Bath & North East Somerset Council

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Date: 6 February 2017
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To: All Members of the Council

Chief Executive and other appropriate officers
Press and Public

Dear Member

Council: Tuesday, 14th February, 2017

You are invited to attend a meeting of the **Council** to be held on **Tuesday, 14th February, 2017** at **6.30 pm** in the **Council Chamber - Guildhall, Bath.**

The agenda is set out overleaf.

Refreshments 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	**Labour Group Room, Floor 2**
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:- Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

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

3. **Recording at Meetings**:-

   The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

   Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

   To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

   The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

4. **Spokespersons:** The Political Group Spokespersons for the Council are the Group Leaders, who are Councillors Tim Warren (Conservative Group), Dine Romero (Liberal Democrat Group), Robin Moss (Labour Group) and Sarah Bevan (Independent Group).

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

6. **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.

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

8. **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.

9. **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 - Tuesday, 14th February, 2017 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 8.

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 or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. MINUTES - 10TH NOVEMBER 2016 (Pages 7 - 18)

   To be confirmed as a correct record and signed by the Chairman.

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. 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. BUDGET AND COUNCIL TAX 2017/18 AND FINANCIAL OUTLOOK 2017/18 TO 2019/20 (Pages 19 - 136)

This report presents the Cabinet's revenue and capital budgets for the 2017/18 financial year together with a proposal for a Council Tax level for 2017/18.

9. TREASURY MANAGEMENT & INVESTMENT STRATEGY 2017/18 (Pages 137 - 166)

This report fulfils the Council’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance in approving a Treasury Management Strategy and an Investment Strategy before the start of each financial year.

10. LGPS POOLING OF INVESTMENTS (Pages 167 - 204)

Government policy, now brought into effect by recent Regulations effective 1 November 2016, requires the Avon Pension Fund to pool its investment assets. To meet this requirement, the Avon Pension Fund is participating in Brunel Pension Partnership (BPP).

11. DESIGNATION OF STATUTORY OFFICER FOR ADULT SOCIAL SERVICES & CHILDREN'S SERVICES (Pages 205 - 206)

This report seeks approval to the designation of the Strategic Director - People & Communities (CM Bowden) as the Council’s statutory Director of Adult Social Services and Director of Children’s Services with immediate effect.

12. 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.

Protocol for Decision-making

Guidance for Members when making decisions

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

BATH AND NORTH EAST SOMERSET COUNCIL

MINUTES OF COUNCIL MEETING

Thursday, 10th November, 2016

Present:- **Councillors** Patrick Anketell-Jones, Rob Appleyard, Tim Ball, Colin Barrett, Cherry Beath, Jasper Becker, Sarah Bevan, Colin Blackburn, John Bull, Neil Butters, Anthony Clarke, Matt Cochrane, Paul Crossley, Chris Dando, Fiona Darey, Matthew Davies, Sally Davis, Douglas Deacon, Emma Dixon, Michael Evans, Andrew Furse, Charles Gerrish, Ian Gilchrist, Bob Goodman, Francine Haeberling, Alan Hale, Liz Hardman, Donal Hassett, Steve Hedges, Eleanor Jackson, Steve Jeffries, Les Kew, Marie Longstaff, Barry Macrae, Paul May, Shaun Stephenson-McGall, Alison Millar, Robin Moss, Paul Myers, Michael Norton, Lisa O'Brien, Bryan Organ, Lin Patterson, June Player, Christopher Pearce, Vic Pritchard, Joe Rayment, Liz Richardson, Caroline Roberts, Nigel Roberts, Dine Romero, Will Sandry, Brian Simmons, Peter Turner, David Veale, Martin Veal, Karen Walker, Tim Warren, Karen Warrington and Chris Watt

Apologies for absence: **Councillors** Lisa Brett, Deirdre Horstmann, Mark Shelford and Geoff Ward

45 EMERGENCY EVACUATION PROCEDURE

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

46 APOLOGIES FOR ABSENCE

The apologies are listed above. In addition, Councillor Peter Turner had sent apologies but was able to attend the meeting for consideration of item 9 onwards.

47 DECLARATIONS OF INTEREST

Councillor Paul May declared a disclosable pecuniary interest in item 8 “Your Care Your Way: Full Business Case” as a non-executive Director on the Board of Sirona Care and Health. He withdrew from the meeting for consideration of this item.

Councillor Joe Rayment declared a disclosable pecuniary interest in item 8 “Your Care Your Way: Full Business Case” as a member of staff at Developing Health & Independence, who are currently contracted to provide some of the services under YCYW. He withdrew from the meeting for consideration of this item.

Councillor Sally Davis declared an ‘other’ interest in item 8 “Your Care Your Way: Full Business Case” in her capacity representing the Council on the Members’ Board of Sirona Care and Health.

Councillor Paul Crossley declared an ‘other’ interest in item 8 “Your Care Your Way: Full Business Case” as a member of the RUH Foundation Trust.

Councillor Lisa O'Brien declared an 'other' interest in item 8 "Your Care Your Way: Full Business Case" as a member of the RUH Foundation Trust. [*This declaration was made just before item 8*.]

Councillor Martin Veal declared an 'other' interest in item 11 "Update on Destination Management Commission" as Vice-Chairman of Bath Tourism Plus.

Councillor Lin Patterson declared that, although she had previously signed a petition opposing the award of the contract to Virgin Care, she was approaching this matter with an open mind.

The Democratic Services Manager made reference to the list of dispensations that had been granted to certain Councillors to enable them to take part in the debate. The list is attached to the online minutes and available on the Council's Minute book.

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

The Chairman made the customary announcements regarding mobile phones, webcasting, Councillors accessing meeting papers via their ipads and a comfort break.

He congratulated the Roman Baths on having been named as Large Attraction of the Year and best International Visitor Experience at the Bristol, Bath and Somerset Tourism Awards.

49 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIRMAN

With the Chairman's consent, and in light of the length of the agenda, Councillor Tim Warren moved the following motion, seconded by Councillor Charles Gerrish it was

RESOLVED under Part 4A, Rule 16, that Rule 48 be suspended to allow for the extension of the meeting to allow resolution of items up to and including item 16, or until 11 o'clock, whichever is the later. The suspension will take effect for the duration of the meeting. All uncompleted business will stand adjourned to be considered at the next meeting.

[Notes;
1. *Councillor Joe Rayment wished it recorded that he had voted against the above resolution.]*

50 MINUTES - 15TH SEPTEMBER 2016

On a motion from Councillor Tim Warren, seconded by Councillor Charles Gerrish, it was

RESOLVED that the minutes of the meeting of 15th September 2016 be approved as a correct record and signed by the Chairman.

51 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM THE PUBLIC

The Chairman referred to the questions from Jay Risbridger, Sian James and Christine Boyd which had been submitted, and the responses which had been circulated to the meeting, and are attached to the online minutes.

Statements were made by the following people;

Dr Ian Orpen, Clinical Chair of Bath & North East Somerset Clinical Commissioning Group, made a statement to the meeting highlighting the patient at the heart of this important decision Councillors would be taking tonight. He urged Councillors to be decisive and consider the risks if a decision was not taken. Councillor Tim Warren asked if Dr Orpen could tell them the scores for the bids to which he replied that there was a significant difference, as the score for Virgin Care was 73% and that for the Link Partnership was 43%. Councillor Will Sandry asked whether the CCG had held their costs over the last financial year and Dr Orpen responded that they had. Councillor Sarah Bevan asked which of the 3 main drivers for change Dr Orpen would consider the most important, to which he responded that treating the person not the condition was key, and delivering on the others would contribute to this one. The Chairman thanked Ian for his statement which was referred to the Cabinet Member for Adult Social Care and Health.

Pam Richards made a statement on behalf of Protect our NHS BANES. Full details can be read in the statement which has been placed on the Council's Minute book and attached to the online minutes. In response to a question from Councillor Tim Ball enquiring whether Pam considered that adult social services should be split from this bid, Pam responded that it would be one way of dealing with this, as there was very little evidence that Virgin could deliver this bid. Councillor Sarah Bevan asked whether Pam was aware of the information that had been given in the briefings on Virgin's track record and references from other providers such as Barnardos, to which Pam responded she was aware. The Chairman thanked Pam for her statement which was referred to the Cabinet Member for Adult Social Care and Health.

Lesley Mansell made a statement highlighting her concerns that awarding the social care contract would have a detrimental effect on staff jobs and wages. She gave the example of NHS Direct losing front line staff. Full details can be read in the statement which has been placed on the Council's Minute book and attached to the online minutes. Councillor Tim Warren asked whether Lesley was aware that this was not about savings but the way care was delivered, Lesley responded that she was. Councillor Will Sandry asked Lesley to give further examples of her concerns regarding the Equalities Impact Assessment, to which Lesley highlighted a section on disability for which she said there was no evidence. Councillor Robin Moss asked for Lesley's view on the Virgin Equality Impact Assessment, to which she responded that she had not been able to find such a document. Councillor Sarah Bevan asked if Lesley was aware that Sirona's concerns related to their status as sub-contractor rather than prime provider, Lesley responded that it was difficult to figure out the details having only been able to review the documents recently. The Chairman thanked Lesley for her statement which was referred to the Cabinet Member for Adult Social Care and Health.

Jo Hargreaves made a statement in support of keeping Bath Community Academy open. Full details can be read in the statement which has been placed on the

Council's Minute book and attached to the online minutes. Councillor Tim Ball asked whether Jo was aware of any specific advice that either Cabot Federation or B&NES Council had given to parents who wished to keep their children at Bath Community Academy, to which Jo responded that she wasn't, and that the school needed funding and positive promotion to counter the stigma associated with it. Councillor Joe Rayment asked whether Jo considered there had been an unacceptable level of communication from Cabot Federation to parents, to which Jo agreed that it had been really bad, with the news of closure being delivered only 3 days before the summer holidays. Jo presented a petition of over 1000 signatures calling for Bath Community Academy to be saved from closure. The Chairman thanked Jo for her statement and petition which was referred to the Cabinet Member for Children's Services.

Sian James made a statement posing a series of questions about the merits of an east of Bath Park & Ride. Full details can be read in the statement which has been placed on the Council's Minute book and attached to the online minutes. In response to a question from Councillor Neil Butters about whether Sian could see any discernible benefits from the proposed Park & Ride site, Sian responded that she could not. Councillor Robin Moss enquired whether Sian was aware that the Park & Ride decision would be one taken by Cabinet, not Council; Sian confirmed that she understood that. The Chairman thanked Sian for her statement which was referred to the Cabinet Member for Transport.

Christine Boyd made a statement against the east of Bath Park & Ride, highlighting the unused capacity at the Odd Down site. Full details can be read in the statement which has been placed on the Council's Minute book and attached to the online minutes. Councillor Tim Warren asked about extra traffic in the city centre for east of Bath residents travelling to the Odd Down site, to which Christine responded that people from the east of Bath don't park at the Odd Down site. Councillor Joe Rayment asked if Christine would agree with the description of Bathampton Meadows as a flat and featureless field, which is what made it ecologically important to which she replied that she would not describe the meadows in those terms. The Chairman thanked Christine for her statement which was referred to the Cabinet Member for Transport.

Andrew Mercer made a statement explaining that there was still no evidence to support an east of Bath Park & Ride and urging Councillors against 'wilful blindness'. Councillor Neil Butters asked how Andrew considered public opinion had changed since the Park & Ride was considered at great length at Council a year ago, to which he responded that, in his opinion, public opinion had hardened against the Park & Ride and, if the consultation were to be run again, he felt sure that it would be reflected in the figures. The Chairman thanked Andrew for his statement which was referred to the Cabinet Member for Transport.

Sally Harris, Deputy Chair of Bath Welcomes Refugees, made a statement expressing support for the proactive and positive approach from B&NES Council in supporting refugees but calling on Councillors to recognise the different types of unaccompanied children and the implications of that. She urged the Council to secure extra funding for Housing from the Home Office (as Bristol City Council had recently done) and committed to continue to support the Council in all its efforts supporting refugees. Councillor Sarah Bevan asked Sally whether there were any more fundraising events coming up; Sally responded that there was nothing in particular although directed Members to the fundraising page. The Chairman thanked Sally for her statement which was referred to the Leader.

Pat Mason made a statement calling for re-instatement of the subsidy for the 6 and 7 bus routes. In addition to the petition that would be presented, a recent meeting of 150 local residents had demonstrated the strength of feeling about the isolation, loneliness and damage to local shops and businesses that resulted from these routes being withdrawn. Councillor Neil Butters asked if Pat was aware of a potential solution from First with buses via the Guildhall; Pat responded that she was aware but that it was unsatisfactory if an onward journey was needed. Councillor John Bull asked whether the subsidy had originally been time-limited or ongoing to which Pat responded that the following speaker should be able to address that. The Chairman thanked Pat for her statement which was referred to the Cabinet Member for Transport.

Mike Parr also made a statement in support of keeping the 6/7 buses. He disputed the accuracy of the survey as not reflecting actual use of the the buses. He questioned the lack of consultation and transparency of the decision making process for an important matter affecting the lives of local people. Councillor Anthony Clarke asked whether Mike was aware that First Bus had been asked to check the results of the survey and had found the usage figures to be correct. Mike responded that he was not aware of that. Councillor Dine Romero asked if Mike knew the average passenger number on each bus; to which he replied that he did not. Councillor John Bull asked for clarity on Mike's comments about the nature of the decision to cut the subsidy to which Mike explained that the decision had not been made in a formal meeting so it had been difficult to understand exactly what had been decided, but his understanding was that the subsidy had been subject to renewal and could have been continued. The Chairman thanked Mike for his statement which was referred to the Cabinet Member for Transport.

52 'YOUR CARE, YOUR WAY': FULL BUSINESS CASE

The Council considered a report presenting the Full Business Case for integrated community health and care services for people living in Bath & North East Somerset.

On a motion from Councillor Vic Pritchard, seconded by Councillor Tim Warren, it was

RESOLVED

1. To approve the award of the contract to become the Prime Provider of community health and social care services to Virgin Care from 1st April 2017; and

2. To delegate authority to the Strategic Director, People and Communities, in consultation with the Cabinet Member for Adult Social Care and Health to agree any required post contract award variations to the Prime Provider contract, provided they do not represent a significant variation.

[Notes;

1. *During debate, an unsuccessful amendment was moved by Councillor Eleanor Jackson and seconded by Councillor Robin Moss, requesting this item be deferred until the Health & Wellbeing Select Committee could consider the matter. This was lost on a named vote with 23 Councillors voting in favour and 34 Councillors voting against, as set out below;*
   Councillors voting in favour; - Councillors Rob Appleyard, Tim Ball, Cherry Beath, Sarah Bevan, John Bull, Neil Butters, Paul Crossley, Chris Dando, Doug Deacon, Andy Furse, Ian Gilchrist, Liz Hardman, Steve Hedges, Eleanor Jackson, Alison Millar, Robin Moss, Lin Patterson, June Player, Caroline Roberts, Nigel Roberts, Dine Romero, Will Sandry, Shaun Stephenson McGall
   Councillors voting against; - Councillors Patrick Anketell-Jones, Colin Barrett, Jasper Becker, Colin Blackburn, Anthony Clarke, Matt Cochrane, Fiona Darey, Matthew Davies, Sally Davis, Emma Dixon, Michael Evans, Charles Gerrish, Bob Goodman, Francine Haeberling, Alan Hale, Donal Hassett, Steve Jefferies, Les Kew, Marie Longstaff, Barry Macrae, Paul Myers, Michael Norton, Lisa O'Brien, Bryan Organ, Chris Pearce. Vic Pritchard, Liz Richardson, Brian Simmons, Martin Veal, David Veale, Karen Walker, Tim Warren, Karen Warrington, Chris Watt.

2. *During debate, a further unsuccessful amendment was moved by Councillor Lin Patterson and seconded by Councillor Will Sandry proposing that the decision on this item be moved to a future Council meeting to allow time for due diligence. This was lost, with 20 Councillors voting in favour, 35 Councillors voting against and 2 abstentions.*

3. *The substantive motion was carried with 35 Councillors voting in favour and 22 Councillors voting against, as set out below;*
   Councillors voting in favour; - Councillors Patrick Anketell-Jones, Colin Barrett, Jasper Becker, Sarah Bevan, Colin Blackburn, Anthony Clarke, Matt Cochrane, Fiona Darey, Matthew Davies, Sally Davis, Emma Dixon, Michael Evans, Charles Gerrish, Bob Goodman, Francine Haeberling, Alan Hale, Donal Hassett, Steve Jefferies, Les Kew, Marie Longstaff, Barry Macrae, Paul Myers, Michael Norton, Lisa O'Brien, Bryan Organ, Chris Pearce, Vic Pritchard, Liz Richardson, Brian Simmons, Martin Veal, David Veale, Karen Walker, Tim Warren, Karen Warrington, Chris Watt.
   Councillors voting against; - Councillors Rob Appleyard, Tim Ball, Cherry Beath, John Bull, Neil Butters, Paul Crossley, Chris Dando, Doug Deacon, Andy Furse, Ian Gilchrist, Liz Hardman, Steve Hedges, Eleanor Jackson, Alison Millar, Robin Moss, Lin Patterson, June Player, Caroline Roberts, Nigel Roberts, Dine Romero, Will Sandry, Shaun Stephenson McGall.

4. *Following conclusion of this item, a comfort break was taken and the Council re-convened at 21:20pm.]*

53 THE LOCAL COUNCIL TAX REDUCTION SCHEME 2017/18

The Council considered a report setting out the preferred Local Council Tax Reduction scheme and seeking formal adoption, so that it can be taken into account as part of the annual Tax Setting process.

On a motion from Councillor Charles Gerrish, seconded by Councillor Paul May, it was

RESOLVED to approve the Local Council Tax Reduction Scheme as detailed in Appendix 1 to the report [subject to an insertion to Schedule 6, Part 4 Sub-section D to insert paragraph 26 of Schedule 5], for application to Council Tax accounts with effect from 1st April 2017.

[Notes;

1. *During debate, an unsuccessful amendment was moved by Councillor Joe Rayment and seconded by Councillor Robin Moss to delay a decision on this policy until certain concerns had been addressed in policy terms rather than by increasing discretionary funds. This*

amendment was lost, with 19 Councillors voting in favour, 35 Councillors voting against and 2 abstentions.

2. *The substantive motion was carried with 47 Councillors voting in favour, 8 Councillors voting against and 1 abstention.]*

54 PROCUREMENT OPTIONS - EXTERNAL AUDIT

The Council considered a report setting out the background and statutory requirements for the Council to approve the procurement route for the External Auditors to the Council.

On a motion from Councillor Charles Gerrish, seconded by Councillor Andy Furse, it was unanimously

RESOLVED to approve the use of Public Sector Audit Appointments Limited (PSAA Ltd) to manage the procurement process for the appointment of External Auditors to the Council.

55 UPDATE ON THE DESTINATION MANAGEMENT COMMISSION

The Council considered a report seeking approval for the Council to take sole ownership of Bath Tourism Plus to ensure the ongoing viability of Bath Tourism Plus and the successful delivery of Destination Management Services. In introducing the report, Councillor Patrick Anketell-Jones corrected a typo in paragraph 3.1.3 of the report – the figure of £47K should read £472K.

On a motion from Councillor Patrick Anketell-Jones, seconded by Councillor Paul Myers, it was

RESOLVED

1. To delegate to the Strategic Director (Place) authority to extend the existing contractual arrangements between the Council and BTP (the Company) until the ownership issues (resolution 3 refers) are resolved;

2. To delegate to the Chief Executive and Strategic Director (Place), in consultation with the Leader, the Cabinet Member for Economic Development, the s151 Officer, and the Monitoring Officer, authority to finalise and agree the Articles of the Company and other such matters necessary for the Council to;

    i. take sole ownership of the Company
    ii. deliver the objectives identified in this report
    iii. finalise the new contractual arrangements for the Destination Management contract.

3. To delegate to the Leader the exercise of all Council functions as sole shareholder representative of the Company, with the exception of disposing of ownership of the Company.

4. To delegate to the Strategic Director (Place) authority to finalise service provision arrangements between the Council and BTP for all required support services, including officer support.

[Notes;
1. *The above resolution was carried with 54 Councillors voting in favour and 2 abstentions.]*

56 BATH AND SOMER VALLEY ENTERPRISE ZONE

The Council considered a report seeking approval to finalise the site allocations and proposals for an expanded Enterprise Zone to include additional sites in the Somer Valley and Keynsham.

On a motion from Councillor Patrick Anketell-Jones, seconded by Councillor Sarah Bevan, it was

RESOLVED unanimously

1. To approve the extension to the Bath and Somer Valley Enterprise Zone in accordance with the proposals set out in the report

2. To approve the proposed Governance and operating procedures for the Enterprise Zone, which are set out in a Memorandum of Understanding (MoU) and supporting Partnership Agreement.

3. To grant delegated authority to the Strategic Director (Place) in consultation with the Executive Member for Economic Regeneration to:

    a. Finalise the site allocations for Enterprise Zone status subject to a final decision by DCLG and the West of England LEP following the Government's Autumn Statement;
    b. Confirm with DCLG that the existing Enterprise Area boundary is protected and clarify the policy on business rate relief;
    c. Based on concluding the discussions in a. and b., complete the Memorandum of Understanding with the LEP and Government covering the expansion of the Bath & Somer Valley EZ;
    d. Agree and submit an Implementation Plan for the Enterprise Zone expansion to the West of England LEP prior to the 30th November ahead of submission by the West of England LEP to DCLG on 9th December.

57 AVON PENSION FUND COMMITTEE ANNUAL REPORT

The Council considered the annual report of the work of the Avon Pension Fund for the previous twelve months.

On a motion from Councillor David Veale, seconded by Councillor Shaun Stephenson-McGall, it was

RESOLVED to note the report.

[Notes;
1. *The above resolution was carried with 55 Councillors voting in favour and 1 abstention.]*

58 CHARITABLE TRUST BOARD - AMENDMENTS TO TERMS OF REFERENCE

The Council considered a report seeking agreement to amendments to the Charitable Trust Board’s Terms of Reference.

On a motion from Councillor Martin Veal, seconded by Councillor Robin Moss, it was

RESOLVED

1. To recommend to Council that the Charitable Trust Board’s terms of reference are amended as detailed in Appendix A to permit the following:

    a. Decisions about requests for works to be undertaken, or events to be approved that fall outside of the Charitable Trust Board cycle be delegated to the Chair of the Trust Board in consultation with the Lead Officer to decide (as detailed in Schedule 1 & 2 of Appendix A).

    b. That urgent works required under health and safety legislation be delegated to the Lead Officer to action promptly (as detailed in Schedule 1 & 2 of Appendix A).

2. That the Terms of reference (TOR) of the Charitable Trust Board are amended so as to move the land, Free Fields (Rainbow Woods) into Schedule 1 of the Board’s Terms of Reference so that its responsibilities as trustee are delegated to the Board, now that it has been established that this is a trust for which the Council is sole corporate trustee.

[Notes;
1. *The above resolution was carried with 55 Councillors voting in favour and 1 Councillor voting against.]*

59 APPOINTMENT OF THE INDEPENDENT PERSONS

The Council considered a report inviting Members to appoint the Independent Persons as required by the Localism Act 2011.

On a motion from a Councillor Tim Warren, seconded by Councillor Dine Romero, it was

RESOLVED to approve the appointment of the Independent Person and the Deputy Independent Person.

[Notes;
1. *The above resolution was carried with 55 Councillors voting in favour and 1 abstention.]*

60 TREASURY MANAGEMENT MONITORING REPORT TO 30TH SEPTEMBER 2016

The Council considered a report giving details of performance against the Council's Treasury Management Strategy and Annual Investment Plan 2016/17 for the first six months of 2016/17.

On a motion from Councillor Charles Gerrish, seconded by Councillor Paul Myers, it was unanimously

RESOLVED

1. To note the Treasury Management report to 30th September 2016, prepared in accordance with the CIPFA Treasury Code of Practice; and

2. To note the Treasury Management Indicators to 30th September 2016.

61 AGENDA MOTION FROM THE LIBERAL DEMOCRAT GROUP - REFUGEES

The Council considered a motion from the Liberal Democrat group which was moved by Councillor Dine Romero, seconded by Councillor Joe Rayment and

RESOLVED unanimously that

This Council notes that:

1. Bath & North East Somerset Council, on an all-party basis, expressed a strong willingness to the Home Office be involved in the Government's national resettlement scheme. It established an officer working group which established the capacity within the area for this, particular relating to support services, housing supply and medical interventions.

2. The Council accepted 25 individuals (5 families) during 2015/16 under the Home Office Syrian Vulnerable People Resettlement programme.

3. The Council has received 10 unaccompanied asylum seeking children.

4. The Council is grateful to the people of Bath & North East Somerset for the many offers of support from citizens, voluntary organisations, faith groups and other organisations to assist in resettlement and confirms its commitment to build on that spirit of welcome.

5. Refugees contribute a huge amount to local communities throughout the UK.

6. The Council has agreed in principle to sponsor an application by the local group 'Bath Welcomes Refugees' for Community Sponsorship.

7. The Chair of the Local Government Association's Asylum, Refugee and Migration task group has called for Councils to receive more funding from central government to cope with resettlement challenges.

This Council resolves to:

1. Commend the work of Council officers and staff from the Clinical Commissioning Group in responding quickly and efficiently to urgent requests for resettling the most vulnerable of the refugees during 2015/16.

2. Continue to actively address requests from the Home Office for further resettlement of vulnerable people, refugees and asylum seeking children.
3. Work with partners, organisations and local individuals to address the significant problem of lack of housing that is affordable (i.e. within Local Housing Allowance rates).

4. Identify the skills and capacity which Council and partners can contribute to a variety of resettlement options.

5. Call on the Cabinet member for finance and efficiency to consider separating out the budget line for refugees from the Connecting Families project, in the forthcoming budget process, to increase transparency.

6. Request that the Leader write to government and local MPs to once again call for additional funding and support to be made available to help local authorities resettle refugees and to build capacity.

7. Encourage Councillors to sign the "Councillors Statement of Support for Refugee Children" hosted by Liberty, which has already won the support of 300 Councillors from across the country and five Councils.

62 AGENDA MOTION FROM THE LABOUR GROUP - GRAMMAR SCHOOLS

This item was moved to the end of the agenda, and then adjourned to the next available meeting as the agreed end time for the meeting had been reached.

63 AGENDA MOTION FROM THE LABOUR GROUP - PHARMACIES

The Council considered a motion from the Liberal Democrat group which was moved by Councillor Eleanor Jackson, seconded by Councillor Francine Haeberling and

RESOLVED unanimously that

Council notes:

- That there are 38 community pharmacies in B&NES and these are evenly situated across the local authority area.
- The valuable role local pharmacies play in our communities in providing local people with a vital service to seek medical advice and reducing waiting times at local GPs.

Council further notes:

- That NHS England has a huge challenge in tackling its deficit.
- That the Government previously planned to cut £170 million of funding from community pharmacies.

Council believes:

- That residents should have easy access to local pharmacies.
- That further investigation is required to assess the adequacy of existing services and the impact of any proposed cuts to pharmacy services when demand is on the rise.

Therefore Council resolves:

- To request the Health and Wellbeing Select Committee investigates this matter further.

64 QUESTIONS, STATEMENTS, PETITIONS AND DEPUTATIONS FROM COUNCILLORS

Councillor Lin Patterson made a statement (taken earlier in the meeting with the agreement of the Chairman) concerning the withdrawal of the subsidy to the 6/7 bus service and presenting a petition of over 2400 signatures calling on the Council to reinstate the funding and reverse the cut to the route of the 6 and 7 bus serving Larkhall and Fairfield Park due to the serious impact on these communities. Councillor Tim Warren asked if Lin knew the average numbers of bus users per bus, to which she responded that she did not. Councillor Robin Moss asked for information to be supplied to all Councillors about the nature of the decision making process, and was given a commitment that this would take place as soon as possible following the meeting. The Chairman thanked Lin for her statement and petition which were referred to the Cabinet Member for Transport.

The Council noted the question from Councillor Will Sandry and response, which had been circulated to the meeting.

The meeting ended at 11.00 pm

Chairman ....

Date Confirmed and Signed ....

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING:	**Council**	
MEETING DATE:	**14 February 2017**	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	Budget and Council Tax 2017/18 and Financial Outlook 2017/18 to 2019/20	
WARD:	All	
AN OPEN PUBLIC ITEM		

List of attachments to this report:

Appendix 1 – Budget Aims and Ambitions

Appendix 2 – The Budget and Council Tax Proposal of the Cabinet 2017/18. This comprises a covering document, plus 4 Annexes

Annex 1 Draft Base Revenue Budget 2017/18 – individual service cash limits

Annex 2 Section 25 of the Local Government Act 2003 - Chief Financial Officer's Report on Adequacy of Balances and the Robustness of the Budget

Annex 3 Draft Capital Programme 2017/18-2021/22 including other emerging projects and programmes on an indicative basis - items shown for provisional approval.

Annex 3i Highways Maintenance Programme 2017/18

Annex 3ii Transport Improvement Programme 2017/18

Annex 3iii Corporate Estate Planned Maintenance Programme 2017/18

Annex 4 Minimum Revenue Provision (MRP) Policy

Appendix 3 – 2017/18 – 2019/20 Budget Savings Details

Appendix 4 - Budget Setting Process – Advice of the Monitoring Officer

Appendix 5 – Council Pay Policy Statement

Appendix 6 – Equality Analysis on Budget Proposals

Appendix 7 –Formal Council Tax Setting Resolutions (incorporating precepts from Parishes, Fire & Police) – **TO FOLLOW**

Report is subject to final confirmation of the Local Government Finance Settlement for 2017/18 which is expected to be announced shortly.

1 THE ISSUE

1.1 This report presents the Cabinet's revenue and capital budgets for the 2017/18 financial year together with a proposal for a Council Tax level for 2017/18.

2 RECOMMENDATION

2.1 That the Council approve:

a) The General Fund net revenue budget for 2017/18 of £112.889m and the associated Council Tax increase of 1.50% plus a further 2% precept for Adult Social Care, as set out in Appendix 2.

b) That no Special Expenses be charged other than Town and Parish Council precepts for 2017/18.

c) The adequacy of reserves at Appendix 2 Table 10 with a risk-assessed level of £13.5m.

d) The individual service cash limits for 2017/18 summarised at Appendix 2 Table 6 and detailed in Annex 1.

e) That the specific arrangements for the governance and release of reserves, including invest to save proposals, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Finance & Efficiency and the Chief Executive.

2.2 That the Council include in its Council Tax setting, the precepts set and approved by other bodies including the local precepts of Town Councils, Parish Councils and the Charter Trustees of the City of Bath, and those of the Fire and Police Authorities.

2.3 That the Council notes the Section 151 officer's report on the robustness of the proposed budget and the adequacy of the Council's reserves (Appendix 2, Annex 2) and approves the conditions upon which the recommendations are made as set out throughout Appendix 2.

2.4 That in relation to the capital budget the Council*:*

a) approves a capital programme of £56.083m for 2017/18 and notes items for provisional approval in 2017/18 and the programme for 2018/19 to 2021/22 (including invest to earn) as shown at Appendix 2, Annex 3 including the planned sources of funding .

b) delegates implementation, subject to consultation where appropriate, of the capital programmes set out in Annex 3i to Annex 3iii to the relevant Strategic Director in Consultation with the appropriate Cabinet Member.

c) Approves the CIL allocations as set out in Appendix 2 and the proposed arrangements for agreeing the use of CIL for the unparished area of Bath.

d) approves all other delegations as set out in the budget report.

e) approves the revised Minimum Revenue Provision Policy as shown at Appendix 2, Annex 4 with the changes to become effective immediately.

f) approves the Capital Prudential Indicators as set out in Appendix 2 Table 8.

2.5 That the Council agree the Council's proposed pay policy statement as set out in Appendix 5.

2.6 That the Council notes the issues raised in Appendix 6 and agree that the proposals in the budget properly reflect the Council's duties under the Equalities Act 2010.

2.7 That the Council approves the technical resolutions that are derived from the budget report, and all figures in that report, including the precepts for towns, parishes and other precepting bodies as set out in Appendix 7.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 The Council is committed to ensuring that our financial decisions and the budgetary processes are subject to proportionate equality analysis.

4.2 Bath & North East Somerset Council can demonstrate that it has taken due regard for equality in its decisions by carrying out equality analysis. Thus the Council has a record of the equality considerations, which including the actions that would help to avoid or mitigate any negative impacts on people of particular protected groups.

4.3 Our decisions are supported by a strong evidence base (through effective use of equality mapping and Joint Strategic Needs Assessment) which help to make our decision-making processes more transparent. Further equality analysis can be undertaken as new information is made available.

4.4 When a budget proposal has implications for people covered by the Equality Act 2010, equality analysis must be carried out and the results considered before decisions are taken on the proposal. The decision maker must assure themselves that they are fully appraised of the equality implications of the decision proposed and should not assume the proposal must be approved. The report should contain a summary of the key findings from the equality analysis and actions that can be taken to remove or minimise any potential adverse impacts.

4.5 An Equality Analysis on budget proposals is included in Appendix 6.

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

5 THE REPORT

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

- Its medium term financial planning assumptions which set the basis for the draft budget proposal for 2017/18.

- Its draft budget proposal for 2017/18 (Appendix 2). This provides the detail of the second year of the Directorate Plans and recommends revenue and capital budgets for 2017/18, together with capital commitments for future years, and recommends a level of Council Tax for 2017/18.

5.2 The budget proposal builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the significant financial challenge facing the public sector. The budget proposals include:

- A net £1.9m or 1.6% decrease in the non-schools budget to £112.889m

- An increase in the DSG estimated at £5.3m with total funding of £128.8m (including academies). The majority of the additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools, and the changes announced in relation to additional resources for early years to enhance the provision for 2, 3 and 4 year olds. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

- An increase in the Council's level of Council Tax, comprising a 2% Adult Social care precept and a 1.50% general increase in order to help protect frontline services. This excludes Police, Fire and Parish precepts.

- These budget proposals are set out in detail at Appendix 2.

5.3 It is important to be clear on the process to be followed in setting the 2017/18 Budget. The Monitoring Officer has given specific guidance which is set out at Appendix 4, and in particular the need for the Council to approve a balanced budget.

5.4 The Monitoring Officer has also highlighted the implications arising if it does not prove possible for the Council to set a budget at its meeting on 14th February and any decision having to be deferred until the reserve date on 23rd February. This includes potential delays to the Council Tax billing process.

5.5 The Council is required under the provisions of the Localism Act 2011 and associated statutory guidance to publish an annual statement of its policies relating to the pay of its direct workforce, in particular its 'Chief Officers' and 'lowest paid employees'. The purpose of the statement is to provide a clear and transparent policy to the public, which demonstrates accountability and value for money for the financial year ahead.

5.6 Appendix 5 sets out for Council approval the Pay Policy Statement for 2017/18.

6 RATIONALE

6.1 The rationale for the recommendations is contained in the supporting paper to this report.

6.2 The Council's Section 151 Officer is the Divisional Director – Business Support. As Section 151 Officer his duties include ensuring a prudent and balanced budget is set on time which properly takes into account the financial constraints and risks facing the Council.

7 OTHER OPTIONS CONSIDERED

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

8 CONSULTATION

8.1 Meetings have been and will continue to be held with staff, trades unions and other stakeholders during the development of Directorate Plans which have fed into this budget. This has included five budget engagement meetings across the area hosted by the Connecting Communities Area Forums (Bath, Bathavon, Chew Valley, Keynsham and Somer Valley), enabling cross service consideration of the range of proposals by a range of stakeholders.

8.2 Representatives of the business community were engaged in these consultations as part of the Budget Engagement meetings.

8.3 Comments received from consultation, including the Area Forums, Policy Development and Scrutiny Panels and Trade Unions have been provided for consideration by the Cabinet.

9 RISK MANAGEMENT

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

9.2 In addition Appendix 2 to this report includes (at Annex 2) the Section 151 Officer's assessment of the Robustness of Estimates and Adequacy of Reserves. One of the considerations taken into account is the Directors' Review of Robustness of Estimates and Budget Risks/Sensitivities and the Corporate Risk Register. This is completed by all Directors in respect of their own services.

Contact person	Tim Richens, Divisional Director – Business Support (01225) 477468
Background papers	Directorate Plan reports to Policy Development & Scrutiny Panels during January 2017. Consultation Response Summary – Report to Resources PDS 30th January 2017 Financial Settlement 2017/18 and future years, CLG website
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 - Budget Aims and Ambitions

Bath and North East Somerset Council, in partnership with other local public sector agencies, has developed an ambitious 2020 vision for the area. This was reported to Council last year at the start of the 4 year financial plan and, together with the Corporate Strategy, remains the overarching strategic guide for future changes.

'Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations'

The Corporate Strategy has been shaped by and will deliver the 'Putting Residents First' manifesto which contains three core aims and six key priorities for the Council to focus on:

Core Aims
- Efficient and well run;
- Invests in the future of the area; and
- Puts the interests of residents first

Key Priorities
- Tackling waste and increasing efficiency
- Improving transport
- Delivering new homes and jobs
- Investing in young people
- Supporting cleaner, greener and healthier communities
- Promoting choice and independence for older people

The Council is already making good progress in working towards this vision. This year's budget sets out the position for the next 3 years in more detail. This is also reflected in the Directorate Plans which in addition refer to some of the achievements in the first year of the strategy.

These priorities will continue to guide Council activity and budget planning over the next year, ensuring that resources are allocated in a robust and sustainable manner and enable the Council to invest in the things that matter most to local people.

