behaviours support the development of a person centred approach to supporting young people's critical involvement in decisions about the design, delivery and effectiveness of services, and they are all adopted by the Youth Offending Service.

Bath and North East Somerset Youth Offending Service Organisational Structure



Appendix (d): Youth Offending Service staff as of 1 April 2013

The work of the Youth Offending Service would not be possible without its volunteers, who make up nearly a third of the staffing complement. We thank them again for their time, commitment and hard work as Appropriate Adults and Community Panel Members.

Staff in the Youth Offending Team by gender and ethnicity based on census 2001 categories

	Strategic Manager		Team Manager		Practitioner		Administrator		Sessional		Student		Volunteer		Total	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
White British		1		2	3	8		4	2	6			12	12	**17**	**33**
White Irish																
White Other																
Black Caribbean																
White and Black African																
British Black Caribbean													1		1	
White and Asian																
Pakistani					1										1	
Anglo Indian					1										1	
Total	**0**	**1**	**0**	**2**	**5**	**8**	**0**	**4**	**2**	**6**	**0**	**0**	**13**	**12**	**20**	**33**

Appendix (e): Glossary of Terms

Appropriate Adults	Volunteers (and in more serious or complex matters, paid staff) who safeguard a young person's interests under the Police and Criminal Evidence Act 1984 when they are being questioned by the Police and a parent/carer is unable to attend.
ASSET	A structured assessment tool used to consider how a range of factors, such as engagement with education or mental health issues, may have contributed - and continue to contribute - to a young person's risk of offending.
Common Assessment Framework	A shared assessment tool for use across all children's services and local areas in England. It is used to support early identification of need and assist the co-ordination of services to address that need.
Children and Young People's Plan	The Children and Young People's Plan is the single plan that outlines what all agencies, schools, Local Authority and voluntary groups are going to do to help improve outcomes for Children and Young People across Bath & North East Somerset.
Children's Trust Board	Children's Trust Boards are the co-operation arrangements and partnerships between local organisations with a role in improving outcomes for children and young people. It is a partnership that has overall responsibility for planning and delivery of services for children and young people. The Trust in Bath and North East Somerset is responsible for publishing this Children and Young People's Plan and for making sure that services deliver the commitments outlined in that Plan.
Community Panel Members	Volunteer representatives of the local community, selected and trained to chair panels which meet with young people and their victims to agree how young people can make amends and address their offending behaviour.
Compass	The Compass Project, managed within the Youth Offending Service, provides intensive support to children and young people aged 8-17, who have been assessed as being at high risk of offending.
Connecting Families	A local initiative in response to the national Troubled Families agenda, to engage with and help improve outcomes for a small number of families with children who are involved in crime and/or anti-social behaviour, have children not engaged in education and have a history of adult worklessness. Typically, a large number of agencies may be working with these families and this initiative seeks to integrate the planning and support available in order that families can make better use of it.

Connexions	A universal service to provide a wide range of support for 13-19 year olds, particularly regarding education, training and employment. It gives priority to those considered most vulnerable.
Criminal Justice Board	A partnership of all the statutory criminal justice services, locally serving the Avon and Somerset area.
Family Intervention Project	The aim of this Project was to reduce offending behaviour of children and young people in the family through the provision of co-ordinated multi-agency work with every member of the family, based on whole family assessment and long term intervention of a dedicated keyworker (12-18 months). The project accepts referrals where it is clear a significant change within family behaviour is needed to prevent youth offending or re-offending and/or anti-social behaviour.
Integrated Offender Management	Known locally as Impact, this is a partnership between Police, Probation and other agencies, to tackle prolific, acquisitive crime and due to be extended to tackle violent and sexual offending.
Intensive Supervision and Surveillance	Intensive Supervision and Surveillance is a rigorous community sentence for eligible young people who have been convicted of an offence or a pattern of offences so serious that they would otherwise receive a custodial sentence. The Programme is also available as a condition of a Bail Supervision and Support programme or as a condition of the community element of a Detention and Training Order.
LASPO	The Legal Aid, Sentencing and Punishment of Offenders Act 2012.
Local Safeguarding Children's Board	The Local Safeguarding Children Board (LSCB) brings together local agencies working with children and families. LSCB is responsible for policy, procedures and services to support children and families in need to prevent significant harm.
Ministry of Justice	The Ministry of Justice is a ministerial department of the UK Government headed by the Secretary of State who is responsible for improvements to the justice system so that it better serves the public.
Multi-Agency Public Protection Arrangements	The Youth Offending Service has a legally duty to co-operate with arrangements, led by Police, Probation and Prisons, to safeguard the public from the threat posed by sexual and violent offenders, whilst also attending to the needs of the victim.

ONSET	A structured assessment tool to measure a young person's risk of offending, used with young people who have never been arrested and had a statutory response to their behaviour (Reprimand, Final Warning or conviction).
Out of Court Disposals	From April 2013, under the LASPO, a new framework for out of court disposals has been introduced. This includes the Youth Caution and the Youth Conditional Caution.
Participation	A term used to describe the process of actively involving children and young people in the planning, delivery and evaluation of services that benefit them individually and also, that benefit the wider community. The use of this term is extended to actively involving staff in planning and evaluation of the services they deliver.
Parenting Orders	Parents whose children offend or persistently truant from school can be made the subject of Court Orders, requiring them to attend parenting support, and sometimes, to exercise specific control over their child's behaviour.
Pre-Sentence Report	A formal, written report, prepared to assist the Court at sentencing stage, by providing an offence analysis, in the light of risk of continued offending and risk to the public, and outlining suitable sentencing options.
Protective Factors	Aspects of young people's lives that mitigate against offending, such as consistent parenting, engagement in education or involvement in constructive leisure.
Public Services Board	This is the strategic board overseeing all local authority service delivery which has replaced the Local Strategic Partnership.
Referral Order	Available since April 2002, these are mandatory sentences for all young people appearing in Court for a first offence and pleading guilty. They refer a young person to a Community Panel, led by trained members of the public and attended by their parents and the victim(s) of their offence(s). The Panel agrees a contract for how the young person is to make amends for their behaviour.
Reparation	Making amends to someone harmed. This can be doing something of direct benefit to the victim of an offence or could be undertaking work that benefits the wider community, ideally suggested by the victim.
Resettlement Consortium	A south west partnership between Youth Offending Services, the secure estate, voluntary sector partners and Probation to provide an enhanced offer of support to young people being released from custody, to assist their resettlement.