Below are some examples of how the budget will continue to deliver the Cabinet's commitments:

Tackling waste and increasing efficiency
- Generating significant additional income by investing in new commercial property and other innovative projects such as the Council's new housing company which will deliver additional local homes
- Customer services and digital transformation programme to enable a 'digital by choice' approach for all with simpler end-to-end processes, a more truly mobile and flexible workforce and better citizen engagement, improving efficiency and saving £2.8 million

- Moving towards commissioning the right services - in a more cost effective way - to protect, where possible, frontline services. Examples include Your Care Your Way and looking for independent partners to operate two early years nurseries currently run by the Council
- Modernising the library service by investing in new facilities, integrating this service with customer services in Bath and Midsomer Norton (building on the Keynsham model), and working with local residents on tailored solutions for our community libraries.
- Improving financial efficiencies and saving over £4 million through:
    - Securing lower interest rates and capital savings
    - Changing the way we make provision to repay borrowings on capital items
    - Departmental underspends and back office efficiencies
    - Reviewing organisational management and support arrangements

Improving local transport

- Investing £4.7 million to tackle potholes and improve road and pavement surfaces – including additional Government grant secured through the West of England Devolution agreement.
- Investing £2.2 million in local transport improvement projects, road safety initiatives, Safer Routes to School projects, cycle schemes, new bus shelters and improving traffic flows.
- Providing £0.5m to improve traffic flow at the A39 Two-Headed Man junction.
- Earmarking £110,000 to improve the pedestrian environment and public realm in Kingsmead Square.
- Seeking grant funding towards the £2.5m scheme to improve public realm on Keynsham High Street and enable a permanent one-way scheme should the forthcoming trial prove successful.
- Providing £15,000 to enable a detailed study of home to school transport needs and solutions.
- Continuing to provide support to, and encourage greater use of, community transport services such as our local Dial-a-Ride and Ring-and-Ride services.
- Supporting the creation of a new West of England Combined Authority to enable greater local powers over public transport, including the opportunity for more integrated or franchised local bus services.
- Preparing the Joint Spatial Plan and Transport Study in partnership with the other West of England authorities to deliver a long-term strategy of transport infrastructure improvements needed to meet the needs of a growing population and thriving local economy.

Delivering new homes and jobs

- Securing £500,000 from the Government's New Homes Bonus scheme as a result of delivering the highest number of new homes since B&NES was created over the past year.
- Investing more than £3 million to support the delivery of affordable housing schemes across the district as part of our commitment to delivering 465 new affordable homes over the 3 year period 2015-2017 comprising: intermediate housing; Starter Homes; and affordable homes for rent.
- Investing in infrastructure, such as the East of Bath Park & Ride, to support the Core Strategy target for delivery of new homes and jobs, including the delivery of around 3,900 new homes between 2016-17 & 2019-20 through the Placemaking Plan.
- Improving connectivity through continued support for rural broadband and the Digital B&NES project to enable the provision of WiFi, and ultrafast and superfast broadband;

- Investing up to £30 million to support the delivery of the Bath and Somer Valley Enterprise Zone. On Bath Quays this will lead to the creation of up to 2500 quality jobs for local people. Our ambition in the Somer Valley is to create up to 400 new jobs by 2020 as the first phase in a long term programme of investment in Old Mills and the surrounding area. Supporting local traders through investment in the public realm and 'Wayfinding' projects.
- Investing an additional £226,000 in the development of the setting for the educational facility (Archway Centre) at the Roman Baths

Supporting our young people

- Investing £18.3 million to expand local Primary School provision and improve and upgrade school buildings.
- Working to deliver innovative plans to enable the continuation of high-quality Children's Centre services - transferring some Children's Centre buildings to community organisations which can make better use of them and enabling local community groups to offer supplementary services for young people alongside our existing Children's Centre services.
- Review children's social care services to determine if new models of working can be developed which build upon the success in Connecting Families, strengthen early help and reduce reliance on more specialist or statutory interventions.
- Investing £760,000 over five years to upgrade and improve children's play areas across the district, recognising the importance of outdoor play to children's health and wellbeing.
- Developing plans to work more closely with local communities and Parishes to provide locally-tailored youth services.

Enabling cleaner, greener and healthier communities

- Creating a new £92,000 Community Empowerment Fund to enable local areas to bid for match-funding to improve their public realm and support community initiatives.
- Securing £3.2 million of grant funding to protect, restore and improve Sydney Gardens as a 21st century pleasure garden.
- Providing £10,000 to continue with a programme to increase allotment provision in Bath.
- Investing £1.68 million to support the transformation of Midsomer Norton Town Hall to expand and modernise this community facility for the benefit of the town and Somer Valley more widely.
- Bringing forward proposals for a local energy tariff that will help reduce residents' and businesses' energy bills.
- Investing in modern leisure facilities with our partner GLL by improving Bath's leisure centre and enhancing the leisure centre in Keynsham.
- Allocating funds to allow the continuation of measures to tackle urban gull problems – including a successful nest-removal programme – and working alongside the Bath Business Improvement District to continue with business waste enforcement measures.

Promoting greater choice and independence for older people

- Investing an additional £1.6 million to protect services to elderly and vulnerable residents through a ring-fenced 2% council tax precept for Adult Social Care.

- Allocating £733,000 to a Social Care Reserve to recognise the challenges posed in meeting demographic and inflationary cost pressures in Social Care, such as increasing numbers of elderly people and young adults needing care.
- Redesigning services to maximise people's independence as part of implementing new tailored community health and care arrangements developed through the Your Care Your Way project, including system-wide transformation and improvements to ensure that services are as integrated, effective and efficient as possible to meet the needs and priorities of our community, which they have told us are:-
    - A person not a condition
    - A single plan
    - Investing in the workforce
    - Joining up the information
    - A focus on prevention.
- Developing and implementing an Older People Five Year Strategy which goes beyond health, care and housing to encompass all of the services which impact upon older people's lives and which, if aligned and sign-posted more effectively, can positively manage demand and escalation of need through promoting independence and preventing the need for more specialist support.
- Investing £1.1 million a year in Disabled Facilities Grants – such as home adaptations and equipment – to support greater independence for elderly and vulnerable residents.

Further details on the context and strategic drivers of the budget are set out in the Council's Corporate Strategy 2016-2020. This strategy sets the Council's direction of travel over the next four years enabling it to shape its business so that it is able to deliver the Cabinet's manifesto commitments. Further details on context to the budget can also be found in the Council's press release and budget video:

- B&NES Council Corporate Strategy 2016-2020: http://www.bathnes.gov.uk/sites/default/files/bnes_corporate_strategy_2016-2020.pdf
- Press release: http://www.bathnes.gov.uk/latestnews/living-within-our-means-%E2%80%93-council-sets-out-budget-savings-proposals
- Budget video: https://www.youtube.com/watch?v=e1i-y34PVn4

THE BUDGET PROPOSAL OF THE CABINET 2017/2018

Budget Headline

The proposed Budget for 2017/2018 covers the second year of the period covered by the Government's Comprehensive Spending Review for 2016/2017 to 2019/2020. This presents the Council with a significant and sustained financial challenge.

The Budget focusses on protecting high priority frontline services, delivering important manifesto commitments, growing income and further increasing the efficiency of Council services.

As part of the Local Government Finance Settlement, the Government continues to provide some recognition of the acute financial challenges facing Adult Social Care services and have continued the provision of a specific Adult Social Care council tax precept. Therefore, in order to protect frontline adult social care services, an additional 2% increase in the overall council tax precept is included for Adult Social Care in our proposed Budget.

Whilst significant savings and additional income generation proposals totalling £14.5m are included in our proposed Budget, we are also recommending that Council Tax is increased by 1.5% in 2017/2018 in order to avoid cuts to frontline services. The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 in 2016/2017), an increase of £3.62 per month for a Band D property.

The proposed net revenue budget for Bath & North East Somerset Council next year, 2017/2018, is therefore £112.889m, a net cash decrease of £1.890m on the previous year. This includes the impact of significant reductions in government funding amounting to 15.8% (£5.7m) for 2017/2018.

The Budget Context

The Government Spending Review, announced in December 2016 confirms that the financial challenge facing local government will continue to 2019/2020 at least. The represents a full decade of sustained funding reductions which will fundamentally have changed the way in which Councils are funded for providing public services. Indeed by 2019/2020 we have confirmation that our core Government grant funding will effectively be removed.

Since 2012/2013 the reduction in Government Grant Funding has averaged over 11% per annum resulting in over £30M of savings and additional income generation over the last three years alone.

Table 1: Reduction in Government Grant Funding 2012/2013 to 2016/2017

	2012/13	2013/14	2014/15	2015/16	2016/17
Actual B&NES Funding Reduction	-8.3%	-9.4%	-9.6%	-13.7%	-17.7%

During 2016, the Council had provided an Efficiency Plan submission to the Government as part of a national scheme, to secure the basis of a 4-year financial Settlement through to 2019/2020. This was agreed by the Government and basically provides some protection to the Council against any additional funding reductions over this period.

This additional clarity around future financial planning confirmed the further grant funding reductions that are to be expected which, together with anticipated cost and demographic pressures currently require up to £37m in additional savings and income generation over the next three year period.

The provisional Local Government Finance Settlement announced on 15th December 2016 was therefore in line with expectations for reductions to core government grant funding as set out below:

Table 2: Reduction in Government Grant Funding 2017/2018 to 2019/2020

	2017/18	2018/19	2019/20
Actual B&NES Funding Reduction	-15.8%	-10.4%	-11.3%

In financial terms, the Settlement has confirmed the saving and additional income required of £37M over the next three year period broken down as follows:

Table 3: Estimated Budget Shortfall 2017/2018 to 2019/2020

	2017/18	2018/19	2019/20
Council Savings and Income Target	£16M	£12M	£9M

Also within the Settlement the Government have made a number of further provisions and funding changes as follows:-

- The inclusion of the West of England Devolution Authorities as a pilot area for 100% Business Rates Retention from 2017/2018. This provides a significant financial benefit to the Council estimated at some £2.5M in 2017/2018.
- Inclusion of a one-off Adult Social Care Grant for 2017/2018 worth £733K to this Council.
- An increase in the Adult Social Care Council Tax increase threshold from 2% to 3% in 2017/2018 and 2018/2019 although this 1% per annum addition is clawed back in 2019/2020 if used.
- Significant changes to New Homes Bonus funding although these were better for the Council than assumed mainly because of a very positive position on new housing delivery.

- The general council tax referendum limit remains at 2% (this excludes the ASC Council Tax increase).

Taking account of the net impact of the Settlement, the Budget proposal outlines savings and additional income totalling £14.5M for 2017/2018.

Whilst the Council does face an increasing challenge to deliver the financial plans set out in the Budget Proposal, the Council has a prudent level of reserves and can use these to support and smooth the effects of policy changes and delivery of the financial savings particularly recognising the ongoing reductions in Council funding to 2019/2020 and beyond.

Structure of the Budget Proposal

Section 1 sets out the approach to the revenue and capital budget and the build-up of the recommended revenue budget for 2017/2018. Annex 1 provides the breakdown of the Budget for 2017/2018.

Section 2 sets out the position regarding future years 2018/2019 to 2019/2020.

Section 3 sets out the recommended capital programme for 2017/2018 including the indicative capital programme through to 2021/2022. Annex 3 provides more detail.

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

Section 5 sets out the implications of the revenue budget for Council Tax levels for 2017/2018.

Table 4: Summary Net Revenue Budget and Capital Programme 2017/2018

	2017/18
Revenue Budget Funding:	**£m**
Council Tax	82.192
Retained Business Rates (after tariff)	31.279
Reserves & Collection Fund (one-off)	(0.582)
Total Funding	**112.889**
Net Revenue Budget Spend	**112.889**
Capital Programme – for approval	**56.083**
Capital Programme - for provisional approval (subject to)	**126.584**

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

Section 1 – The Revenue Budget for 2017/2018

The Budget Proposal

Each Directorate of the Council prepared a detailed Directorate Plan covering the 2017/2018 Financial Year with specific proposals for the following 2 years to 2019/2020. These plans were reported to the relevant Policy and Development Scrutiny (PDS) Panel throughout January 2017.

The Directorate Plans set out the specific service and resource requirements for 2017/2018. Feedback from the individual PDS panels and the budget engagement with the Community Forums will be considered by the Cabinet in arriving at the proposed Budget for 2017/2018.

All of the detailed proposals for additional resources, savings and additional income to support this balanced Budget proposal are further summarised in Appendix 3 to this report.

The proposed Budget addresses the financial challenge facing the Council and presents a balanced budget for 2017/2018 together with proposals to reduce the budget gap in the following 2 years to 2019/2020. The Cabinet have identified three core aims as a focus to ensure the Council:

- Is efficient and well run;
- Invests in the future of the area; and
- Puts the interests of residents first

In order to present these proposals for covering the next three year period, the Cabinet have examined a range of options as part of its review of Council spending. This has included consideration of proposals provided by Management, the Council's finance business partner EY, and from a portfolio holder challenge process to generate the additional savings or income to address the Budget gap.

The Council's four strategic priorities as set out in the Corporate Strategy remain at the heart of this process:

- **A strong economy and growth**
- **A focus on prevention**
- **A new relationship with customers and communities**
- **An efficient business**

The proposals identified which form part of the Budget proposal for 2017/2018 and the following two financial years, are reflected in the Directorate Plans and set out at Appendix 3.

Corporate Assumptions

The assumptions which underpin the 2017/2018 Budget estimates are set out below:

- An estimated pay increase of 1% from 1 April 2017 which covers the period until 31 March 2018 (this is in line with the two year pay settlement agreed for 2016/2017 and 2017/2018).
- An increase in the employers local government pension contribution rate of 0.5% following the most recent actuarial review of the Avon Pension Fund.
- Continued very low rates of interest of under 0.3% per annum for treasury management cash investments. The Council will maintain a minimum cash policy.
- Balanced budgets are achieved for 2016/2017 with no new related on-going funding pressures beyond those identified within this Budget proposal.
- No general inflationary provision – specific inflation has been provided and identified on a limited basis as growth within service areas based on specific service circumstances and contractual commitments
- That new borrowing will be kept to a minimum to fund essential infrastructure and investment that provides a positive financial return to the Council, subject to market conditions and the overriding need to meet cash outflows.
- Fees and charges set by statute will be calculated in accordance with defined calculations under statutory guidance.
- Changes to existing, or the introduction of new fees and charges related to savings and income generation proposals included in Appendix 3 will be subject to the approval by the relevant Cabinet Member as detailed proposals are developed.
- Unless otherwise provided for, the level of discretionary fees and charges are delegated to Officers, in consultation with the relevant Cabinet member and, will generally increase in line with the increase in the costs of the relevant service.

Government Grant Funding

During 2016, the Council provided an Efficiency Plan submission to the Government as part of a national scheme, to secure the basis of a 4-year financial Settlement through to 2019/2020. This was agreed by the Government and provides some protection to the Council against any additional funding reductions in revenue support grant over this period.

The provisional Local Government Finance Settlement for 2017/2018 was announced on 15 December 2016 and, as expected, confirmed the figure set out in the 4-year financial settlement.

This showed the Council's funding baseline for 2017/2018 reducing by 15.8% which represented a reduction of £5.7M in cash terms. This reduction is in line with our current financial planning assumptions.

The Settlement also announced changes to the funding arrangement for the New Homes Bonus. The options for such changes were consulted on shortly after the

Settlement last year so changes had been anticipated. The thresholds have changed and the funding itself will also be reduced from 6 years down to 4 years. For the Council, the change produces a slightly positive position primarily due to the exceptionally good house building performance in 2016 – with an overall increase in grant of £126k.

Retained Local Business Rates – 100% Business Rate Retention Pilot

In 2016 the Government announced that it was introducing pilot schemes for 100% business rate retention from 2017/2018 in advance of a national scheme later in the parliament.

Only authorities with signed devolution deals are eligible to participate in the pilot: the pilot for the West of England therefore includes B&NES, Bristol and South Gloucestershire.

This pilot provides for the three authorities the opportunity to retain 100% of any business rates growth over the next two to three years, with no downside financial risk when compared to remaining in the national system. It also gives the three authorities the opportunity to help shape the national scheme.

Based on the budgeted level of business rates income, this will deliver an estimated benefit of £2.5M per annum for this Council and this has been factored into the Budget proposal for 2017/2018. This additional revenue income would not be available to the Council without the devolution deal for the West of England.

The pilot will run until the national 100% retention scheme is introduced in either 2019/2020 or 2020/2021. The Pilot will include the rolling in of the Revenue Support Grant with the WECA receiving a small share of the business rates to reflect the rolling in of the DfT Integrated Transport Block and Highways Maintenance Capital Grants; this is expected to be 5%.

As part of the proposed Budget, reasonable assumptions have been made for likely levels of future Business Rate income, together with specific provisions for appeals and growth. Any surplus or deficit on the Business Rate Collection Fund will be transferred to an earmarked reserve for consideration as part of the Business Rates calculations for future years.

Schools Funding

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

The Dedicated Schools Grant (DSG) increase compared to 2016/2017 is complicated by the conversion of several schools to academies, and the transfer of additional funding for new studio schools into the DSG from other funding routes. The overall increase in the DSG is estimated for 2017/2018 at £5.336m with total funding of £128.77m. The additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools, and the changes announced in relation to additional resources for early years to enhance the provision for 2, 3 and 4 year olds. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

The Pupil Premium, paid to schools to supports pupils from deprived backgrounds has also had a cash freeze attached to its funding rates. This means that all school funding has been contained at the same funding rates as 2016/2017. The financial pressures on schools including pay awards, National Insurance changes and Superannuation charge increases will have to be found by schools through efficiency gains.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £59.3m in 2017/2018 leaving £69.47m for LEA schools.

This recoupment by the DFE is based on 10 secondary, 3 special, 23 primary and 3 Studio academies in 2017/2018. These school numbers include 5 primary school anticipated to convert to academies on or by 1st April 2017. It is difficult to assess the number of schools who will be converting to academies over the next year.

Further budget changes to council funding are generated by the changes to the Education Services Grant (ESG) which has been split into 2 sections. Retained duties will be paid to Local Authorities through the DSG for 2017/2018. The allocation for 2017/2018 amounts to £383,000. The second element is being cut as part of the government's savings plans and this has been incorporated into the overall funding set out in the Local Authority budget.

The DFE are currently consulting on changes to the allocation of funding to schools and the LA as part of the introduction of a National Funding Formula (NFF). The consultation (stage 2) is split into 2 parts, a school funding section and a Local Authority section covering high needs budgets.

The implementation of the new regime is anticipated to start in April 2018 with full operation in 2019/2020.

The consultation provides indicative allocations that may be provided to schools and the LA under the 2 sections. For B&NES schools (including academies) the anticipated impact shows a predicted £5.1m increase in resources which equates to a 5.46% increase.

The LA part (high needs) of the consultation suggests that the LA will be protected to current spend levels.

Adult Social Care

The Government has recognised some of the pressures facing Adult Social Care (ASC) authorities, providing for a continuation for a specific increase in the local council tax precept. The Settlement increased flexibility from the previously signalled 2% annual increase by now allowing up to 3% in 2017/2018 and 2018/2019 although this 1% per annum addition is clawed back in 2019/2020 where it is used.

These costs pressures facing ASC have been identified by the Council as part of the financial planning process, and include:

- The ongoing impact of Government's national living wage;
- An increasingly challenged care market, struggling to recruit and retain staff, which is impacting on the quality and availability of care home placements, which, in turn is increasing the fee levels it is necessary to pay to secure placements; and
- Increasing demand and demographic pressures including Learning Disabilities care placements transitioning into working age
- Transitional costs for the mobilisation and service transformation through the *your care, your way* contract;

Taking account of these pressures, the Budget proposal includes the provision for an increase of 2% in the Council Tax to meet these ASC cost pressures. This will raise approximately an additional £1.6M which will be passed directly to the ASC Budget on the basis that the service continues to make every effort to ensure that costs pressures are contained within this provision.

This Government flexibility for a specific ASC Council Tax increase comes with a range of certification requirements to ensure the funding raised is spent on ASC, which effectively ring-fences the ASC Budget within the Council.

The 2017/2018 Adult Social Care Support Grant

The Government has listened to the concerns expressed about the pressures facing the adult social care market and the need to address these funding challenges. As a result £240m additional savings from the New Homes Bonus nationally will be released to authorities responsible for Adult Social Care. For the Council this has resulted in a one-off amount in 2017/2018 of £733k, it is proposed that this funding is held in a fund to be utilised for the implementation of the significant change programme required to meet the savings proposals outlined in Appendix 3 of the report.

The Better Care Fund

The Better Care Fund is intended to incentive the integration of health and social care, requiring Clinical Commissioning Groups and Local Authorities to pool budgets and agree an integrated spending plan. Greater integration is seen as a potential way to use resources more efficiently, in particular by reducing avoidable hospital admissions and facilitating early discharge from hospital.

In 2017/2018 nationally the fund increases from the £3.9bn in 2016/2017 with the addition of improved Better Care Funding to Local Authorities worth £105 million in 2017/2018, the local flexibility to pool more than the mandatory amount will remain. From 2018/2019 the government will make funding available incrementally to Local Authorities, £825 million in 2018/2019 and £1.5 billion in 2019/2020. For the Council, indicative allocations of the funding are £0 in 2017/2018, £1.4 million in 2018/2019 and £3 million in 2019/2020.

Guidance on the BCF for 2017/2018 is yet to be published. Pending publication of the guidance, it is anticipated that it will be a 2-year plan covering 2017/2018-2018/2019. It is expected that this will be an evolution of the current plan and will, as is currently the case, align with other local plans, including those for the further integration of health and social care and reflect key strategic priorities including those in the Health and Wellbeing Strategy, CCG 5-Year Plan and development of the B&NES/Swindon/Wiltshire Sustainability and Transformation Plan (STP).

The 2017/2018 Budget proposal incorporates the following financial provisions as part of the Better Care Fund:-

- Revenue funding transferred from BaNES CCG for Council commissioned Better Care Fund schemes will remain consistent with the 2016/2017 allocation of £8.46m and include an inflationary uplift for the protection of social care.
- The BCF financial plan will hold a contingency in line with the 2016/2017 value to mitigate the cost of non-elective admissions if the targets set in the 2017/2018 BCF plan are not achieved.

In accordance with the normal process to access the fund, the Health and Wellbeing Board will jointly agree plans for how the money will be spent with sign off by the relevant Council and BaNES CCG groups.

Areas will be able to graduate from the existing Better Care Fund programme management once they can demonstrate that they have moved beyond its requirements. Further details will be set out in guidance during the year.

Health and Social Care Integration – *your care, your way*

Levels of health and social care integration have been greater in B&NES than most other areas with long established community health and adult social care provision and commissioning. The ambition is to develop a long-term, place-based and outcomes-oriented perspective, extending the breadth of integration including Primary, Acute and Specialist care, mental and physical health and the wider determinants of health and wellbeing such as employment and housing. This aligns to the local vision for health and care with a focus on a more community based, preventative approach and the establishment of the Council and CCG *your care, your way* Prime Provider contract with Virgin Care. The BCF Plan and associated pooled funding arrangements between the Council and CCG will act as an enabler for delivery of our local vision and help achieve the national ambition that by 2020 health and social care are integrated across the country.

Resource Allocation including Recurring and One-Off Funding

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

- Changes in financial planning assumptions
- Variations in local government finance settlement
- Full year effect of savings proposals
- Adjustments to corporate and capital finance items
- Calculation of the Council Tax Base
- Calculation of the Retained Local Business Rates

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

On-going Resourcing Allocations - £nil

No specific allocations of on-going funding have been made within the Budget proposal for new revenue Budget statutory or policy service commitments.

A number of cost, demand and legislative pressures have been recognised within the Budget Proposal as summarised in Table 5 of this Appendix.

One-off Funding Allocations - £1.374M

These following allocations are to be made from the anticipated Council Tax Collection Fund Surplus (£755K), one-off savings from transitional impact of growth assumptions (£559k) and a draw down from the Financial Planning Reserve (£60K):

- £950K to be transferred to the Business Rate Reserve to cover increased costs arising from increased levels and value of appeals.

- £57K to support ongoing actions and activities to manage the urban gull population.

- £50K to provide funding for the development of potential shovel ready schemes including highway verges and cycling to support and access Government capital funding bids.

- £15K for a detailed study of home to school transport needs and solutions.

- £92K to provide a “Community Empowerment Fund” to support matched funded local parish initiatives linked to Community Forums.

- £150K to provide for Pearl Izumi Tour Series and related cycling events and activities across B&NES. This figure will be supplemented by sponsorship of the events and activities.

- £60K to meet the Council's contribution to external costs for professional advice and support in respect of the WoE Joint Spatial Plan (amount conditional upon all WoE authority contributions). This amount was agreed as part of the 2016/2017 Budget Report which included a 2 year allocation.

The £930k allocated by the government to meet transitional costs as one-off funding for 2017/2018 will be held corporately and released as further information on the budget outturn position is available (this is in line with the position taken in 2016/2017).

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

West of England Combined Authority

On 14th November the Cabinet delegated to the Chief Executive, in consultation with the Leader of the Council, authority to take all decisions, to make all necessary appointments, arrangements and provide written confirmation to the Secretary of State consenting to the making of the Order creating a West of England Combined Authority (WECA). Subsequently on the 12th January 2017, the Chief Executive provided such confirmation to the Secretary of State.

Subject to Parliamentary Approval the WECA will come into existence on 1 February 2017 or shortly thereafter.

All the financial implications were set out in detail in the specific decision reports of 29th June 2016 and 14th November 2016. It is now anticipated that the WECA will meet on the 15th March 2017 to consider and set the Mayoral and WECA Budget 2017/2018.

In anticipating of this it is appropriate to include within the Council Budget reasonable financial provisions related to the financial arrangements for the WECA, in particular:-

- Capital Grant payments from the WECA to the Council in respect of Highways Maintenance and Transport Improvement funding (previously funded directly by the Department for Transport)
- Contributions to the WECA from the Council (from existing budgets) to meet the costs associated with transferring transport functions including concessionary fares and community transport.
- Appropriate commissioning payments from the WECA to the Council for delivery of transport activities to ensure continuity of service provision.
- Within the Business Rates Collection Fund to provide for an appropriate share of Business Rates to be allocated to the WECA in accordance with the 100% Business Rate Retention pilot to meet the costs of Highways Maintenance and Transport Improvement Grants (this does not impact on the Council's anticipated benefits from participation in the pilot).

The net impact of the above transactions is anticipated to be neutral for the Council as these merely reflect the appropriate movement of funds in line with the devolution deal.

In addition to the above, the Council will be working with the WECA to identify further opportunities to deliver efficiencies and savings particularly relating to transport and infrastructure functions. This will initially include consideration of how the one-off implementation costs could be reimbursed by the WECA (up to £250K for each of the councils).

In order to avoid any potential transfers from Council reserves and balances arising from the relative risks of the WECA functions and responsibilities, it is anticipated that the WECA will not initially seek to hold specific balances and reserves. The risks associated with these functions and responsibilities will instead continue to be met and underwritten by the constituent councils.

Council Tax

The Local Government Financial Settlement included provisions for councils to:

- Provide for a specific Council Tax increase of up to a maximum of 3% to be ring-fenced for the additional cost and demand pressures facing the Adult Social Care service. This provision is on the basis that overall the Council may provide for up to a 6% increase over the next three year period up to and including 2019/2020 with a maximum of 3% in each of 2017/2018 and 2018/2019 (implying 0% in 2019/2020). This provision includes a number of specific certification requirements to ensure all such funds raised are spent on delivering Adult Social Care services.

- A further general Council Tax increase of up to 2% beyond which a specific local referendum on Council Tax increases would be required.

The proposed Council Budget provides for the following:

- **In order to protect frontline Adult Social Care services, a specific council tax increase of 2%.**
- **A general council tax increase of 1.5% in 2017/2018 in order to avoid cuts to frontline services.**

The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 for 2016/2017).

Revenue Budget Proposal – The Headline Numbers

The proposed revenue budget for 2017/2018 represents:

- A net £1.9m or 1.6% decrease in the non-schools budget.
- An increase in the DSG estimated at £5.3m with total funding of £128.8m (including academies). The majority of the additional funding relates to the additional resources provided to accommodate increased pupil numbers in our schools, and the changes announced in relation to additional resources for early years to enhance the provision for 2, 3 and 4 year olds. Taking account of this, the overall total represents a cash freeze per pupil compared to the previous year.

We are recommending a net revenue budget for 2017/2018 of £112.889m. Table 5 below, and Annex 1 to this Appendix, show the build-up of the recommended 2017/2018 revenue budget, compared to the rolled forward base budget from the current year.

Table 5: High Level Build-up of the 2017/2018 Budget (detail in Annex 1)

Description	£'000
Total Base Budget rolled forward – 2017/2018 (after removal of one-off items in 2016/2017 Budget)	**114,779**
One-off Allocations (excluding transfer to Business Rates Reserve)	424
Contractual and Unavoidable Inflation	4,304
New Legislation / Government Initiatives	2,326
Demographic Growth	4,019
Other / Technical (Including Capital Financing)	1,583
Total including Growth	**127,435**
Efficiency Savings	2,740
Refinancing	3,965
Growth Avoidance	1,265
Increases in Income from fees, charges and other grants	5,257
Service Redesign	1,319
Total Savings	**14,546**
Recommended Net Revenue Budget 2017/2018	**112,889**

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2017/2018. These are shown in **Annex 1** to this Appendix. Table 6 shows the resource allocation for 2017/2018 by service area.

Table 6: Resource Allocation 2017/2018

SERVICE AREA	*2017/2018*		
	GROWTH (£M)	*SAVINGS (£M)*	*CASH LIMIT (£M)*
Adult Social Care & Health	*4,042*	*2,391*	***59,548***
Children's Services	*2,464*	*191*	***25,285***
Place	*1,555*	*2,255*	***20,774***
Resources & Support Services	*1,710*	*2,379*	***6,485***
Corporate & Agency	*2,884*	*7,331*	***797***
Totals	***12,656***	***14,546***	***112,889***

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

Section 2 – Future Years 2018/2019 to 2019/2020

The Directorate Plans cover the period from 2017/2018 through to 2019/2020 setting out the proposals to address a significant element of the financial challenge over this period. Whilst there are still anticipated shortfalls in 2018/2019 and 2019/2020, these will be addressed as part of the specific Budget proposals for each of those financial years.

The Settlement for 2017/2018 provided firm figures for the period through to 2019/2020 for core grant funding streams. These figures should only change in exceptional circumstances. It should be noted however that not all funding streams are covered by this Settlement and there are still a range of national funding factors that could impact on the Council's future financial position as follows:-

- The arrangements for New Homes Bonus funding highlight the significant variability of this funding going forwards and is particularly sensitive to the level of actual new homes constructed in the Council area.

- The participation of the Council in the 100% Business Rates Retention Pilot provides a significant benefit from growth in business rates for the Council – however this also leaves the Council exposed to a higher degree of risk in the event of unexpected appeals or reliefs being granted.

- Future expansion of the Better Care Fund will need to be considered as distribution of this funding and any service or outcome delivery requirements accompanying this have not yet been set out.

In addition there are also a number of factors which we can identify that will impact on local government funding going forwards:

- The ongoing impact of demographic changes for Adults and Childrens Social Care.
- The likelihood of increasing pay inflation (direct and indirect).
- The potential impact of changes to interest rates and the revenue cost of meeting the Council's full borrowing requirement.
- The level of inflationary cost pressures arising on Council services.
- Unknown issues related to the impact of Brexit.

Given the scale of savings already achieved and those outlined in the Directorate Plans, it is likely that future savings will require further prioritised changes to, and redesign of Council services.

The Financial Planning work undertaken indicates the remaining future scale of the financial challenge for the remainder of the Spending Review Period to 2019/2020 requires the Council to deliver savings or additional income of £7M over this period. This recognises the significant achievement in identifying proposals to bridge the majority of the funding challenge.

Section 3 – The Capital Budget for 2017/2018

Introduction

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

This Capital programme proposals:

- Limits new commitments to items which are in line with Council priorities and objectives and which are funded either from external sources or from anticipated future capital receipts.
- Provides capital funding to support specific projects which generate new and additional income for the Council as set out in specific business cases. The borrowing costs associated with these projects are anticipated to be more than fully covered by the income generated.
- Recognises that careful consideration has been made by Officers and Members regarding future commitments and the direction of this programme.

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

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

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

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

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

Recommended Programme for 2017/2018

On this basis the Cabinet is recommending the Capital Programme as attached in **Annex 3,** which reflects our ambitions for investment to generate additional income and is summarised in the table below.

The proposed programme assumes total capital payments and funding in 2017/2018, comprising both the programme for Full Approval of £56.083m and a programme for Provisional Approval (subject to) of £126.584m, as shown in Table 7 below. This table also shows the indicative capital programme and funding at summary level for 2017/2018 to 2021/2022. **Annex 3** shows the total capital programme for 2017/2018 to 2021/2022 in more detail.

Table 7: Summary Capital Programme and Financing 2017/2018 - 2021/2022

For Approval

Capital Scheme	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Place	31,793	4,450	0	0	0	**36,243**
People & Communities	4,206	258	0	0	0	**4,464**
Resources	20,084	2,635	2,367	0	0	**25,086**
Total	**56,083**	**7,343**	**2,367**	**0**	**0**	**65,793**

For Provisional Approval (Subject to)

Capital Scheme	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Place	68,679	35,455	20,153	19,108	19,440	**162,835**
People & Communities	16,794	6,858	0	0	0	**23,652**
Resources	41,111	30,188	3,752	181	134	**75,366**
Total	**126,584**	**72,501**	**23,905**	**19,289**	**19,574**	**261,853**

Grand Total	**182,667**	**79,844**	**26,272**	**19,289**	**19,574**	**327,646**

Funded By

Financing	Budget 2017/2018 £'000	Budget 2018/2019 £'000	Budget 2019/2020 £'000	Budget 2020/2021 £'000	Budget 2021/2022 £'000	Total £'000
Grant	40,742	16,269	5,357	5,906	5,758	**74,032**
Capital Receipts/RTB	9,993	6,590	590	635	605	**18,413**
Revenue	2,281	0	0	0	0	**2,281**
Borrowing	119,848	51,610	19,806	12,560	13,031	**216,855**
3rd Party (inc S106 & CIL)	9,803	5,375	519	188	180	**16,065**
Total	**182,667**	**79,844**	**26,272**	**19,289**	**19,574**	**327,646**

Note1: The figures in the table above include re-phasing from prior years.

Note2: Some of the figures in the above table are affected by rounding.

Note3: The Figures include capital spend of £109m to generate investment returns.

Funding

The revenue budget for 2017/2018 provides for the revenue consequences of the Council borrowing in support of capital expenditure where appropriate.

The Capital Programme assumes the achievement of £18.413m of capital receipts over the five year period 2017/2018 to 2021/2022.

Capital receipts arising from commercial estate transactions will be specifically ring-fenced and allocated to support funding of further commercial property acquisitions.

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

Community Infrastructure Levy (CIL)

The Strategic CIL income up to March 2017 is forecast to be around £920,000. The priorities for determining CIL expenditure is the Council's Infrastructure Delivery Plan (IDP) which, identifies the essential infrastructure needed to support the Council's growth proposals, and the Capital Programme. The recommended CIL infrastructure spend items for 2017/2018 are as follows:

- Education provision in various locations across the Authority, including St Nicholas School in Radstock £450,000
- Flood mitigation to enable the development of Bath Quays North £200,000
- Bath Leisure facilities car park improvements £200,000
- Highway schemes in North East Somerset £70,000

Arrangements are in place to transfer the local CIL income to Town and Parish Councils. Bath is allocated 15% of CIL generated in the City (£140,000 for 2017/2018) but because it is unparished, the funds are retained by B&NES Council with decisions on spend made in consultation with the local community. It is proposed that the Bath City Forum will play a key role in acting as the conduit for local views. The forum has therefore established arrangements to fulfil this role so that it can make recommendations to Cabinet and Council along with the rest of CIL spend decisions.

New Schemes within the Capital Programme

PLACE

Environmental Services

Highways Maintenance Programme for **Full Approval** of £3.938m

The Highways Structural Maintenance budget is included for Full Approval at £3.938m. This is funded by Government Grant through the DfT, £3.352m of which relates to the main part of the maintenance block settlement and £314k is the incentivised element of the same funding block achievable in the 2017/2018 year as a result of having progressed the devolution deal. These two grants will initially flow to the West of England Combined Authority before being allocated to the Council, so approval will be subject to the WECA Budget setting meeting on 15th March 2017. The additional £272k has been provided from the DfT Pothole Action Fund.

This programme is a key component in achieving and maintaining the corporate objective of creating neighbourhoods where people are proud to live. By improving the overall condition of the highway network it serves to minimise road works with associated traffic disruption and addresses poor & visually unattractive surfaces and end of life assets. Improved street lighting leads to people in communities feeling more safe and happy with where they live. The transport network is crucial in maintaining a strong local economy and is a fundamental part of the local environment allowing local communities to thrive and flourish.

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

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

Transport Improvement Programme for **Full Approval** of £2.249m

The Transport Improvement Programme budget is included at £2.249m for Full Approval funded from £1.163m of Integrated Transport Block Government Grant (This grant will initially flow to the West of England Combined Authority before being allocated to the Council so approval will be subject to the WECA Budget setting meeting on 15th March 2017), £500k of Local Growth Fund to be confirmed, £70k of Better Bus Area Funding, £70k of CIL funding and £446k of s106 funds.

The programme delivers highway improvement works under the general headings of road safety, safer routes to school, pedestrians, congestion and traffic management schemes.

2017/2018 proposals continue a focus on supporting the five objectives identified in the West of England Joint Local Transport Plan:

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

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

Highways – National Productivity Investment Fund for **Provisional Approval** of £788k

An additional sum announced in the Autumn Statement to fund local highway and other local transport improvements, for example, highways and public transport networks, with the aim of reducing congestion at key locations, upgrading or improving the maintenance of local highway assets, to improve access to employment and housing, to develop economic and job creation opportunities.