Restorative Justice	Restorative Justice describes a range of approaches to resolving a situation where harm, often an offence, has been caused. It focuses on victim satisfaction, offering a range of services by which the victim can gain an understanding of the offence, have a chance to be fully heard, and agree to and even participate in any suitable reparation. Where the victim does not wish to be involved in any way, then the Youth Offending Service will work with a young person to raise awareness of the likely impact of their offending on others and will plan for them to take on some indirect reparation.
Responsible Authorities Group	This Group oversees the delivery of the creating and maintaining safer communities. It is comprised of senior managers from the statutory agencies, an elected Council Member and other partners who together pool their combined knowledge to identify the key issues within the community and understand clearly how best to tackle them. This Partnership accepts that fighting crime is not just the job of the Police, but the responsibility of all organisations whether public, private or voluntary, and works towards the creation of safer and stronger communities.
Scaled Approach	A system whereby the level of intervention for a young person during the course of their Court order is determined by their assessed likelihood of re-offending.
Sustainable Community Strategy	The Sustainable Community Strategy sets out what type of place Bath and North East Somerset should become. It deals with a range of challenges and changes that impact on our daily lives. The strategy sets out how the challenges are going to be addressed. It is aspirational and high level, but these aspirations will be worked towards to make them a reality. The strategy is the outcome of listening to what is important for the community and responding with a vision for the area.
Team around the Child	A multi-agency planning meeting with the child and parent/carer present. The young person can help decide the agenda and should be enabled to fully participate in the meetings and the planning.
Victim Liaison Officer	Member of the Youth Offending Service who makes contact with the victims of crimes we are notified about. They discuss the impact of the crime with the victim and enable them to consider a restorative approach.
Youth Rehabilitation Order	The Youth Rehabilitation Order is a generic community sentence for young offenders and can combines a number of requirements into one generic sentence. It is the standard community sentence used for the majority of children and young people who offend. It simplifies sentencing for young people, while improving the flexibility of interventions.
Young Offender Information System	This is a standard database used by the Youth Offending Service for case management, monitoring and reporting.

Youth Offending Service	These multi-agency teams were established under the Crime and Disorder Act 1998, with a principal aim of preventing youth offending. They include representatives from Police, Probation, Health and the Local Authority, and their work is overseen by local Management Boards made up of key stakeholders. Locally, the term Youth Offending Service is used, because the remit includes preventative work as well as statutory supervision of young people.
Youth Justice Board	The Youth Justice Board for England and Wales is now linked to the Ministry of Justice and is responsible for overseeing the youth justice system, including performance monitoring, providing advice and disseminating good practice.

Bath & North East Somerset Council	
MEETING:	**Council**
MEETING DATE:	**11 July 2013**
TITLE:	**Avon Pension Fund Committee Annual Report to Council**
WARD:	**ALL**
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – The Annual Report to Council	

1 THE ISSUE

1.1 The Avon Pension Fund Committee discharges the responsibilities of the Council in its role as the administering authority of the Avon Pension Fund in accordance with the Local Government Pension Scheme Regulations 2008 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

1.2 The Committee reports annually to Council on the work it has undertaken in the previous twelve months and reference is also made in the report to the future work programme. This report is for the 12 months to 31 March 2013.

1.3 As background to this report it may be worth reminding Members that Bath & North East Somerset Council has a dual interest in the Avon Pension Fund, firstly as administering authority and secondly as one of the employing bodies. This report focuses entirely on the Council's role as administering authority.

2 RECOMMENDATION

2.1 The Council is asked to note this report.

3 FINANCIAL IMPLICATIONS

3.1 The costs of administering the Avon Pension Fund are recharged to the employing bodies through the employer contribution rates which are set by the actuary every three years as part of the valuation.

4 CORPORATE PRIORITIES

4.1 This issue is not relevant to the Avon Pension Fund which is administered by the Council as a completely separate function to its mainstream activities.

5 THE REPORT

5.1 The Annual Report is attached as Appendix 1 to this report. It relates to the financial year April 2012 to March 2013. The document is primarily for the Council's purposes. However, the report will be circulated to the employing bodies within the Fund to improve transparency about the Committee's activities and the decisions taken.

6 RISK MANAGEMENT

6.1 This report is for information only so a risk assessment is not necessary.

7 EQUALITIES

7.1 This report is for information only so an equalities impact assessment is not necessary.

8 CONSULTATION

8.1 The draft report was considered by the Avon Pension Fund Committee at the committee meeting on 21 June 2013.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 This report is for information only.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Tony Bartlett, Head of Business Finance & Pensions x7302
Background papers	Avon Pension Fund Committee/Investment Panel reports and minutes
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

AVON PENSION FUND COMMITTEE
ANNUAL REPORT TO COUNCIL
(April 2012 - March 2013)

1 BACKGROUND TO THE AVON PENSION FUND

The Avon Pension Fund is a statutory scheme regulated by the Local Government Pension Scheme Regulations 2008 (as amended) and the Local Government Pension Scheme Regulations (Management and Investment of Funds) Regulations 2009 (as amended). Bath & North East Somerset Council ("the Council") administers the Fund on behalf of more than 170 employing bodies including the four unitary authorities. The Fund has c. 89,000 members and the value of the Fund as at 31 March 2013 was £3.1 billion.

(a) AVON PENSION FUND COMMITTEE TERMS OF REFERENCE

The Council has delegated responsibility for the Fund to the Avon Pension Fund Committee whose terms of reference, as agreed by the Council in May 2013, are set out below:

"To discharge the responsibilities of Bath and North East Somerset Council in its role as lead authority for the administration of the Avon Pension Fund. These include determination of all Fund specific policies concerning the administration of the Fund, investing of Fund monies and the management of the Fund's solvency level. In addition, the Committee is responsible for all financial and regulatory aspects of the Fund. At all times, the Committee must discharge its responsibility in the best interest of the Avon Pension Fund.

The key duties in discharging this role are:

1. Determining the investment strategy and strategic asset allocation.
2. Determining the pensions administration strategy.
3. Making arrangements for management of the Fund's investments in line with the strategic policy.
4. Monitoring the performance of investments, investment managers, scheme administration, and external advisors.
5. Approving and monitoring compliance of statutory statements and policies required under the Local Government Pension Scheme Regulations.
6. Approving the Pension Fund's Statement of Accounts and annual report.
7. Commissioning actuarial valuations in accordance with the provisions of the Local Government Pension Scheme Regulations.
8. Considering requests from organisations wishing to join the Fund as admitted bodies.
9. Making representations to government as appropriate concerning any proposed changes to the Local Government Pension Scheme."

In discharging its role the Committee can delegate any of the above or implementation thereof to the Sub-Committee ("the Investment Panel") or Officers.

Committee Membership

The Committee structure is as follows:

Voting members (12)	5 elected members from B&NES (subject to the rules of political proportionality of the Council) 2 independent trustees 3 elected members nominated from the other West of England unitary councils 1 nominated from the education bodies 1 nominated by the trades unions
Non-voting members (4)	1 nominated from the Parish Councils Up to 3 nominated from different Trades Unions

Committee meetings and workshops:

The Committee meets quarterly. In addition, a Special Committee Meeting was held to discuss the Investment Strategy. Attendance at these meetings was 80% for the voting members and 69% for the non-voting members.

Ad hoc workshops are arranged as necessary reflecting the Committee's meeting agendas. These workshops are designed to explore specific policy issues in detail. During the last twelve months, three workshops were arranged to finalise the Fund's policy for Socially Responsible Investing and two workshops were held to review the investment strategy.

Investment Panel

The role of the Avon Pension Fund Committee Investment Panel is to consider, in detail matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.

The Investment Panel will:

1. Review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee.
2. Review the Statement of Investment Principles and submit to Committee for approval.
3. Report regularly to Committee on the performance of investments and matters of strategic importance

and have delegated authority to:

4. Approve and monitor tactical positions within strategic allocation ranges.
5. Approve investments in emerging opportunities within strategic allocations.
6. Implement investment management arrangements in line with strategic policy, including the setting of mandate parameters and the appointment of managers.
7. Approve amendments to investment mandates within existing return and risk parameters.
8. Monitor investment managers' investment performance and make decision to terminate mandates on performance grounds.
9. Delegate specific decisions to Officers as appropriate.

The Panel consists of up to six voting members from the Committee and meets at least quarterly ahead of Committee meetings.

The Panel met formally four times during the year with attendance at 87.5%. In addition each meeting was followed by a workshop where the investment managers present on their performance and outlook for their portfolio.

Committee members also attended the Fund's Annual Employers' Conference which was held in February 2013. This well attended conference provides an opportunity for employers to meet with the Fund officers and committee members to discuss the overall service provided and explore topical issues that affect the employers.

2 TRAINING

The administering authority recognises the importance of training of Committee members given their fiduciary duties. The Fund provides training to committee members to ensure they possess an appropriate level of knowledge, skill and understanding to discharge these duties.

The Fund's approach to training is based on the Myners principles for best practice in decision making in pension funds which highlights the need for administering authorities to ensure:

- that decisions are taken by persons or organisations with the skills, knowledge advice and resources necessary to make them effectively and monitor implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

The Fund has in place a training framework which is based on CIPFA's (Chartered Institute of Public Finance and Accounting) Knowledge and Skills Framework for LGPS funds, which identifies six areas of knowledge as follows:

i. Legal and governance context
ii. Pensions Auditing and Accounting Standards
iii. Procurement and Relationship Management
iv. Investment Performance and Risk Management
v. Financial Markets and Product Knowledge
vi. Actuarial Methods, Standards and Practices

Committee training is delivered in a variety of formats, reflecting the strategic importance of the subject matter to the Committee's agenda and the differing level of knowledge and understanding across the Committee. Many of the areas identified by the framework are covered through detailed committee reports and workshops where the topic is explored greater in detail.

In addition, Committee members are encouraged to attend seminars and conferences which broaden their understanding of investments and topics of relevance to the LGPS.

3 REVIEW OF THE YEAR

a) INVESTMENT PERFORMANCE

The Fund generated an investment return of 13.8% during the year which was in line with the average local authority fund return. Over the last three years the Fund's return was 8.4% p.a. which is 0.3% ahead of the average local authority fund return.

The 2012/13 investment return was driven primarily by the strong returns from the equity portfolios which comprise 60% of the Fund's assets. Global markets rose c. 16% during the year. The value of the bond portfolio also rose during the year as the 'flight to safety' within bond markets continued as investors sought the relative safety of UK government bonds.

b) FUNDING LEVEL

As at 31 March 2013 the Actuary has estimated that the funding level has marginally fallen to 69% from 70% a year earlier. This contrasts with the 82% funding level at the 2010 valuation. The fall in the funding level since 2010 is due to the increase in liabilities; the investment return is ahead of expected returns over the period since the 2010 valuation. The value of the future pension liabilities is calculated using a discount rate based on UK gilt yields and the benefits are indexed to inflation. Thus increases in inflation and falls in gilt yields since 2010 have both caused the value of the liabilities to rise. Gilt yields in the UK are still near historic lows. These low yields are a result of investors seeking relative safety in non-euro denominated bonds, such as UK gilts whilst the Eurozone debt crisis remains unresolved. In addition, the Bank of England's policy to support the economy through its "quantitative easing" programme, in which the Bank purchases gilts from banks, has also kept yields low.

The next triennial valuation as at March 2013 is now in progress. This will set the employer contribution rates for the three years from April 2014 to March 2017.

c) POTENTIAL CHANGES TO THE LGPS

During the year the government began the consultation about the changes to the new scheme which will see the current "final salary" scheme being replaced by a "career average revalued earnings" scheme. The new scheme will come into effect from 1 April 2014 and the changes to the benefits structure will be reflected in the 2013 triennial valuation.

Recognising the significant impact on operations of the new scheme, the Committee agreed to invest in additional resources in terms of staff and IT systems in order that the new scheme is efficiently managed by both the Fund and scheme employers. The resources are required to ensure there is effective communication to members and employers and to increase the use of electronic data transmission between the Fund and scheme employers.

2012 also saw the introduction of "auto-enrolment". Although not directly affecting the pension fund, there was a significant amount of work communicating to employers about auto-enrolment and how it affected their pension arrangements.

d) PENSIONS ADMINISTRATION

(i) Budget

During the Year to 31 March 2013, total costs were £656,000 (5%) under the budget of £12.8 million. However, excluding Investment Management, custody fees and governance costs, administration costs were £152,000 under the budget of £2.1million, a saving of 7%.

Spending on Investment Management and custody fees was £282,000 under budget due to reductions in the rates charged by some managers. The investment management and custody fees of £10.1 million equate to 0.32% of the Fund's assets.

(ii) CIPFA Benchmarking (Benefits Administration)

The Fund participates in the annual Pensions Administration CIPFA Benchmarking exercise where its performance and running costs are compared against its peers and against the "average fund".

In 2011/12 the Fund's overall costs at £17.71 p.a. per member were less than the average of £20.45. Staffing costs (excluding payroll) were significantly less at £6.52 per member against £8.82. Payroll costs per pensioner member of £1.07 compares favourably against the average of £3.15.

The Fund invests heavily in communications with communication costs at £2.55 per member compared to the average of £1.12. Although significantly higher, the Committee has prioritised resources to this area as it strongly believes in the importance of providing members with timely, accurate information. This is delivered by specific newsletters to active and pensioner members, a high quality website, provision of member access to their "account" via the website and the facility for scheme employers to send information via the website's secure portal. Savings are being realised through the increase use of electronic delivery to members and employers alike.

The results of the Benchmarking exercise are discussed by the Committee.

(iii) Pensions Administration Strategy

The Pensions Administration Strategy came into effect in April 2011 with the aim of encouraging employers and the Fund work more closely together to provide an ever improving level of service to Fund members.

Performance of both the Fund and employers is now being closely monitored and during 2012/13 was reported via Quarterly Performance Reports to larger employers and through review meetings with some employers. The Strategy provides a transparent and robust operating and performance framework which improves accountability and has successfully focussed attention on the need for both parties to invest in and make use of electronic data provision to improve efficiency.