A detailed list of schemes will be worked up in consultation with cabinet and ward members and brought forward for formal decision. This grant will initially flow to the West of England Combined Authority before being paid to the Council, so formal decision will be subject to the WECA Budget setting meeting on 15th March 2017. Any later amendments to the programme will be approved by the Divisional Director for Environmental Services in consultation with the Cabinet Member for Transport.

London Road Modification for **Provisional Approval** of £200k

Highway works were undertaken on the London Road in 2015. Experimental TROs were introduced in late 2015 and permanent TROs now need to be implemented. A wide variety of comments have been received from residents and interest groups. These have highlighted a number of issues that will need to be addressed to enable a permanent TRO to be implemented.

Dorchester Street, Traffic Review for **Provisional Approval** of £100k

The Dorchester Street traffic layout was introduced as part of the Southgate development in 2010. The existing layout has proven sensitive to variations in traffic conditions which can result in delays.

This proposed review will establish if there are options for reducing the occurrence of delays. The options will be tested and if acceptable the aim will be to deliver the improvements.

Somerdale Bridge, Keynsham (2017) for **Provisional Approval** of £70k

As part of the redevelopment of the Somerdale site for housing a number of highway and sustainable transport improvements are included in the Section 106 agreement. This includes a financial contribution towards a new cycle and pedestrian path and bridge over the River Avon. The first stage of the project will be a feasibility study which will inform the delivery and cost plans.

Kingsmead Square Improvements (2017-2018) for **Provisional Approval** of £110k

The capital bid will fund a feasibility study to establish options for public realm improvement with potential changes for access into Kingsmead Square. Vehicles access would be restricted during set times, which will be similar to Stall Street / Lower Boroughs Walls timings. The proposals will be discussed with business and the local community.

Keynsham Leisure Centre Refurbishment- Land Assembly (2018-2020) for **Provisional Approval** of £3.6m

This Funding request seeks to increase the provisional budget for Keynsham Leisure Centre of £6.416m (as per Feb 2016 budget report) by an additional £3.6m. The request is for £2m to be funded from additional income (£1.5m in 2018/2019 and £500k in 2019/2020) and £1.6m through capital receipt for the sale of land at the Keynsham site to ADL.

The current contract with Greenwich Leisure Limited (GLL - Leisure Operator) requires GLL to design and deliver a new build Leisure Centre at Keynsham. Consultation in September 2015 indicated a strong preference for the leisure centre to be developed on the Riverside site. Progression of wider options for the Riverside site have meant that the Council is currently positioned to lead on the design and construction of an enhanced facility in consultation with GLL.

Parks S106 Capital Projects (2017-2021) for **Provisional Approval** of £718k

This programme will deliver capital improvements at a number of sites identified as priorities for improvement in the Green Spaces Strategy and will discharge B&NES responsibilities for delivering S106 agreements associated with these sites. Total request is for £718k fully funded through S106.

More Plots for Bath for **Provisional Approval** of £10k

Final year of a seven year project to deliver more allotment plots in Bath, totalling £10k for 2017/2018 to be funded by Corporate Supported Borrowing.

This links to the development of new allotments in 2017/2018 in the Newbridge/Weston area identified within the S106 item above and would provide the additional funding required to enable the works.

Parks Action Response Work for **Provisional Approval** of £288k

This will be funded through S106 and is to invest in equipment and facilities, including building compost facilities, with a view to reducing contractor costs and improving income generation. A full business case is under development, which will outline savings, incomes and ongoing maintenance of new facilities.

Parks Play Capital Programme (2017-2022) for **Provisional Approval** of £760k

This will enable continually improved standards of play equipment through replacement and regeneration of play areas, in consultation with local members and communities, which follows works in the last few years. The replacement and improvement of play equipment supports the Council's Green Space Strategy, Play Policy and Play Strategy as well as the Government's National Play Strategy.

The programme will enable the Council to meet commitments to safety and quality, and to help reduce increasing ongoing maintenance costs (as equipment ages).

Parks Equipment (2017- 2022) for **Provisional Approval** of £123k

Capital budget required as part of the Parks ongoing replacement programme of equipment to enable continuation of operations.

Parking Service – Equipment Replacement Programmes (2018-2022) for **Provisional Approval** of £190k

Capital budget required as part of the Parking Services ongoing replacement programme to enable continuation of operations relating to the following items:

- Parking Enforcement Hand Held Computer Terminal Replacement
- Park & Ride Traffic Control Equipment Replacement
- Replacement Mopeds for Outer Area Parking Enforcement
- Radio System Replacement

Air Quality Monitor Replacement (2017-2022) for **Provisional Approval** of £78k

The Authority has a statutory requirement to monitor air quality where the objectives laid out in the Environment Act 1995 are exceeded. There is currently a network of monitors that enable us to ensure that we have high quality information about the Air Quality and help inform the actions that arise from our Air Quality Management Areas. The Council is currently awaiting the outcome of a bid to DEFRA which includes for the purchase of new mobile monitors that will improve the frequency and precision of the data collected in a more flexible manner. In addition to the bid to DEFRA, the Council is looking to continue to upgrade its existing monitors to ensure that the current high level of accuracy of the data collected is maintained.

Environmental Neighbourhood Services Vehicle Replacement Programme for **Provisional Approval (2017-2022)** of £2.291m

Purchase replacements in respect of end of life fleet vehicles for the Cleansing, Parks and Public Protection teams covering years 2017/2018 through to 2021/2022.

Sydney Gardens: a 21st Century Pleasure Gardens (2017-2019) for **Provisional Approval** of £3.243m

This increases the existing capital programme amount of £372k to a total project of £3.6m. The total project will be funded by £2.973m of Heritage Lottery funding, £270k of other external funding (including s106) and £372k of Council funding.

The additionality is to recognise successful application to the Heritage Lottery Fund for support in developing a programme of heritage conservation works, landscaping and infrastructure improvements linked to community engagement.

This total budget recognises both successful development stage funding and pending application for funding on the delivery stage of the works, which still requires final application process following development stage completion.

The project looks to protect and restore 'at-risk' listed historical structures, generate new business opportunities and open up new areas of the park to the public. The project will rationalise and repair parks infrastructure and will create a more coherent and manageable landscape.

Litter Bin Replacement Programme (2017-2020) for **Provisional Approval** of £75k

This project will continue improvements to the street scene within Bath & North East Somerset Council. An asset survey of the litter bin stock has been completed and the investment will be targeted where the current stock is damaged or rusty and provide for additional areas where the need for litter bin provision is established. The new litter bins are of a uniform style and standard and bring a consistent approach to the street furniture.

Leisure - Car Park Works for **Provisional Approval** of £200k

To undertake works at the car park at Bath Leisure Centre and Odd Down Sports Ground. Ongoing current works of a refurbishment at the leisure centre, do not incorporate works to the car park belonging to BANES. Required works include resurfacing the car park, providing lighting (LED) and making the area more secure. Works at Odd Down Sports Ground will include the provision of LED car park lighting required for reasons of Health and Safety. This work is to be funded through the Community Infrastructure Levy.

Body Worn Video Cameras for Civil Enforcement Officers (2017-2021) for **Provisional Approval** of £50k

This is equipment worn by Civil Enforcement Officers to ensure their immediate safety and prevent or minimise the risk of serious injury. The use of this equipment has seen a 50% reduction in reportable incidents and the evidence captured allows the Police to take further action, including use in recent prosecutions.

The equipment is operated in all weathers and has a three year life and therefore requires replacement as part of a rolling programme.

Passenger Transport Vehicles (2018-2021) for **Provisional Approval** of £1,195k

The objective of the project is to have a reliable and safe passenger accessible transport fleet so that vulnerable adults can access facilities and the Council meets its statutory duty of providing transport to school particularly for children with Special Educational Needs and Disabilities.

This is to amend the existing capital programme entries and extend the rolling programme to reflect ongoing replacement requirements.

Community Regeneration

Roman Baths Archway Centre Public Realm for **Provisional Approval** of additional £226k

This new funding is to support funding already identified through the Roman Baths Improvement Programme and the Public Realm Improvement Programme to deliver essential safety and public realm works in the immediate area of the new Archway Project.

Roman Baths & Pump Room Infrastructure Programme Items for **Provisional Approval** of £495k

Managed through Heritage Business Plan this continues the rolling 5-year programme of projects to invest in the Roman Baths and Pump Room buildings, facilities and ‘visitor experience’ is reviewed by Cabinet each year as part of the integrated Heritage Services 5-year business and investment plan.

These projects are initially included within the provisional capital programme as a “block” of works for that year. Inclusion of each block of projects in the approved capital programme is subject to the normal capital approval process.

This is to extend the programme for the length of the capital programme and is likely to cover monument conservation works. Specific items are also included to replace heat-exchange equipment (£250k) and existing electrical distribution arrangements that are at maximum capacity and no longer fit for purpose (£45k).

Old Mills Enterprise Zone (2017 – 2019) for **Provisional Approval** of £220k

Following signing of the Enterprise Zone (EZ) Memorandum of Understanding by Government, the Old Mills site will be granted full EZ status on 1 April 2017.

A provisional line is therefore required in the Capital Programme to enable potential external funding sources to be drawn upon should the opportunity arise. These could include Devolution funding, or LEP funding through the One Front Door process such as Local Growth Fund (LGF), Revolving Infrastructure Fund (RIF), or the Economic Development Fund (EDF) which under the terms of the MoU is ring-fenced for the site.

Pioneer Office Space for **Provisional Approval** of £10m

Funded through Local Growth Fund (& potentially other grant funds) this will provide much needed follow-on office space for small to medium enterprises within the city of Bath, and will generate income for the Council.

Affordable Housing Capital Delivery (2017-2021) for **Provisional Approval** of £3.508m

This capital continues the programme of support linked to the Council's strategic aim of delivering Affordable Housing and if required the recovery of Empty Properties.

It is important to note that opportunities to develop bespoke affordable housing solutions or secure delivery where there are viability issues can arise at any time. The ability to react quickly through capital intervention is key to being a responsive Housing Enabling Service.

It is feasible that future enhanced AH delivery at Foxhill will require subsidy from the Council from 2018 onwards.

Disabled Facilities Grant Funding (2017-2023) for **Full Approval** of £1.1m in 2017/2018 and **Provisional Approval** of £4.4m from 2018/2019 onwards

The Housing Grants, Construction & Regeneration Act 1996 places a duty on Local Housing Authorities to fund certain types of adaptations for disabled householders, subject to a financial means test. Eligible adaptations are those designed to enable freedom of movement into and around the applicant's home. They encourage, promote and enable well-being within the home and reduce down-stream costs of acute service provision. This funding will support a demand led programme of around 200-250 p.a. Disabled Facilities Grants in accordance with above legislation, statutory guidance and best practice.

Cattlemarket for **Provisional Approval** of £150k

To enable works on delivery of a solution around cattlemarket that could be linked to disposal of the site.

Keynsham High Street: Permanent Scheme (2017-2019) for **Provisional Approval** of £2.52m

The High Street one way trial will be in place for up to 18 months from Spring 2017, during which time there will be comprehensive public engagement on the merits of the trial and the design options for a permanent scheme. If the trial is supported, the final scheme will require design work in 2017/2018.

The design of a final scheme which would include significant public realm improvements, would initially be worked up during 2017/2018, funded through corporate supported borrowing amounting to £120k, but will not be fully established until consultation has concluded.

External funding for the delivery phase would be sought in the first instance.

River Avon Park (2017-2020) for **Provisional Approval** of £532k

This project, which is linked to Bath Quays, is currently being scoped in more detail by the Water Space Study (due for completion Spring 2017).

The River Avon Park concept includes the following:

(1) Improved public realm river path – including public realm, safety improvements, wayfinding, accessibility and linkages to adjoining green spaces;

(2) Improvements to adjoining parks and spaces - play facilities, re-design of parks, heritage interpretation, wayfinding;

(3) Improving relationships to the River e.g. access for boats, moorings, wildlife enhancements;

(4) Identifying opportunities to reduce costs or fund long term maintenance, including income generation.

During Q1 2017/2018, projects will be worked up to deliver improvements using s106 funding which has already been received.

Midsomer Norton Town Hall Transformation Project for **Provisional Approval** of £2.68m

This is to take forward a project around transformation of Midsomer Norton (MSN) Town Hall (The Island, MSN). This is a community building used by 42 community groups and the project seeks to expand and develop facilities for the benefit of MSN & the Somer Valley (including housing a heritage collection). Grant funding helped achieve planning permission (in 2013) & initial feasibility investigations plus cost estimates, this capital programme entry seeks provisional approval of funding to advance the project through full feasibility, construction, delivery & operational hand over.

The project will require full business case to take forward and would be funded through a combination of grant from Heritage Lottery & Architectural Heritage Fund (subject to a successful bid process for £1m), Corporate Supported

Borrowing of £1.258m, scheme specific receipts of £300k & £50k of community & benefactors fund raising.

PEOPLE AND COMMUNITIES

Schools Capital Investments

Overview

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

Schools capital grant funding of £3.039m in 2017/2018 and £5.758m in 2018/2019 has been confirmed by the Education Funding Agency (EFA) for Basic Need to support the provision of additional pupil places where there is population growth. An allocation for Capital Maintenance funding has yet to be announced, but an indicative figure of £1.25m is assumed.

The following table represents the amount of funding carried forward and future allocations.

	Carried Forward from 15/16 & 16/17	2017/18	2018/19	Total
Basic Need Grant Allocation	£4.284m	£3.039m	£5.758m	£13.081m
Capital Maintenance Grant	£963k	£1.25m*	tbc	£2.213m

*assumed figure subject to Government confirmation

2017/2018 Basic Need Schemes

In 2017/2018 the level of Basic Need grant funding represents a 50% reduction on that received in the preceding two years, linked to academy conversions. The School Organisation Plan and annual School Places Return (SCAP) identify there is still an ongoing need to provide additional places in a number of areas across the Council. The funding is to provide the projected number of places that will be needed by September 2019. The allocation is non ring-fenced to enable the Council to fulfil its statutory duties in ensuring sufficient school places. There are no revenue implications for the Council arising from the expansion of schools as these will be met by the Dedicated Schools Grant (DSG).

The Council has a statutory duty to provide sufficient school places for every child resident in the Local Authority who requires a place with projects identified in line with these responsibilities. The key priority for investment is the need to provide additional primary pupil places driven both by underlying population growth and new housing. Funding has been provided for places required within the next two years and a number of schools have been identified where capacity will be required.

This list is not exhaustive as factors such as the need to revise projections as a result of updated information on births and resident population particularly when most primary schools are full or filling, may mean even a small number of additional pupils can trigger the need for additional classrooms. Other factors such as changes to the timescales of new housing delivery or a free school being approved can increase or reduce the need to add capacity.

Basic Need (BN) has been allocated for 2017/2018 for the following schemes which have been approved at the PID stage.

Castle Primary School for **Provisional Approval** of £1.295m Basic Need Grant & £1.261m Section 106 funding.

The final phase of expansion works to expand the school from 210 places to 420 places. The total project costs for phase 4 are £2.626m. Section 106 contributions totalling £1.261m have been received by the Council and a carry forward of £70k from the previous phase 3 project budget is available, leaving a balance of £1.295m to be allocated from Basic Need funding.

St Saviours Junior School for **Provisional Approval** of £147k Basic Need Grant & £18k Section 106 funding.

Remodelling works to accommodate a bulge class transferring through from St Saviours Infant School. Accommodation will be required for Year 3 pupils from September 2017. S106 contributions of £18k have been received, against a total project budget of £165k.

Whitchurch Primary School for **Provisional Approval** of £1.266m Basic Need Grant & £42k S106 funding

Expansion of the school from 210 places to 315 as a result of housing development and basic need pressures in the area. A S106 contribution of £72k has been received of which £42k remains available and further contributions of £706k are anticipated. Basic Need funding of £560k is required together with £706k basic need front funding, until the remaining S106 funding is received.

Feasibility Studies for **Full Approval** of £250k

The Council has a statutory duty to ensure there is sufficient provision of school places in the right areas to meet needs. Development work is required to inform detailed project plans for future capital schemes. It is proposed that delegated authority for approval of individual feasibility study budgets within the totals above is given to the Strategic Director, People & Communities in consultation with the Cabinet Member.

The following schemes are for provisional approval in 2017/2018 and 2018/2019 and will require future PID and Single Member or Cabinet approval

Bathampton Primary School for **Provisional Approval** of £750k

Replacement of two temporary classrooms, cloakroom facilities and toilets to provide permanent accommodation.

Bathwick St Mary Primary School for **Provisional Approval** of £2.792m Basic Need Grant & £208k S106 funding.

Expansion of the school from 210 places to 420 places to meet basic need pressures and provide places for the former MOD Warminster Road housing development. Section 106 contributions totalling £208k have been received with a further £494k expected. The total project cost being estimated at £3m. A basic need contribution of £2.298m is required plus front funding of the £494k outstanding S106 funding.

St Nicholas Primary School for **Provisional Approval** of £1.5m in 2017/2018 and £1m in 2018/2019

Expansion of accommodation from 280 to 420 places for September 2019. Additional places are required to meet the demand generated by housing development in the area. No S106 contributions were secured for the site. It is proposed to allocate a £450k CIL contribution to People & Communities which will be used to part fund the expansion. Basic need funding of £2.05m will be required to fund the project.

Midsomer Norton Area for **Provisional Approval** of £300k

To provide bulge class accommodation for September 2017 admissions at a Midsomer Norton Area primary school to be identified. This accommodation is required because of the delayed delivery of the Midsomer Norton Free School.

Schools Capital Maintenance Programme 2017/2018 for **Full Approval** of £500k

In recent years allocations from the Department for Education (DfE) for Capital Maintenance funding have been made on the basis of one year allocations. This funding is non ring-fenced grant funding to address the worst building condition issues at schools. To date the funding allocations have not been announced for 2017/2018 but are expected to be made by the DfE between January and February 2017.

In a change from prior years, the Annex containing a long list of school maintenance items is replaced with general allocations set out below and a specific allocation for Swainswick Primary School. In 2017/2018 it is proposed to allocate funding to the following items.

A budget for minor works and Disability Discrimination Act (DDA) works of £250k to address smaller condition issues such as replacement heating controls and obsolete distribution boards. This funding will be used to address ad hoc condition and health and safety issues as they arise throughout the year. Additionally, this budget can be accessed to address small future DDA adaptations at schools sites.

It is recommended that a £250k emergency works budget is allocated to meet unforeseen issues as they occur throughout the year. This may include items such as emergency roof or boiler repairs to ensure schools remain open.

It is proposed that delegated authority for approval of individual Minor Works/DDA and Emergency Works schemes within the totals above is given to the Strategic Director, People & Communities in consultation with the Cabinet Member for Children's Services.

Swainswick Primary School for **Provisional Approval of** £750k

Replacement of assets at Swainswick Primary School to address condition and health and safety issues of two temporary buildings and provide toilet facilities for KS1.

The balance of any remaining funding available for the 2017/2018 year is to be held provisionally at this time, for a large emerging scheme of works at Newbridge Primary School. The value to be confirmed once the grant notification has been received.

Special Education Needs & Disability (SEND) Education Provision Loan for **Provisional Approval** of £500k

Capital budget to create potential repayable loan facility to support the establishment of further provision for post 16 students with SEND within the Bath & North East Somerset area. Any loan would be subject to full business case review and due diligence with no revenue cost to the Council and potential savings in Home to School transport costs.

RESOURCES & SUPPORT SERVICES SCHEMES

Corporate Capital Planned Maintenance for **Full Approval** of £1.357m
Equality Act Works for **Full Approval** of £100k

Capital Planned maintenance and Equality acts works will be undertaken on the Council Corporate Estate. Annex 3iii provides the detailed plan for 2017/2018. Any amendments to the programme will be approved by the Strategic Director for Resources in consultation with the Cabinet member for Resources.

Commercial Estate Investment for **Provisional Approval** of £53.6m

To allocate resources for the acquisition of property investments which will generate new income and contribute towards the rebalancing of the Estate through buying non-retail property or retail property that is strategically important to the rest of the retail estate. To maximise the effectiveness of these acquisitions, the Council will be looking at opportunities beyond the B&NES boundary, where there are likely to be significant opportunities to purchase non-retail investments in the adjoining Bristol area and the wider West of England Partnership area of appropriate property to increase the financial return of the council's property portfolio. This will also to provide capital investment in commercial offices on Bath Quays South.

Each investment will require a full business case before proceeding.

Cleveland Pools Capital Works for **Provisional Approval** of £200k

Working with Cleveland Pools Trust to support appropriate capital works and enhancements to this Council asset, subject to planning consent. This expenditure will be linked to the future development by the Trust of the pools supported by a substantial grant award from the Heritage Lottery Fund.

City Centre Protection Measures for **Provisional Approval** of £200k

Like many other authorities across the UK, the Council routinely works with partner organisations, such as the Police, to assess safety precautions and ensure that proportionate measures are in place to keep members of the public safe. As part of this, a provisional sum has been set aside in case it is required. There is no indication of any imminent threat to Bath in particular and no specific intelligence to suggest that Bath is at any more risk than any other busy urban area in the UK.

Corporate Estate – Remediation Works for **Provisional Approval** of £250k

Following the testing and servicing of the Councils assets, it is anticipated that there will be a substantial list of remediation works required. These remediation works will have to be prioritised and undertaken in accordance with statutory timelines in order for the Council to comply with its legal obligations towards its staff and members of the public.

Bath Area Forum – CIL funded Schemes for **Provisional Approval** of £140k

The Council is required to pass 15% of CIL funds to the relevant Parish or Town Council. If there is no Parish or Town Council, the charging authority will retain the levy receipts but should engage with the communities where development has taken place, and agree with them how best to spend the local funding.
The Bath City Forum has established a process for working with local elected members and communities to agree recommendations on using the local portion of CIL in Bath. As the Forum has no delegated powers or budgets, any Forum recommendations would need to be determined through an appropriate Executive Council decision.

Digital Programme (2017-2020) for **Provisional Approval** of £5m

Digital has been embraced by central government departments including DCLG, DWP, and DoH to name a few. Many services have been moved online rather than being paper-based.

Digital means enabling the Council to continue to function effectively with fewer resources. Fundamentally re-designing many services from end to end – the customer gets what they need as quickly as possible, in a way that works for them. Well-designed digital solutions are cheaper, faster and often better.

This will be delivered via IT (Information Technology) assets – hardware and software as well as changes to business processes to provide services which encourage customers and clients to opt for "Digital by choice". This will deliver the proposed revenue savings.

IT Asset Refresh Programme (2017-2022) for **Provisional Approval** of £1.512m

The Asset Refresh programme is a rolling programme which covers all aspects of the council's IT Infrastructure assets including virtual Servers hosting systems as well as multiple in-depth firewalls and security hardware to protect the council's data, network routers enabling approximately 100 council offices to inter connect, and backup systems.

Depending on the hardware, each kit requires replacing every 5 to 7 years subject to the associated out of warranty revenue costs.

Income Systems Upgrade & Associated Works for **Provisional Approval** of £45k

New Payment Card Industry Security Standards are being introduced nationally which require all payment systems to be enhanced in accordance with new security standards. In order for the Council to continue to accept any Debit card or Credit card payments various works are required to be undertaken including upgrade of systems and replacement of Chip & Pin devices. The absolute deadline for the above work to be completed is March 2018 but it is advised that the work is undertaken well before that date. Failure to undertake this work will mean the Council would be unable to accept any debit card or credit card payments, either via internet, telephone, or in person. This project should therefore be classed as essential maintenance.

Modern Libraries & Workplace Rationalisation for **Provisional Approval** of £5.953m

Work Places 2018 is a programme of works that enables the re-design of Library Services as described in the Strategic review for the service. It aims to replicate the Keynsham model for joint one stop shop and library service in Bath and Midsomer Norton whilst also continuing to develop the principles of the previous Work Places programme.

Radstock Healthy Living Centre for **Provisional Approval** of £1.046m

Project is to deliver a library and children's centre plus base for health visitors within a new mainly NHS England funded Healthy Living Centre on a Council owner site on Waterloo Road, Radstock.

The project is enabled by agreed external funding opportunity for a new improved doctor's surgery which will include appropriate local consultation. The integration of these services fits with the ideas in the national One Public Estate programme and potentially reduces running costs whilst improving local services and securing their long term future. The Council services will move from their current location in the town centre which will free up current sites. This is a joint project with Hope House Surgery.

Revenues & Benefits System Replacement for **Provisional Approval** of £750k

This is the IT system used for processing Revenues & Benefits. The system has been on a year to year renewal for some time awaiting implementation of Universal Credits. It is currently anticipated that any replacement system would be implemented during 2018/2019.

EMERGING CAPITAL SCHEMES

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

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

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

Manvers Street Highway Reconstruction - Future Programme

Manvers Street, Pierrepoint Street and the section of North Parade adjacent to Parade Gardens, are built over cellars. The concrete slabs protecting the cellars are starting to move and break up in areas and will require replacing in the longer term.

Where cellars have been abandoned, a scheme would be developed to formalise the abandonment, fill the structure and use an alternative construction technique to minimise disruption.

The works are initially estimated in the region of £6m, although detailed costing would be required to fully assess costs, and external funding opportunities will be explored.

Utility companies could upgrade their apparatus during the period construction works and public realm improvements are being undertaken.

Bath Western Riverside Phase 2

With completion of the first phase of BWR (813 homes) in 2018/2019 the project can plan to continue delivery across the entire site, including the primary school, 1200+ new homes and commercial space.

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

Bath EZ including BWR Phase 2 – Potential Devolution funding to facilitate Housing delivery (2017-2020)

The Bath & Somer Valley EZ contains important projects to crystallise the housing delivery in the EZ (including Bath Quays and BWR). Significant grant funding may become available subject to ongoing discussions around devolution.

Link Road East of Bath

The Council aims to develop proposals to remove through traffic from the city. This work will continue with discussions with Wiltshire, Highways England and the DfT. The objective will be to develop these options for inclusion in Highways England's next funding programme which will be approved towards the end of 2019.

Schools Emerging Capital Schemes

In early 2017 feasibility studies will be undertaken to determine the accommodation needs for the Temple Cloud and Clutton areas from September 2019. Further development proposals will be brought forward at a later date for inclusion in the Capital Programme.

Three new primary schools will be required to meet future housing development by 2029. Of these schools, it is anticipated that one will be delivered by the housing developers and two are likely to be delivered by the Council. There may also be the potential for some of these schools to be delivered through the Free School process at no cost to the Council.

The following table provides information on development sites where agreement has been reached or discussions are ongoing to deliver new schools or expand existing schools.

Development Name	Developer	Provision to be delivered	Anticipated opening / completion date	Approximate Funding Shortfall
Keynsham East & South	Multiple	A new one form entry primary school on the Keynsham east site to provide sufficient places to cover demand in the Keynsham and Saltford planning area.	Post September 2018	Unknown, will include build and land costs.
Odd Down/Sulis Down	To be confirmed	Expansion of St Martin's Garden Primary School.	Not yet determined	Unknown
Bath Western Riverside - Crest	Crest	A new one form entry primary school delivered on site.	Not yet determined	To be delivered by developer
Bath Western Riverside - Other	Multiple	Additional one form entry primary capacity, site to be identified.	Not yet determined	Unknown

AMENDMENTS TO PREVIOUS CAPITAL PROGRAMMES

The following schemes are to be removed from the existing Capital Programme.

Digital B&NES Provisional £1m

Recent announcements from the Connecting Devon and Somerset Programme and commercial service deliverers such as BT and Virgin has resulted in the Digital BaNES team reassessing the expected amount of additional funding needed to fill any gaps in broadband provision in Bath and across North East Somerset once those programmes are concluded. The remaining funds will be utilised to address a small number of gaps and to enable extension of the public wi-fi project.

London Road Community Development Provisional £800k

No viable business case was forthcoming for this scheme and it has therefore been restricted to essential remedial works at Riverside Youth Centre.

Green Investment & Job Opportunities Fund Provisional £370k

The balance of the Green Investment & Job Opportunities Fund (£370K) is to be removed. This capital item was set up several years ago and has been used to invest in Wilmington Solar Farm and Bathampton Old Mill Hotel waterwheel. It has now been replaced by the Energy Services Investment fund (£3m).

The Energy Services Investment Fund (£3m) is to be invested in either renewable energy schemes or related energy services infrastructure over the budget period in line with Council policy and linked to the Energy Services income target. There have been some policy changes to the energy market, which is now in a readjustment phase and which has caused a delay in investment this year. The Fund will be re-profiled for investment over the budget period 2017-2020 to take advantage of new opportunities arising in this market.

Minimum Revenue Provision (MRP) Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP Policy in advance each year, or if revisions are proposed during the year they should be put to the Council at that time. The policy defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing.

The Council implemented its current MRP Policy in 2008/2009 with only minor changes made in recent years. As part of the Council's strategic review, the Council's Treasury Management Advisors have undertaken a review of the current MRP Policy against the options suggested in the Department of Communities and Local Government's guidance, to ensure it remains fit for purpose and prudent as well as the potential to reduce the charge to revenue in light of the increasing pressures on the revenue budget.

As a result of this review some changes are being proposed to the MRP Policy, with a recommendation that these changes will come into effect in the current financial year (2016/2017). The effects of these changes have been reflected in the revenue savings proposals for 2017/2018 onwards and the reserves sections of this budget report.

The Council currently adopts the Regulatory Method of CLG's MRP Guidance for **supported borrowing**. This is for capital expenditure which was previously supported by the Government through the Revenue Support Grant (RSG) system. MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial year, less Adjustment A (an adjustment allowed to neutralise the impact of the change to the MRP regime introduced in 2004). Under this method, although the MRP charge reduces the balance outstanding each year the borrowing need is never entirely paid off. The proposal is to amend the annual MRP charge using an Annuity Rate of 2% over a 50 year period. The percentage chosen corresponds with the Bank of England Monetary Policy Committee's inflation target rate of 2%. MRP will increase by this percentage each year. This reflects the time value of money and produces a consistent charge to Council Tax payers both now and in the future. The annuity period of 50 years has been selected as a period over which the capital expenditure could be expected to provide a benefit to Council Tax payers. This has the effect of a lower MRP charge for the medium term (until around 2037/2038) while beyond this it will be higher. However, it has the advantage over the existing 4% reducing balance method as this element of the CFR will be fully repaid over a 50 year period which is more prudent than the current method which would leave £5.8million unfinanced at the end of the 50 year period.

MRP on **unsupported borrowing** is currently charged over the life of the asset financed by the borrowing on a straight line basis. The revised policy is that the MRP charge will still be charged over the life of the asset but will be calculated on an annuity basis (similar to a domestic repayment mortgage whereby in the early years of the mortgage less of the repayment goes towards repaying capital rather than interest, but over time the capital repayment increases and the interest amount reduces). The annuity method maintains a constant impact on the revenue account over the useful life of the asset being financed, once interest costs are taken into account, with no cost thereafter. The change is proposed as the annuity method provides a fairer charge than the straight line basis as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden to the taxpayer than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due. The annuity method is therefore a prudent basis for providing for assets that provide a steady flow of benefits over their useful life.

For expenditure financed by unsupported borrowing incurred before April 2016, an element of MRP has already been charged on the straight line method. By applying the straight line method rather than the annuity method an "overprovision" of £3.3m is released over a reasonable period of time.

The Council is recommended to approve the revised MRP Policy statement as set out in Annex 4 which has been updated to reflect the proposed changes as set out above (as per recommendation 2.4 (e)).

Prudential Indicators

The prudential framework for local authority capital investment was introduced through the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable. The Capital Prudential Indicators are shown in Table 8 below.

Table 8: Capital Prudential Indicators.

PRUDENTIAL INDICATOR	2015/16 Actual	2016/17 Probable Outturn	2017/18	2018/19	2019/20
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	39,999	82,109	182,667	79,844	26,272
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)					
The implied estimate of incremental impact of the new capital investment decisions on the council tax			£3.02	£1.86	£0.51
Cumulative totals:			£3.02	£1.86	£0.51
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			11.05%	16.53%	18.91%
Memo: estimates of the ratio of financing cost to gross revenue stream			*3.72%*	*5.38%*	*6.17%*
Borrowing Limits (£m)					
Operational boundary – borrowing			£306m	£350m	£361m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
Operational boundary - total			**£308m**	**£352m**	**£363m**
Authorised limit - borrowing			£338m	£382m	£392m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
Authorised limit - total			**£340m**	**£384m**	**£394m**
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	182,475	223,396	338,311	381,541	391,669

Gross Debt and the Capital Financing Requirement

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

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

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

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but including an allowance for cash flow funding of specific capital schemes and without the additional headroom for unusual cash movements.

Section 4 – Revenue & Capital Reserves and Contingencies

Significant Earmarked Reserves

In developing the proposed Budget for 2017/2018 all the Council's earmarked reserves have been routinely reviewed and the related potential liabilities assessed to establish the future requirements for each of the reserves.

Key requirements for earmarked reserves 2017/2018 and beyond will continue to be the funding for the ongoing transformation programme for Council services. This will include specific resourcing proposals as part of Budget proposals and related projects, together with related reorganisation and severance costs. The availability of unbudgeted Capital receipts may also support transformation costs in future years, subject to approval.

The proposals for significant earmarked reserves are as follows:-

The Revenue Budget Contingency – This reserve continues to be set aside to meet a range of potential in-year pressures and priorities including the management of the Budget Outturn. It is proposed to ensure this reserve is maintained at a level of around £1M for 2017/2018.

The Transformation Investment Reserve – will support the development and progression of the significant transformation programme to redesign and reshape a range of services to recognise the future shape of the Council. These changes primarily support the implementation of approved Budget proposals and related projects.

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

The Restructuring and Severance Reserve – the significant financial challenge facing the Council will to lead to some reductions in staffing number as savings and efficiencies are delivered.

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

Financial Planning Reserve – this reserve continues to support the future medium term financial planning of the Council. The reserve will generally be allocated as part of the Budget process each year to support the specific medium term financial proposals and priorities of the Council. The majority of this reserve has been allocated over the past 4 to 5 years.

The Affordable Housing Reserve – the capital programme includes a substantial £3.7M commitment to affordable housing funded through right to buy and S106 receipts. This reserve will therefore be reviewed regularly to identify actual commitments needed to meet Affordable Housing schemes. Any available surplus may be released to support Restructuring and Transformation costs as required and, the current forecast projects, this may be the case in 2019/2020.

Business Rate Reserve

This reserve manages the variations, commitments and liabilities against the Business Rate Collection Fund including the impact of business rate appeals. Projections for the use of this reserve are based upon the estimated impact of future appeals.

Table 9 below, sets out the projected level of the significant earmarked reserves taking account of anticipated commitments.

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Table 9: Projected Significant Earmarked Reserves

	Revenue Budget Contingency £'000	Transformation Investment Reserve £'000	Restructuring & Severance Reserve £'000	Business Rate Reserve £'000	Affordable Housing Reserve £'000	Financial Planning Reserve £'000
Estimated Reserves @ 1st April 2017	**1,150**	**2,040**	**100**	**1,106**	**3,000**	**2,248**
Reallocation of Reserves	0	2,000	2,480	0	0	-1,643
Allocation in 2017/2018	0	-3,230	-1,120	-718	0	-60
Balance C/F	**1,150**	**810**	**1,460**	**388**	**3,000**	**545**
Allocation in 2018/2019	0	-665	-715	0	0	0
Balance C/F	**1,150**	**145**	**745**	**388**	**3,000**	**545**
Allocation in 2019/2020	0	-145	-3,745	0	0	0
Balance C/F	**1,150**	**Nil (est)**	**-3,000**	**388**	**3,000**	**545**

Unearmarked Revenue Reserves

The Local Government Act 2003 contains a duty on the Statutory Finance Officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director – Business Support are an integral part of our budget recommendations. This sets an increased unearmarked reserves target of £13.5 million based on a financial risk assessment including the delivery of the proposals contained within this Budget.

Table 10 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. This analysis includes the proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Leisure Contract - an allocation of up to £2.1m to cover the smoothing of Council and contractor costs in the first 6 years with this being repaid over a period of up to 10 years, as agreed by Cabinet at its meeting on 9th September 2015.

This actual level of unearmarked reserves will also depend on the Outturn position for 2016/2017 and on future decisions by the Cabinet about any overspends. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

Budget Report 2017/2018 - Contingent Liabilities

Locally Retained Business Rates

A number of local billing authorities, including the Council, are the subject of an ongoing application by a national property agent acting on behalf of a number of NHS Foundation Trusts and NHS Trusts requesting mandatory business rate relief.

This is a complex legal matter and at this stage the Council would not accept any such request for mandatory relief. Representations have been made by the Council to the Department for Communities and Local Government on this matter and the Local Government Association are coordinating legal support with the local authorities concerned.

Whilst the Council's view is that the relief is not applicable in this case, if this position were to change, the granting of such a relief would present a significant challenge to the ongoing financial viability of the Council.

Adequacy of reserves

The s151 officer's report on the robustness of estimates and adequacy of reserves is set out at Annex 2. This provides a reserves strategy to maintain non-earmarked General Fund reserves at £13.5m based on a thorough risk assessment. This is an increase of £3m on the previous level of £10.5m and is funded by a transfer of the 2016/2017 savings from the 2016/2017 MRP Policy changes referred to early in the report. The projected reserve levels are set out in Table 10 below.

Table 10: Projected Non-Earmarked Revenue Reserves

	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**
Estimated Reserves @ 1st April each year	**12,536***	**12,480**	**11,975**
2016/2017 Projected Outturn Underspending	-	-	-
Projected Invest to Save Movements	-56	-505	-595
Estimated Reserves @ 31st March each year	**12,480**	**11,975**	**11,380**

* Increased provision to reflect risk & robustness assessment (£3m increase)

Based on anticipated invest to save commitments associated with the Leisure Contract, it is currently forecast that the Non-Earmarked Reserves will begin to be repaid in 2023/2024 and at no point will reduce below the risk assessed minimum level of £7.5M.

Under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Finance & Efficiency can authorise funding from within the non-earmarked reserve for robust and credible invest to save proposals (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings). This is subject to the overall level of non-earmarked reserves being maintained above the risk assessed minimum level of £7.5M.