The Strategy is due for review after April 2013.

4 COMMITTEE BUSINESS TO MARCH 2013

a) Investment Strategy

During the year a number of strategic decisions were implemented as follows:

- New investment strategy was agreed in March 2013. The overall investment objectives (risk and return targets) remain unchanged but the new strategy allows greater flexibility for the Fund to achieve its objectives, primarily through the introduction of investment strategies that enable dynamic allocation between assets over shorter timeframes. In addition, the asset allocation allows for greater use of tactical positions within agreed limits.
- The Committee concluded its review of the Fund's Responsible Investing Policy ensuring that the Fund's policy reflects best practice across the whole Fund, subject to the constraints imposed by the investment structure. The policy was published in June 2012.

b) Funding Strategy (Interim Valuation)

During the year an interim valuation was commissioned to up-date the Committee on the funding position in order to prepare scheme employers for the potential outcome of the 2013 actuarial valuation. The interim valuation at 30 September 2012 showed a rise in the funding level to 73% but by 31 March 2013 the estimated funding level had fallen again to 69%.

c) Approval of the 3-year Service Plan and Budget 2013/16

The Service Plan details the service developments are planned to be undertaken during the next three financial years (2013/2016). The plan is designed to respond to known and anticipated legislative changes and Committee initiatives, as well as to take the Pensions Service forward by improving performance and the overall quality of service to members and employers.

Given that the "new Scheme" will be introduced in 2013/14 with an implementation date of April 2014, much of the plan's focus is on the roll out of the new scheme, especially the Fund's communications with members and employers, IT requirements and training of both internal staff and staff at scheme employers.

The 2013/14 administration budget increased by £290,000 reflecting the additional resources required to deliver the new scheme and auto-enrolment. This includes extra staff resources and the cost of new "middleware" to enable electronic transfer of data from payroll systems into the pensions system. This should generate savings in the future. In addition, there were one-off advisory costs of implementing the new investment structure. Recurring savings of £85,000 were identified mainly through embedding the use of electronic systems to deliver the service.

d) Treasury Management Policy and Cash Management Policy

The Fund's Treasury Management Policy sets out how the Fund's cash is invested to meet its day-to-day requirements. The cash managed under this policy at any time is c. £25 million, which represents less than 1% of the Fund's value.

The management of this cash is delegated to the Council's Treasury Management Team. However, the Fund's cash is invested separately (via separate bank account) to the Council's and the Fund has a bespoke Treasury Management Policy.

Following the continuing downgrading of the credit ratings of the UK banks, the Treasury Management Policy was revised in line with the Council's policy, to ensure there is adequate flexibility for the efficient management and investment of the short term cash.

In addition, as the Fund's cashflow profile is "maturing" more rapidly than previously anticipated (the monthly payment of pension payments is now exceeding the monthly receipt of pension contributions). As a result the Committee agreed changes to the Cash Management Policy which set a framework for utilising investment income and asset sales to meet pension payments (currently investment income covers the cash requirement and asset sales are not required). The review of the investment strategy took account of the cash flow requirements and as a result, the passively managed investments will be switched into pooled investment funds that distribute income to investors (rather than reinvest within the pooled fund).

e) Monitoring of Voting at Company Meetings

Voting at shareholder meetings is one tool with which the Fund can influence corporate behaviour. As the Fund's investments are managed by external managers, the voting decision is delegated to the manager, with the intention that the voting decision will be aligned with the investment decision. In 2011 the Fund appointed an agent to monitor the voting undertaken on behalf of the Fund and to report to Committee annually about the voting behaviour and the wider trends and issues around corporate governance. The first annual report was presented to Committee in 2012. From this report the Committee identified two areas they wanted managers to focus on that could have a significant impact on corporate performance:

(i) Remuneration policy and how it relates to corporate performance and objectives

(ii) Whether Board structures provide adequate independence to the decision making process and draws on experience and knowledge from a diverse selection of individuals

f) Administration

Following the introduction of the Pensions Administration Strategy, the Committee reviews Quarterly Performance Monitoring Reports showing the Fund's and employers' performance. Where the performance is below expectations, the Committee has used its influence where appropriate to discuss the issue internally with those responsible for service delivery. As the Fund rolls out the electronic data interface to more of the large employers during 2013 and other employers use the alternative electronic facility to inform the Fund of membership changes, it is expected that improvements in employer performance will be sustainable.

g) Workplans

Separate workplans are prepared for the Committee and Investment Panel detailing the forthcoming areas of work relating to investments strategy and policy and Benefits administration to give the Committee and officers the opportunity to review the and accommodate issues that may arise.

5 FUTURE BUSINESS

The Committee's (and Investment Panel's) focus over the next twelve months will be as follows:

a) Investments

- Investment Strategy – implement changes to the investment structure in line with the agreed strategy.
- Explore options for investing in infrastructure.
- Investigate how liability driven investing could assist in hedging the interest rate and inflation impact on the liabilities.

b) 2013 Triennial Valuation

- Agree the Funding Strategy Statement that sets the parameters for the funding plan and contribution rates.

c) Benefits Administration

- Respond to the on-going consultation exercises on the new LGPS Scheme and monitor the project to implement the new scheme including the communications plan to explain the changes and their significance to members and employers.
- Review the AVC Strategy on the number and types of funds to be offered to members to assist them in saving towards retirement.
- Approve any changes as a result of the Review of the Pensions Administration Strategy due after April 2013.

d) Governance

- Engage with and respond to government consultations expected during the year on the governance structure of funds at the local level and possible proposals to change the arrangements for administering the LGPS funds nationally.

Avon Pension Fund

June 2013

<table>
<tr><th colspan="3">Bath & North East Somerset Council</th></tr>
<tr><td>MEETING:</td><td colspan="2">Council</td></tr>
<tr><td>MEETING DATE:</td><td>11th July 2013</td><td>AGENDA ITEM NUMBER</td></tr>
<tr><td>TITLE:</td><td>Treasury Management Outturn Report 2012/13</td><td></td></tr>
<tr><td>WARD:</td><td colspan="2">All</td></tr>
<tr><td colspan="3">AN OPEN PUBLIC ITEM</td></tr>
<tr><td colspan="3">List of attachments to this report:
Appendix 1 – Performance Against Prudential Indicators
Appendix 2 - The Council’s Investment Position at 31st March 2013
Appendix 3 – Average monthly rate of return for 2012/13
Appendix 4 – The Council’s External Borrowing Position at 31st March 2013
Appendix 5 – Arlingclose’s Economic & Market Review of 2012/13
Appendix 6 – Interest & Capital Financing Budget Monitoring 2012/13
Appendix 7 – Summary Guide to Credit Ratings</td></tr>
</table>

1 THE ISSUE

1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan for 2012/13.