Capital Risk Contingency

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

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

Secondly, the capital programme includes a funded corporate risk contingency which will be maintained at £2m.

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

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

Governance

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

Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2017/2018.

There were no provisions within the Settlement for the Government to provide grant funding support for council tax freezes, as had been the case prior to 2016/2017. The proposed Council Budget provides for the following:

- In order to protect frontline Adult Social Care services, a specific council tax precept increase of 2%.
- A general council tax increase of 1.50% in 2017/2018 in order to help protect frontline services.

The proposed band D Council Tax for Bath & North East Somerset Council next year is £1,284.33 (£1,240.90 for 2016/2017). Table 11 explains the calculation of this figure:

Table 11: Council Tax 2017/2018 for Bath & North East Somerset Council Services

Description	Amount	Comments
Recommended Net Revenue Budget	£112,889k	See Annex 1
Less retained business rates, reserves and estimate of Collection Fund position	£30,697k	See Annex 1 Sources of Funding
To be funded by Council Tax	**£82,192k**	
Tax base (Band D properties equivalent)	63,996.16	Approved by the Section 151 Officer in December 2016
Recommended Council Tax at Band D for 2017/2018	**£1,284.33**	
2016/2017 Council Tax Band D	£1,240.90	
Recommended Increase	***£43.43***	**3.50% increase**
The increase comprises:		
Adult Social Care Precept	*£24.82*	*2.00% increase*
General Fund Precept	*£18.61*	*1.50% increase*

The figures above exclude parish, fire and police precepts.

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

The Police & Crime Commissioner's current budget proposals include a planned increase in Council Tax of 1.99% for 2017/2018. The Final budget and precept proposal will be presented to the Police and Crime Panel at their meeting on 8th February 2017.

As part of its budget report last year, the Avon Fire Authority agreed "in principle" to a 2% increase in Council Tax for the period 2016/2017 to 2019/2020, "to provide a firmer medium term financial plan on which to base its financial strategy" and its draft budget for 2017/2018 has been built on this basis.

The Fire Authority will meet on 10th February 2017 to finalise its budget and set its Council Tax and precepts for 2017/2018.

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

Table 12 sets out the composite Council Tax likely to be charged:

Table 12: Potential Total Council Tax 2017/2018 (Band D)

Council Tax charges (Band D) made by	Charge made now 2016/17 £	Proposed Charge 2017/18 £	% Change
Bath and North East Somerset Council	1,240.90	1,284.33	3.50% (£43.43 at Band D)
Avon and Somerset Police	178.26	TBC	Final Decision to be taken on 8th February 2017.
Avon Fire & Rescue	67.93	TBC	Final decision to be taken on 10th February 2017
Total excluding parishes	**1,487.09**	**TBC**	
Parishes (average)	36.80	TBC	Not known at time of writing report
Total	**1,523.89**	**TBC**	**The 2017/2018 figure will depend on decisions taken by the Police, Fire and Parish/Town Councils**

The precepts required by Parishes, Fire and Police will form part of the Council Tax setting resolution at Council on 14th February 2017, and so the necessary updated information will be set out in the report.

Special Expenses

As part of the 2016/2017 Budget preparation process no special expenses were declared (with the exception of Parish and Town Council precepts). It is proposed that this policy remains unchanged for the 2017/2018 budget.

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Portfolio Cash Limits 2017/18 - Revenue Budgets

APPENDIX 2 ANNEX 1

CABINET PORTFOLIO	Service	Current 2016/17 Cash Limits £'000	Removal of One-offs (including one-off virements in 2016/17) £'000	2017/18 Base Budget £'000	MTSRP Growth £'000	MTSRP Savings £'000	Total 2017/18 Budget Changes £'000	2017/18 Proposed Budget £'000
Leader	Council Solicitor & Democratic Services	2,550		2,550	24	(90)	(66)	2,484
	Strategy & Performance	2,880	(242)	2,638	218	(105)	113	2,751
	PORTFOLIO SUB TOTAL	**5,430**	**(242)**	**5,188**	**242**	**(195)**	**47**	**5,235**
Finance & Efficiency	Finance	2,201	60	2,261	118	(131)	(13)	2,248
	People Services	527		527	19	(100)	(81)	447
	Risk & Assurance Services	1,016		1,016	38	(20)	18	1,034
	Information Technology	4,501		4,501	186	(100)	86	4,587
	Customer Services	2,606	(107)	2,499	525	(120)	405	2,904
	Human Resources	441		441	19		19	460
	Property Services	2,447		2,447	56		56	2,503
	Corporate Estate Including R&M	1,994		1,994	349	(50)	299	2,293
	Commercial Estate	(14,988)		(14,988)		(750)	(750)	(15,738)
	Traded Services	58		58	137	(25)	112	170
	Strategic Director - Resources	110	(166)	(56)	2		2	(54)
	Corporate items (Savings)	(150)		(150)		(788)	(788)	(938)
	Hsg / Council Tax Benefits Subsidy	(195)		(195)				(195)
	Capital Financing / Interest	7,480		7,480	150	(3,500)	(3,350)	4,130
	Unfunded Pensions	1,679		1,679				1,679
	Corporate Budgets incl. Capital, Audit & Bank Charges	879	(138)	740	2,355	(3,331)	(976)	(235)
	New Homes Bonus Grant	(5,199)		(5,199)	374	(500)	(126)	(5,325)
	West of England Combined Authority						TBC	TBC
	Magistrates	17		17				17
	Coroners	305		305				305
	Environment Agency	222		222	5		5	226
	PORTFOLIO SUB TOTAL	**5,950**	**(351)**	**5,598**	**4,334**	**(9,415)**	**(5,080)**	**518**
Adult Social Care & Health	Adult Services	57,357		57,357	3,809	(2,153)	1,656	59,013
	Adult Substance Misuse (Drug Action Team)	539		539	1	(6)	(5)	535
	Public Health				232	(232)		
	PORTFOLIO SUB TOTAL	**57,896**		**57,896**	**4,042**	**(2,391)**	**1,652**	**59,548**
Children's Services	Children, Young People & Families	12,579		12,579	753	(50)	703	13,282
	Learning & Inclusion	15,807	(108)	15,699	317	(88)	229	15,929
	Health, Commissioning & Planning	(108,743)	(23)	(108,766)	1,395	(53)	1,342	(107,424)
	Schools Budget	108,537	(5,039)	103,498				103,498
	PORTFOLIO SUB TOTAL	**28,181**	**(5,170)**	**23,011**	**2,464**	**(191)**	**2,274**	**25,285**
Homes & Planning	Development Management	1,740	(153)	1,587	103	(76)	27	1,613
	Building Control & Land Charges	220		220	17	(28)	(11)	209
	Housing	1,383		1,383	19	(301)	(282)	1,102
	PORTFOLIO SUB TOTAL	**3,343**	**(153)**	**3,190**	**139**	**(405)**	**(266)**	**2,924**

Portfolio Cash Limits 2017/18 - Revenue Budgets

APPENDIX 2 ANNEX 1

CABINET PORTFOLIO	Service	Current 2016/17 Cash Limits £'000	Removal of One-offs (including one-off virements in 2016/17) £'000	2017/18 Base Budget £'000	MTSRP Growth £'000	MTSRP Savings £'000	Total 2017/18 Budget Changes £'000	2017/18 Proposed Budget £'000
Economic Development	Economy & Culture	1,274	(112)	1,162	2	(177)	(175)	987
	World Heritage	147		147	9		9	156
	Heritage	(5,685)		(5,685)		(390)	(390)	(6,075)
	Regeneration, Skills & Employment	317	(93)	224	9		9	233
	PORTFOLIO SUB TOTAL	**(3,946)**	**(205)**	**(4,151)**	**19**	**(567)**	**(548)**	**(4,699)**
Community Services	Place - Overheads	329	88	417	69		69	487
	Public Protection & Health Improvement - Regulatory & Active Lifestyles	1,865	(285)	1,580	251	(30)	221	1,801
	Neighbourhoods & Environment - Waste & Fleet Services	14,330	(718)	13,612	637	(129)	508	14,120
	Neighbourhoods & Environment - Parks & Bereavement Services	1,578		1,578	63	(140)	(77)	1,501
	Libraries & Information	1,505	106	1,611	18	(100)	(82)	1,529
	Public Protection & Health Improvement - Leisure	670		670	13		13	683
	PORTFOLIO SUB TOTAL	**20,277**	**(809)**	**19,468**	**1,051**	**(399)**	**652**	**20,120**
	Highways & Traffic Management	7,500	(125)	7,375	206	(173)	33	7,408
	Transport & Parking Services - Parking	(6,644)		(6,644)	96	(335)	(239)	(6,883)
	Transport & Parking Services - Public & Passenger Transport	3,847		3,847	62	(477)	(415)	3,432
	PORTFOLIO SUB TOTAL	**4,703**	**(125)**	**4,578**	**364**	**(985)**	**(621)**	**3,957**
	NET BUDGET	**121,833**	**(7,055)**	**114,779**	**12,656**	**(14,546)**	**(1,890)**	**112,889**

Sources of Funding

	Current 2016/17 Cash Limits	Removal of One-offs	2017/18 Base Budget	MTSRP Growth	MTSRP Savings	Total 2017/18 Budget Changes	2017/18 Proposed Budget
Council Tax	77,847		77,847			4,345	82,192
Revenue Support Grant*	14,423		14,423			(14,423)	
Retained Business Rates	22,509		22,509			8,770	31,279
Collection Fund Deficit (-) or Surplus (+) **	(385)	385				(1,379)	(1,379)
Balances **	7,440	(7,440)				797	797
Total	**121,833**	**(7,055)**	**114,779**			**(1,890)**	**112,889**

* 2017/18 Revenue Support Grant transferred into Retained Business Rates under the 100% Business Rate Pilot

** Business Rate Collection Fund Deficit forecast funded by transfer from the Business Rate Reserve.

Council Tax - Calculation

	Current 2016/17	2017/18 Proposed
Council Tax Debit £'000	77,847	82,192
Taxbase (No. of Band D equivalent properties)	62734.6	63996.16
Band D Charge £	£1,240.90	£1,284.33
%age Increase		**3.50%**

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

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

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

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

(b) The adequacy of the proposed financial reserves.

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

Report of the Chief Finance officer and Divisional Director – Business Support:

I have examined the budget proposals contained in this report, and believe that the spending, income and service delivery proposals are achievable in terms of the requirement to set a balanced budget for 2017/2018.

I am satisfied that, in general, the requisite management processes exist within the Council to deliver this budget, although it will be increasingly challenging to deal with any recurring financial pressures which may unexpectedly arise throughout the year.

The key points to highlight are:

- Un-earmarked reserves will be maintained at prudent levels and this Budget proposes to increase this position. This reserve will continue to be utilised for invest to save initiatives going forwards but at no point is the reserve planned to fall below the risk assessed minimum level.
- This Budget provides for a balanced Budget in 2017/2018 together with identifying actions within Directorate Plans to address a majority of the anticipated savings required through to 2019/2020. Further work will be required to fully meet these requirements.
- A robust financial planning process is in place, and there is member scrutiny at appropriate stages.
- Revenue spend is closely monitored on a risk assessed basis and financial management reports are produced on at least a quarterly basis.

- Delivery of the specific Budget proposals set out within Directorate Plans will be monitored regularly by the Strategic Management Team and the Cabinet.

- Provision for inflation and demographic changes continue to be challenging and will require the focus on commissioning and procurement to be maintained to help ensure they are fully delivered.

- The new and additional income targets assumed within the Budget proposals will increase the overall risk to the Budget should they not be fully achieved.

- Retained local business rates have been budgeted at prudent levels allowing for anticipated appeals and collection risks. No provision has been made for exceptional changes from, for example mandatory reliefs.

- Capital schemes are generally managed through an integrated project management, risk and financial management process.

- Estimated provisions have been made within the Budget proposal to recognise the functions and funding of the West of England Combined Authority.

As part of the financial management and monitoring processes of the Council it will continue to be necessary to give a high priority to the monitoring and review of the savings delivery plans within each service area.

The capital programme for 2017/2018 continues to be of an exceptional scale, further increased by high degree of slippage from 2016/2017. This will require sound monitoring, review and programming of schemes for projects to meet delivery and funding expectations. Where capital projects form part of partnership, are of particular significance or are of a specialist nature, they will need to ensure that appropriate governance and management processes are in place to recognise the relative risks associated with the projects.

In considering the appropriate level of unearmarked reserves, I have continued to evidence this with the use of an internal risk assessment. The Council is increasing its unearmarked reserves to the appropriate risk assessed level for 2017/2018. The Budget proposal contains no reliance on the use of unearmarked reserves although some of these reserves (above a minimum level) will continue to be utilised on an Invest to Save basis under the parameters set out in Appendix 2.

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

It will be essential in the event of any exceptional use of unearmarked reserves for the Council to continue to put in place arrangements in future years' budgets to recover the level of reserves to at least the minimum level within 3 years.

From 2001/2002, the Council adopted a risk management approach, which assesses the level of unearmarked reserves required against a corporate assessment of the risk being carried. The assessed risk suggests reserves of £13.5M for 2017/2018 with a minimum level of £7.5M, excluding earmarked reserves.

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

- Understand that this Budget proposal represents the second year of a challenging Spending Review period to 2019/2020 and that the Budget proposals identified in Directorate Plans will need to be delivered in full to achieve a balanced outturn budget position for 2017/2018.

- Recognise the need to continue to regularly review the level of reserves in the light of the regularly updated corporate risk assessment.

- Recognise that in any use of reserves to fund 'one-off' corporate priorities on an invest to save basis, the Council needs to be clear that the overall level of reserves remains adequate and that the relevant business cases for such expenditure are fully scrutinised and monitored appropriately.

- Recognise that where there is a draw down on risk assessed reserves taking them below the minimum level, for whatever reason, this is repaid within 3 years.

- Maintain a rigorous approach to financial monitoring, particularly at this time when a significant level of savings is expected to be delivered in the financial years ahead.

- Ensures that capital schemes are funded prudently and do not rely excessively on revenue funding and do not create unaffordable revenue consequences including maintenance and other running costs

- Maintain a prudent approach to budgeting for capital receipts, given due consideration to the prevailing market conditions and the need to optimise value over the medium term.

- The Cabinet Members, Strategic Directors and budget holders deliver their cash limits for 2016/2017 except where recurring financial pressures have been specifically recognised in the 2017/2018 Budget proposal.

Processes

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

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

- Specific guidance to Directorates on developing their budgets.
- A Council wide risk assessment.
- The continuing use of budget monitoring and financial outturn information to identify risks.
- The Council's s151 Officer and his staff providing advice throughout the process of budget preparation and budget monitoring.
- The Directors' review of the robustness of their budgets and budget sensitivities.
- Member scrutiny of the Directorate Plans.

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

Corporate and departmental processes will continue to develop over the future financial planning period to reflect the challenging financial position of the public sector. This will include the on-going development of risk assessed budget monitoring and enhancements to processes for monitoring implementation and delivery of savings.

Robustness of Estimates

The 2017/2018 Budget and the supporting Directorate Plans continue to link financial resources to corporate priorities and risks. The delivery of the savings and income targets in the 2017/2018 financial year will be increasingly challenging and have presented some complex and difficult choices for the Council:

- To realise ongoing efficiencies.

- To allocate appropriate financial resources to meet new obligations and increased demand.

- To reduce where necessary service levels and standards, frequency of service delivery, and eligibility for services.

- To ensure all resourcing decisions reflect statutory and other external requirements, as well as Council priorities.

- To manage risks and impacts appropriately.

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

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

- Significantly reducing Government Grant funding

- Changes to national taxation and employer costs

- Changing statutory service and operating requirements

- The on-going impact of welfare and benefits reforms

- Priorities as set out in the Corporate Plan

- Low levels of interest rates

- Demand and price pressures in Adult Social Care

- Demand and price pressures in Children's Social Care

- Realising and maximising capital receipts

- Need for capital investment in priority schemes

The assumptions used for the 2017/2018 Budget period will require the forecasts for future years to be reviewed in light of actual circumstances. This will be undertaken as part of the Budget development for subsequent years.

Given all these factors I, as the Council's Section 151 Officer, consider the estimates for 2017/2018 to be sufficiently robust, and the reserves adequate, to be recommended for approval by the Council.

The Capital Budget

All new projects included in the capital programme are all proposed for **Provisional Approval.** This reflects the relatively limited time available to consider detailed project plans. All new projects proposals were agreed by the relevant Strategic Director and Cabinet Member and have identified sources to achieve a fully funded position. Prior to consideration for **Full Approval**, the Divisional Directors and managers will prepare detailed project plans in line with financial regulations and guidance. These will be reviewed through the Divisional Directors Group prior to consideration for the appropriate approval.

Projects have been estimated and at outturn prices with further work required as part of detailed project planning. Many of the projects will be the subject to tender process after inclusion in the programme and this may lead to variance in the final cost.

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

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

- Ensure that all future commitments on the capital programme provide for a prudent source of funding in terms of revenue provision, including where investment will lead to future revenue savings or income generation.

- Carefully consider and balance the use of capital receipts to ensure they are prudently applied to help the council manage its resources effectively and achieve its priorities

- Review capital commitments in light of any future changes to Central Government support for capital projects where they are dependant on substantial Government funding.

- Be aware of the potential risks associated with capital spend before the scheme is completed i.e. the potential for costs charged to capital budgets to revert to revenue in the event schemes are discontinued prior to completion.

The West of England Local Enterprise Partnership (LEP)

The Council currently acts as the Accountable Body for the West of England LEP for a range of capital and revenue funding streams to support infrastructure, skills and economic development across the sub-region. This function is expected to transfer to the West of England Combined Authority during the course of 2017/2018.

In fulfilling this role, the Council acts as "agent" for the LEP with governance through a "one front door" process in accordance with the Assurance Framework.

The Capital Programme does not include any projects for the West of England unless they relate specifically to funding for capital schemes to be delivered directly by this Council following appropriate approval.

Estimated Available Revenue Reserves

Earmarked Revenue Reserves
The Council's earmarked revenue reserves have been reviewed as part of the 2017/2018 Budget proposal and are generally committed either directly or as a contingency provision as set out in Appendix 2. This position will be regularly reviewed.

Non-Earmarked Revenue Reserves

Detailed in the table below is the estimated level of non-earmarked revenue reserves over future years, reflecting the specific elements within the Budget proposal as set out in Appendix 2.

Table: Projected Non-Earmarked Revenue Reserves

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Estimated Reserves @ 1st April each year	**12,536***	**12,480**	**11,975**
2016/2017 Projected Outturn Underspending	-	-	-
Projected Invest to Save Movements	-56	-505	-595
Estimated Reserves @ 31st March each year	**12,480**	**11,975**	**11,380**

* Increased provision to reflect risk & robustness assessment (£3m increase)

Assessment of Adequacy of Reserves

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

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

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

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

- There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. Directors have been increasingly challenged to identify savings and opportunities to provide for a balanced Budget proposal. Whilst there should be clear action plans to deliver such savings, they are highly reliant upon the capacity of key individuals and teams to deliver.

- The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The Local Authority is able to claim assistance with the cost of dealing with certain emergencies over and above a threshold set by the Government.

- The extent to which the Council is dependent on traded, seasonal and demand related income.

- The changing nature of local government funding and the reliance upon differing funding streams which may be more linked to national and local economic factors.

- The risk of major litigation, both current and in the future.

- The risk of a significant and unplanned change to a major funding stream.

- Risks in the inter-relation between the Council and other partner authorities and organisations.

- The establishment of the West of England Combined Authority and related underwriting of risks.

- Unplanned volume increases in major demand led budgets, particularly in the context of high and accelerating growth.

- The need to retain a general contingency to provide for any unforeseen circumstances or emergencies, which may arise.

- The need to retain reserves for general day-today cash flow needs.

The recommendations of the Council's s151 Officer are:

- **That the Council continues to maintain an absolute minimum prudent level of unearmarked reserves (excluding schools) of £7.5m at the end of any financial year, in addition to any specific earmarked reserves. The minimum level is designed to cope with risk and unforeseen circumstances that cannot be addressed by management or policy action within the year. Management and policy action should be the first actions taken before any resort to reserves.**

- **That an appropriate level of unearmarked reserves to provide resilience against day to day risks is £13.5m. This level of reserves is designed to allow the Council to withstand a measure of changes in circumstances during the year or minor variations in projected resources or spending over the period of the medium term service and resource plans.**

- **That the Council should restore unearmarked reserves to at least their minimum level within a period of 3 years in the event they are used to meet any risks that crystallise.**

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Capital Programme - 2017/2018 - 2021/2022

APPENDIX 2 ANNEX 3

Project Title	PY Spend pre 2016/2017 £'000	Forecast Outturn 2016/2017 £'000	Actual / Projected Spend pre 2017/2018 £'000	Projected Re-phasing from 2016/2017 to 2017/2018 and Future Years £'000	Budget Required 2017/2018 £'000	Total Budget 2017/2018 £'000	Total Budget 2018/2019 £'000	Total Budget 2019/2020 £'000	Total Budget 2020/2021 £'000	Total Budget 2021/2022 £'000	Total Cost 5 Years £'000	Overall Project Total £'000	Total 5 Year Funding: Borrowing/ Capital Receipts £'000	Total 5 Year Funding: Grants/ External Funding £'000
PLACE														
Environmental Services														
Full Approval														
Highways Maintenance Programme*	12,273	5,409	17,683	0	3,938	3,938	0	0	0	0	3,938	21,621	0	3,938
Transport Improvement Programme*	2,976	2,789	5,765	0	2,249	2,249	0	0	0	0	2,249	8,014	0	2,249
Bus Lane Camera Replacement	0	0	0	0	300	300	0	0	0	0	300	300	300	0
Saltford Station - reopening feasibility work	0	0	0	250	0	250	0	0	0	0	250	250	250	0
Keysham Town Centre	0	133	133	67	0	67	0	0	0	0	67	200	67	0
Street Lighting - LED Replacement Programme	0	2,140	2,140	0	894	894	0	0	0	0	894	3,034	894	0
Passenger Transport Vehicles	0	180	180	260	100	360	0	0	0	0	360	540	360	0
Parking - Vehicle Replacement Programme	0	15	15	0	85	85	0	0	0	0	85	100	85	0
Waste Re-provision feasibility work	117	133	250	220	0	220	0	0	0	0	220	470	220	0
Waste Project - relocation of cleansing	0	200	200	342	0	342	0	0	0	0	342	542	342	0
Beechen Cliff Woodland & Other Open Spaces Improvements	331	108	439	0	40	40	50	0	0	0	90	529	90	0
Bath Leisure Centre Refurbishment	373	3,000	3,373	2,127	2,135	4,262	0	0	0	0	4,262	7,635	4,262	0
Leisure - Council Client / Contingency	37	200	237	1,113	650	1,763	0	0	0	0	1,763	2,000	1,763	0
Bath Recreation Ground Trust - Leisure	0	500	500	0	500	500	1,000	0	0	0	1,500	2,000	1,500	0
Subtotal Full	**16,107**	**14,808**	**30,914**	**4,379**	**10,891**	**15,270**	**1,050**	**0**	**0**	**0**	**16,320**	**47,234**	**10,133**	**6,187**
Provisional Approval														
Transport Improvement Programme**	0	0	0	0	0	0	1,163	1,163	1,163	1,163	4,652	4,652	0	4,652
Highway Structural Maintenance Block**	0	0	0	0	0	0	3,034	3,034	3,645	3,645	13,358	13,358	0	13,358
Highways - National Productivity Investment Fund (NPIF)*	0	0	0	0	788	788	0	0	0	0	788	788	0	788
Exisiting Park & Ride Traffic Control Equipment	0	0	0	0	0	0	30	0	0	0	30	30	30	0
London Road Modification	0	0	0	0	200	200	0	0	0	0	200	200	200	0
Dorchester Street, Traffic Review	0	0	0	0	100	100	0	0	0	0	100	100	100	0
Somerdale Bridge, Keynsham – Initial Options Study	0	0	0	0	70	70	0	0	0	0	70	70	0	70
A36 Lower Bristol Road Bus Lane	0	0	0	500	1,000	1,500	1,500	0	0	0	3,000	3,000	3,000	0
Park & Ride East of Bath - Site Dependent Costs	0	0	0	5,000	0	5,000	0	0	0	0	5,000	5,000	5,000	0
Park and Ride East of Bath-Main Works	0	300	300	3,800	0	3,800	0	0	0	0	3,800	4,100	3,800	0
Speed Enforcement Cameras	0	62	62	63	0	63	0	0	0	0	63	125	63	0
Great Western Main Line Improvements	0	0	0	1,500	0	1,500	0	0	0	0	1,500	1,500	1,200	300
Office for Low Emission Vehicles (OLEV) Bid	0	0	0	178	304	482	609	210	148	0	1,449	1,449	0	1,449
Parking enforcement Hand Held Computer Terminal replacement	0	0	0	0	0	0	0	0	0	80	80	80	80	0
Body Worn Video Cameras for Civil Enforcement Oficers	0	0	0	0	25	25	0	0	25	0	50	50	50	0
Passenger Transport Vehicles	0	0	0	0	0	0	485	405	305	0	1,195	1,195	1,195	0
Replacement Mopeds for Outer Area Parking Enforcement	0	0	0	0	0	0	0	0	35	0	35	35	35	0
Radio System Replacement	0	0	0	0	0	0	0	0	0	45	45	45	45	0
Kingsmead Square Improvements	0	0	0	0	10	10	100	0	0	0	110	110	110	0
Parking - Radio System Replacement	0	0	0	45	0	45	0	0	0	0	45	45	45	0
Parking - Pay & Display Replacement Programme	0	0	0	50	350	400	0	0	0	0	400	400	400	0
Parking - Enforcement Hand Held Computer Terminal Replacement	0	0	0	80	0	80	0	0	0	0	80	80	80	0
Transport Strategic Review Items	0	0	0	150	200	350	200	0	0	0	550	550	175	375
Litter Bin Replacement Programme	0	0	0	0	25	25	25	25	0	0	75	75	75	0
Waste Project	0	0	0	0	18,838	18,838	3,999	130	266	0	23,233	23,233	23,233	0
Environmental Neighbourhood Services Vehicle Replacement Programme	0	0	0	0	715	715	276	604	620	76	2,291	2,291	2,291	0
Allotments - More Plots for Bath	0	0	0	0	10	10	0	0	0	0	10	10	10	0
Parks Action Response Work	0	0	0	0	288	288	0	0	0	0	288	288	0	288
Parks Equipment	0	0	0	0	41	41	41	41	0	0	123	123	123	0

Project Title	PY Spend pre 2016/2017 £'000	Forecast Outturn 2016/2017 £'000	Actual / Projected Spend pre 2017/2018 £'000	Projected Re-phasing from 2016/2017 to 2017/2018 and Future Years £'000	Budget Required 2017/2018 £'000	Total Budget 2017/2018 £'000	Total Budget 2018/2019 £'000	Total Budget 2019/2020 £'000	Total Budget 2020/2021 £'000	Total Budget 2021/2022 £'000	Total Cost 5 Years £'000	Overall Project Total £'000	Borrowing/ Capital Receipts £'000	Grants/ External Funding £'000
Parks s106 Capital projects	0	0	0	0	289	289	204	187	38	0	718	718	0	718
Parks Play Equipment	0	0	0	0	278	278	229	253	0	0	760	760	760	0
Sydney Gardens: a 21st Century Pleasure Gardens	0	0	0	0	242	242	3,001	0	0	0	3,243	3,243	0	3,243
East of Bath - Skate Park	8	10	18	87	0	87	0	0	0	0	87	105	87	0
Air Quality Monitor Replacement	0	0	0	0	20	20	16	16	10	16	78	78	78	0
Leisure Bath - Car Park	0	0	0	0	200	200	0	0	0	0	200	200	0	200
Keynsham Leisure Centre Refurbishment	0	0	0	0	0	0	3,100	500	0	0	3,600	3,600	3,600	0
Leisure facility modernisation - Keynsham Sports Centre	0	0	0	0	1,000	1,000	5,416	0	0	0	6,416	6,416	6,416	0
Energy Efficiency Fund (was Biomass)	0	0	0	500	0	500	0	0	0	0	500	500	500	0
Subtotal Provisional	**8**	**372**	**380**	**11,953**	**24,993**	**36,946**	**23,428**	**6,568**	**6,255**	**5,025**	**78,222**	**78,602**	**52,781**	**25,441**
Sub Total - Environmental Services	**16,115**	**15,180**	**31,295**	**16,332**	**35,884**	**52,216**	**24,478**	**6,568**	**6,255**	**5,025**	**94,542**	**125,836**	**62,914**	**31,628**
Community Regeneration														
Full Approval														
Visitor & Till Management System	86	0	86	0	100	100	0	0	0	0	100	186	100	0
Roman Baths Archway Centre	0	73	73	0	3,659	3,659	1,585	0	0	0	5,244	5,317	1,000	4,244
Disabled Facilities Grant	1,957	1,002	2,959	0	1,100	1,100	0	0	0	0	1,100	4,059	0	1,100
BWR - Council Project Team	1,854	101	1,955	40	0	40	0	0	0	0	40	1,995	40	0
BWR - Affordable Housing	6,688	0	6,688	212	0	212	0	0	0	0	212	6,900	-265	477
BWR - Infrastructure	5,949	0	5,949	1,550	0	1,550	0	0	0	0	1,550	7,500	1,550	0
BWR - Relocation of Gas Holders	2,075	347	2,422	1,321	357	1,678	0	0	0	0	1,678	4,100	0	1,678
BWR - Green Park	3	25	28	122	0	122	0	0	0	0	122	150	122	0
Public Realm-Northumberland Place	119	0	119	10	0	10	0	0	0	0	10	129	10	0
Public Realm-Pattern Book	279	5	284	61	0	61	0	0	0	0	61	345	61	0
Public Realm-Team Costs	116	0	116	10	0	10	0	0	0	0	10	126	10	0
Public Realm - City Information Scheme	1,281	1	1,282	118	0	118	0	0	0	0	118	1,400	118	0
Enterprise Area - Flood Mitigation Phase 1	1,733	4,300	6,034	0	94	94	0	0	0	0	94	6,127	0	94
Bath Quays Bridge & Linking Infrastructure	0	1,170	1,170	0	1,892	1,892	0	0	0	0	1,892	3,062	0	1,892
Bath Quays Delivery	0	3,547	3,547	0	3,808	3,808	1,565	0	0	0	5,373	8,920	5,373	0
River Corridor & RoSPA safety works	519	238	757	122	0	122	0	0	0	0	122	879	122	0
Saw Close Development Works	61	234	295	39	1,566	1,605	250	0	0	0	1,855	2,150	610	1,245
Somer Valley Business Centres	27	36	63	63	0	63	0	0	0	0	63	125	63	0
Radstock and Westfield Implementation Plan	8	16	24	76	0	76	0	0	0	0	76	100	76	0
South Road Car Park	0	8	8	147	0	147	0	0	0	0	147	155	147	0
Manvers Street	0	0	0	57	0	57	0	0	0	0	57	57	57	0
Subtotal Full	**22,756**	**11,103**	**33,859**	**3,948**	**12,576**	**16,523**	**3,400**	**0**	**0**	**0**	**19,923**	**53,783**	**9,194**	**10,730**
Provisional Approval														
Roman Baths & Pump Room energy reclamation	0	0	0	0	250	250	0	0	0	0	250	250	250	0
Roman Baths & Pump Room electrical distribution	0	0	0	0	45	45	0	0	0	0	45	45	45	0
Roman Baths & Pump Room – Infrastructure development	0	0	0	0	0	0	0	0	100	100	200	200	200	0
Heritage Infrastructure Development 17/18 onwards	0	0	0	0	200	200	100	200	0	0	500	500	500	0
Disabled Facilities Grant Funding	0	0	0	0	0	0	1,100	1,100	1,100	1,100	4,400	4,400	0	4,400
Affordable Housing	0	730	730	0	1,058	1,058	590	590	635	635	3,508	4,238	3,055	453
Archway Centre Public Realm	0	0	0	0	226	226	0	0	0	0	226	226	226	0
Midsomer Norton Town Hall Transformation Project	0	0	0	0	110	110	2,570	0	0	0	2,680	2,680	1,558	1,122
Keynsham High Street: Permanent Scheme	0	0	0	0	120	120	2,400	0	0	0	2,520	2,520	120	2,400
River Avon Park	0	0	0	0	100	100	250	182	0	0	532	532	0	532
Cattlemarket	0	0	0	0	150	150	0	0	0	0	150	150	150	0
New Enterprise Zone – Infrastructure Plan	0	0	0	0	110	110	110	0	0	0	220	220	100	120
Pioneer Office Space – LGF Funded	0	0	0	0	10,000	10,000	0	0	0	0	10,000	10,000	0	10,000
Public Realm Improvements Programme	0	0	0	113	0	113	0	0	0	0	113	113	113	0

Project Title	PY Spend pre 2016/2017	Forecast Outturn 2016/2017	Actual / Projected Spend pre 2017/2018	Projected Re-phasing from 2016/2017 to 2017/2018 and Future Years	Budget Required 2017/2018	Total Budget 2017/2018	Total Budget 2018/2019	Total Budget 2019/2020	Total Budget 2020/2021	Total Budget 2021/2022	Total Cost 5 Years	Overall Project Total	Borrowing/ Capital Receipts	Grants/ External Funding
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Innovation Quay - Economic Development Funding Enabling Infrastructure	0	599	599	13,001	0	9,012	2,807	11,513	5,768	6,295	35,395	35,994	35,395	0
Somer Valley Business Centres	0	0	0	1,200	0	1,200	0	0	0	0	1,200	1,200	750	450
Sawclose Pedestrian Highway Space	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Radstock Pedestrian Bridge	0	0	0	174	0	174	0	0	0	0	174	174	0	174
River Corridor Fund	0	0	0	70	0	70	0	0	0	0	70	70	70	0
Wayfinding and Public Realm Improvements	0	0	0	100	0	100	0	0	0	0	100	100	100	0
Digital B&NES	0	0	0	1,250	0	1,250	0	0	0	0	1,250	1,250	1,250	0
Bath Quays Delivery	0	0	0	0	7,445	7,445	2,100	0	5,250	6,285	21,080	21,080	21,080	0
Subtotal Provisional	**0**	**1,329**	**1,329**	**15,908**	**19,814**	**31,733**	**12,027**	**13,585**	**12,853**	**14,415**	**84,613**	**85,942**	**64,962**	**19,651**
Sub Total - Community Regeneration	**22,756**	**12,432**	**35,188**	**19,856**	**32,390**	**48,256**	**15,427**	**13,585**	**12,853**	**14,415**	**104,536**	**139,725**	**74,156**	**30,381**
TOTAL PLACE	**38,871**	**27,612**	**66,483**	**36,188**	**68,273**	**100,472**	**39,905**	**20,153**	**19,108**	**19,440**	**199,078**	**265,561**	**137,070**	**62,008**
PEOPLE & COMMUNITIES														
Adult Care														
Provisional Approval														
PSS Grant Unallocated	0	0	0	798	0	798	0	0	0	0	798	798	0	798
Subtotal Provisional	**0**	**0**	**0**	**798**	**0**	**798**	**0**	**0**	**0**	**0**	**798**	**798**	**0**	**798**
Sub Total - Adult Care	**0**	**0**	**0**	**798**	**0**	**798**	**0**	**0**	**0**	**0**	**798**	**798**	**0**	**798**
Children and Young People - Schools														
Full Approval														
Schools Capital Maintenance Programme	2,525	1,325	3,851	0	500	500	0	0	0	0	500	4,351	0	500
Schools Devolved Capital	679	1,435	2,114	0	328	328	0	0	0	0	328	2,442	0	328
Basic Needs Feasibility / Option Appraisal	3	6	9	0	250	250	0	0	0	0	250	259	0	250
Ensleigh - New Primary School	187	2,500	2,687	64	1,016	1,080	258	0	0	0	1,338	4,025	0	1,338
St Mary's Writhlington Replace Classroom Block	99	197	297	158	360	518	0	0	0	0	518	815	0	518
Saltford Primary - Basic Need	211	850	1,061	361	605	966	0	0	0	0	966	2,027	0	966
St Michaels Junior School Replace temporary building	0	250	250	35	0	35	0	0	0	0	35	285	0	35
School Energy Invest to Save Fund	60	-0	60	230	0	230	0	0	0	0	230	290	230	0
Castle Primary School - Basic Need	539	642	1,181	58	0	58	0	0	0	0	58	1,239	0	58
Paulton Junior School - Basic Need	110	1,506	1,615	131	65	196	0	0	0	0	196	1,811	0	196
Bishop Sutton Primary School - Basic Need	1,264	675	1,939	45	0	45	0	0	0	0	45	1,984	0	45
Subtotal Full	**5,677**	**9,387**	**15,064**	**1,082**	**3,124**	**4,206**	**258**	**0**	**0**	**0**	**4,464**	**19,528**	**230**	**4,234**
Provisional Approval														
Castle Primary expansion (Phase 4)	0	0	0	0	2,556	2,556	0	0	0	0	2,556	2,556	0	2,556
Bathwick St Mary Primary expansion	0	0	0	0	3,000	3,000	0	0	0	0	3,000	3,000	0	3,000
Whitchurch Primary expansion	0	0	0	0	1,308	1,308	0	0	0	0	1,308	1,308	0	1,308
St Nicholas' Primary expansion	0	0	0	0	1,500	1,500	1,000	0	0	0	2,500	2,500	0	2,500
Bathampton Primary, replacement of temporary accommodation	0	0	0	0	750	750	0	0	0	0	750	750	0	750
Midsomer Norton area bulge class	0	0	0	0	300	300	0	0	0	0	300	300	0	300
St Saviour's Junior bulge class	0	0	0	0	165	165	0	0	0	0	165	165	0	165
Swainswick Primary School	0	0	0	0	750	750	0	0	0	0	750	750	0	750
Schools Basic Need Grant 18/19	0	0	0	0	0	0	5,758	0	0	0	5,758	5,758	0	5,758
Children's Education Management System	0	750	750	0	70	70	0	0	0	0	70	820	70	0
Schools Capital Maintenance Grant 17/18	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Clutton Primary – reinstate classroom space	0	0	0	0	0	0	100	0	0	0	100	100	0	100
Special Education Needs & Disability (SEND) Education Provision Loan	0	0	0	0	500	500	0	0	0	0	500	500	500	0
Schools Basic Need Grant Unallocated	0	0	0	1,383	0	1,383	0	0	0	0	1,383	1,383	90	1,293