2 RECOMMENDATION

The Council agrees that:

2.1 the 2012/13 Treasury Management Annual Report to 31st March 2013, prepared in accordance with the CIPFA Treasury Code of Practice, is noted

2.2 the 2012/13 actual Treasury Management Indicators are noted.

2.3 the Debt rescheduling actions highlighted at paragraphs 5.13-5.15 is noted.

3 FINANCIAL IMPLICATIONS

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

4 CORPORATE PRIORITIES

4.1 This report is for information only and is therefore there are no proposals relating to the Council's Corporate Priorities.

5 THE REPORT

Summary

5.1 Performance against the Treasury Management & Prudential Indicators agreed as part of the annual Treasury Management Strategy is provided in **Appendix 1**. The outturn position and all treasury activity undertaken during the financial year is within the limits agreed by Council in February 2012, as shown in **Appendix 1**, as well as the CIPFA Code of Practice and the relevant legislative provisions.

5.2 The average rate of investment return for the 2012/13 financial year is 0.39% above the benchmark rate.

Summary of Investment Activity 2012/13

5.3 The Council's investment position as at 31st March 2013 is given in **Appendix 2**. In line with the Annual Investment Strategy, investments undertaken were mainly temporary short term investments made with reference to the core balance and cash flow requirements.

5.4 The Council is the Accountable Body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2012/13 financial year. The Council acts as an agent and holds these funds on behalf of the West of England Local Enterprise Partnership until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. Since these funds are invested separately from the Council's cash balances and have been placed short term with the Debt Management Office and other Local Authorities, they are excluded from figures given in this report.

5.5 Gross interest earned from investments for 2012/13 totalled £821k. Net interest received, after deduction of amounts due to Schools, the West of England Growth Points, PCT and other internal balances, is £683k. **Appendix 3** details the investment performance, showing the average rate of interest earned on investments over this period was 0.83%, which is 0.39% above the benchmark rate of average 7 day LIBID + 0.05% (0.44%).

Summary of Borrowings 2012/13

5.6 The Council's external borrowing as at 31st March 2013 is detailed in **Appendix 4**.

5.7 No new borrowing has taken place in 2012/13. The Council's total borrowing is currently £120 million. The Council's provisional Capital Financing Requirement (CFR) as at 31st March 2013 is £141.8 million. This represents the Council's requirement to borrow to finance capital expenditure, and demonstrates that total borrowing remains below this requirement as at 31st March 2013.

5.8 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2013 apportioned to Bath & North East Somerset Council is £15.14m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.7.

Strategic & Tactical Decisions

5.9 As shown in **Appendix 2**, the Council has continued to place a significant proportion of funds with highly-rated major financial institutions, primarily with UK banks. However, during the year the Council has maintained a low risk appetite to investments. The Council increased its proportion of investments with other Local Authorities and AAA rated Money Market Funds to improve diversification and counterparty credit rating whilst maintain appropriate liquidity.

5.10 Due to concerns related to the Eurozone debt situation the council does not currently and did not hold throughout 2012/13 any direct investments with banks within the Eurozone. The Council's investment counterparty list does not include any banks from the countries most affected by the debt situation in the Eurozone (Portugal, Ireland, Greece, Spain and Italy).

5.11 Our treasury management advisors economic and market review for 2012/13 is included in Appendix 5.

Budget Implications

5.12 A breakdown of the revenue budget for interest and capital financing and the actual year end position is included in **Appendix 6**. This shows an underspend of £97k in 2012/13. This arises as a result of the Council's cash balances being higher than anticipated at budget setting generating higher investment interest income.

Debt Rescheduling

5.13 As market expectations for sustained low interest rates have increasingly been accepted as the consensus view, the Council has requested a review of its existing debt portfolio to be undertaken by its treasury management advisors. The purpose of this review was to identify debt rescheduling opportunities within this low interest rate environment, and this was completed in April 2013.

5.14 The review identified the potential to undertake a significant debt rescheduling, utilising Council cashflow's which are earning very low rates of interest – just over 0.5%, when the average carrying cost of debt is approximately 4.5% (as set out in Appendix 3 and Appendix 4). The proposal is in line with the Council's approved Treasury Management Strategy and the Council's S151 Officer will be implementing the rescheduling proposals during the 2013/14 financial year as cash flows permit.

5.15 It is anticipated that this approach will deliver the additional £500K savings target in the Council's Approved Budget for 2013/14 together with the potential to provide further savings to contribute to the Budget shortfall in future years.

6 RISK MANAGEMENT

6.1 The Council's lending & borrowing list has been regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment & Borrowing advice is provided by our Treasury Management consultants Arlingclose.

6.2 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. In February 2012, the Council's treasury advisors provided training to the Corporate Audit Committee to carry out this scrutiny.

6.3 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 EQUALITIES

7.1 This report provides information about the financial performance of the Council and therefore no specific equalities impact assessment has been carried out on the report.

8 RATIONALE

8.1 The Prudential Code and CIPFA's Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

9 OTHER OPTIONS CONSIDERED

9.1 None

10 CONSULTATION

10.1 Consultation has been carried out with the Cabinet Member for Community Resources, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

10.2 Consultation was carried out via e-mail.

11 ISSUES TO CONSIDER IN REACHING THE DECISION

11.1 This report deals with issues of a corporate nature.

12 ADVICE SOUGHT

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

Contact person	*Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213 Tim_Richens@bathnes.gov.uk Jamie_Whittard@bathnes.gov.uk*
Background papers	*2012/13 Treasury Management & Investment Strategy* *1st & 3rd Quarter Treasury Performance Reports (Cabinet)* *Half yearly Treasury Performance Report (Cabinet & Council)*
Please contact the report author if you need to access this report in an alternative format	

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APPENDIX 1
Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

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

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Mar 2013**
	£'000	£'000
Borrowing	171,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	**173,000**	**120,000**

2. Operational limit for external debt
The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Mar 2013**
	£'000	£'000
Borrowing	161,000	120,000
Other long term liabilities	2,000	0
Cumulative Total	**163,000**	**120,000**

3. Upper limit for fixed interest rate exposure
This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Mar 2013**
	£'000	£'000
Fixed interest rate exposure	**171,000**	**100,000***

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the rate increase)

4. Upper limit for variable interest rate exposure
While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates less any investments at variable interest rates (this includes any investments that have a fixed rate for less than 12 months).

	2012/13 Prudential Indicator	**2012/13 Actual as at 31st Mar 2013**
	£'000	£'000
Variable interest rate exposure	**0**	**-57,100**

*This is the variable rate debt (LOBOs of £20m) less the £77.1m variable rate investments.

5. Upper limit for total principal sums invested for over 364 days
This is the maximum amount of total investments, which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Mar 2013
	£'000	£'000
Investments over 364 days	**30,000**	**1,000**

6. Maturity Structure of new fixed rate borrowing during 2012/13

	Upper Limit	Lower Limit	2012/13 Actual as at 31st Mar 2013
	%	%	%
Under 12 months	50	Nil	0
12 months and within 24 months	50	Nil	0
24 months and within 5 years	50	Nil	0
5 years and within 10 years	50	Nil	0
10 years and above	100	Nil	100

7. Average Credit Rating
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**

	2012/13 Prudential Indicator	2012/13 Actual as at 31st Mar. 2013
	Rating	Rating
Minimum Portfolio Average Credit Rating	**A+**	**AA-**

APPENDIX 2

The Council's Investment position at 31st March 2013

	Balance at 31st March 2013
	£'000's
Notice (instant access funds)	7,100
Up to 1 month	17,000
1 month to 3 months	31,000
Over 3 months	23,000
Total	**78,100**

The total investment figure of £78,100 million is made up as follows:

	Balance at 31st March 2013
	£'000's
B&NES Council	61,170
West of England Growth Points	837
Schools	7,385
B&NES PCT	8,708
Total	**78,100**

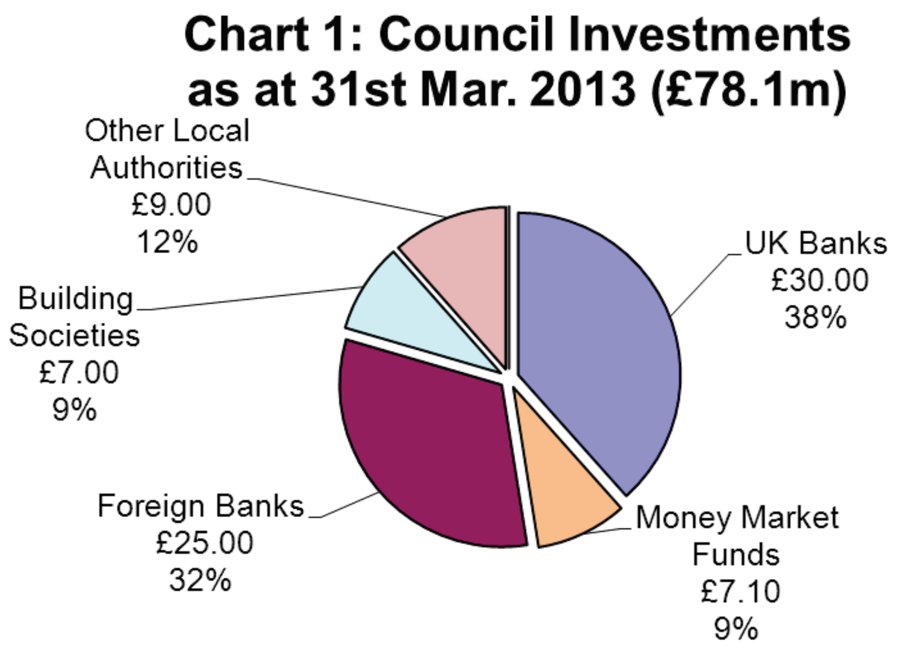
The Council had an average net positive balance of £90.3m (including Growth Points & B&NES PCT Funding) during the period April 2012 to March 2013.

The following fixed term investments were undertaken during 2012/13 with a maturity date in the following financial year:

Institution	**Amount**	**Rate**	**Start Date**	**Maturity Date**	**Long Term Credit Rating***
Barclays Bank	£5m	0.59%	04/02/13	05/08/13	A
Barclays Bank	£5m	0.63%	12/11/12	13/05/13	A
HSBC	£5m	0.50%	01/05/12	01/05/13	AA-
HSBC	£5m	0.50%	08/06/12	07/06/13	AA-
Bank of Scotland	£5m	0.70%	04/02/13	07/05/13	A
Lloyds Banking Group	£5m	0.70%	25/02/13	25/05/13	A
Nationwide B/S	£5m	0.73%	02/10/12	02/04/13	A
Coventry B/S	£2m	0.41%	10/01/13	10/04/13	A-
Development Bank of Singapore	£5m	0.40%	16/01/13	16/07/13	AA-
Oversea-Chinese Banking Corporation	£5m	0.55%	02/10/12	02/04/13	AA-
Oversea-Chinese	£5m	0.50%	10/10/12	10/10/13	AA-

Banking Corporation					
National Australia Bank	£5m	0.41%	10/01/13	10/07/13	AA-
Peterborough City Council	£3m	0.44%	07/12/12	09/12/13	
Kingston Upon Hull City Council	£1m	1.20%	12/12/11	11/06/13	
Salford City Council	£3m	0.33%	28/12/12	01/07/13	
Salford City Council	£2m	0.33%	31/12/12	01/07/13	
Total	**£66.0m**	**0.55%**	**-**	**-**	

* The credit rating shown is the lowest equivalent rating from Fitch, Standard & Poors and Moody's credit rating agencies
The balance of £12.1m was held in call accounts and Money Market Funds as at 31st March 2013.



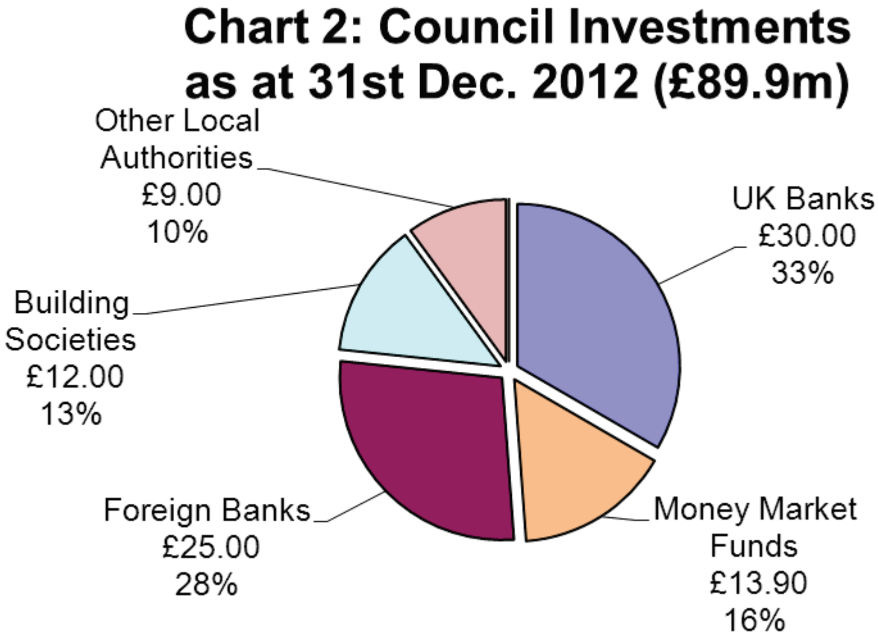


Chart 2: Council Investments as at 31st Dec. 2012 (£89.9m)
Other Local Authorities £9.00 10%
UK Banks £30.00 33%
Building Societies £12.00 13%
Foreign Banks £25.00 28%
Money Market Funds £13.90 16%