Project Title	PY Spend pre 2016/2017 £'000	Forecast Outturn 2016/2017 £'000	Actual / Projected Spend pre 2017/2018 £'000	Projected Re-phasing from 2016/2017 to 2017/2018 and Future Years £'000	Budget Required 2017/2018 £'000	Total Budget 2017/2018 £'000	Total Budget 2018/2019 £'000	Total Budget 2019/2020 £'000	Total Budget 2020/2021 £'000	Total Budget 2021/2022 £'000	Total Cost 5 Years £'000	Overall Project Total £'000	Borrowing/ Capital Receipts £'000	Grants/ External Funding £'000
Schools Capital Maintenance Grant Unallocated	0	0	0	998	0	998	0	0	0	0	998	998	0	998
Schools Basic Need Grant	0	0	0	2,605	0	2,605	0	0	0	0	2,605	2,605	0	2,605
Schools Capital Maintenance Grant	0	0	0	111	0	111	0	0	0	0	111	111	0	111
Subtotal Provisional	**0**	**750**	**750**	**5,097**	**10,899**	**15,996**	**6,858**	**0**	**0**	**0**	**22,854**	**23,604**	**660**	**22,194**
Sub Total - Children and Young People - Schools	**5,677**	**10,137**	**15,814**	**6,179**	**14,023**	**20,202**	**7,116**	**0**	**0**	**0**	**27,318**	**43,133**	**890**	**26,428**
TOTAL PEOPLE & COMMUNITIES	**5,677**	**10,137**	**15,815**	**6,977**	**14,023**	**21,000**	**7,116**	**0**	**0**	**0**	**28,116**	**43,931**	**890**	**27,226**
RESOURCES SERVICES														
Property & Project Delivery														
Full Approval														
Corporate Estate Planned Maintenance	2,041	2,005	4,045	0	1,357	1,357	0	0	0	0	1,357	5,402	1,357	0
Equality Act Works	907	465	1,372	50	100	150	0	0	0	0	150	1,522	150	0
Workplaces Programme Delivery	5,478	1,333	6,812	160	0	160	0	0	0	0	160	6,972	160	0
Keynsham Regeneration & New Build	31,338	2,138	33,477	30	1	31	0	0	0	0	31	33,508	31	0
Disposals Programme (Minor)	104	40	144	127	0	127	0	0	0	0	127	271	127	0
Commercial Estate Investment Fund	0	50	50	300	0	300	0	0	0	0	300	350	300	0
Grand Parade & Undercroft	466	50	516	4,774	0	4,774	0	0	0	0	4,774	5,290	4,774	0
Roseberry Place	18	20	37	28	0	28	0	0	0	0	28	65	28	0
7 - 9 Lower Borough Walls	80	20	100	19	0	19	0	0	0	0	19	119	19	0
Saw Close Development	91	17	108	40	0	40	0	0	0	0	40	148	40	0
Property Company Investment	0	2,633	2,633	2,260	10,240	12,500	2,500	2,367	0	0	17,367	20,000	17,367	0
Subtotal Full	**40,523**	**8,771**	**49,294**	**7,788**	**11,698**	**19,486**	**2,500**	**2,367**	**0**	**0**	**24,353**	**73,647**	**24,353**	**0**
Provisional Approval														
Commercial Estate Investment	0	3,138	3,138	0	29,100	29,100	24,500	0	0	0	53,600	56,738	53,600	0
Cleveland Pools Trust	0	0	0	0	200	200	0	0	0	0	200	200	200	0
City Centre Protection Measures	0	0	0	0	200	200	0	0	0	0	200	200	200	0
Corporate Estate – Remediation Works	0	0	0	0	250	250	0	0	0	0	250	250	250	0
Corporate Estate Planned Maintenance	0	0	0	0	0	0	1,357	1,357	0	0	2,714	2,714	2,714	0
Equality Act Works	0	0	0	0	0	0	100	100	0	0	200	200	200	0
Print Services - Equipment Investment	0	0	0	300	0	300	0	0	0	0	300	300	300	0
Disposals Programme (Minor)	0	100	100	0	100	100	100	100	0	0	300	400	300	0
Subtotal Provisional	**0**	**3,238**	**3,238**	**300**	**29,850**	**30,150**	**26,057**	**1,557**	**0**	**0**	**57,764**	**61,002**	**57,764**	**0**
Sub Total - Property	**40,523**	**12,009**	**52,532**	**8,088**	**41,548**	**49,636**	**28,557**	**3,924**	**0**	**0**	**82,117**	**134,649**	**82,117**	**0**
Strategy & Performance														
Full Approval														
LAA Performance Reward Grant	247	75	322	87	0	87	0	0	0	0	87	408	0	87
Subtotal Full	**247**	**75**	**322**	**87**	**0**	**87**	**0**	**0**	**0**	**0**	**87**	**408**	**0**	**87**
Provisional Approval														
Bath Area Forum – CIL funded Schemes	0	0	0	0	140	140	0	0	0	0	140	140	0	140
Energy Services Investment	0	0	0	750	750	1,500	750	750	0	0	3,000	3,000	3,000	0
Subtotal Provisional	**0**	**0**	**0**	**750**	**890**	**1,640**	**750**	**750**	**0**	**0**	**3,140**	**3,140**	**3,000**	**140**
Sub Total - Strategy & Performance	**247**	**75**	**322**	**837**	**890**	**1,727**	**750**	**750**	**0**	**0**	**3,227**	**3,548**	**3,000**	**227**

Project Title	PY Spend pre 2016/2017 £'000	Forecast Outturn 2016/2017 £'000	Actual / Projected Spend pre 2017/2018 £'000	Projected Re-phasing from 2016/2017 to 2017/2018 and Future Years £'000	Budget Required 2017/2018 £'000	Total Budget 2017/2018 £'000	Total Budget 2018/2019 £'000	Total Budget 2019/2020 £'000	Total Budget 2020/2021 £'000	Total Budget 2021/2022 £'000	Total Cost 5 Years £'000	Overall Project Total £'000	Borrowing/ Capital Receipts £'000	Grants/ External Funding £'000
Business Support														
Full Approval														
Desktop As a Service - VDI Technology	780	100	879	103	90	193	135	0	0	0	328	1,207	328	0
Customer Services System	860	0	860	215	0	215	0	0	0	0	215	1,075	215	0
Agresso System Development & 5.6 Upgrade	0	40	40	45	58	103	0	0	0	0	103	143	103	0
Subtotal Full	**1,640**	**140**	**1,779**	**363**	**148**	**511**	**135**	**0**	**0**	**0**	**646**	**2,425**	**646**	**0**
Provisional Approval														
Digital Programme	0	0	0	0	1,850	1,850	2,020	1,130	0	0	5,000	5,000	5,000	0
IT Asset Refresh Programme	0	0	0	0	271	271	611	315	181	134	1,512	1,512	1,512	0
Income systems upgrade & associated works	0	0	0	0	45	45	0	0	0	0	45	45	45	0
Communications Hub	0	80	80	76	20	96	0	0	0	0	96	176	96	0
Civica Income Management System Developments	0	0	0	60	0	60	0	0	0	0	60	60	60	0
Subtotal Provisional	**0**	**80**	**80**	**136**	**2,186**	**2,322**	**2,631**	**1,445**	**181**	**134**	**6,713**	**6,793**	**6,713**	**0**
Sub Total - Business Support	**1,640**	**220**	**1,859**	**499**	**2,334**	**2,833**	**2,766**	**1,445**	**181**	**134**	**7,359**	**9,218**	**7,359**	**0**
Customer Services														
Provisional Approval														
Modern Libraries & Workplaces	0	0	0	0	5,953	5,953	0	0	0	0	5,953	5,953	5,595	358
Radstock Healthy Living Centre	0	0	0	0	1,046	1,046	0	0	0	0	1,046	1,046	760	286
Revenues & Benefits System: end of life replacement	0	0	0	0	0	0	750	0	0	0	750	750	750	0
Subtotal Provisional	**0**	**0**	**0**	**0**	**6,999**	**6,999**	**750**	**0**	**0**	**0**	**7,749**	**7,749**	**7,105**	**644**
Sub Total - Customer Services	**0**	**0**	**0**	**0**	**6,999**	**6,999**	**750**	**0**	**0**	**0**	**7,749**	**7,749**	**7,105**	**644**
TOTAL - RESOURCES	**42,409**	**12,304**	**54,713**	**9,423**	**51,771**	**61,195**	**32,823**	**6,119**	**181**	**134**	**100,452**	**155,165**	**99,581**	**871**
Corporate Capital Contingency	0	2,000	2,000	0	0	0	0	0	0	0	0	2,000	0	0
GRAND TOTAL	**86,957**	**50,054**	**137,010**	**52,588**	**134,068**	**182,667**	**79,844**	**26,272**	**19,289**	**19,574**	**327,646**	**464,657**	**237,541**	**90,105**

* Subject to confirmation of Mayoral Budget Allocation expected March 2017

** Subject to future Mayoral Budget Allocations and agreement of Key Road Networks

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Highways Maintance Capital Planned Maintenance Programme 2017/2018

Programme	Project	Value
Street Lighting Programme	Sham Castle Lane, Bathwick	£13,800
	St Christophers Close, Bathwick	£4,600
	Minster Way, Bathwick	£19,550
	Bailbrook Lane, Lower Swainswick	£10,350
	Abingdon Gardens, Odd Down	£8,050
	Banwell Road, Odd Down	£11,500
	Monksdale Road, Oldfield	£6,900
	Arundel Road, Walcot	£4,600
	Clarence Street, Walcot	£4,600
	Pera Place, Walcot	£5,750
	Lynfield Park, Weston	£7,000
	Eastfield Avenue, Weston	£40,000
	Down Lane, Bathampton	£12,650
	Miller Walk, Bathampton	£3,450
	Holcombe Vale, Bathampton	£11,500
	Courtenay Road, Keynsham	£20,000
	Banwell Close, Keynsham	£6,250
	Charlton Lane, Midsomer Norton	£11,500
	Valley Walk, Midsomer Norton	£4,600
	Nightingale Way, Midsomer Norton	£8,050
	Haydon Hill/Haydon Gate, Radstock	£11,300
	Waterside Way, Westfield	£20,000
	Waterford Park/Maple Drive, Westfield	£50,000
	Birch Road, Westfield	£4,000
	Sub Total	**£300,000**
Highway Structures Programme	Cleveland Bridge, Walcot - Design	£50,000
	Camden Crescent, Bath - Arch Repairs Phase 1 Construction	£375,000
	Vineyards/Lansdown Road Retaining Wall & Railing Repairs - Construction	£125,000
	Structures Inspection Remedial Works Programme	£75,000
	Structures Assessment Programme	£75,000
	Sub Total	**£700,000**
Highway Drainage Programme	A37 Pensford Bridge - Highway Drainage Improvements	£10,000
	A368 Bishop Sutton - Various Highway Drainage Improvements	£50,000
	Pitway Lane, Farrington Gurney - Surface Water Drainage Improvements	£20,000
	Old Mills Lane, Farrington Gurney - Surface Water Drainage Improvemen	£30,000
	Millenium Hall, West Harptree - Highway Drainage Improvements	£15,000
	Montrose Cottages, Lower Weston - Drainage Improvement Works	£25,000
	Sub Total	**£150,000**
Carriageway Resurfacing & Major Re-Construction	A4 Keynsham Bypass Phase 1 (Westbound), Keynsham	£500,000
	A37 Bristol Road, Pensford	£250,000
	A4 London Road & Cleveland Place Junction, Walcot	£250,000
	Weston Lane & Marlborough Buildings Junction, Kingsmead/Lansdown	£75,000
	Kelston View Trial Scheme, Whiteway	£125,000
	Wellow Lane, Wellow (In-situ Recycling Scheme)	£250,000
	Sub Total	**£1,450,000**
Carriageway Surface Dressing	A39 Wells Road, Corston	£106,498
	C492 Pennyquick, Newton St. Loe	£35,389
	A368 Wick Road, Bishop Sutton	£2,987
	A37 Bristol Road, Farrington Gurney	£58,328
	A362 Main Street, Farrington Gurney	£36,917
	Paulton Road & Farrington Road, Farrington Gurney	£45,639
	B3114 Bristol Road, West Harptree	£39,242
	Sub Total	**£325,000**
Carriageway Micro Asphalt Surfacing	Alpine Close, Paulton	£4,945
	Alpine Road, Paulton	£6,107
	Cadbury Road, Keynsham	£13,649

Highways Maintance Capital Planned Maintenance Programme 2017/2018

Programme	Project	Value
	Castle Gardens, Bloomfield	£15,066
	Courtenay Road, Keynsham	£29,976
	Dragons Hill Gardens / Court, Keynsham	£14,259
	Dymboro Avenue, Midsomer Norton	£3,997
	Dymboro Close, Midsomer Norton	£7,657
	Dymboro Gardens, Midsomer Norton	£3,066
	Hatfield Road, Bloomfield	£9,025
	Hinton Close, Saltford	£9,305
	Homefield Road, Saltford	£10,525
	Iford Close, Saltford	£6,915
	Justice Avenue, Saltford	£6,313
	Kelston View, Whiteway	£30,232
	Maesbury Road, Keynsham	£10,542
	Morgan Close, Saltford	£4,789
	Park Road, Paulton	£23,622
	Pulteney Avenue, Widcombe	£2,951
	Pulteney Gardens, Widcome	£15,709
	Pulteney Grove, Widcombe	£4,698
	Purlewent Drive, Weston	£6,091
	Rosslyn Road, Newbridge	£21,685
	Silbury Rise, Keynsham	£10,706
	St Lukes Road, Bloomfield	£6,486
	West Hill Road, Westfield	£24,471
	Windrush Road, Keynsham	£22,213
	Sub Total	**£325,000**
Footway Programme	Paving Programme	£100,000
	Asphalt Concrete Programme	£75,000
	Slurry Sealing Programme	£75,000
	Sub Total	**£250,000**
Other Programmes	Planned Patching Programme & Pothole Action Fund	£388,000
	Planned Road Marking Improvement Programme	£50,000
	Sub Total	**£438,000**
	OVERALL 2017/18 TOTAL	**£3,938,000**

Transport Improvement Programme 2017/2018

Programme	Project	Value	Value
Local Safety Schemes	Anti-Skid Surfacing	10	£10,000
	Accident investigation and prevention (AIP) & scheme design	20	£20,000
	Ensleigh Zebra crossing S106 Funded	32	£31,983
	A4 Route Review works	100	£100,000
	A367 Route Review	20	£20,000
	Minor Safety Schemes	20	£20,000
	Bathwick Street Crossing Detailed Design + delivery	70	£70,000
	The Hill Freshford Footway construction/TRO	30	£30,000
	Marksbury Safety Improvements	25	£25,000
	Braysdown Lane Crown	20	£20,000
	Bathampton Road Safety Improvements - Phase 1 works and feasibility study	40	£40,000
	Sub Total	**387**	**£386,983**
Public Transport	Improvements to bus stops	35	£35,000
	Sub Total	**35**	**£35,000**
Managing Congestion	Two Headed Man - Capital contribution	155	£154,736
	Getting About Bath Modelling and Pedestrian Improvements	100	£100,000
	Parking Schemes TRO	45	£45,000
	Keynsham Strategy	50	£50,000
	Marlborough Buildings	70	£70,000
	A368/A39 Marksbury Junction assessment	20	£20,000
	Sub Total	**440**	**£439,736**
Safer Routes to Schools	Strategic Review Safe Routes to school	75	£75,000
	Lower Oldfield Park Zebra crossing	40	£40,000
Cycle Schemes	**Sub Total**	**115**	**£115,000**
	Cycle parking	5	£5,000
	Cycle Network ContributionKeynsham cycling S106	51	£50,761
	Sydney Gardens Cycle link from Great Pultney Street to K&A towpath	5	£5,000
	Sub Total	**61**	**£60,761**
Pedestrian Schemes	Aids to mobility	20	£20,000
	Public Rights of Way	70	£70,000
	Castle School footpath s106 contribution	42	£42,207
	Parkhouse lane/ St Clements close link S106	26	£26,378
	Midford Road Central refuge island	15	£15,000
	Knobsbury Lane, Writhlington Footway Improvements	20	£20,000
	Englishcombe Lane, Sooouthdown - Zebra crossing feasibility study & costing	5	£5,000
	Radstock Road M-S-N Zebra/Pufin crossing feasibility study	5	£5,000
	Prior Park Road - Rossiter Road washup.	15	£15,000
	Sub Total	**219**	**£218,585**
Traffic Management Schemes	Greenway Lane Traffic calming S106	36	£35,789
	Paulton Feasibility Salisbury Road crossing 106 funded	61	£61,475
	Frome Road/Knobsbury Lane speed limit/VAS/Speed camera S106	50	£50,000
	Mulberry Park - Feasibility design of ped crossings and cycle lane S106	20	£20,000
	Temple Cloud -Temple Inn Lane Speed restraint + signing rationalisation S106	10	£10,000
	Brougham Hays junction improvements Design S106	20	£20,000
	Wick Road, Bishop Sutton pedestrian improvements S106	15	£15,195
	Width/Weight limit TRO'S	25	£25,000
	Speed Limit TRO's	25	£25,000
	Batheaston fiveways junction improvement feasibility study	5	£5,000
	Sub Total	**267**	**£267,459**
Miscellaneous	JLTP Monitoring,Equipment and NHT survey	35	£35,000
	Programme Management	50	£50,000
	Sub Total	**85**	**£85,000**
Local Growth Fund Schemes	Two Headed Man	350	£350,000
	Employer Grants	30	£30,000
	School college cycle grants	25	£25,000
	Cycle link Mop up	20	£20,000
	Strategic Review Safe Routes to school	75	£75,000
	Better Bus Area Fund Schemes	70	£70,000
	Sub Total	**570**	**£570,000**
CIL	A37 Woollard Lane	70	£70,000
	Sub Total	**70**	**£70,000**
	OVERALL 2017/18 TOTAL	**2,249**	**£2,248,524**

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Corporate Estate Planned Maintenance Programme 2017/2018

Business Unit	Project	Value
Hampton Row frmr Cleveland Swimming Baths	Re-building section of stonework to western boundary wall with Fir Tree Cottage(sections A & B).	£40,000
Batheaston Gardens	Southern boundary stonework wall works. Lowering of stone pillars to central circular feature to reduce health and safety risk.	£21,000
St John's Church, Keynsham, Land at rear of (aka The Paddock)	Demolition of derelict building to corner of paddock.	£8,000
Southside Youth Centre	New surface to the basketball court.	£34,000
Welton Transfer Station	Block 006 Process Building Reception Hall, concrete floor surface wearing away due to the building being put back into full time operation. The use of grab loading machine has resulted in health and safety risk of accelerated surface wear to concrete floor and exposure of reinforcing bars. New floor required	£87,000
Lansdown Playing Fields (South)	New central paving slab area and paths.	£17,500
Royal Victoria Park Offices & Nurseries	Replace heavily damaged perspex panels to potting shed roof with 75mm profile pvc corrugated roof sheets.	£5,200
Royal Victoria Park - Offices & Nurseries	Emergency lighting required - commission inspection and	£5,500
Haycombe Crematorium	Fire Risk Assessment works.	£25,500
Peasedown St John Youth Club	Fire alarm works and new surfacing to the basket ball court surface.	£38,500
Lansdown Cemetery Closed Burial Ground	Re-bulding stonework wall facing road.	£20,000
Firs Field Play Area	Re-building stonework wall adjacent Children's Play Area.	£10,000
Millards Hill / White City PF Welton	Propane gas tank protection works	£14,000
Guildhall	Fire Risk Assessment works.	£34,800
12 Charlotte Street	Fire Risk Assessment works.	£17,500
Lewis House	New UPS batteries	£9,000
Lansdown Playing Field South	New fence	£6,500
Guildhall	New bin store	£3,500
Various properties across all council portfolios	Planet Cube system IT system	£50,000
Various properties across all council portfolios	Tree surveys and subsequent works	£35,000
Various properties across all council portfolios	Safety glazing survey and subsequent works	£55,000
Various properties across all council portfolios	Asbestos Management Surveys and subsequent works	£90,000
Various properties across all council portfolios	Legionella Risk Assessments and subsequent works	£97,000
Various properties across all council portfolios	Radon - Initial testing surveys and subsequent works	£50,000
Various properties across all council portfolios	Remedial works following 5 year electrical testing previous financial years	£175,000
Various properties across all council portfolios	Remedial works from 5 year electrical tests to be undertaken in 2016 & 2017	£175,000
Various properties across all council portfolios	Emergency Lighting remedial works following testing	£46,500
	MTCQS & Prelims	£86,000
	Contingency	£100,000
Total		**£1,357,000**

Equalities Act Works 2017/2018

Business Unit Name	Defect / works required	Value
Allotments	Disabled access provisions	£18,500
Bloomfield Road Play Area	New surface and handrail required from the gate on main road down to the flat area of the park.	£15,000
Guildhall	Fire Alarm - provide 11 No. sounder beacons in toilet areas.	£2,000
Guildhall	Line marking	£1,500
Excelsior Terrace M.S.N. Car park	new surface and line marking - Equalities compliant	£48,000
	Contingency	£15,000
Total		**£100,000**

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Council MRP Policy – (Revised 2016/17 Policy & 2017/18 Policy)

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 1st April 2008 MRP will be determined as the principal repayment on a 50 year annuity with an annual interest rate equal to 2% which will fully finance this element of the CFR within 50 years, incorporating an "Adjustment A" of £38.8m. This is a change from original 2016/17 MRP Policy where the CFR was being financed on a 4% reducing balance methodology and whilst the change will generate savings it is also considered to be more prudent as it finances the CFR over a shorter period.

- For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

- For assets acquired by finance leases or the Private Finance Initiative [and for the transferred debt from Avon County Council], MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

Capital expenditure incurred during each financial year will not be subject to a MRP charge until the following financial year or until the year after the asset becomes operational.

Appendix 3 - 2017/18 - 2019/20 Savings Details

PLACE

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Efficiency Savings									
Commissioning of Destination Management (including Visitor Economy, markets, pop ups and events)	Supporting Bath Tourism Plus to become self sustaining	100	150	350	**600**	M/H	0	Work with Bath Tourism Plus on their property solutions.	Improved coordination of visitor economy activities for resident and visitors.
Street Lighting LED replacement	A replacement programme of existing lights with more efficient ones	28	5	0	**33**	L	0	Conversion of units to efficient LEDs & introduction of dimming technology.	Energy savings through more efficient lighting and more reliable lanterns. Achieved as an invest to save project
Investigate expansion of HMO licensing scheme &/or selective licensing	The Government has announced its intention to widen the criteria for properties to be included within the mandatory HMO licensing scheme. An element of this additional income will be used to purchase inspection and administrative support from existing staff resources in order to process the additional licences.	36	0	0	**36**	M	0	None	None
Depot Review	Rationalise depots to reduce costs and enable capital improvements to remaining sites.	62.5	37.5	0	**100**	L/M	Changes to working locations	Reduction in number of sites and improvement of remaining assets.	None
Service review within Development Management	Staff Restructure	21.4	7.1	0	**28.5**	L	0.6	None	None
Combine support functions - transport & licensing hub	Combine support functions - transport & licensing hub	20	0	0	**20**	M	0.5	None	Increased efficiency for the customer, but less capacity in highways to handle customer enquiries
Sub Total - Efficiency Savings		**268**	**200**	**350**	**818**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Income Generating Opportunities									
Film Office Option	Increase in income generated from management of filming in BaNES and sales of stock video / drone footage to film makers.	20	20	20	**60**	L	0	None	Expanding the service offer to other partners in order to generate greater income, will improve further the overall perception of the service.
Heritage Services business plan	Continued progression of business plan in line with recent performance.	390	300	250	**940**	M	0	None	To be managed through Heritage business plan.
Increase Homesearch Marketing Fees	Increase the recharges for this service.	7.5	7.5	7.5	**22.5**	M	0	None	None
Increase income from weddings in parks	Continue to build upon and maximise this existing income stream by improving exposure & marketing opportunities.	50	0	0	**50**	M	Additional 0.5 FTE	Use of Parks sites for Weddings	Site improvements may be required to maximise the potential return and these will be considered through individual business cases.
Spring Water	Income through the supply of spring water to third parties.	20	0	0	**20**	L	0	None	Existing expertise in this area will be maximised to achieve a greater income

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
BaNES Enterprise Agency / SME Workspace Management	Development of a series of managed workshops in Bath(Quays) and Somer Valley (existing Wansdyke Business Centre) and a potential new facility managed by Basepoint who have expertise to generate an income.	0	50	0	**50**	L	0	None	Enhanced provision of managed workspace across B&NES
Income stream from Bath Casino	Receive an income stream through licensing agreement.	0	0	85	**85**	L	0	None	None
Transport & Parking Services review	A Parking Strategy Review will outline different parking charge options. This review will be concluded this financial year	335	227.5	0	**562.5**	H	0	None	A parking Review will ensure that spaces are optimised to support the local economy, it will also identify the appropriate location for cashless machines which will result in an efficiency saving.
Bereavement Service increase charges 12% Increase	Increase charges by 12%	60	60	0	**120**	L	0	None	None directly attributed. An offering for cheaper funerals will be developed for consideration .
Increase cost of Garden waste Collection	Increasing the charge for the collection of Garden Waste from £42 to £44	36	0	0	**36**	L	0	None	None
Increase Arboriculture Income	Increasing external tree inspection services to other organisations.	10	0	0	**10**	L	0	None	None
Increase Horticultural Income	Full cost recovery for the provision of floral arrangements and hanging baskets	20	0	0	**20**	L	0	None	None
Neighbourhood Planning applications from Parish Councils	Enabling further grant over 2 years by implementing with Parishes higher number of Neighbourhood Planning applications.	50	0	-50	**0**	L	0	None	Increased quality and support to Neighbourhood Plans would further enhance the relationships with communities and parishes.
Development Management additional income streams	Increasing charges for householder enquiries and charging for reviewing Neighbourhood Plans produced by Town and Parish Councils	5	0	0	**5**	L	0	None	Slightly enhanced service delivery through offering of new service of checking neighbourhood plans. Service retained as is for householder enquiries.
Business Advisory Public Protection - Pre-apps	Deliver a Business led 'Sustainable Regulatory Delivery Operating Model'	30	0	0	**30**	M	0	None	Better relationships with businesses and new business engagement opportunities.
Sub Total - Income Generating Opportunities		**1,034**	**665**	**313**	**2,011**				
Refinancing									
Disabled Facility Grants - retained at current level and refinanced from grant.	Application of grant monies available.	265	0	0	**265**	L	0	None	None
Sub Total - Refinancing		**265**	**0**	**0**	**265**				
Service Redesign									
Transport - moving people from A to B	Through a cross Directorate Working Group looking at the opportunities to improve customer options whilst also being cost effective	477	525	568	**1570**	M	0	Infrastructure improvements to facilitate delivery changes.	Service delivery is being changed and structure reviewed to enable more interaction with the customer e.g. moving to more personalised budgets in relation to SEN transport options.
Arts Development	Phase out Art grants from the Council moving to a strategic support role.	57	57	319	**433**	L	0	None	The Council will cease to solely fund cultural activity via commissioning or grant except where match funding has been secured from strategic partners
Neighbourhoods& Environment - Parks	Reduce cost through meadow style planting and grass cutting regime	0	50	0	**50**	M	0	Long term growth on park land.	Areas of the district will retain short mown grass, however more areas will have longer meadow-style areas.
Recycling Centre resourcing review	Reduce staffing at recycling centres during quiet periods	10	0	0	**10**	L	1	None	None

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Review of Dog Warden Service	Provide statutory minimum service	0	30	0	**30**	M	Up to 2	None	Statutory duty in terms of the Dog Warden Service is to (i) collect; & (ii) kennel stray dogs for 7 clear days. The revised service will deliver on the statutory elements only.
Time banding vans at recycling centres	Time banding slots for vans at recycling centres to reduce trade abuse	10	0	0	**10**	L	0	None	Residents wanting to use the Recycling Centres with Vans and Trailers will only be able to so at specified times.
Proof of residency only change from electronic	Administratively change residents permits from electronic to "proof" of residency only	10	0	0	**10**	L	1	None	Residents will be required to show proof of residency when using the Recycling Centres.
Optimise (& prioritise) cyclic highways maintenance programme	Deliver savings through: - Optimising maintenance schedule - Prioritising spend areas within maintenance schedule - and placing controls around enabling spend against priority areas	125	125	0	**250**	M	0	Highway network managed decline.	Adoption of nationally recognised guidance for highway maintenance, which has moved to a risk based approach.
Sub Total - Service Redesign		**689**	**787**	**887**	**2,363**				
TOTAL PLACE		**2,255**	**1,652**	**1,550**	**5,457**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery

PEOPLE & COMMUNITIES

Adult Social Care & Health

Efficiency Savings									
Prime Provider Social Care & Health Contract	Incorporated into the Prime Provider contract and associated risk and gain share.	300	0	0	**300**	L	0	None	To be delivered through efficiencies, including as a result of implementation of the new social care IT system, Liquidlogic, which will support more streamlined business processes.
Community Support Services	Reduce cost of Community Support services through: Re-defining requirements - new specification with focus on maximising independence and reduce longer-term dependency on funded care. Utilise Prime Provider/DPS arrangement to achieve contracting efficiencies.	0	75	25	**100**	M	0	None	Improved outcomes for service users as they are able to access services that are focused on maximising their independence and not building unnecessary dependency.
Day Care	Reduce the cost of day care services through: redefining requirements - new specification with focus on maximising independence and reducing longer-term dependency on funded care and moving away from more traditional model of day care for people with a LD that have been day-centre based, standard activities. Also, revise approach to transport provision to reflect this new approach.	25	75	0	**100**	M	0	May impact the long term future use of two Council-owned day-centres	Improved outcomes for service users as they are able to access services that are focused on maximising their independence and not building unnecessary dependency. Potential reduced access to existing service for some people with an LD as the service model is redesigned with a shift away from the current, traditional day-centre model.
Provider Relationship	Strengthen the focus of providers on maximising independence by focusing on individual's strengths, interests, abilities and networks improving outcomes and reducing longer term dependency. Support with a risk and gain share model with community services providers to incentivise them to deliver outcomes and reduce package costs.	125	125	0	**250**	M	0	None	Improved outcomes for service users able to access services focused on maximising independence. Greater visibility of the available options for service users and carers, giving them greater choice and control. Services can be co-ordinated around the needs and wishes of the individual.
Residential and nursing re-commission	Reduce the cost of care home placements through: a) Refinement of eligibility criteria and active promotion of community based alternatives that focus on maximising independence; b) Ensuring consistency and equity in care home fees by implementing a new commissioning and contracting model informed by Fair Price of Care exercise undertaken in 2016/17; & c) Design and implementation of a brokerage service.	0	75	25	**100**	M	0	None	The assessed level of need is aligned with the cost of meeting that need avoiding "over-prescription" and increased dependency. Improved consistency and equity between service user groups. Improved cost control supported by efficient payment processes achieves better value for money.

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Assistive Technology	Increase the use of assistive technology to reduce overall package costs and reduce demand longer term for residential care a) Package cost reduction of existing service users b) Demand management - reduce future demand for more expensive care through early identification of service users who will benefit from assistive technology c) Income generation - charge service users without eligibility for Council provided care	50	50	0	**100**	M	0	None	Improved outcomes for service users able to access services focused on maximising independence. Greater visibility of the available options for service users and carers, giving them greater choice and control. Services can be co-ordinated around the needs and wishes of individuals. Some service users may be charged for their service, if not eligible for Council care.
Re-ablement	Maximise impact of re-ablement service promoting independence, avoiding unnecessary admission to residential and nursing care/hospital and supporting timely discharge from hospital. Streamline pathways into reablement to improve access, reduce waiting times and prevent a delay in individuals receiving a service. Improve service user outcomes and reduce dependency on long term packages of care.	125	125	0	**250**	M	0	None	Service users are supported to maximise their independence and packages do not build unnecessary dependency on funded services resulting in improved outcomes. The assessed level of need is aligned with the cost of meeting that need avoiding "over-prescription" and increased dependency. Improved access to reablement service and avoidance of delays. Some service users receiving reablement for longer than 6-weeks whilst waiting for an ongoing package of care may be charged for their care.
Front Door Review	Redesign social care access as part of an integrated 'front door' to place greater emphasis on: a) providing information, advice and guidance; b) enabling people to access alternative preventative and self-care focused services including those provided by voluntary sector organisations; and c) ensuring that individuals who do need statutory social care services are able to access them without delay.	62.5	187.5	0	**250**	M	0	None	Service users are supported to maximise their independence and packages do not build unnecessary dependency on funded services resulting in improved outcomes. The assessed level of need is aligned with the cost of meeting that need avoiding "over-prescription" and increased dependency. Improved access to statutory health and care services and avoidance of delays in individuals receiving a service. Greater visibility of the available options for service users and carers, giving them greater choice and control. Service users are enabled to help themselves.
Incremental Package Costs	Analysis of package data indicates that in 2015/16 there were a significant number of incremental package increases. A proportion of these increases will have been appropriate to respond to an increase in need. However, existing controls and governance can be strengthened to reduce the volume, value and duration of incremental increases.	50	50	0	**100**	M	0	None	• Reduced prevalence of incremental package increases, realising a cashable benefit • Improved outcomes for service users by ensuring they receive the right level of care at the right time and dependency is not built unnecessarily • Wider strategic objectives are supported by actively promoting and encouraging alternative ways to meet an identified need that does not necessarily rely on funded social care support, for example, assistive technology • Decision makers are held to account which can result in a greater level of ownership for operational decisions to contribute to wider practice changes • Greater visibility of incremental increases will inform practice change and market development work, by better understanding local drivers for package increases and being better equipped to respond to the reasons for those.