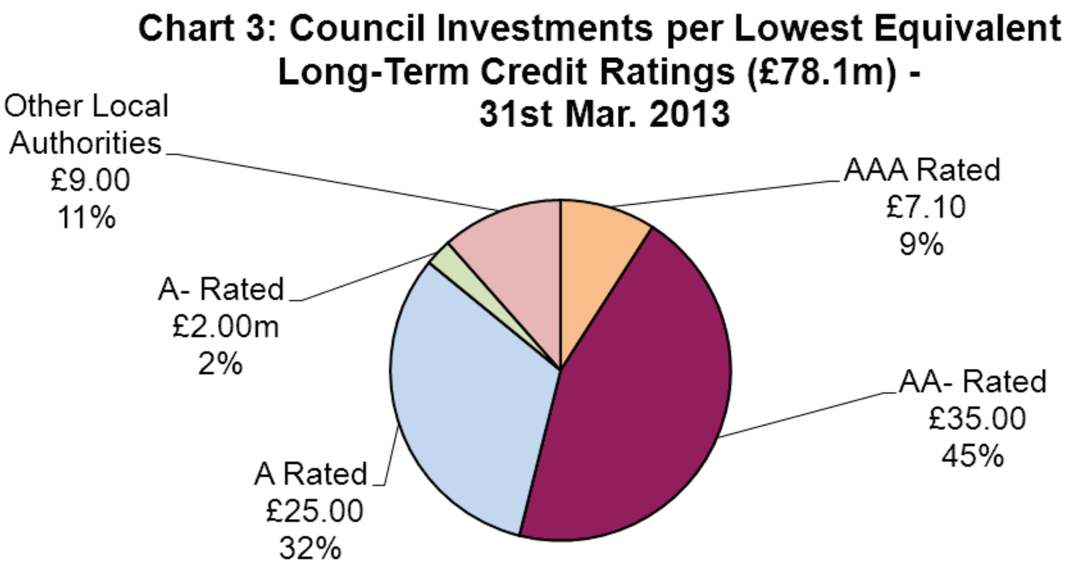
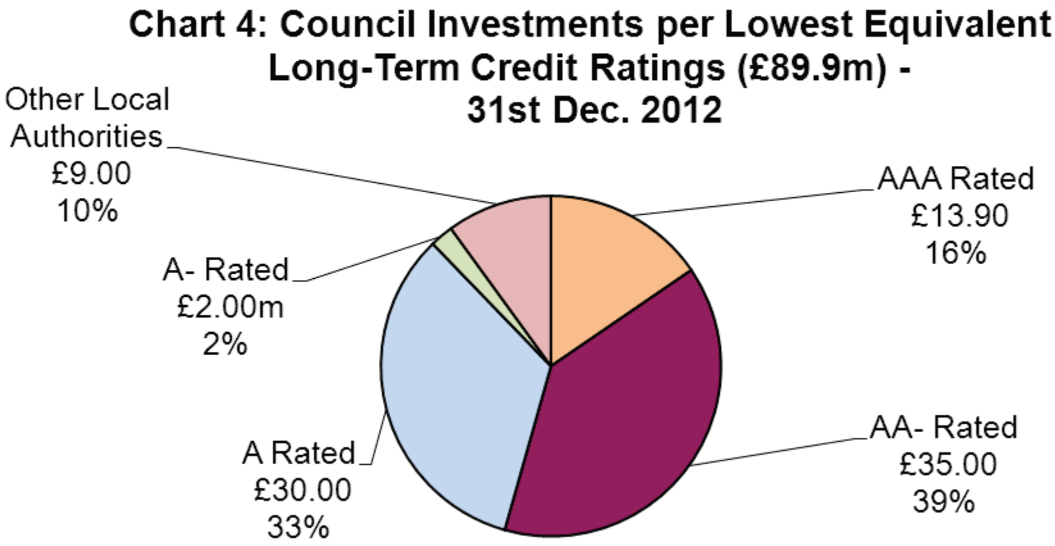


Chart 3: Council Investments per Lowest Equivalent Long-Term Credit Ratings (£78.1m) - 31st Mar. 2013
Other Local Authorities £9.00 11%
AAA Rated £7.10 9%
A- Rated £2.00m 2%
AA- Rated £35.00 45%
A Rated £25.00 32%



APPENDIX 3

Average rate of return for 2012/13

	Apr %	May %	Jun %	Jul %	Aug %	Sep %
Average rate of interest earned	1.11%	1.10%	1.03%	1.01%	0.87%	0.88%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.50%	0.50%	0.49%	0.47%	0.45%	0.44%
Performance against Benchmark %	+0.61%	+0.60%	+0.54%	+0.54%	+0.42%	+0.44%

	Oct %	Nov %	Dec %	Jan %	Feb %	Mar %	Average for Period
Average rate of interest earned	0.75%	0.70%	0.68%	0.61%	0.56%	0.53%	**0.83%**
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.42%	0.42%	0.41%	0.41%	0.41%	0.41%	**0.44%**
Performance against Benchmark %	+0.33%	+0.28%	+0.27%	+0.20%	+0.15%	+0.12%	**+0.39%**

APPENDIX 4

Councils External Borrowing at 31st March 2013

LONG TERM	Amount	Start Date	Maturity Date	Interest Rate
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	20,000,000	02/10/06	20/05/54	4.10%
PWLB	10,000,000	21/12/06	20/11/52	4.25%
PWLB	10,000,000	15/02/06	15/02/56	3.85%
PWLB	10,000,000	19/07/06	15/04/53	4.25%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.80%
PWLB	10,000,000	05/08/11	15/08/29	4.90%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
TOTAL	**120,000,000**			
TEMPORARY	**NIL**			
TOTAL	**120,000,000**			**4.46%**

- All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.5%. The lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower also has the option to repay the loan without penalty.

APPENDIX 5

Annual Economic Review 2012/13 – (provided by Arlingclose)

The global outlook stabilised mainly due to central banks maintaining low interest rates and expansionary monetary policy for an extended period. Equity market assets recovered sharply with the FTSE 100 registering a 9.1% increase over the year. This was despite economic growth in G-7 nations being either muted or disappointing.

In the UK the economy shrank in the first, second and fourth quarters of calendar 2012. It was the impressive 0.9% growth in the third quarter, aided by the summer Olympic Games, which allowed growth to register 0.2% over the calendar year 2012. The expected boost to net trade from the fall in the value of sterling did not materialise, but raised the price of imports, especially low margin goods such as food and energy. Avoiding a 'triple-dip' recession became contingent on upbeat services sector surveys translating into sufficient economic activity to overhaul contractions in the struggling manufacturing and construction sectors.

Household financial conditions and purchasing power were constrained as wage growth remained subdued at 1.2% and was outstripped by inflation. Annual CPI dipped below 3%, falling to 2.4% in June before ticking up to 2.8% in February 2013. Higher food and energy prices and higher transport costs were some of the principal contributors to inflation remaining above the Bank of England's 2% CPI target.

The lack of growth and the fall in inflation were persuasive enough for the Bank of England to maintain the Bank Rate at 0.5% and also sanction additional £50 billion asset purchases (QE) in July, taking total QE to £375 billion. The possibility of a rate cut was discussed at some of Bank's Monetary Policy Committee meetings, but was not implemented as the potential drawbacks outweighed the benefits of a reduction in the Bank Rate. In the March Budget the Bank's policy was revised to include the 2% CPI inflation remit alongside the flexibility to commit to intermediate targets.

The resilience of the labour market, with the ILO unemployment rate falling to 7.8%, was the main surprise given the challenging economic backdrop. Many of the gains in employment were through an increase in self-employment and part time working.

The Chancellor largely stuck to his fiscal plans with the austerity drive extending into 2018. In March the Office for Budgetary Responsibility (OBR) halved its forecast growth in 2013 to 0.6% which then resulted in the lowering of the forecast for tax revenues and an increase in the budget deficit. The government is now expected to borrow an additional £146bn and sees gross debt rising above 100% of GDP by 2015-16. The fall in debt as a percentage of GDP, which the coalition had targeted for 2015-16, was pushed two years beyond this horizon. With the national debt metrics out of kilter with a triple-A rating, it was not surprising that the UK's sovereign rating was downgraded by Moody's to Aa1. The AAA status was maintained by Fitch and S&P, albeit with a Rating Watch Negative and with a Negative Outlook respectively.

The government's Funding for Lending (FLS) initiative commenced in August which gave banks access to cheaper funding on the basis that it would then result in them passing this advantage to the wider economy. There was an improvement in the flow of credit to mortgagees, but was still below expectation for SMEs.

The big four banks in the UK – Barclays, RBS, Lloyds and HSBC – and several other global institutions including JP Morgan, Citibank, Rabobank, UBS, Credit Suisse and Deutsche came under investigation in the Libor rigging scandal which led to fines by and settlements with UK and US regulators. Banks' share prices recovered after the initial setback when the news first hit the headlines.

Europe: The Euro region suffered a further period of stress when Italian and Spanish government borrowing costs rose sharply and Spain was also forced to officially seek a bailout for its domestic banks. Markets were becalmed after the ECB's declaration that it would do whatever it takes to stabilise the Eurozone and the central bank's announcement in September of its Outright Monetary Transactions (OMT) facility, buying time for the necessary fiscal adjustments required. Neither the Italian elections which resulted in political gridlock nor the poorly-managed bailout of Cyprus which necessitated 'bailing-in' non-guaranteed depositors proved sufficient for a market downturn. Growth was hindered by the rebalancing processes under way in Euroland economies, most of which contracted in Q4 2012.

US: The US Federal Reserve extended quantitative easing through 'Operation Twist', in which it buys longer-dated bonds with the proceeds of shorter-dated US Treasuries. The Federal Reserve shifted policy to focus on the jobless rate with a pledge to keep rates low until unemployment falls below 6.5%. The country's extended fiscal and debt ceiling negotiations remained unresolved.

Gilt Yields and Money Market Rates: Gilt yields ended the year lower than the start in April. By September the 2-year gilt yield had fallen to 0.06%, raising the prospect that short-dated yields could turn negative. 10-year yields fell by nearly 0.5% ending the year at 1.72%. The reduction was less pronounced at the longer end; 30-year yields ended the year at 3.11%, around 25bp lower than in April. Despite the likelihood the DMO would revise up its gilt issuance for 2012/13, there were several gilt-supportive factors: the Bank of England's continued purchases of gilts under an extended QE programme; purchases by banks, insurance companies and pension funds driven by capital requirements and the preference for safe harbour government bonds.

One direct consequence of the Funding for Lending Scheme was the sharp drop in rates at which banks borrowed from local government. 3-month, 6-month and 12-month Libid rates which were 1%, 1.33% and 1.84% at the beginning of the financial year fell to 0.44%, 0.51% and 0.75% respectively.

APPENDIX 6

Capital Financing Costs – Budget Monitoring 2012/13 (Outturn)

April 2012 to March 2013	YEAR END POSITION Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	ADV/FAV
Interest & Capital Financing				
- Debt Costs	6,200	5,351	(849)	FAV
- Internal Repayment of Loan Charges	(5,362)	(4,382)	980	ADV
- Ex Avon Debt Costs	1,432	1,443	11	ADV
- Minimum Revenue Provision (MRP)	4,440	4,310	(130)	FAV
- Interest of Balances	(592)	(700)	(108)	FAV
Sub Total - Capital Financing	**6,118**	**6,021**	**(97)**	**FAV**

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited

	margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default – indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Motion on Fracking in Bath and North East Somerset

To be moved by Cllr Tim Warren on behalf of the Conservative Group

This Council:

- Notes the work already undertaken by the Council in relation to Fracking within Bath and North East Somerset and neighbouring areas, including the Council's response to Somerset's Minerals Preferred Planning Options, agreed by Cabinet in April 2013.

- Understands that the use of shale gas and coal bed methane has the potential to make a significant contribution to the UK's energy needs in the coming decades during the period of transition from use of fossil fuels to renewable energy sources, and could enable Britain to become more energy independent.

- Supports the Government's overall policy on Unconventional Gas and Oil and welcomes the additional safeguards as set out by the Secretary of State in December 2012.
  (Ref: https://www.gov.uk/government/speeches/written-ministerial-statement-by-edward-davey-exploration-for-shale-gas)

- Nevertheless has serious concerns about the potential impact of unconventional gas exploration and extraction, as well as geothermal exploitation, within Bath and North East Somerset, in particular relating to:

  - the vulnerability of the hot springs which supply Bath's spa water and the potential risk to the supply of hot spring water;

  - its potential impact in an area significantly covered by Green Belt, Areas of Outstanding Natural Beauty and a World Heritage Site;

  - the importance of protecting the reservoir water supply in the Chew Valley.

- Believes the Council should seek to adopt whatever measures available to control, and if appropriate prevent, the use of unconventional gas exploration and extraction, as well as geothermal exploitation, within Bath and North East Somerset.

Council resolves:

1. To request that the Leader of Council and Chief Executive formally register the concerns of Council relating to the use of unconventional gas extraction and geothermal exploitation within Bath and North East Somerset and neighbouring areas with the Department for Energy & Climate Change.

2. To request that Cabinet ask Officers to produce a summary report on the potential impact and risks of unconventional gas exploration and extraction, as well as geothermal exploitation, within Bath and North East Somerset and relevant neighbouring areas, utilising the report produced for B&NES by the British Geological Survey in October last year, and report back to Full Council.

3. As part of the report referred to in (2), requests that Cabinet report back to Full Council on measures available to the Council to control, and if appropriate prevent, the use of unconventional gas exploration and extraction and geothermal exploitation within Bath and North East Somerset.