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Support Planning and Brokerage	Transform the approach and delivery structure of support planning and brokerage. This will involve implementing an asset based approach and separating the assessment from support planning and brokerage functions to improve operational efficiency, provide the framework for more innovative support plans and increase consistency to realise cashable and non-cashable benefits.	50	50	0	**100**	M	0	None	Service users are supported to maximise their independence and packages do not build unnecessary dependency on funded services resulting in improved outcomes. The assessed level of need is aligned with the cost of meeting that need avoiding "over-prescription" and increased dependency. Improved access to statutory health and care services and avoidance of delays in individuals receiving a service. Greater visibility of the available options for service users and carers, giving them greater choice and control. Service users are enabled to help themselves.
Review/restructure of Disabled Care Team (Adults & Children's)	The children's disability team is currently an in-house team whilst the Adult's team is externalised. An opportunity exists to merge the function through service restructuring.	50	50	0	**100**	m	Not known at this stage	None	The option of amalgamating the Adult and Children's services would provide an opportunity to develop a more seamless service and improve transition arrangements. This could also offer efficiencies in management and back-office costs.
Home Care Compliance	Develop the approach to home care commissioning to strengthen the focus on outcomes and maximising independence. Redesign the commissioning and contracting model to achieve efficiency, stimulate the market and incentivise providers to maximise independence. Streamline business processes to gain efficiencies from payment processes and cost controls.	50	50	0	**100**	M	0	None	Service users are supported to maximise their independence and packages do not build unnecessary dependency on funded services resulting in improved outcomes. The assessed level of need is aligned with the cost of meeting that need avoiding "over-prescription" and increased dependency. Improved cost control supported by efficient payment processes achieves better value for money.
Sexual health portfolio	Reduction in sexual health preventative and treatment services by ending contracts, reducing contract values and changing service specifications with service providers	31	0	0	**31**	L	0	None	Loss of service for some specific sexual health interventions as described in last year's plan
Health Improvement Programmes	Completion of last year's agreement to reduce some areas of contract spend on preventative services	157	0	0	**157**	L	0	None	Reductions across a range of service budgets as described in last year's plan
Public Health further savings	Savings in 17/18 will be made against health improvement programmes including from the DPH award (non-pay), NHS health checks and other lifestyle programmes not included in the Your Care, Your Way envelope. Savings in 18/19 will involve reduction in support to CCG health protection, internal intelligence posts, training budgets and possibly other changes to budgets for staff or commissioned services based on the Your Care, Your Way process.	50	50	0	**100**	L	0	None	This will have a small impact on a range of preventive services carried out in schools and in the community but no service will be lost entirely and direct client-facing services will be maintained and efficiency maximised through service remodelling in the Your Care, Your Way process
Sub Total - Efficiency Savings		**1,126**	**963**	**50**	**2,138**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Growth Avoidance									
Adult Social Care Demographic Growth - Older People over 65	Fair Price of Care and modelling of alternative fee structures for care home placements has informed development of new commissioning and contracting approaches. However, this is in the context of increasing pressures arising from demographic change. Also in the context of market conditions, which are a significant constraint when negotiating and agreeing new contractual arrangements and fee structures and ensuring that the Council's statutory obligations are met. Very close links with the mobilisation, transition and transformation of community services (your care, your way), the establishment of the Prime Provider/Dynamic Purchasing System arrangements and the agreement of risk and gain share.	333	333	333	**999**	M	0	None	A strengthened focus on maximising independence by focusing on individuals' strengths, interests, abilities and networks is designed to improve outcomes for service users and reduce longer term dependency. Potential reduced access to their preferred care setting for some service users and carers as the Council balances the views, preferences and wishes of the individual with ensuring that the assessed level of need is aligned with the cost of meeting that need, avoiding "over prescription" and building increased dependency.
Adult Social Care Demographic Growth - Mental Health over 65		190	190	190	**570**	M	0	None	
Adult Social Care Demographic Growth - Learning Disabilities		348	348	348	**1,044**	M	0	None	
Adult Social Care Demographic Growth - Mental Health Adults of Working Age		75	75	75	**225**	M	0	None	
Adult Social Care Demographic Growth - People with Physical Disabilities		46	46	46	**138**	M	0	None	
Adult Social Care Placements & Packages Inflation	Links to comments above. Focus on delivery is to achieve commissioning and contracting arrangements that are financially sustainable for both the Council and for care providers.	252	0	0	**252**	H	0	None	Increasing concerns about the capacity, capability and diversity in the market may mean that some people are not able to access their care and support from their preferred care home or provider.
Adult Social Care Placements & Packages Inflation - stretch		0	250	250	**500**	H	0	None	
Social Work & Safeguarding Activity (Prime Provider Contract)	Incorporated into the Prime Provider contract and associated risk and gain share. Links to Strengthening Social Care initiative.	21	21	21	**63**	M	0	None	New approaches require significant culture and practice shift, which can be difficult and time-consuming to achieve.
Sub Total - Growth Avoidance		**1,265**	**1,263**	**1,263**	**3,791**				
Sub Total - Adult Social Care & Health		**2,391**	**2,226**	**1,313**	**5,929**				

Children's Services

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Efficiency Savings									
Adoption Team regional approach	Combining adoption services with other Local Authorities	0	100	0	**100**	M	2	None	The creation of Regional Adoption Agencies is a national initiative. The proposed creation of Adoption West will transfer a number of current Adoption responsibilities and activities to a Regional Adoption agency from April 2018. The joining of six Local Authorities will provide children and adopters with a more consistent service as well as providing opportunities to develop more efficient and effective support systems to the process of recruiting and assessing adopters.
Increase the level of "In-house" Foster-Placements	Increase level of in-house foster placements through a combination of enabling in house carers to take more complex cases and/or increasing volumes of in house carers through increased recruitment	50	50	0	**100**	M	0	None	Initial review of new recruitment approaches (particularly through improving and increasing our social media presence) have resulted in an overall increase in expressions of interest in fostering and those which progress to assessment of carers. An increased number of in-house foster-placements may require additional capacity within the team to support the foster carers, but should still enable a net saving as shown
Children's safeguarding court proceedings	Reducing the numbers of those coming to court and then into care through preventative measures and changing the use of experts during the process e.g. a) reduction in cost of barristers a mediation approach to early prevention b) Early help preventative measures c) Review social worker use	0	100	0	**100**	H	0	None	The numbers of cases that have required the Local Authority to initiate Court proceedings in relation to young children has risen over the past two years, reflecting a national trend. Any changes to the decision making process will need to be made with consideration to evidence of an incremental and increased demand for legal intervention, but securing professional input in a more cost-effective way and increasing preventative measures can only have a positive impact.
Skills and Employment Funding Model	Reduction in level of funding from People & Communities to Place for Skills & Employment team, which will become self-funding through its work with employers. Consolidation of ad hoc internal savings used to fund this team, by deleting a post within People & Communities.	0	60	0	**60**	L	1	None	Minimal impact anticipated, providing focus on care leavers and other vulnerable young people is not lost as a result of new funding model
Home to School Transport funding arrangements	Reducing spend on home to school transportation through a) Recovering costs from other Local Authorities b) Not paying for Independent Fostering Agency placement travel as contracts include travel costs	25	0	0	**25**	M	0	None	None - this is about ensuring that we are recovering home to school transport costs where there is prior agreement that other organisations should be covering these costs.
Preventative Commissioning	Explore opportunities for further integration of commissioned services, creating more joined up approaches and creating some back-office efficiencies	12.5	12.5	0	**25**	M	0	None	Improved outcomes for families, by integrating services that are coordinated around their needs and preventing escalation into specialist social care services.
Sub Total - Efficiency Savings		**88**	**323**	**0**	**410**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Service Redesign									
Children's Centres buildings management	Reduce cost of Children's Centres through 'asset transfer' of centres or finding a way to ensure services are delivered by others through existing buildings	25	75	0	**100**	M	0	Potential asset transfer	The current service will continue to run. The transfer of some Children’s Centre buildings to community ownership could benefit local organisations through more effective use of the buildings as well as reduce unnecessary overheads for the Council. Already exploring this option for the 'spoke' centres (not hubs).
Review savings available from Youth Connect Service	Explore options to enable alternative delivery arrangements for services creating potential partnerships with local communities thus enabling local community groups to develop the additional capacity in key areas that will offer supplementary services for young people	0	200	300	**500**	H	7-10	Potential asset transfer	This proposal seeks to maintain the Council’s commitment to delivering its statutory requirements, whilst also encouraging and enabling local community groups to develop the additional capacity in key areas that will offer supplementary services for young people. Any reduction in the size and remit of the Council-run service may impact on service delivery and our early help offer. The aim of the review will be to minimise any negative impact on outcomes for young people.
Music Service remodelling	Remove Council revenue funding from the Music Service	28	0	0	**28**	L	0	None	New model of delivery established, linking music development to government grants and selling services to schools and parents
Children’s Services Collaboration with other LA	Combine smaller services with other local authorities to achieve efficiencies e.g. YOT, educational functions, admissions, school psychologists, school improvement service etc. a) Combining small services b) Removal of non-essential services	0	25	0	**25**	M	1	None	Minimal impact expected as this is about combining delivery with another LA. This could assist in making these smaller services more robust as well as providing efficiencies.
Early Years nursery provision	To review all of the existing Council owned and run nurseries and explore the option of assisting other organisations to take on the running and management of nurseries to ensure there are sufficient places available.	50	50	0	**100**	M	Some fixed term posts already terminated	None	There is now provision of sufficient alternative nursery places in some areas. The private sector has been able to absorb the movement of children to independent nursery providers from Council-run nurseries in some locations. The Council will explore the option of assisting other organisations to take on the running and management of nurseries to ensure that sufficient places remain available across communities

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Remodel Education Support & School Services	Scale down offer to meet remaining statutory requirements only, transferring responsibility to schools where appropriate.	0	250	0	**250**	M	Up to 5	None	This re-modelling follows national policy initiatives which have resulted in academisation of schools and the transfer of functions to schools, academies the Regional Schools Commissioner; Teaching Schools, Trust Boards of Multi Academy Trusts (MAT). Further government announcements are expected on the future role of Local Authorities in education, which may result in further changes in what we deliver. This could be achieved through greater trading with schools and academies and wider opportunities for income generation or working with neighbouring authorities, or simply scaling back the local authority's education support services to schools.
Sub Total - Service Redesign		**103**	**600**	**300**	**1,003**				
Sub Total - Children's Services		**190.5**	**922.5**	**300.0**	**1,413.0**				
TOTAL PEOPLE & COMMUNITIES		**2,581**	**3,148**	**1,613**	**7,342**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery

RESOURCES

Efficiency Savings									
IT Services – Core Efficiency Programme	Cost reduction and efficiency based on further centralising IT functions, consolidating the number of applications, sharing larger applications, a more flexible but lower cost infrastructure.	100	100	0	**200**	L	0	None	Capacity will be restricted especially for additional service requests
Business Finance – Income and Debt Transactional Services	To consolidate the approach to income collection and debt recovery services across the Council. May include referral to specialist debt recovery services.	75	50	0	**125**	M	0	None	
Lean Review of Transactional Services	To undertake a lean review of all Procure to Pay, including procurement cards transactional financial service activities across the Council. This may also include income collection activity as appropriate.	50	0	0	**50**	M	0	None	
Payroll and HR Services	To reduce HR and Payroll costs, improve efficiency using capability from new iTrent system to the full	100	0	0	**100**	M	0	None	
Digital and online	Reducing postal costs, issuing online bills and letters and increasing web form usage for Council Tax and other relevant services	0	0	100	**100**	M	0	None	Users without digital access will need to be accommodated to avoid any adverse impacts. Otherwise service should be faster and simpler plus more up to date.
Corporate estate	Further consolidation of corporate estate including the few small stand alone offices that remain	50	50	0	**100**	M	0	Releasing corporate assets to add to the commercial estate	None. Offices may include Charlotte St and Broad St.
Deliver Council Connect Magazine differently	Reduce the overall spend on Council Connect magazine through reprocurement and reformatting plus use for internal adverts	15	15	0	**30**	L	0	None	
Sub Total - Efficiency Savings		**390**	**215**	**100**	**705**				

Income Generating Opportunities									
Property development company	• To generate Revenue Income for the Council • To hold, manage and operate market housing for private short-term lettings. • To sell market housing for investment • Provision of other market housing related activity • Deliver and manage other commercial and property developments. • To deliver long term capital appreciation	225	150	200	**575**	M	0	Better use of underused or vacant Council sites	Also generates new homes bonus, Council Tax, and capital receipts. Improves service delivery by fulfilling the agreed objectives: • Deliver new developments of market housing. • To align with Corporate Priorities • To manage market housing assets • To stimulate / accelerate market housing and development delivery • To improve supply, quality and quantity of private rented housing • To act as a responsible private landlord
Communications Hub & CCTV Income Generation	Approach the external Market to use the spare capacity in our 24/7 Operation, including CCTV monitoring, Radio monitoring, Lone Worker Support, and Alarm Monitoring.	50	50	50	**150**	H	0	None directly anticipated.	Community benefits from increased security for those that use the service.
Energy services for B&NES	Local Energy Services in the form of a local tariff, energy supply and efficiency investments on Council buildings and investment in community led energy schemes	15	10	75	**100**	H	0	Renewable energy installations on some Council assets	Efficiencies but also positive impacts for the B&NES community especially those suffering fuel poverty

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Commercial Estate	Active commercial property investment approach targeted at acquisitions in line with the councils commercial estate strategy - which is being refreshed to include properties beyond B&NES boundaries and mainly in the WoE devolution area - and non retail investments	525	825	125	**1475**	M	2 additional	Increase in number of assets held by the commercial estate	The strategy relies on the Council's cost of borrowing remaining low relative to property returns. Fixed rates borrowing is to be used as investments occur. Some additional specialist staff may be required to support the active approach although external advice remains key.
Parish Councils to contribute to By-Elections	Parish Councils will be asked to contribute to the cost of running their by-elections - 50% for the first by-election and then 100% for future ones with discretion to waive the charge in specified circumstances.	10	0	0	**10**	M	None	None	More effective use of resources. The number of Parish Council by-elections and their cost has been increasing over several years.
Sub Total - Income Generating Opportunities		**825**	**1,035**	**450**	**2,310**				

Service Redesign									
Simplify administration of local council tax support scheme	Simplify Council Tax Support to ensure limited funds are targeted to the most disadvantaged, with application and administration aligned better with Universal Credit roll out	70	0	0	**70**	L	2	None	Better targeting of financial support and only administrative savings. The transition needs to be well managed and linked to UC roll out to achieve this.
Modern Libraries Review	Develop the Keynsham model for joint one stop shop and library service in Bath and Midsomer Norton Consult with local communities for alternative delivery of library services to reduce our staffing & resources commitment across the area including a review of mobile services. Savings achieved through staff reduction; efficiencies. Income from sale of assets and lettable space	100	0	700	**800**	M	25	Lewis house Bath OSS needs to be adapted. MSN Hollies OSS to be adapted. Existing libraries in Bath and MSN to be relocated into the extended OSS facilities. Other community libraries changes will be dependant upon locally agreed approaches.	Integrating services in 3 main population centres will see an increased focus on the new digital agenda; helping people to access resources and gain appropriate skills; with a focus on children and families and developing skills for the economy Access to 3 million books across Libraries West will be maintained with the browsing experience being enhanced through innovative use of digital technology In Rural areas the impacts will dependent upon local community solutions and have potential to enable longer opening hours and more vibrant community hubs and shared facilities.
Establishment of Internal Audit Trading Company	As part of the natural evolution of the Audit West Partnership with North Somerset Council to establish the organisation as a local authority controlled trading (ltd) company. Also possibly extend the partnership.	20	45	20	**85**	M	0	None	Possible TUPE implications - transfer of staff
Thermae Spa profit share	To reflect projected future increases in the Spa Profit Share agreement	150	0	0	**150**	L	0	None	
Business partnering - Accountancy	To establish an external business partner for the delivery of accounting and corporate financial services to the Council covering Business Planning, Specialist Financial Advice, Staff Secondment and Training and Development.	0	50	50	**100**	L	0	None	Offers improvements including additional specialist support paid for by projects that require it as well as enhanced due diligence work.
Legal Service review and business partnering	Implementation of Legal Service restructure with better targeted e of external legal advice	0	50	50	**100**	H	0	None	Improved value for money

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Traded services	Combining and co-locating Print and Post services followed by procurement to support specialist and bulky print requirements and linking this with support to move away from print to digital	25	25	0	**50**	L	2	Release of Dartmouth Avenue site back into Commercial Estate use	the strategy depends on costs of borrowing remaining low for the Council relative to property returns
Staffing reduction	As a result of further consolidation of policy functions the numbers of posts in the service will be further reduced.	75	75	0	**150**	L	4	None	Less capacity for new initiatives and new policy development and support
Reduce the number of formal elected member meetings	Review of Council meetings may result in savings to this budget	5	0	0	**5**	M	0	None	Improved value for money / more effective use of resources
Sub Total - Service Redesign		**445**	**245**	**820**	**1,510**				
TOTAL RESOURCES		**1,660**	**1,495**	**1,370**	**4,525**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
ONE COUNCIL - CROSS CUTTING									
Efficiency Savings									
Commissioning and Contract Management	Improvements to existing commissioning approaches including wider use of Dynamic Purchasing Systems, controls over contract variations and more effective Contract Management arrangements	87.5	262.5	0	**350**	M	0	None directly anticipated.	Potential to improve service delivery through more effective commissioning although increasing controls but will impact on management capacity and requires an agreed benefits realisation approach
Review and Reduce Discretionary Spend	Undertake a review of relevant commissioning discretionary spend	150	250	0	**400**	M	0	None directly anticipated.	This will focus on internal spend on day to day consumables and services not services for the public.
Review Purchase to Pay process	Undertake a review of purchase to pay process to ensure efficient payment of suppliers for approved spend ensuring invoices are processed efficiently	6.25	18.75	0	**25**	H	0	None directly anticipated.	May impact supplies if suppliers have not received official Council orders for goods and services.
Rightsize the organisation	Review of organisational, management and support arrangements to assess the opportunity for savings from changes to the operating model. This should reflect changes in Council activity resulting from budget prioritisation and new ways of working emerging from themes such as digital by choice, commercialisation, a stronger commissioning approach and better procurement	0	0	600	**600**	H	15	None directly anticipated.	The aim will be to avoid any impact but may result in less capacity and resilience
Apprenticeship Levy	A New National Apprentice Scheme comes into effect in 2016-17 with a levy to be paid by employers to meet recognised training cost. Full details are awaited and it is believed that there is an opportunity to offset some training costs for skills development against the levy.	0	25	0	**25**	M	0	None	Opportunity to enhance skills development across the workforce
Additional Savings expected from Legal Services when restructure fully implemented including external spend	Implementation of the proposed Legal Service restructure will enable a detailed review of the use of external legal advice, which it is anticipated will result in savings to client budgets. This is therefore a cross- cutting savings across all directorates. The Council is part of the Lawyers in Local Government (Southern) legal framework, which will be retendered in March 2017. This will secure savings when instructing external legal firms.	75	75	0	**150**	M	None	None	Improved value for money
Efficiency savings cumulative staffing impacts	The smaller efficiency targets above will in many cases impact on staff numbers required	0	0	0	**0**	H	12	Less office space	This shows cumulative staff impact of the smaller efficiency savings, which individually shown as having no staff impact, but when consider together are likely to have some impact. The larger changes affecting staff numbers are already separately quantified.
Finance Managers to undertake a review of reoccurring underspends	Undertake a review of existing and projected underspends from 2016/17 Outturn Budget.	550	0	0	**550**	M	0	None	May impact on some areas if underspends are being used to mitigate other cost pressures.
Sub Total - Efficiency Savings		**869**	**631**	**600**	**2,100**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery
Service Redesign									
Devolution to town & parish councils	A number of Councils have devolved services and assets to town and parish councils. This has delivered savings through reducing duplication and levering-in additional resources such as volunteer time and the local skills and knowledge of town and parish councils. Before this is progressed in Bath and North East Somerset a devolution framework will be agreed with town and parish councils in our area.	0	25	0	**25**	M	0	Potential for asset transfer to town and parish councils	The aim is to improve efficiency and effectiveness of delivery through redesigning local services working with town and parish councils. There is the potential for pump-priming funds to be used from the Devolution Initiative Fund which would see investment in new ways of working to deliver savings.
Digital by Choice - digital services and customer services transformation	Digital means enabling the Council to continue to function effectively with fewer resources. Fundamentally re-designing many services from end to end – the customer gets what they need as quickly as possible, in a way that works for them. Well-designed digital solutions are cheaper, faster and often better. **This is a truly council wide and cross cutting initiative.**	0	0	2800	**2800**	M	70	new ICT and greater flexibility in working arrangements - less demand for office space	Services delivered more quickly and efficiently for customers & visitors. Also better use of date to target services. Benefits realisation approach will need to be developed. This is a truly cross cutting savings proposal and metrics and a methodology will be needed to both drive the creation of the savings and then apportion them. Shown as medium risk but the level of savings is high so at the margins the risk is high.
Sub Total - Service Redesign		**0**	**25**	**2,800**	**2,825**				
TOTAL ONE COUNCIL - CROSS CUTTING		**869**	**656**	**3,400**	**4,925**				

Savings Title	How to be achieved	17/18 Saving £000	18/19 Saving £000	19/20 Saving £000	3 year Savings Total	Risk to delivery of saving (H/M/L)	Impacts on staff - (incl no of posts deleted)	Impacts on property / assets etc	Impacts to service delivery

CORPORATE

Income Generating Opportunities									
Extra Business rate collection (improved tax base)		250	0	0	**250**		0		
City Deal Tier 3 Income	Recognition of projected Tier 3 income stream achieved from Business Rate growth in the Enterprise Area as part of the City Deal agreement.	45	80	60	**185**	L	0	None	This is extra revenue income derived from City Deal and linked to projected business rates growth - it is protected by the Devolution Deal.
Devolution - Business Rate Retention 100% Pilot	Council participation in the 100% Business Rates Retention Pilot for eligible Devolution Areas.	2500	0	0	**2500**	M	0	None	There is a risk that business rates appeals will erode this extra income.
New Homes Bonus	Additional New Homes Bonus as a result of increased housebuilding completions and empty properties brought back into use during 2015/16.	500	0	0	**500**	L	0	None	None
Sub Total - Income Generating Opportunities		**3,295**	**80**	**60**	**3,435**				

Refinancing									
Minimum Revenue Provision	A change in the Council's Minimum Revenue Provision (MRP) policy to move to a straight line basis over a period up to 50 years or the equivalent asset life.	3000	-140	-160	**2700**	L	0	None	None
Capital Financing Review	To review the financing of the Council's Capital programme to reflect sustained lower interest rates and actual scheme spend and delivery profiles.	500	0	0	**500**	L	0	None	None
Pension Deficit Prepayment	Utilising Council Cash flow to prepay the Council's pension deficit payments to the Avon Pension Fund for period to 2019/20 thus reducing the overall cost	200	0	0	**200**	L	0	None	None
Sub Total - Refinancing		**3,700**	**-140**	**-160**	**3,400**				

Service Redesign									
Parish Grants - Local Council Tax Support Scheme	Phased withdrawal / reduction in the Local Council Tax Support grant the Council currently makes to Parish & Town Councils and the Charter Trustees.	82	41	41	**164**	L	0	None	Parishes will need to allow for the impact on their budgets, precepts and associated Council Tax increase.
Sub Total - Service Redesign		**82**	**41**	**41**	**164**				
TOTAL CORPORATE		**7,077**	**-19**	**-59**	**6,999**				
OVERALL SAVINGS		**14,442**	**6,932**	**7,874**	**29,248**				

* Final calculations for Business Rate forecasts show additional Section 31 grants to cover extensions of reliefs announced by Government of approximately £100k in 2017/18

Appendix 4

BUDGET SETTING PROCESS – ADVICE OF THE MONITORING OFFICER

PROCESS

1. It is important to be clear on the process to be followed in setting the 2017/18 Budget. This paper sets out the guidance provided by the Council's Monitoring Officer.

2. The Cabinet has the responsibility to prepare and propose a draft Budget to Council for its approval.

3. The Cabinet can, in its absolute discretion, receive from any political group that so wishes, an alternative budget proposal to that published in the Cabinet agenda papers. It can only consider such proposals if it is satisfied that they have been discussed with the Council's statutory officers and relevant Directors and that an impact statement from Officers about such proposals is available.

4. All proposals that the Cabinet meeting is prepared to consider will therefore be cleared with the Section 151 Officer, the Monitoring Officer, and relevant Strategic / Divisional Directors beforehand.

5. The Cabinet will formulate a budget proposal and Council Tax recommendation for the Council meeting on 14th February 2017. Such budget proposal may either take the form of a composite proposal or may include agreed core proposals and options for allocating parts of the budget.

6. The Council has available to it at the budget setting meeting two options. It can object to specific parts of the proposals and if it does so, must require the Leader on behalf of Cabinet to reconsider its proposals. The Council is required to give the Cabinet the reason(s) why it considers those proposal(s) should be changed and it is then for the Cabinet to consider those proposed changes and the reasons put forward. Alternatively it is, of course, open to the Council to accept the budget in its proposed form at the meeting, in which case no further action is necessary.

7. Council may then determine the budget on the basis of the Cabinet's recommendations as set out in paragraph 5 above, plus any insignificant changes adopted as amendments at the Council meeting. The Constitution provides that the meeting itself (on advice from the Chief Executive) will decide whether any amendment to the budget proposals is of such significance as to amount to an "objection" to the budget so as to require reconsideration by the Cabinet.

8. If a significant proposal is accepted on a vote at Council (from those proposals notified at the Cabinet meeting) this stands as a formal objection within the terms of the law and will be referred to the Leader for him to secure consideration by the Cabinet and report back to the Council meeting on 23rd February 2017.

9. When the Cabinet has considered the objections, it is required to put its proposals (which may or may not be revised) back to the Council Meeting. If the Cabinet does not agree with Council's views on a proposed change, it is required to state why and the Council can then take those reasons into account, along with its original thoughts as to why the change was desirable. At the meeting, it is open to Council to take such decision as it sees fit on any variation from the budget as originally proposed, that has been the subject of consideration under the process outlined in paragraphs 6 to 8.

10. In setting the budget the Council is required to approve a full budget resolution including the police, fire and parish precepts and the proposed Council revenue and capital budgets for 2017/18. That budget will include within it the overall proposed Council cash limits for 2017/18 including the provision for inflation, the proposed use of balances in the 2017/18 budget (if any) and the resulting budget requirement and Council Tax for Bath and North East Somerset including any recommendations for special expenses. The Council will also approve the borrowing limits for 2017/18 and prudential indicators.

11. Legally, the Council must set a balanced budget for the forthcoming year and determine the level of Council Tax. If a budget is not set by the date of the reserve budget-setting meeting (23rd February 2017), this will lead to a delay in billing and a loss in council tax cash flow. It is highly likely that this will also translate into a higher level of uncollectable debt and debt collection costs and in addition this will significantly impact on council tax performance indicators. A delay until 23rd February 2017 may also compromise the Council's ability to meet current billing deadlines, and there is a serious risk billing will also be delayed with negative cash flow impacts.

12. The final Council Tax set will encompass all parish and police and fire precepts (that is the money we collect on behalf of the parishes, fire and police and pay to them).

Maria Lucas
Head of Legal & Democratic Services (Monitoring Officer)

Pay Policy Statement 2017 -18

Purpose and scope

1.1 The purpose of the statement is to provide a clear and transparent policy to the public, which demonstrates accountability and value for money.

1.2 The policy statement meets the Council's obligations under the Localism Act 2011 [Section 38 (1)] and the associated statutory guidance set out in the Openness and Accountability in Local Pay: Guidance and Supplementary Guidance under section 40 of the Localism Act (February 2012 & 2013) together with the Local Government Transparency Code 2015 (February 2015)) from the Department for Communities and Local Government.

1.3 It articulates the Council's policies towards a range of issues relating to the pay (including severance pay) of its direct workforce, in particular its Chief Officers, as defined by the Local Government and Housing Act 1989 and lowest paid employees. Details of 'Chief Officers' employed by the Council can be found on the Council's public website. The policy will be reviewed, to reflect any statutory changes (particularly in relation to public sector severance payments), anticipated in the coming the year.

1.4 The Council's pay arrangements reflect the need to recruit, retain and motivate skilled employees to ensure high levels of performance balanced with accountability on the public purse. The policy recognises flexibility which is essential in delivering a diverse range of services and is underpinned by principles of fairness and equality.

1.5 The pay policy statement applies to both the lowest and the highest paid. In accordance with provisions of the Localism Act, it does not extend to schools and this statement does not, therefore, include school based employees.

1.6 The statement is approved by Full Council, i.e. not delegated as an executive or committee function, in advance of the financial year to which it relates and must be reviewed at least annually. Any amendments will be approved by Full Council.

1.7 The statement is published on the Council's public website.

Definitions

For the purposes of this Pay Policy Statement the following definitions apply:

2.1 **'Pay'** in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancement to pension entitlements and termination payments where applicable.

2.2 **'Chief Officers'** refers to the following roles in the Council:

Statutory Chief Officers (see also annex 1) are:

- Chief Executive, as 'Head of Paid Service'
- Strategic Director – People & Communities, as 'Director of Children's Services' and 'Director of Adult Social Services'
- Director of Public Health
- Head of Legal & Democratic Services as 'Monitoring Officer'
- Divisional Director –Business Support, as Section 151 Officer ('Chief Financial Officer')

Non- Statutory Chief Officers are:

- Strategic Director – Place
- Strategic Director – Resources
- Other Directors/Heads of Service are:

  senior managers who report direct to/or are accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties.

'Lowest paid employee' refers to those employees in substantive full time employment at the lowest scale point of the Council's published pay scale. See paragraph 8.1 below

General principles & practice

3.1 All policy matters relating to the Council's role as an employer including pay under section 112 of the Local Government Act, 1972 are delegated to the Employment Committee. The Restructuring Implementation Committee determine appointments to the posts of Strategic Director and other JNC Officers reporting to the Chief Executive, or Head of Paid Service, subject to there being no objection to the appointment being lodged by the Leader of the Council. The Council operates in accordance with The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 in respect of disciplinary action in respect of the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer.

Principles:

3.2 Bath & North East Somerset Council values all its employees and aims to apply a consistent and fair approach to pay and benefits in line with the following principles:

- To work within financial constraints and use those limited funds in the most effective way to support the Council in the provision of quality cost effective services and its workforce needs
- To aim for consistency and fairness in the processes used to manage pay and benefits, as appropriate to service delivery and in line with its commitment to remaining within the framework of the relevant national pay and conditions agreements
- To promote an equal pay agenda by ensuring that pay and job evaluation systems, processes and systems meet legislative requirements and to actively work towards reducing any unjustified gender pay gaps
- To ensure that pay and benefits processes and policies are transparent and accessible to all employees
- To be mindful of the market in making decisions about pay and benefits
- To take account of affordability in the introduction and maintenance of any changes to pay structure
- To be clear about the recognition and reward of performance, whether at whole organisation, service, team or individual level
- To support a flexible approach to the acceptance of changes to tasks, duties and responsibilities by employees and allow for flexibility between posts.
- To enable the Council to attract and retain its employees and in order to do so, respond to situations where market forces dictate the necessity to apply supplements to established salaries.
- To aim to retain a core set of benefits for all employees.

Practice:

3.3 **Basic pay is determined through**

- The job role and it's accountability in the overall context of the Council's services and responsibilities using the HAY job evaluation process which is based on objective criteria and free from discriminatory bias.
- Ensuring that all employees are dealt with on this basis with no distinction being made for senior management appointments including Chief Officers and their Deputies.
- The terms of the relevant national agreements on pay and conditions of service.
- The amount available for the pay review process is also impacted by what the Councils which are party to the national agreements can collectively afford.
- A comprehensive pay and grading structure has been adopted that positions the Council against median salary benchmarking compared to a national data base maintained by the Hay Group, is affordable and offers recruitment and retention incentive. This is kept under review *and is benchmarked* against similar posts in other authorities.
- The outcome of reviews into the local pay and grading structures are determined within the terms of this policy and the Council's constitutional arrangements.

Note: This excludes apprentices, interns and trainees, whose pay rates reflect the degree of training and development required in the roles.

3.4 **Pay on appointment**

- Staff are normally appointed at the bottom scale point of the grade at which the post has been evaluated.
- Managers have discretion to appoint at a higher scale point within the grade band if the appointee can demonstrate that they are currently earning more than the minimum salary for the grade or there are other extenuating circumstances such as difficulties in attracting suitable applicants.

3.5 **Pay review dates**

- Grade progression (i.e. movement from a lower to a higher salary scale point (scp) within a grade where applicable) takes place on 1st April of each year until the highest scp in the grade is reached. Grade progression is subject to satisfactory performance (and may be withheld if performance has been unsatisfactory) and a minimum of 6 months service in the grade. Where 6 months service cannot be achieved by 1 April, progression is considered on the anniversary of six months service.
- Where an increase in pay has been negotiated through the national pay bargaining framework, it will be implemented with effect from 1st April of the appropriate year (unless alternative implementation arrangements are specified in the agreement). Where the negotiations have not been concluded by 1st April, the increase will be paid at the earliest opportunity together with back pay from 1st April.

3.6 **Honoraria & other allowances**

- Work outside the scope of the post can be recognised by the award of an honorarium. The conditions and framework are set out in the 'Recognition for work outside the scope of the post' policy. Assessment and payment will be based on non - discriminatory, objective criteria.
- Allowances, for example standby, may be made to employees below senior manager level in connection with their role or pattern of hours they work in accordance with national or local collective agreements.
- The Council does not normally pay market supplements (i.e. a salary greater than the evaluated rate for the post to match salaries paid by other organisations). This arrangement is, however, kept under review in light of the prevailing market and issues of staff attraction and retention.

3.7 **Re-employment of former local government employees**

- The Council retains sufficient flexibility in its response to the re-employment of former local government employees to enable it to respond appropriately to the particular circumstances. It ensures that an open and fair selection process takes place before any appointment is confirmed. ‘Merit’ is the sole criteria for engagement.
- If the Council were to re-employ a previous local government employee who had received a redundancy or severance package on leaving, or who was in receipt of a pension covered by the Redundancy Payments (Continuity of Employment in Local Government Modification) Order 1999, known as the Modification Order) (with the same or another authority), then the Council’s policy is to ensure that the rules of the Modification Order are applied. The Council will keep these provisions of its policy under review to ensure compliance with any legislative changes which come into force during the course of the year.

3.8 **Use of consultants, contractors and temporary ‘agency’ staff.**

- Ordinarily staff will be engaged directly by the Council as employees but on an exceptional basis, where particular circumstances deem it necessary, people may be engaged under ‘contracts for services’ as consultants or contractors or on an ‘agency basis’. When this situation arises, the Council will give detailed prior consideration to the benefit of doing so and that the overriding need to ensure value for money is achieved. Such arrangements must be in accordance with the Council’s code of practice.

Equal pay

4.1 The Council is committed to the principle of equal pay for all posts of the same size and value and has implemented the national ‘single status’ agreement. In order to put its commitment to equal pay into practice, the Council:

- regularly reviews its pay grade and rates for all current staff and starting pay for new staff in line with Equality and Human Rights Commission guidance and the Council’s Equality policy.
- informs employees of how these practices work and how their own pay is arrived at.
- provides training and guidance for managers and supervisory staff involved in decisions about pay and benefits.
- regularly monitors pay and grading data and statistics
- will publish pay equality data as statutorily required

Ensuring consistency

5.1 The Council seeks to ensure consistency through the following processes:

- All departments are provided with the same quality of internal support in the job evaluation process. The Human Resources Service (in conjunction with senior managers, as appropriate) has an on-going responsibility to review pay levels across the Council and highlight any potential anomalies.

5.2 If there is an exceptional need to review pay outside of the normal pay review timetable, proposals will be considered and approved by the relevant Director and the Head of Human Resources.

Pensions

6.1 Subject to the provisions of the relevant scheme, all directly employed staff who are the subject of this policy and are otherwise eligible are enrolled into a contributory statutory pension scheme. They may choose to opt out of membership. The Council has determined its policy in respect of discretionary provisions available within the relevant scheme in accordance with statutory requirements.

6.2 The Council has in place a policy for flexible retirement which is specifically authorised by statute whereby individual staff, with employer approval, may draw their pension and continue in employment at a lower pay grade/ working shorter hours. The Council considers all proposals on their individual merits but would not take any action beyond that authorised by existing policy without reference to the appropriate Council decision making body.

Senior pay

7.1 The remuneration of the Chief Executive and other senior management appointments in the Council (see Annex 1) is undertaken by external analysts using the Hay Job Evaluation process. Levels of pay have been market-related by being compared to a national data base maintained by the Hay Group of similar posts in a wide range of public and not for profit sector organisations. The pay structure for Chief Officers takes account of the clearly defined additional 'statutory responsibilities' (see section 2 above). Five pay bands will be available for the most senior officers as set out in the Annex 1.

7.2 Any increases in pay rates will normally be in line with those negotiated nationally by Joint Negotiating Committees (JNC's) for Chief Executives and Chief Officers respectively. The pay policy, whilst agreed in advance of the financial year to which it relates, can be amended during the course of the year to incorporate a pay award negotiated nationally or for other reasons.

7.3 Where there is a pay range for a job the Council's adopted aim is to offer an appointment to the minimum point of the appropriate salary band. In order to secure the services of the best candidate it may be necessary to offer a higher amount. In these circumstances approval by the employing Director or members of the appointing Member committee as appropriate, in consultation with the Head of Human Resources, is required.

7.4 Where a pay band consists of a number of different salary points, any progression to the next incremental point is subject to satisfactorily meeting performance criteria agreed in advance with the Chief Executive or Strategic Director, as appropriate (in consultation with the Group Leader. Any increase is paid from 1 April subject to 12 months service in that pay band and the maximum not being exceeded.

7.5 This is no provision for the Council to pay any bonuses, charges, fees or allowances, benefits in kind to senior employees or any other employees other than relocation allowances and expenses necessarily incurred in the performance of their duties. This provision is kept under review

7.6 Other conditions of service are those determined nationally by the JNC's specifically for these appointments or, as locally determined for all other Council staff.

7.7 Senior staff are not differentiated from other members of staff in terms of remuneration on resignation or termination. The Council's general arrangements for severance and scheme for discretionary payments apply to this staff group as to all employees.

7.8 Proposed severance packages in excess of £100,000 (this threshold includes [but is not limited to] any proposals in respect of salary to be paid in lieu, redundancy compensation, pension entitlements and holiday pay as appropriate) are referred to the Restructuring Implementation Committee for consideration. This provision and will be reviewed to comply with any legislative changes made during the coming year.

7.9 The Council's threshold level for disclosure of senior staff salaries will be at the minimum point of the senior civil service pay scale and above as at 31 March.

Relationship between senior pay and the 'lowest paid council employee'

8.1 The grading structure and pay line determine the salaries of the highest and lowest paid Council employees. The Council's highest paid employee is its Chief Executive (see Annex 1). The lowest salary offered for substantive, full time employment in 2017-18 will be £15,807 as determined by national negotiations within the National Joint Council for Local Government Services.

8.2 The ratio between the highest paid salary and the median salary for the whole of the Council workforce (£22,434) is 1:7. It does not currently have a policy of maintaining or reaching a specific ratio of pay multiple between the Chief Executive and that of the median earner.

Publication

9.1 The Council's approach to the publication of and access to information on the remuneration of Chief Officers is to include it on its public website as part of its requirements within the Accounts and Audit (England) Regulations 2011 and in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency. A copy of the Pay Policy Statement is published on the Council's website: www.bathnes.gov.uk/services/jobs/

Further information

For further information on the Council's pay policy please contact the Council's Human Resource Service email: human_resources@bathnes.gov.uk. Tel: 01225 477203

SENIOR MANAGEMENT PAY & GRADING

BAND	MIN/MID/MAX POINTS	Composition, Terms & Conditions
CHIEF EXECUTIVE & HEAD OF PAID SERVICE		
Band 1	Fixed/Spot	- A fixed salary within the range £145,000 to £155,000 pa taking account of current public sector market median data provided by the independent analysts and the Council's general starting salary policy - No variable element within the remuneration package. - All other conditions in accordance with overall Council pay policy.
STRATEGIC DIRECTORS		
Band 2	Fixed/Spot	• People & Communities [statutory roles for Adult & Children's Services] (PC) • Place (P) • Resources (R) - A fixed salary within the range £115,000 to £130,000 pa taking account of current public sector market median data provided by the independent analysts and the Council's general starting salary policy - No variable element within the remuneration package. - All other conditions in accordance with overall Council pay policy.

BAND	MIN/MID/MAX POINTS		Composition, Terms & Conditions
DIVISIONAL DIRECTORS/Heads of Service			
Band 4	Minimum	£94,641	• Adult Care and Health Strategy Commissioning (PC) • Business Support (R) [S151 Officer] • Property & Project Delivery (R) • Environmental Services (P)
	Middle	£97,425	
	Maximum	£100,209	
NHS	Fixed	£90,263	- Director of Public Health Part of the transfer of Public Health Services to Local Government & paid in accordance with NHS senior consultant rates with other statutory related protections
Band 5	Minimum	£83,508	• CYP Specialist Services (PC) • Strategy and Performance (R) • Risk & Assurance (R) • Legal & Democratic [Monitoring Officer] • Development (P) • Community Regeneration (P) • Customer Services (R)
	Middle	£86,289	
	Maximum	£89,076	
Band 6	Minimum	£72,372	• Not allocated to any postholder in current leadership group
	Middle	£75,159	
	Maximum	£77,940	

Notes:

- **'Band 3' is not currently in use**
- **'NHS' relates only to the Public Health statutory transfer provisions**

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Appendix 6

Equality impacts: budget proposals, January 2017.

1. Introduction and legal background

This Appendix outlines how the impacts of the Council's budget proposals have been considered from an equality perspective within the People & Communities Directorate Plan, the Place Directorate Plan and the Resources Directorate Plan.

The Equality Act 2010 makes it unlawful to discriminate against an individual because of certain personal characteristics ('protected characteristics'). The law also requires that equality issues are considered by public bodies as part of decision making, especially where reductions or closures are proposed.

2. Actions so far

- Budget proposals in each of the Directorates have been considered individually and alongside each other to begin to identify and mitigate any unexpected or unintentional cumulative impacts.
- Potential equality impacts have been identified through documents produced for the medium term and strategic review proposals. The initial proposals set the high level intentions, identifying if service redesign was proposed and, where sufficient data was available, identifying any potential impacts upon different groups. The finer detail of how the proposals will be implemented will follow in due course, and it is recommended that comprehensive equality analysis is carried out as proposals are developed. This will help to ensure that opportunities to enhance equality are utilised, and any possible negative impacts or barriers for particular groups are identified and, if possible, mitigated.
- Budget proposals are being presented to Policy Development and Scrutiny panels during January 2017 and commentary from these panels will be reported to the Resources PDS Panel.

It should be noted that this is year two of a four year plan; the report appended to the 2016 budget papers contains detail of many budget items that are already being progressed.

3. Directorate Proposals

Across the Council, every attempt has been made to achieve efficiencies through service redesign, with minimum reduction in services or disproportionate increases in charges.

The Council's Human Resources policies already ensure there is full consultation and consideration of staffing matters and that employment-related equality issues are fully taken into account.

In order to achieve our ambitious vision for the area, four corporate priorities have been identified in the Corporate Strategy 2016-2020. The intention is that these four priorities will drive the work of the Council. The four priorities are: a strong economy and growth; a focus on prevention; a new relationship with customers and communities; an efficient business

The budget proposals with the potential for particular equality impacts have been listed below under the relevant priority areas.

4. From reactive to preventative

a. **The Front Door Review** will place a greater emphasis on providing health advice and guidance**,** and on preventative and self-care issues- along with further links with voluntary sector providers- will help to ensure that statutory services are made more easily available for those in need. Service users will be supported to maximise their independence and packages will not build unnecessary dependency on funded services, resulting in improved outcomes.
b. **Remodelling Education Support and School Services,** scaling back the support to schools, in line with Government initiatives, may limit the scope of preventative work with schools that are vulnerable and in need of support. There may be opportunities for greater trading with schools and academies and wider opportunities for income generation or working with neighbouring authorities. We will continue to target vulnerable schools and ensure that if we do withdraw from some service areas, schools are sign-posted to alternative services.

5. Customer and community focus

a. **The Modern Libraries Review** will see the Keynsham model (of a joint One Stop Shop and Library service) developed in Bath and Midsomer Norton. Integrating services in three main population centres will see an increased focus on the new digital agenda, helping people to access resources and gain appropriate skills as well as focusing on children and families and developing skills for the economy. Access to three million books across Libraries West will be maintained with the browsing experience being enhanced through innovative use of digital technology. In rural areas the impacts will depend upon local community solutions and have potential to enable longer opening hours and more vibrant community hubs and shared facilities. In the redevelopment of One Stop Shops, consideration needs to be given to improving disabled access to the external and internal environments. Specific equality impacts will differ depending upon geographical area: further equality impact assessments will be undertaken as the proposals are developed.

b. The transfer of some **Children's Centre** buildings to community ownership could benefit local organisations through more effective use of the buildings as well as reduce unnecessary overheads for the Council. The current service will continue to run.
c. The **Youth Connect Service** proposal seeks to maintain the Council's commitment to delivering its statutory requirements, whilst also encouraging and enabling local community groups to develop the additional capacity in key areas that will offer supplementary services for young people. This could result in a change in the model and/or provider of services in some localities. Any reduction in the size and remit of the Council-run service may impact on service delivery and our early help offer. The aim of the review will be to minimise any negative impact on outcomes for young people
d. Options to manage demands in **Adult Social Care** due to demographic increases (in older people, older people with mental ill health, people with learning disability and those with physical impairment) may have a number of impacts. In some instances, users and carers may have a more limited choice of care setting. Some people with lower level support needs currently accessing funded services may be unable to access such services in the future. They would instead be given advice, guidance and information on preventative services that are widely available, and also how they can take responsibility for their own health and wellbeing.
e. Exploring efficiencies through **Day Care** services will involve maximising independence, realigning transport provision and reducing longer term dependency on funded care for people with learning disabilities. There is potential reduced access to the existing model of service for some people with learning disability as the service model is redesigned with a shift away from the current, traditional day-centre model.
f. **Transport- Moving People from A to B** will look at the opportunities to improve customer options whilst also being cost effective. This will include a review of how we enable people to travel more independently when they are accessing special education or adult social care settings. Options will include working with service users to use community transport rather than dedicated buses and taxis; phasing in eligibility assessments for home to school transport and encouraging people to cycle or walk to their destination where possible. This will need to be considered in conjunction with the Mayoral Combined Authority (MCA) as bus subsidies will become a joint function managed under the power of the MCA. Any options including changes to eligibility times for concessionary fares will also need to be considered in the context of the MCA as this will be the Concessionary Travel Authority.
g. Moving to a **Digital by Choice** approach will help customers access what they need quickly and more efficiently. Also this will enable better use of data to target services. Care will need to be taken to ensure that those who do not

currently access services online are given support to be able to do so, or alternative options put in place.

6. An efficient business

a. Combining some **adoption** responsibilities and activities through the creation of a regional adoption service, Adoption West, will allow for family finding to become more effective and efficient. The joining of six local authorities will provide children and adopters with a more consistent service as well as providing opportunities to develop more efficient and effective support systems to the process of recruiting and assessing adopters
b. The **Early Years nursery provision** proposal will see a review of existing Council owned and run nurseries. The review will ensure there is sufficient private provision and no impact on the overall capacity for nursery places. The private sector has been able to absorb the movement of children to independent nursery providers from Council-run nurseries in some locations. Elsewhere, the Council will explore the option of assisting other organisations to take on the running and management of nurseries to ensure that sufficient places remain available across communities
c. Implementation of **Your Care Your Way** and the prime provider dynamic purchasing system for community services and home care and residential and nursing care home provision should realise improved outcomes for individuals as they are able to access services that are focused on maximising their independence rather than building unnecessary dependence, as well as achieving efficiencies in systems and processes.
d. Simplifying the application and administration process of **the Local Council Tax Support Scheme** will ensure that funds are targeted at the most disadvantaged, whilst giving the best value for money.
e. In respect of **transport,** service delivery is being changed and structures reviewed to enable more customer-focused arrangements- e.g. moving to more personalised budgets in relation to SEN transport options.
f. Whilst **Bereavement Service** charges will be increased by 12%, an option for cheaper funerals will be developed for consideration.
g. **Arts Development** will cease to solely fund cultural activity via commissioning or grant, except where matched funding has been secured from strategic partners where we are able to demonstrate we can add value with matched funding.

7. Cumulative impacts

The proposals identified in this report have the potential to impact on people across the full range of protected characteristics. In addition, whilst considerations of socio-economic status are not a requirement of the Equality Act public sector duty, the “narrowing the gap” agenda remains a key focus for the Council and its partners. It will be important to ensure that all these impacts are considered alongside each other as further details are developed (and within any consultation), in order to identify the cumulative impacts. These impacts will be assessed and managed through the Council's relevant programme and project management and other governance processes.

8. Recommendations

The following recommendations have been identified to be incorporated into the Council's programme and project management for each change proposal, delivered as appropriate:

Inclusive consultation. Where consultation is arranged as part of taking any of these proposals forward, it is vital that a diverse range of people take part to ensure that any additional equalities impacts are highlighted and addressed. A variety of methods should be used to access consultees. The Equalities Team can advise on this and also on how to access participants from groups representing different equality strands. The Independent Equalities Advisory Group can also provide further guidance on likely impacts, and ways of mitigating these.

Clear communication. Wherever it is planned to introduce changes, it is important to ensure that the communication and publicity strategies are accessible to disabled people (for example, people with visual impairments or learning disabilities) and also those for whom English is an additional language. The Council has commissioned Language Empire to assist with Interpreting and Translation where necessary.

Incorporating equality issues within commissioning specifications. Where proposals include commissioning or recommissioning external providers, detailed equalities requirements should be built into contract specifications. This will ensure that best practice relating to equality in delivery of services is continued and improved upon when delivered by external partners.

Workforce training and development. A number of the proposals contained within this report hinge upon the ability of officers to recognise opportunities where it is possible to further advance equality (for example, to improve disabled access to facilities/services). It is also important that officers are aware of and sensitive to the particular needs of different groups of people. Equalities training is available as part of the Corporate Training offer, and bespoke training can also be arranged by the Council's Equalities Team.

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Bath & North East Somerset Council		
MEETING:	**Council**	
MEETING DATE:	**14th February 2017**	EXECUTIVE FORWARD PLAN REFERENCE: E 2935
TITLE:	**Treasury Management Strategy Statement and Investment Strategy 2017/18**	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 - Treasury Management Strategy 2017/18 Appendix 2 - Investment Strategy 2017/18 Appendix 3 - Authorised Lending List Appendix 4 - Economic and Interest Rate Forecast		

1 THE ISSUE

1.1 In February 2012, the Council adopted the revised CIPFA Treasury Management in Public services Code of Practice 2011 Edition, which requires the Council to approve a Treasury Management Strategy before the start of each financial year and for this to be scrutinised by an individual / group of individuals or committee.

1.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

1.3 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

2 RECOMMENDATION

The Council agrees to;

2.1 Approve the actions proposed within the Treasury Management Strategy Statement (Appendix 1).

2.2 Approve the Investment Strategy as detailed in Appendix 2.

2.3 Decisions to borrow from the Local Government Association (LGA) Bond Agency, as detailed in Appendix 1, are delegated to the Chief Finance Officer in consultation with the Cabinet Member for Finance & Efficiency.

3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

3.1 The resource implications are included in the report and appendices.

4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

4.1 This report is a statutory requirement.

5 THE REPORT

Background

5.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Investment Strategy; this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

5.3 The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function is based on the Treasury Officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor.

The strategy covers:

•	Treasury limits in force which will limit the treasury risk and activities of the Council;
•	Treasury Management Indicators;
•	The current treasury position;
•	The borrowing requirement;
•	Prospects for interest rates;
•	The borrowing strategy;
•	The investment strategy.

5.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure (which includes investments expected to produce revenue savings and generate new income) must be limited to a level whereby the net impact on the revenue budget from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any net increases in running costs from new capital projects , and
3. increases in the Minimum Revenue Provision for capital expenditure

Increases are limited to a level which is affordable within the overall projected income of the Council for the foreseeable future.

5.5 The revised CIPFA Treasury Management in Public services Code of Practice 2011 Edition, adopted by Council in February 2012, requires the Treasury Management Strategy and policies to be scrutinised by an individual / group of individuals or committee, and the Corporate Audit Committee have been nominated by Council to carry out this function, and the report was on the agenda for the 9th February 2017 meeting.

2017/18 Treasury Management & Investment Strategy

5.6 The Strategy Statement for 2016/17 set Treasury Indicators for 2016/17 – 2018/19, which included a total borrowing requirement at the end of 2016/17 of £184 million. At the end of December 2016, external borrowing was at £120.0 million, which may increase before the end of the 2016/17 financial year should a review of the daily cashflow highlight additional liquidity funding is required.

5.7 The proposed Treasury Management Strategy is attached as Appendix 1 and includes the Treasury Management Indicators required by the Treasury Management Code.

5.8 The proposed investment strategy recognises the Council's current position as the accountable body for West of England Funds, including Regional Infrastructure Fund and Local Growth Fund. As and when this role moves to the West of England Mayoral Combined Authority (WoE MCA) then these arrangements will be covered in the WoE MCA's Treasury Management Strategy Statement

5.9 Although the indicators provide for a maximum level of total borrowing, this should by no means be taken as a recommended level of borrowing as each year affordability needs to be taken into account together with other changes in circumstances, for example revenue pressures, levels and timing of capital receipts, changes to capital projects spend profiles, and levels of internal cash balances.

5.10 The budget report, which is also on the agenda, includes appropriate provision for the revenue costs of the capital programme in accordance with this Treasury Management Strategy.

5.11 Appendix 1 also details the Council's current portfolio position as at 31st December 2016, which shows after the netting off of the £60.1 million investments, the Council's net debt position was £59.9 million.

5.12 The 2017/18 Investment Strategy is attached at Appendix 2. This sets 'outer limits' for treasury management operations. While the strategy uses credit ratings in a "mechanistic" way to rule out counterparties, in operating within the policy Officers complement this with the use of other financial information when making investment decisions, for example Credit Default Swap (CDS) prices, Individual Ratings, and the financial press. This has been the case in recent years, which protected the Council against losses of investment in Icelandic banks.

5.13 The Counterparty listing in Appendix 3 includes credit ratings from three agencies, as well as a sovereign rating for each country. Counterparties who now meet the minimum criteria as recommended in Appendix 2 as at 31st December 2016 are included in the listing in Appendix 3.

5.14 Interest rate forecasts from the Council's Treasury advisors are included in Appendix 1.

6 RATIONALE

6.1 This report is a statutory requirement.

6.2 : In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance

7 OTHER OPTIONS CONSIDERED

7.1 The Chief Financial Officer, having consulted the Cabinet Member for Finance and Efficiency, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are the table below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

8 CONSULTATION

8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Section 151 Finance Officer and Monitoring Officer.

8.2 Consultation was carried out via e-mail.

9 RISK MANAGEMENT

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

9.2 The Council's lending & borrowing list is 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.

9.3 The 2011 edition of 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. The Corporate Audit Committee carries out this scrutiny.

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

Contact person	*Tim Richens - 01225 477468 ; Giles Oliver - 01225 477022* *Tim_Richens@bathnes.gov.uk; Giles_Oliver@bathnes.gov.uk*
Background papers	*2016/17 Treasury Management & Investment Strategy.*
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

TREASURY MANAGEMENT STRATEGY – 2017/2018

Introduction

In February 2012 the Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice Fully Revised 2011 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has substantial amounts of borrowing and lending, and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.

Treasury Borrowing Limits for 2017/18 to 2019/20

It is a statutory duty under s.3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'.

The Council must have regard to the Prudential Code when setting the Affordable Borrowing Limit. The Code requires an authority to ensure that its total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

The Affordable Borrowing Limit must include all planned capital investment to be financed by external borrowing and any other forms of liability, such as credit arrangements. The Affordable Borrowing Limit is to be set on a rolling basis for the forthcoming year and two successive financial years.

Treasury Management Indicators for 2017/18 – 2019/20

The Council measures and manages its exposures to treasury management risks using the following indicators. The council is asked to approve the following indicators:

Security: average credit rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment Unrated investments are assigned a score based on their perceived risk.

	2017/18
Minimum Portfolio average credit rating	A-

Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as an amount of net principal borrowed will be:

	2017/18	2018/19	2019/20
Upper limit on fixed interest rate exposures	£306m	£350m	£361m
Upper limit on variable interest rate exposures	£206m	£250m	£262m

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	75%	0%
24 months and within five years	75%	0%
Five years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than 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. The limits on the proportion of total long-term principal sum invested to final maturities over 364 days will be:

	2017/18	2018/19	2019/20
Limit on proportion of principal invested over 364 days	£50m	£50m	£50m

Borrowing limits

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

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2017/18	2018/19	2019/20
Operational boundary – borrowing	£306m	£350m	£361m
Operational boundary – other long-term liabilities	£2m	£2m	£2m
Operational boundary – TOTAL	**£308m**	**£352m**	**£363m**
Authorised limit – borrowing	£338m	£382m	£392
Authorised limit – other long-term liabilities	£2m	£2m	£2m
Authorised limit – TOTAL	**£340m**	**£384m**	**£394m**

External Context & Prospects for Interest Rates (from Arlingclose Ltd)

The Council has appointed Arlingclose as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following section gives their commentary on the economic context and views on the prospects for future interest rates.

Economic background: The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets were wrong-footed by the referendum outcome and have since been weighed down by uncertainty over whether leaving the Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016 (*). The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016) (*), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

(*) Updates since Arlingclose drafting i) US interest rates were raised by 0,25% ii) Italy rejected constitutional changes

Credit outlook: Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18**.** The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low.

Arlingclose Interest Rate Forecasts

Arlingclose central interest rate forecast – December 2016

	Bank Rate	3 month LIBID	12 month LIBID	20-year gilt yield*
Q1 2017	0.25	0.25	0.60	1.70
Q2 2017	0.25	0.25	0.50	1.50
Q3 2017	0.25	0.25	0.50	1.40
Q4 2017	0.25	0.30	0.50	1.40
H1 2018	0.25	0.30	0.50	1.40
H2 2018	0.25	0.30	0.55	1.43
H1 2019	0.25	0.30	0.77	1.53
H2 2019	0.25	0.30	0.90	1.63

* The Council can currently borrow from the PWLB at 0.80% above gilt yields

The Council has budgeted for investment interest rates that will be made at an average rate of 0.3% for 2017/18 & beyond, reflecting the planned short-term duration of investments.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 3.

Local Context

Current Portfolio Position

The Council's treasury portfolio position at 31st December 2016 comprised:

	Principal	Ave. rate
	£m	%
External Borrowing		
Fixed rate funding – PWLB	80	3.93
Fixed rate funding – LA's	20	1.16
Variable rate funding – LOBOs	20	4.50*
Other long term liabilities	Nil	N/A
TOTAL GROSS EXTERNAL DEBT	**120.0**	**3.56**
Investments		
Short Term Investments	60.1	0.40
Long Term Investments	Nil	N/A
TOTAL INVESTMENTS**	**60.1**	**0.40**
NET DEBT	**59.9**	**3.16**

* The market loans are 'lenders options' or LOBO's. These are fixed at a relatively low rate of interest for an initial period but then revert to a higher rate of 4.5%. When the initial period is over the loans are then classed as variable, as the lender has the option to change the interest rate at 6 monthly intervals, however at this point the borrower has the option to repay the loan without penalty.

** Total Investments includes Schools balances where schools have not opted for an external bank account and cash balances related to B&NES CHC Pooled budgets.

Borrowing Strategy

As at 31st December 2016, the Council held £120.0 million of loans, of which £110m were long-term, and we will continue to monitor appropriate opportunities for borrowing in line with the overall Capital Financing Requirement.

The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2017 is expected to be £223 million, and is forecast to rise to £338 million by March 2018 as capital expenditure is incurred.

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

The maximum expected long-term borrowing requirement for 2017/18 is:

	£m
Not borrowed in previous years	*103*
Forecast increase in CFR	*115*
Loans maturing in 2017/18	*0*
TOTAL	***218***

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential risk for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis, which may determine whether the Authority borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

<u>Sources of borrowing</u>
The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments that meets the investment criteria (this includes other local authorities)
- any other bank or building society approved by the Prudential Regulation Authority to operate in the UK
- UK public and private sector pension funds (except the Avon Pension Fund)
- Capital market bond investor
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

LGA Bond Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be subject to specific approval in accordance with the Council's appropriate delegation.

The Authority holds £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during 2017/18, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

Policy on use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Derivative counterparties

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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APPENDIX 2

INVESTMENT STRATEGY

Investment Policy

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

The strategy of this policy is to set outer limits for treasury management operations. In times of exceptional market uncertainty, Council Officers will operate in a more restrictive manner than the policy allows, as has been the case during recent years.

Avon Pension Fund Investments

The Council's Treasury Management team also manage the Avon Pension Fund's internally held cash on behalf of the Fund. The regulations require that this cash is accounted for separately and needs to be invested separately from the Council's cash, and the split has been managed this way since 1st April 2010. The Fund's investment managers (currently the subject of Fund Pooling Proposals) are responsible for the investment of cash held within their portfolios and this policy does not relate to their cash investments

The cash balance held internally is a working balance to cover pension payments at any point in time and as a result the working balance will be c. £10 million. This working balance represents around 0.3% of the overall assets of the Fund. These investments will operate within the framework of this Investment Strategy, but the maximum counterparty limit and investment term with any counterparty are set annually by the Avon Pension Fund Committee. These limits are in addition to the Council's limits for counterparties as set out in Appendix 3.

The West of England Mayoral Combined Authority (MCA)

The West of England Combined Authority (MCA) is expected to be established in the first part of 2017, with elections for the West of England Mayor to take place in May 2017. The MCA will have its own investment and borrowing powers, and it is expected that transfers of responsibilities will ultimately lead to changes in the Bath and North Council's cash flows. However at this stage it is not considered that any changes to the Council's Treasury Management Strategy are necessary and no changes are being recommended arising from the establishment of the MCA.

The Chief Finance Officer will be exploring options to undertake a lead role for the Treasury Management Function, with due recovery of cost. The MCA will be required to approve its own Treasury Management Strategy Statement.

West of England Revolving Investment Fund (RIF)

In 2016/17 Bath and North East Somerset Council was the Accountable Body for the West of England Revolving Investment Fund, and acts as an agent holding Government grants until they are ready to be distributed to Local Authorities for infrastructure works over the coming years.

It is expected that this role will transfer to the MCA, following completion of the quarterly grant distributions. Investment with maturity dates beyond the date of transfer will be paid to the MCA on maturity along with its ring-fenced interest. The alternative may be to novate these investments.

These funds are kept separate from those of the Council, and therefore do not form part of the Council's counterparty limit restrictions. The funds are invested primarily to protect the capital, and in order to achieve this high level of capital security, investments are made predominately with UK Central Government and UK Local Authorities. Any interest earned on these investments is reinvested into the fund.

Local Growth Fund (LGF)

In 2016/17 the Council, acting in its capacity as Accountable Body for the West of England Local Enterprise Partnership (WoE LEP), received £42.407m of Local Growth Fund (LGF) from Central Government. These are projected to be fully spent after quarter 4 claims are settled.

The Local Growth Fund was allocated through competitive bidding, following submission of a Strategic Economic Plan by the LEP outlining local priorities to maximise growth, and is part of the wave of Growth Deals negotiated with Government, which were first announced in July 2014, and expanded in January 2015. Following the recent Spending Review, the West of England has an indicative LGF allocation totalling £149.296m to 2020/21.

The LEP determines the priority infrastructure projects to receive funding, including investment in transport improvements, superfast broadband and training facilities for young people. To maximise local flexibility, it is not tied to specific projects; areas can flex funding between individual schemes to respond to local changes.

Investments are made in line with the council's overall Treasury Management Strategy. Interest is earmarked to fund the Council's corporate support and governance costs that come with performing the Accountable Body function for the LEP.

It is expected in 2017/18 the Mayoral Combined Authority, will act as Accountable Body for the West of England Local Enterprise Partnership (WoE LEP) and will receive £43.930m of Local Growth Fund (LGF) from Central Government. Any residual funds from 2016-17 will also transfer to the Authority.

Approved Investment Counterparties

The Council may invest its surplus funds with any of the counterparties in the following table, subject to the cash and time limits shown:

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Central Govt.	N/A	N/A	£unlimited 50 Years	N/A	N/A
AAA	£10m 5 Years	£15m 20 Years	£10m 50 Years	£10m 20 Years	£5m 20 Years
AA+	£10m 5 Years	£15m 10 Years	£15m 25 Years	£5m 10 Years	£5m 10 Years
AA	£10m 4 Years	£15m 5 Years	£15m 15Years	£5m 5 Years	£5m 10 Years
AA-	£10m 3 Years	£15m 4 Years	£10m 10 Years	£5m 4 Years	£5m 10 Years
A+	£10m 2 Years	£15m 3 Years	£10m 5 Years	£5m 3 Years	£5m 5 Years
A	£10m 13 Month	£10m 2 Years	£10m 5 Years	£5m 2 Years	£5m 5 Years
A-	£10m 6 Months	£10m 13 months	£10m 5 Years	£5m 13 Months	£5m 5 Years
BBB+	£5m 3 Months	£10m 6 Months	£10m 2 Years	£3m 6 months	£3m 2 Years
BBB	£5m Overnight	£5m 3 Months	N/A	N/A	N/A
None	£1m 6 Months	N/A	£10m 25 Years	£50,000 5 Year	£3m 5 Years
Pooled Funds	£10m Per Fund				

The majority of the Council’s investments will be made for relatively short periods and in higher credit rated investments, giving priority to security and liquidity ahead of yield. However, where the Council has identified a core cash balance that is not required for any cash outflows in the short term, these funds will be considered suitable for a wider range of investments, with a greater focus on achieving a level of investment income that can support Council services. These may include long-term investments with registered providers of social housing, small businesses or corporate bond funds where an enhanced return is paid to cover the additional risks presented. Standard risk mitigation techniques, such as wide diversification and external credit assessments, will be employed, and no such investment will be made without a specific recommendation from the Council’s treasury management adviser.

In addition, the Authority may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Authority’s treasury management adviser.

Banks Unsecured

Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Current Bank Account: The Council’s current accounts are held with National Westminster Bank plc (NatWest), which is close to the bottom of the above credit rating criteria. The Council will treat NatWest as “high credit quality” for the purpose of making investments that can be withdrawn on the next working day, subject to the bank maintaining a credit rating no lower than BBB-.

Banks Secured

Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates
Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.
Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

Registered Providers
Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds
Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Other Organisations
The Council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the Council's treasury management adviser.

Risk Assessments & Credit Ratings

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody's Investors Service Inc and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality, unless an investment-specific rating is available.

Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade. The Council's credit rating criteria are set to ensure that it is unlikely that the Council will hold speculative grade investments, despite the possibility of repeated downgrades.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that an BBB+ rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

If further counterparties are identified during the year that meet the minimum credit rating criteria and conform to the other criteria set out in the Treasury Management Practice Schedules, they can be added to the lending list following the agreement of the Chief Financial Officer.

The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Foreign countries

Investments in foreign countries will be limited to those that hold an AAA or AA+ sovereign credit rating from all three major credit rating agencies and to a maximum of £15m per country for those rated AAA and £10 million per country for those rated AA+. There is no limit on investments in the UK, irrespective of the sovereign credit rating.

Sovereign credit rating criteria and foreign country limits will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations (e.g. the European Union).

Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Specified Investments

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-Specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown below.

	£m
Total long-term investments	50
Total investments without credit ratings or rated below A-	10
TOTAL	**60**

The time limit for long-term investments in UK Local Authorities & Local Government will be 50 years.

Long-term investments will be limited to 50% of a counterparty's limit where it meets the above credit rating criteria (except the UK Government). The combined value of short-term and long-term investments with any organisation will not exceed the limits for specified investments highlighted above.

Liquidity management

The Council regularly reviews and updates its cash flow forecasts to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Council's medium term financial plan, levels of reserves and cash flow forecast.

Planned investment strategy for 2017/18

Investments are made in three broad categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

Short-term funds are required to meet cash flows occurring in the next month or so, and the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although it should not be ignored. Bank deposit accounts and Money Market Funds will be the main methods used to manage short-term cash.

Medium-term funds which may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. Preference will continue to be given to investments with UK banks with approved credit ratings.

Cash that is not required to meet any liquidity need can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local authority services. Decisions on making longer term investments (i.e. over 1 year) will be considered during the year after taking account of the interest rate yield curve, levels of core cash and the amount of temporary internal borrowing related to funding of capital spend. A wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds may be used to diversify the portfolio. The use of external fund managers that have the skills and resources to manage the risks inherent in a portfolio of long-term investments may be considered.

The Council has already reduced its cash position to repay fixed interest debt held at higher rates. The continuing low level of short-term interest rates will mean the on-going use of internal cash resources to minimise the new borrowing. This approach will be regularly reviewed in light of market conditions and the wider economic outlook.

Review Reports

The revised CIPFA Code of Practice requires that both mid year and annual review reports on treasury activities are reported to Full Council.

Other Matters

The CLG Investment Guidance also requires the Council to note the following matters each year as part of the investment strategy:

<u>Treasury management advisers</u>
The Council's has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues, although responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,

- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of this service is monitored by officers on a regular basis, focusing on supply of relevant, accurate and timely information across the headings above.

Investment training

The needs of the Council’s treasury management staff for training in investment management are assessed every year as part of the staff performance development review process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of spending need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council’s overall management of its treasury risks.

The total amount borrowed will not exceed the 2017/18 authorised borrowing limit of £347 million. The maximum periods between borrowing and expenditure is expected to be two years, although the Council does not link particular loans with particular items of expenditure.

Proposed Counterparty List - Unsecured Bank Investments

2017/18

CRITERIA	Max Duration	Authority Limit (£m)	FITCH RATINGS S/Term	FITCH RATINGS L/Term	FITCH RATINGS Support	Moody's Ratings S/Term	Moody's Ratings L/Term	S&P Ratings S/Term	S&P Ratings L/Term
UK Banks	**Sovereign Rating**			**AA**			**Aa1**		**Aau**
Barclays Bank plc	6 months	10	F1	A	5	P-1	A1	A-2	A-
Close Brothers Ltd	13 months	10	F1	A	5	P-1	Aa3		
Goldman Sachs International	13 months	10	F1	A		P-1	A1	A-1	A+
HSBC Bank plc	3 Years	10	F1+	AA-	1	P-1	Aa2	A-1+	AA-
Lloyds Banking Group									
Lloyds Bank plc	2 Years	10	F1	A+	5	P-1	A1	A-1	A
Bank of Scotland plc	2 Years	10	F1	A+	5	P-1	A1	A-1	A
Royal Bank of Scotland Group									
National Westminster Bank plc	3 Months	5	F2	BBB+	5	P-2	A3	A-2	BBB+
Royal Bank of Scotland plc	3 Months	5	F2	BBB+	5	P-2	A3	A-2	BBB+
Santander UK plc **(domiciled in UK)**	13 months	5	F1	A	2	P-1	Aa3	A-1	A
UK Building Societies									
Nationwide	13 months	10	F1	A	5	P-1	Aa3	A-1	A
Coventry	13 months	10	F1	A	5	P-1	A2	-	-
Leeds	6 months	10	F1	A-	5	P-2	A2	-	-
Foreign Banks									
Australia	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Australia & New Zealand Banking Group	3 Years	10	F1+	AA-	1	P-1	Aa2	A-1+	AA-
Commonwealth Bank of Australia	3 Years	10	F1+	AA-	1	P-1	Aa2	A-1+	AA-
National Australia Bank Ltd	3 Years	10	F1+	AA-	1	P-1	Aa2	A-1+	AA-
Westpac Banking Corporation	3 Years	10	F1+	AA-	1	P-1	Aa2	A-1+	AA-
Canada	**Sovereign Rating**			**AAA**			**Aaa**		**AAA**
Bank of Montreal	2 Years		F1+	AA-	2	P-1	Aa3	A-1	A+
Bank of Nova Scotia	2 Years	10	F1+	AA-	2	P-1	Aa3	A-1	A+
Canadian Imperial Bank of Commerce	2 Years	10	F1+	AA-	2	P-1	Aa3	A-1	A+
Royal Bank of Canada	3 Years	10	F1+	AA	2	P-1	Aa3	A-1+	AA-
Toronto-Dominion Bank	3 Years	10	F1+	AA-	2	P-1	Aa1	A-1+	AA-
		10							
Finland	**Sovereign Rating**			**AA+**			**Aa1**		**AA+**
OP Corporate Bank plc	2 Years	10				P-1	Aa3	A-1+	AA-
Germany	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Landesbank Hessen-Thuringen	13 months	10	F1+	A+		P-1	A1	A-1	A
Netherlands	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Bank Nederlandse Gemeenten	5 Years	10	F1+	AA+	1	P-1	Aaa	A-1+	AAA
Cooperatieve Rabobank UA	2 Years	10	F1+	AA-		P-1	Aa2	A-1	A+
ING Bank NV	13 months	10	F1	A+	5	P-1	A1	A-1	A
Singapore	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Development Bank of Singapore Ltd	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
Oversea-Chinese Banking Corp	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
United Overseas Bank Ltd	3 Years	10	F1+	AA-	1	P-1	Aa1	A-1+	AA-
Sweden	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Svenska Handelsbanken	3 Years	10	F1+	AA	2	P-1	Aa2	A-1+	AA-
Nordea Bank NV	3 Years	10	F1+	AA-	2	P-1	Aa3	A-1+	AA-
Switzerland	**Sovereign Rating**			**AAA**			**Aaa**		**AAAu**
Credit Suisse AG	13 months	10	F1+	A	5	P-1	A1	A-1	A
USA	**Sovereign Rating**			**AAA**			**Aaa**		**AA+u**
J P Morgan Chase Bank NA	2 Years	10	F1+	AA-	5	P-1	Aa3	A-1	A+
Supernational									
Council of Europe Development	5 Years	10	F1+	AA+	-	P-1	Aa1	A-1+	AA+
European Bank for Reconstruction & Dev	5 Years	10	F1+	AAA	-	P-1	Aaa	A-1+	AAA
European Investment Bank	5 Years	10	F1+	AAA	-	P-1	Aaa	A-1+	AAA
Inter-American Development Bank	5 Years	10	F1+	AAA	-	P-1	Aaa	A-1+	AAA
IBRD (World Bank)	5 Years	10	F1+	AAA	-	P-1	Aaa	A-1+	AAA
Nordic Investment Bank	5 Years	10	-	-	-	P-1	Aaa	A-1+	AAA

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 - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Appendix 4 –

Arlingclose Economic & Interest Rate Forecast

Underlying assumptions:

- The medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- The global environment is also riddled with uncertainty, with repercussions for financial market volatility and long-term interest rates. Donald Trump's victory in the US general election and Brexit are symptomatic of the popular disaffection with globalisation trends. The potential rise in protectionism could dampen global growth prospects and therefore inflation. Financial market volatility will remain the norm for some time.

- However, following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than earlier in the year. US fiscal stimulus is also a possibility following Trump's victory.

- Recent data present a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending.

- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

- The currency-led rise in CPI inflation (currently 1.0% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to a sharp decline in real wage growth.

- The depreciation in sterling will, however, assist the economy to rebalance away from spending. The negative contribution from net trade to GDP growth is likely to diminish, largely due to weaker domestic demand. Export volumes will increase marginally.

- Given the pressure on household spending and business investment, the rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.

- Bank of England policymakers have, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further monetary loosening looks less likely.

Forecast:

- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 25% possibility of a drop to close to zero, with a very small chance of a reduction below zero.

- Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	**0.12**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside risk	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.40**
3-month LIBID rate														
Upside risk	0.05	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.18**
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside risk	0.20	0.25	0.25	0.25	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.34**
1-yr LIBID rate														
Upside risk	0.10	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	**0.60**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.65**
Downside risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.24**
5-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**0.50**	**0.40**	**0.35**	**0.35**	**0.35**	**0.40**	**0.40**	**0.40**	**0.45**	**0.50**	**0.55**	**0.60**	**0.65**	**0.45**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
10-yr gilt yield														
Upside risk	0.30	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.15**	**0.95**	**0.85**	**0.85**	**0.85**	**0.85**	**0.85**	**0.90**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**0.96**
Downside risk	0.30	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	**0.47**
20-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.70**	**1.50**	**1.40**	**1.40**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**
50-yr gilt yield														
Upside risk	0.25	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.39**
Arlingclose Central Case	**1.60**	**1.40**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.41**
Downside risk	0.40	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	**0.57**

<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>16 February 2017</td><td>AGENDA ITEM NUMBER</td></tr>
<tr><td>TITLE:</td><td colspan="2">LGPS Pooling of Investments</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 – Full Business Case for Avon Pension Fund</td></tr>
</table>

1 THE ISSUE

1.1 Government policy, now brought into effect by the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016 (the Regulations) effective 1 November 2016, requires the Avon Pension Fund to pool its investment assets.

1.2 To meet this requirement the Avon Pension Fund is participating in Brunel Pension Partnership (BPP). The Full Business case (FBC) for BPP has been finalised having been reviewed by each of the Chief Finance and Legal Officers of the 10 funds and ratified by the Shadow Oversight Board (the 10 chairmen of the pensions funds) prior to consideration by each of the administering authorities.

1.3 The Avon Pension Fund Committee considered the FBC at its meeting on 9 December 2016 and resolved to recommend it to the Council for approval. This will enable the establishment of the Brunel Company (an FCA regulated company) in order that the pooling proposals can progress to the implementation stage.

1.4 The FBC financial model demonstrates that there are net benefits for the Avon Pension Fund in entering into the BPP and establishing the Brunel Company. The detailed business case sets out the structures and governance arrangements that will be put in place, which will ensure the company provides value for money to the fund and that the **administering authorities have appropriate shareholder control over the company**.

1.5 **The regulations state that the costs of pooling including the development and ongoing operating and regulatory costs are to be met by the pension fund.** Brunel company will be an asset in the Avon Pension Fund accounts.

1.6 Each of the 10 administering authorities within BPP is in the process of approving its FBC. To date all 10 pension committees and eight administering authorities have approved with 2, including B&NES Council, yet to meet.

1.7 The summary of the FBC can be found at Appendix 1. There are a number of background papers that support the FBC. Most are exempt papers and can be obtained on request. The papers include:

a) Detailed sections of the Full Business Case (exempt)

b) Summary risk register

c) Detailed risk register (exempt)

d) Financial model (exempt)

2 RECOMMENDATION

Council is recommended to approve the following resolution:

2.1 **In its capacity as the Administering Authority for the Avon Pension Fund, and having received and reviewed the Full Business Case relating to the proposed Brunel Pension Partnership, the Council hereby resolves to enter into investment pooling with respect to the Avon Pension Fund.**

Such resolution is made on and subject to the following terms and conditions:

1) **That the Brunel Pension Partnership investment pool is developed, funded and implemented substantially in accordance with provisions in the Full Business Case and more particularly that:**
   - **A FCA regulated company to be named Brunel Pension Partnership Limited be established and operated substantially in accordance with provisions in the Full Business Case as to its ownership, structure, governance and services capability;**
   - **A new supervisory body be established comprising the Council and all other Administering Authority participants in the Brunel Pension Partnership to act to ensure effective oversight of the Council's investment and participation in the Brunel Pension Partnership.**

2) **Delegate to the Leader of the Council the exercising of all Council functions as shareholder of the company, in consultation with the Chief Finance Officer.**

3) **The Avon Pension Fund Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include participation in the development of Terms of Reference and the role of the supervisory board and agreeing and authorising financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.**

4) **That the Chief Finance Officer, Chief Legal Officer and Head of Business Finance and Pensions be authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to support the Avon Pension Fund Committee with respect to pooling, which without limitation shall include agreeing and authorising documentation and**

contracts, and informing and advising the Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.

5) **That subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Avon Pension Fund Committee.**

3 FINANCIAL IMPLICATIONS

3.1 **The Regulations state that all costs of pooling (including the development and set up costs) are to be met from the pension fund assets**.

3.2 The costs of developing the pool to date have been provided for in the pension fund's 2016-17 budget.

3.3 Included in the FBC are the development costs to establish the company, working capital and regulatory capital up to April 2018. The pension fund's share of these costs is £330k (including working and regulatory capital for Brunel company of £200k). These costs will be provided for in the pension fund budget for 2017/18. These costs equate to c. 0.008% of the Fund's assets.

4 BACKGROUND

4.1 In the July 2015 budget statement the government announced that the LGPS funds were to put forward proposals to pool their assets in order to reduce investment costs and increase their capacity to invest in infrastructure.

4.2 The new Regulations require funds to set out their approach to pooling in their Investment Strategy Statement. In addition, the Regulations provide the Secretary of State with back-stop powers to intervene if they deem the fund has not complied with the Regulations and related guidance.

4.3 The Regulations are clear that responsibility for individual fund investment strategy remains with the individual Administering authorities; the Financial Conduct Authority (FCA) regulated company (Brunel company) set up by the pool will be responsible for implementing the asset allocation decisions.

4.4 In response to the government agenda BPP was set up to explore the options for pooling. BPP comprises of the following 10 funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire with combined assets of c. £23bn at 31 March 2015.

4.5 The Avon Pension Fund Committee has received regular updates on progress and reviewed the two proposals submitted by the 10 participating funds to the DCLG; the initial proposal in February 2016 and the outline business case in July 2016.

4.6 Since July a detailed FBC has been developed for approval by the administering authorities to establish Brunel company and the new governance arrangements for the pool.

5 FULL BUSINESS CASE – ASSURANCE PROCESS

5.1 The officer group has developed the FBC alongside a range of advisors specialising is specific aspects of the project as follows:

a) PWC – financial advice and assurance including the financial model

b) Osborne Clarke – legal advice and assurance

c) Bfinance – advised on investment fee savings and transition costs

d) Alpha Financial Markets Consulting – advised on financial market and FCA authorisation aspects

5.2 The FBC has been reviewed in detail by the Finance and Legal Assurance Group (FLAG) comprising the chief finance and legal officers of each authority. The role of this group is to ensure the FBC is robust and sustainable.

5.3 The FBC was reviewed by the Shadow Oversight Board (SOB) on 23 November 2016 when they agreed to recommend it to the 10 administering authorities. The SOB remain concerned about the costs incurred to develop and implement the pooling arrangements and the taxation costs that will arise when transitioning the assets. They will continue to engage with government on these issues on behalf of the funds.

6 FULL BUSINESS CASE – KEY ASPECTS

6.1 Appendix 1 contains the FBC for Avon Pension Fund.

6.2 The FBC includes the following sections:

a) **The strategic case**: focuses on the legal requirements, the regulatory imperative for pooling, and how BPP meets the pooling criteria.

One of the criteria for each pool is ensuring funds can invest in infrastructure. BPP is committed to providing capacity and capability for the 10 funds to invest in infrastructure. Any allocation to infrastructure remains a strategic decision of the fund.

b) **The financial case**: drawn from the core financial model developed by PWC. The model includes the development costs to establish the pool, regulatory capital and operating costs of Brunel company, costs of transitioning the assets, operational savings at each fund and investment fee savings.

The financial case focuses on 3 key metrics

(i) The net annual savings once initial structural development and transition costs have been met

(ii) The breakeven year

(iii) The cumulative net savings over a 20 year period

A sensitivity analysis of the core model metrics has been undertaken to assess the impact of differing scenarios on the business case. The core case makes no assumptions for improved investment performance and non-financial opportunities as a result of pooling. These are discussed in the detailed Financial Case.

c) **The economic case**: examines the rationale and options for the pool, specifically the advantages and disadvantages of whether to rent or build the operator, examining each against accountability, procurement and staffing factors and costs. The analysis concluded that the build model had advantages over the rental model, especially with regard to accountability.

d) **The commercial case**: sets out the proposed structural arrangements of BPP including relevant ownership, governance and contractual matters. The detail of the contractual documents, shareholder agreements, articles of association and Terms of Reference (ToR) are still to be agreed, this will be the focus of work during the next phase of the project.

The Oversight Board will be comprised of representatives from each of the Administering Authorities. It will have an agreed constitution and ToR; however it will not be a Joint Committee under S102 LGA but an oversight body responsible for monitoring and overseeing Brunel company, acting on behalf of the Administering Authorities.

Brunel company will be wholly owned by the Administering Authorities, in equal shares. The company will have its own company board that will need to meet FCA requirements. The non-executive shareholder representative on the company board has yet to be appointed. Legal advice confirms that the procurement of the services of Brunel company by the Administering Authorities will be exempt from the application of the public contract procurement procedures.

e) **The management case:** considers the project management still required to:

(i) Set up Brunel company through to FCA authorisation;

(ii) Establish the governance arrangements of BPP and

(iii) Implement client side governance, resource and process changes.

7 AVON PENSION FUND FINANCIAL CASE

7.1 The costs and benefits are derived from the financial model. The level of savings and breakeven date are determined by the starting point, that is, the current asset allocation and existing fee levels, and the asset transition timetable as this affects how quickly each fund will realise fee savings.

7.2 The core model forecasts the following key metrics for the combined pool and Avon Pension Fund are shown in the table below. The core model forecasts annual savings post transition costs of £3.5m p.a., cumulative savings of £73.3m over the next 20 years, which has a discounted present value of £36.4m. This results in a breakeven point in the FY24.

Core Model	Breakeven Year	Total 20 years net gain to FY36		Running annual rate of net savings in FY25	
		£m	Discounted value £m	£m	Basis points[1] of AUM[2]
AVON	**FY24**	**73.3**	**36.4**	**3.5**	**6.8**
Combined Pool	FY23	550.1	279.5	27.8	8.9

Notes: [1] 1 basis point is equal to 1/100th of 1%; [2] AUM = Assets under Management

7.3 The costs of transitioning assets into the pool will be shared by all the funds pro rata to their allocation to each asset class to ensure that no individual fund is disadvantaged by or unduly benefits from fund manager selection that will be made by Brunel company.

7.4 The savings will be achieved through reduced direct investment costs, primarily in investment management fees. Far smaller savings are expected from the activities undertaken internally by the Investments Team other than the current tasks that will be undertaken by Brunel company.

7.5 A sensitivity analysis of the financial model provides an indication of how the key metrics could change under various scenarios. The results for Avon Pension Fund are in the following table.

7.6 The greatest sensitivity is in respect of fee savings. If a 30% lower fee saving (equivalent to 2 basis points) is achieved, then the annual and cumulative savings will fall by c. 36% (to £46.6m and £2.3m respectively) and the breakeven point is delayed by 2 years to FY26. Likewise if Brunel company achieves greater fee saving than assumed the savings are greater and accrue more quickly.

7.7 The next most sensitive assumption is the effect of asset returns modelled as an equity market crash during transition or an asset return 1% higher/lower than the 4% annual return assumed in the core model. An equity market crash of 20% would reduce the cumulative savings by c 15%; an asset return of 3% p.a. rather than 4% p.a. would reduce cumulative savings by 20%. However, these impacts are outside the direct control of the pool.

7.8 In respect of transition costs, an increase of c. 50% only moves the breakeven point out by 1 year to FY25 and results in a small reduction (<5%) in cumulative savings over 20 years. Likewise a delay in the transition of assets will result in slightly lower savings. Similarly, variations in the costs of operating Brunel company have very little impact on the overall savings and breakeven point.

AVON		Break-even Year	Total 20 years net gain to FY36		Running annual rate of net savings in FY25	
			£m	Discounted value £m	£m	Basis points of AUM
Core Model		**FY24**	**73.3**	**36.4**	**3.5**	**6.8**
Variable 1: fee savings	-2 bps pa saving	FY26	46.6	21.3	2.3	4.5
	+2 bps pa saving	FY22	100.2	51.4	4.7	9.1
Variable 2: asset transition costs	+£15m on total transitional costs	FY25	70.6	33.9	3.5	6.8
	-£15m on total transitional costs	FY23	75.9	38.8	3.5	6.8
Variable 3 + £1m pa Brunel company running costs		FY24	70.2	34.1	3.4	6.5
Variable 4: Transition delay		FY25	66.7	32.8	3.4	6.5
Variable 5: asset performance	Equity market crash FY20	FY24	63.9	31.1	3.1	6.7
	-1%pa (3% pa total)	FY24	58.3	28.0	3.1	6.6
	+1% pa (5% pa total)	FY24	91.2	46.3	4.0	7.0

7.9 In addition to the financial model's core estimate of the net savings that BPP can achieve, the financial case also outlines the opportunity for additional benefits from improved performance. This would result from improved risk management and diversification between managers that will be achievable from investing in greater scale. In addition there are a number of non-financial benefits as a result of pooling. These include significantly improved resilience in resources, improved resources for risk analytics including environmental, social and governance risks, and greater knowledge sharing.

7.10 The S151 Officer and Monitoring Officer support the financial case to pool. The FBC for Avon Pension Fund indicates that there are significant financial benefits in the longer term, derived principally from increased economies of scale, skills and resources that pooling will bring.

8 RISK MANAGEMENT

The Brunel Pension Partnership project to establish the Brunel Company has been overseen by the chairs of the administering authorities (Shadow Oversight Board) and scrutinised by statutory Finance and Legal officers. Professional legal and financial advice has been obtained to provide assurance over the proposals and further scrutiny has been undertaken by the DCLG and Treasury At this point government are content for BPP to move the project forward to implementation which will require obtaining approval from the Financial Conduct Authority. The project maintains a detailed risk register subject to regular review by the Shadow Oversight Board and officers, and progress is regularly scrutinised by the Avon Pension Fund Committee.

The project has maintained a risk register that has been regularly reviewed by the statutory Finance and Legal Officers and the Shadow Oversight Board.

9 EQUALITIES

9.1 There is no equalities impact on members of the scheme.

10 CONSULTATION

10.1 Extensive consultation with the Avon Pension Fund Committee and Cabinet Member for Resources.

11 ADVICE SOUGHT

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

Contact person	Tony Bartlett, Head of Pensions 01225 477203 Tim Richens, s151 Officer 01225 477343
Background papers	Supporting Information listed in 7.11 available on request
Please contact the report author if you need to access this report in an alternative format	

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Project Title: Project Brunel

Brunel Pension Partnership

Full Business Case – Avon

VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Final Draft	08/11/16	Final Draft presented to BPP Finance and Legal Assurance Group (FLAG)	Dawn Turner
Final V1.0	15/11/16	Updates from FLAG feedback	OC/PwC/Project Office
Final v1.1	17/11/16	Incorporating feedback following FLAG review	Project Office
Final v1.2 Avon	18/11/16	Updated in line with Financial model v5 Individual fund details and annex references for councils included.	Project Office

Contents

1. INTRODUCTION

1.1 Background and Context

The Full Business Case **(FBC)** has been prepared to inform a decision by the BANES Council on a proposal for Pension Fund investment pooling by means of a newly established pooling arrangement, to be called the Brunel Pension Partnership **(the BPP)**. At its core will be a new Financial Conduct Authority **(FCA)** regulated company, Brunel Pension Partnership Limited **(the Brunel company).**

Having first explained the background to investment pooling for Pension Funds in the Local Government Pension Scheme (**LGPS**), and also the essential features of the BPP proposal, the main focus of the FBC is on the financial viability and economic merits of that proposal. The outcomes of a detailed Financial Model are set out and have been subjected to ***independent professional assurance***. The impacts of legal and other matters relating to the formation, governance and operation of the BPP and the Brunel company are also set out and subjected to ***independent professional assurance***. All aspects have also been subjected to review by Chief Finance Officer/ Chief Legal Officer representatives from the 10 bodies engaged in the Brunel pool.

A summary of the key conclusions emerging from the FBC is provided immediately below. A major point to be emphasised at the outset is that ***the FBC indicates that there are significant financial savings and other efficiencies to be gained which support accepting the proposal to continue to establish an investment pool for the 10 bodies*** (i.e. quite apart from any regulatory imperative to pool). These derive principally from the ***enhancement in scale, skills, and resources that investment pooling will bring***. The pooled investment of approximately £25bn of assets under the BPP model ***will open up new opportunities across a range of performance metrics***.

Having listed the key conclusions, the remainder of this FBC is divided into five sections dealing with the Strategic, Financial, Economic, Commercial and Management Cases. Detailed consideration of these has been undertaken by Chief Finance and Chief Legal Officers on behalf of the BANES Council.

Further supporting information is also available if required by Council decision makers.

1.2 Key conclusions from the Full Business Case

These are, as follows:

- On an aggregated basis, the Financial Model indicates that net savings exceeding £0.5 billion are achievable by 2036, with annual savings exceeding annual costs by March 2021 and breakeven two years later. The timing is largely down to the timetable to transition active fund management after 2019 as this yields the largest saving potential.

- On an individual Fund basis, the Financial Model indicates that net savings are achievable, with the level of such savings varying between Funds mainly to reflect the historic differing approaches to investment and risk resulting in different portfolios. This means there will inevitably be differing savings that will be obtained on fee renegotiations.

- New Regulations have set out a clear legal framework making investment pooling mandatory for all LGPS funds in England and Wales, from April 2018.

- Regulations are very clear that the responsibility for individual fund investment strategy remains with the individual Administering Authorities.

- The BPP will represent a collaboration of the BANES Council and nine other LGPS Administering Authorities based broadly in the South West of England.

- The Brunel company will be set up as a new FCA regulated entity, to be owned equally by each of the ten Administering Authorities.

- The Brunel company will implement the investment strategy of each BPP Pension Fund by selecting and monitoring external Manager Operated Funds.

- An initial review of the set-up, governance and operation of the BPP investment pool has confirmed its legal robustness and viability.

- Further development work, including on financial, legal and FCA regulatory matters, will be undertaken in the next development phase of the BPP investment proposal (i.e. up to anticipated implementation in April 2018).

- The current proposals and the documents associated with the current proposals are first drafts which are yet to be properly discussed and scrutinised by the Administering Authorities.

- The next phase of the BPP project will be work-intensive, and continued project resource will be required to ensure its successful delivery.

1.3 Professional advice and assurance

Professional advice and assurance on the financial elements of the BPP investment pooling proposal has been provided by PricewaterhouseCoopers LLP (**PwC**) and other advisers. From PwC, this has primarily related to preparation of the Financial Model and its outcomes, the financial case and taxation advice. Bfinance UK Limited (**bfinance**) has advised on potential investment fee savings and investment transition costs. Additional financial markets advice has been provided by Alpha Financial Markets Consulting (**Alpha**).

Professional advice and assurance on the legal elements of the BPP investment pooling proposal has been provided by Osborne Clarke LLP (**Osborne Clarke**). This has primarily related to the law and investment pooling, the set-up of the Brunel company, FCA authorisation, procurement and employment matters. Further legal assurance has been provided by obtaining the legally privileged opinions of Leading Counsel (QCs) on the FCA authorisation and procurement law aspects.

Both PwC and Osborne Clarke have provided a statement of assurance to each of the BPP Administering Authorities.

2. STRATEGIC CASE

2.1 Introduction

The purpose of the Strategic Case is to identify the drivers for investment pooling. It sets out the case for change, taking into account in particular the Government's policy imperatives and the regulatory requirements relating to pooling.

2.2 Background to LGPS investment pooling

In May 2014, the Government published a consultation which set out how savings might be achieved by LGPS funds through greater use of passive management and pooled investment. Following that consultation, the Government invited all LGPS Administering Authorities to develop ambitious proposals for pooling of their assets.

In July 2015 the Budget Red Book contained a statement as to what was required, and in November 2015 more detailed guidance was issued. A key point to emerge was that each pool should have assets of around £25 billion.

The proposal to establish the BPP developed accordingly. Through project based joint-working initiatives led by the local pension officers and overseen by two sponsoring bodies[1] the 10 Administering Authorities comprising the BPP have collaborated to test the proposition of establishing a new LGPS investment pool. This will include the Funds of the Environment Agency (Active and Closed) and those of nine Local Authorities (Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire).

In February 2016 eight pools, including the BPP, submitted their proposals to the Government. These submissions were strategic statements of intent. They were followed in July 2016 by much more detailed submissions from each pool, setting out how they were intending to pool their assets and the rationale for the approach being adopted. Each of the Administering Authority's Pensions Committees approved the BPP submission to Government.

The BPP submission included details about the key structural elements for the BPP pool. Since July, work has been ongoing to develop the BPP proposal in readiness for launching the new pool in April 2018.

2.3 Regulatory reform

The regulatory framework for investment pooling has been confirmed in the recently made Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (**LGPS Investment Regulations 2016**). These provide that each Administering Authority must formulate an Investment Strategy Statement which must (a) be in accordance with Secretary of State (**SoS**) guidance, and (b) include "the authority's approach to pooling of investments, including the use of collective investment vehicles and shared services". The guidance states that "all authorities must commit to a suitable pool to achieve benefits of scale", and they "must confirm that their chosen investment pool meets the investment reform and criteria published in November 2015".

The SoS is given back-stop powers to intervene if an authority fails to act in accordance with the guidance and following consultation with the authority. These permit the SoS to make a direction requiring: that the authority changes investment strategy; that the authority invests specified assets as directed; that the investment functions of the authority are exercised by the SoS; that the authority complies with an instruction from the SoS relating to the exercise of its investment functions.

Legal advice from Osborne Clarke has confirmed that these regulatory provisions mean that the Government has set out a clear framework making investment pooling mandatory for all LGPS funds in England and Wales.

[1] Shadow Oversight Board with representatives from each Administering Authority; and Finance and Legal Assurance Group comprised of Chief Finance Officers and Chief Legal Officers.

2.4 The case for change

The consultation for the new draft LGPS Investment Regulations 2016 was accompanied by criteria for pooling. This outlined four areas that underpin the case for change. These are now described, along with a brief statement (in bold) of how the BPP measures up against those criteria:

- Benefits from economies of scale to be derived from large pools of assets of a minimum of £25 billion. The total LGPS assets under management (**AUM**) in England and Wales at that time were in the region of £180 billion.

  Funds in the BPP pool had assets of about £23 billion at 31 March 2015, and these were valued at over £25 billion at 31 October 2016.

- Improved decision making and better risk management, achieved from stronger governance, for the long-term interest of Funds' members.

  The BPP has agreed 12 investment principles that will underpin all the governance and operating arrangements across the whole partnership. These were reported to all fund Committees/ Boards in earlier phases of this project and include long termism, responsible stewardship and openness and transparency. The BPP's governance arrangements will be constructed to meet the highest standards, including those required by the FCA for a regulated entity.

- Reduction in costs and improved value for money from both the fee savings achieved by funds investing together and reducing manager churn by focusing on long term performance.

  The BPP Funds currently have almost 100 different managers and around 170 mandates between them. These will be replaced by about 22 outcome focused investment portfolios, which will deliver the BPP Funds' investment strategy requirements and significantly reduce the number of managers and mandates. Annual fee savings of £20 million are projected to be made by March 2021, rising to £30 million by March 2027.

- Increasing capacity and capability to invest in infrastructure by making long term strategic collaborative plans across the LGPS to invest in infrastructure making this asset allocation more attractive (lower risk) and beneficial (increased returns for less cost).

  The eight LGPS pools have formed a Cross Pool Collaboration Group, with an Infrastructure sub-group looking at a national approach to infrastructure. While in its infancy, this is likely to yield improved access to better infrastructure investment, both from the collective opportunity BPP brings as well as a national investment vehicle.

2.5 Imperative of investment pooling

The main strategic driver for investment pooling is the Government's decision to progress this as a policy, as now required under the LGPS Investment Regulations 2016. The case for change is underpinned by legal advice from Osborne Clarke, and has been recognised by all other Administering Authorities in England and Wales and the other pools they have formed or are now forming.

3. FINANCIAL CASE

3.1 Introduction

The purpose of the Financial Case is to set out the financial implications of investment pooling. It is informed by a detailed Financial Model, which focuses on the estimated savings from pooling both on a whole pool basis and an individual Fund basis. It represents the key evidence supporting this Business Case and the BPP proposal generally.

3.2 The BPP financial model – three key metrics

PwC have created a sophisticated Financial Model that has been provided to each Administering Authority's pension and financial officers. The Financial Model compares the current situation for each Administering Authority to the situation following the transition of assets into the Brunel company, projecting annual net costs or net savings until 2036.

There are three key metrics from the Financial Model:

- **The annual running rate of net saving once the initial structural development and asset transition costs have been met**. Net savings are fee savings plus other savings less operational costs, each evaluated on an annual basis. The metric can be expressed as a cash amount or as a percentage of assets under management in the relevant year: we have used the year to March 2025 (FY25).
- **The year of breakeven**. This metric estimates when each of the BPP Pension Funds will reach the point when the anticipated fee and other savings will start to exceed the set-up (structural development and asset transition) costs and operational costs.
- **The total net savings measured against a broadly 20 year period** to financial year ending 31 March 2036 (FY36). This metric measures the net savings each of the Brunel Funds will accrue, both on a discounted and an undiscounted basis, over that period.

The information and assumptions underlying the Financial Model are described in more detail in the Financial Case (background paper).

3.3 The core model

The core model presents a base case of the financial outputs, and is intended as a prudent and reasonable projection of the total anticipated savings from the transitioning of assets into the BPP pool. The core model relies on the key assumption that fee savings will be driven by fewer investment mandates and an extensive programme of fee negotiations, with other savings accruing from reduced expenditure by Administering Authorities.

On that basis, the core model projects-:

- that annual net savings by FY25 will be **£27.8 million pa** across the Administering Authorities, representing 0.089% (**8.9** basis points **bps pa**) of assets then under management;
- the breakeven year, by which cumulative savings will have exceeded cumulative costs will be the year to March 2023, **FY23,** in fact relatively early in that year; and
- an aggregate net saving to FY36 across all ten Administering Authorities of **£550 million**, which has a discounted present value of **£280 million**.

The position on the three metrics (i.e. the annual running rate of net savings, the breakeven year, and the net savings by FY36) differs between the ten Administering Authorities, depending mainly on differing projected fee savings. These differing fee savings depend on the differences between the projected fee levels, after renegotiation, and existing fee levels, with fee savings harder to achieve if existing fee levels are already low. This is largely due to individual Administering Authorities having historically taken differing approaches to investment strategy and risk. This independence will remain and the base core model simply looks at savings from today's position. The other information on which projections are based varies much less between Administering Authorities.

For ease of comparison, the following table states assets under management (AUM) in March 2016 and the annual running rates of savings projected by the core model for FY25, both on a combined pool basis and on an individual Administering Authority basis.

Core model	Assets under management (AUM, £m, at 31 March 2016)	Running annual rate of net saving in FY25	
		£m	bps of projected AUM in FY25
Avon	3,739	3.5	6.8
Buckinghamshire	2,164	6.1	20.4
Cornwall	1,464	1.1	5.6
Devon	3,299	5.2	11.3
Dorset	2,273	3.7	11.8
Environment Agency*	2,954	2.8	7.4
Gloucestershire	1,687	0.7	3.0
Oxfords hire	1,824	1.1	4.2
Somerset	1,592	1.5	6.6
Wiltshire	1,826	2.1	8.3
Combined Pool	**22,822**	**27.8**	**8.9**

*includes £219m for the EAPF Closed Fund which is not expected to benefit from fee savings. Therefore the Closed Fund assets are not used in the calculation of the net saving as expressed in basis points of AUM.

On an individual fund basis this would mean a breakeven point for the combined fund of 2023 and for Avon of 2024 as follows:

Core model	Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
		£m	Discounted value £m	£m	bps of AUM
Avon Pension Fund	FY24	73.3	36.4	3.5	6.8
Combined Pool	**FY23**	**550.1**	**279.5**	**27.8**	**8.9**

PwC has provided financial assurance to the Administering Authorities that the core model has been constructed using prudent and reasonable assumptions. More detail of such assumptions and the modelling methodology is set out in the Financial Case (background paper). This has been checked and assessed by each Administering Authority's Chief Finance Officer/ Section 151 Officer.

3.4 Sensitivity on core model

A sensitivity analysis of the core model metrics has been undertaken. This analysis has considered several important variables, as follows:

- Variable 1: fee savings achieved by the Brunel company being plus/minus 2 basis points (0.02%) when compared with the midpoint the fee savings identified in the core model for each Administering Authority (the overall midpoint being 8.9 bps for the Combined Pool).

- Variable 2: asset transition costs, which include tax costs, being in total plus/minus £15 million when compared with the asset transition costs used for the core model.

- Variable 3: annual operational costs for the Brunel company being £1 million pa higher than the annual operational costs used for the core model.

- Variable 4: a transition delay such that liquid assets take three years to restructure rather than the two years used in the core model.

- Variable 5: underlying market asset performance differing significantly from the steady 4% pa growth used for the core model. Three variations are considered: a 20% equity market crash in 2020, and steady growth at rates of either 3% pa or 5% pa.

The table on the following page expresses the impact of these five variables on a combined pool basis. The top row, shaded, shows the core model. Other rows show individual variations, with downside sensitivities lightly shaded and upside sensitivities unshaded:

Table 1.3.4a Impact on Core Model of 5 Variables – Combined Pool Basis

Combined (all ten Administering Authorities)		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY23	550	280	27.8	8.9
Variable 1: fee savings	**- 2 bps pa saving**	FY24	387	188	20.5	6.5
	+ 2 bps pa saving	FY22	714	371	35.2	11.2
Variable 2: asset transition costs, incl tax	**+£15m on total transitional costs**	FY24	535	266	27.8	8.9
	- £15m on total transitional costs	FY22	565	293	27.8	8.9
Variable 3: + £1m pa Brunel Company running costs		FY23	526	263	26.6	8.5
Variable 4: transition delay		FY24	507	256	26.3	8.4
Variable 5: market asset performance	**Equity market crash in FY20**	FY23	458	228	23.5	8.7
	-1% pa (3% pa total)	FY23	441	219	24.6	8.6
	+1% pa (5% pa total)	FY23	680	352	31.3	9.2

The key conclusions emerging from the sensitivity analysis are as follows, including comments on mitigation:

- **The fee renegotiations will be critical to the overall results.** The core model targets an overall improvement in fee savings that leads to net savings, after operational costs, of 8.9 basis points (0.09%) by FY25. A reduction of 2 basis points (0.02%) in savings in variable 1 is the largest effect illustrated, impacting all three key metrics of running annual rate of net saving, breakeven and 20 year net gain.

- **Fee renegotiations are a largely symmetrical sensitivity.** Hence the upside potential on the three key metrics in variable 1 further emphasises the importance of successful fee negotiations.

- **Asset performance by the markets is crucial.** The more assets under the aegis of the Brunel company, the more pooling will deliver; conversely, a lower asset base will render pooling less beneficial. There is an element of a fixed cost being spread here, as evidenced by the annual running rate of saving in FY25, if expressed as basis points of AUM (assets under management), changing little between the three scenarios considered within variable 5. At a high level, investment performance by markets cannot be altered by the Brunel company: some mitigation may be possible through strategic asset allocation at the Administering Authority level. Ultimately, investment performance has balancing contribution implications that have not been modelled.

- **Transition delay should be avoided.** Delay by a year, variable 4, would outweigh the impact of £15 million higher asset transition costs, variable 2. This can be seen in both breakeven year and total gain over 20 years. Neither variable has much impact on the running annual rate of saving projected by FY25.

- **Asset transition costs including tax could push back the breakeven year.** The £15 million extra indicated just moves breakeven from FY23 to FY24, so that there would be a substantial gain by the end of FY24. There will be choice as to how much cost to incur: more radical asset reorganisation may be justified in terms of higher fee savings or higher performance expectations. However, action to pursue recognition of this impact and alternative arrangements for UK tax impacts should and will be pursued with Central Government to see if some of this variable can be mitigated.

- **Asset transition costs including tax are a broadly symmetrical sensitivity**. So the upside potential demonstrates that a saving is possible. There would be a concern that pursuing some saving could reduce the longer term effectiveness of portfolio construction.

- **Brunel company operating costs should be controlled**. If they changed by £1 million a year as illustrated by variable 3, they would have a somewhat greater impact on the 20 year net gain than transitional costs increasing by £15 million

The table on the following page expresses the impact of these the five variables for the Avon Pension Fund only. Commentary is being provided in individual covering papers and the text of this document, other than for the table itself, is not being altered between Administering Authorities:

Table 1.3.4b Impact on Core Model of 5 Variables – Avon Pension Fund Only

Avon Pension Fund		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY24	73.3	36.4	3.5	6.8
Variable 1: fee savings	**- 2 bps pa saving**	FY26	46.6	21.3	2.3	4.5
	+ 2 bps pa saving	FY22	100.2	51.4	4.7	9.1
Variable 2: asset transition costs	**+£15m on total transitional costs**	FY25	70.6	33.9	3.5	6.8
	- £15m on total transitional costs	FY23	75.9	38.8	3.5	6.8
Variable 3: + £1m pa Brunel Company running costs		FY24	70.2	34.1	3.4	6.5
Variable 4: transition delay		FY25	66.7	32.8	3.4	6.5
Variable 5: asset performance	**Equity market crash in FY20**	FY24	63.9	31.1	3.1	6.7
	-1% pa (3% pa total)	FY24	58.3	28.0	3.1	6.6
	+1% pa (5% pa total)	FY24	91.2	46.3	4.0	7.0

3.5 Future opportunities – risk mitigation

There is international evidence that investment at greater scale can provide opportunities to improve overall investment performance through a range of mechanisms, including risk mitigation. This has not been examined in the core model. Nonetheless, the potential can be seen by considering the core model sensitivity analysis: if the opportunity can be captured to the extent of just 5 basis points (0.05%), then the total net gain projected by FY36 would increase by approximately 60%.

3.6 Future opportunities – internal management

Additional analysis has been undertaken to assess the opportunities that may be available if the Brunel company undertakes internal management (i.e. undertaking dealings in individual stocks and other assets, in addition to making investments into Manager Operated Funds). A move to internal management could only happen with the consent of all the Administering Authorities based on circumstances at the time. It is therefore only a prospective and contingent opportunity at this point.

Subject to that, the Financial Case (background paper) analyses the potential opportunities that may be offered by internal management, which in summary are greater savings owing to the potential substantial reduction in fees.

Any decision to move to internal management would require the case to be made that the fee savings would be accompanied by investment performance expectations remaining at least in line with those that external managers were providing. Such a case would be easier to make for some asset classes than others.

3.7 Core model – foundation of the Full Business Case

The core model, including the sensitivity analysis outlined above, is foundational to the FBC. It is this core model which should substantially inform a decision to proceed with the BPP investment pooling proposal.

This section of the FBC has dealt with the headline points relating to the core model, and sets out the main conclusions. Further and more detailed analysis is set out in the Financial Case (background paper).

4. ECONOMIC CASE

4.1 Introduction

The purpose of the Economic Case is to describe the options considered for investment pooling, and to provide evidence that the most economically advantageous approach to meet the Administering Authorities service needs on a value for money basis.

4.2 Options considered for the pooling entity

The Project Brunel initial proposal, submitted in February 2016, suggested a structure whereby a Collective Asset Pool would be overseen by a Joint Committee. This proposed structure was an alternative to an overarching Authorised Collective Scheme (**ACS**), which would have had additional complexities and costs of establishment and operation and would not have provided a structure consistent with all types of pooling

This proposed structure was later developed following the Secretary of State's March 2016 response. This required that a single and separate entity be at the heart of final pooling proposals, and that it should have responsibility for selecting and contracting with investment managers independently of Administering Authorities (which would retain responsibility for setting their detailed Strategic Asset Allocation). A further clear requirement set out in the Secretary of State's response was that the pooling entity must be FCA regulated.

The Secretary of State's response led to a discussion of how best to operate this entity, now conceptualised as the Brunel company. Two models were under consideration, being either to rent it from a commercial provider or for the Administering Authorities to build it and shape its structure and governance through a shared ownership arrangement.

A detailed analysis was carried out by PwC to consider the relative merits and limitations of each model, examining them against three groups of issues: accountability; procurement and staffing; and costs. The PwC analysis showed that the build model would have advantages over the rental model, especially on accountability. It would also generate less uncertainty around the future roles of investment officers.

It was recognised that the build model brought its own challenges, particularly around procurement and staffing. These are considered further in the Commercial Case section that follows. Overall, however, the build model was the preferred option under the PwC analysis.

4.3 Operational costs of the Brunel company

Whilst the Commercial Case examines a wide range of issues, the Economic Case evaluates how the Brunel company development and operational costs affect the Financial Case. The key point has been consolidated into the sensitivity analysis in the Financial Case: additional operational costs will need to be evaluated against the additional asset performance or fee saving they can generate.

PwC has identified that the most economic case would suggest that the Brunel company is situated in the Bristol area (a formulation which includes Bath). This followed analysis that compared several geographies, including London, Swindon, Taunton and Exeter, evaluating them under the headings of infrastructure, human resources and operational matters.

The Bristol area includes the largest city in the Brunel geography, with good transport links to the Administering Authorities and acceptable links to suppliers, notably those in London. Office space is relatively affordable and staffing implications, including remuneration levels, are favourable. In building up costs used in the core model therefore, indicative costs have been used for prices of accommodation in the Bristol/ Bath area.

5. COMMERCIAL CASE

5.1 Introduction

The purpose of the Commercial Case is to set out the proposed structural arrangements for the BPP. The focus is on relevant ownership, governance and contractual matters, and how these will serve the requirements of the BPP Administering Authorities.

5.2 Brunel Pension Partnership structure

The main structural components of the BPP are, in summary:

- **BPP Administering Authorities:** They will each retain sole responsibility for setting the detailed Strategic Asset Allocation for their Fund and allocating their assets to the investment portfolios provided by the Brunel company.

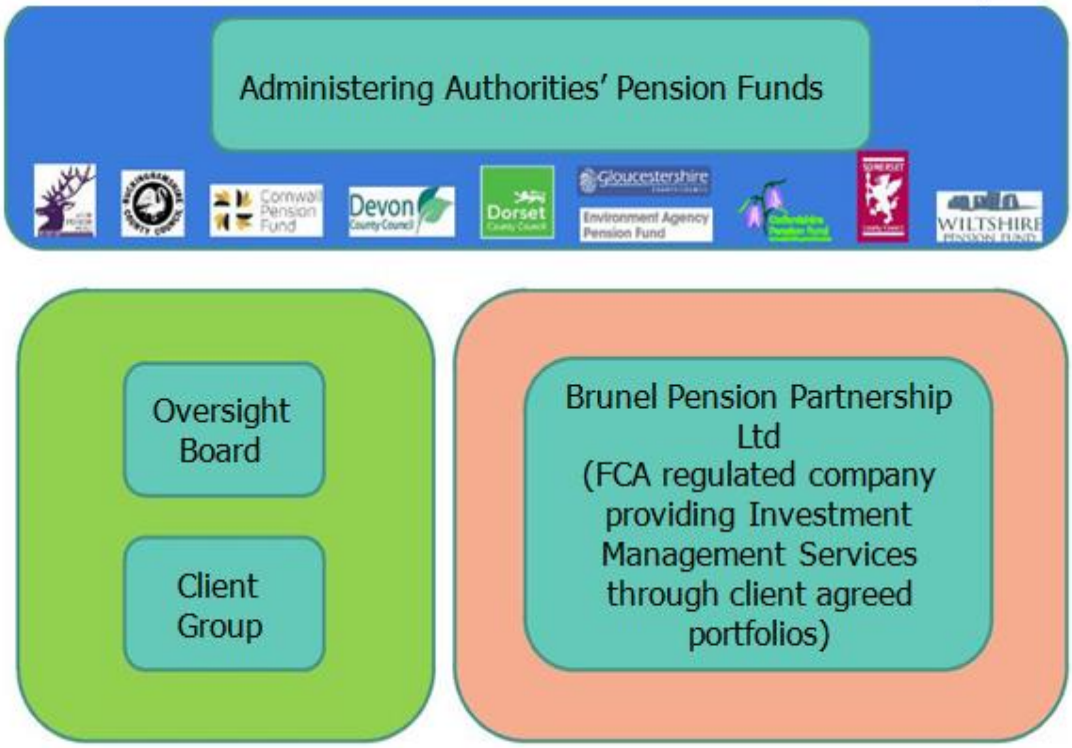
- **Brunel Pension Partnership Limited:** This will be a new FCA regulated company which will be wholly owned by the Administering Authorities. It will be responsible for implementing the detailed Strategic Asset Allocations of the BPP Funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers.

- **Oversight Board:** This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference (however, it will not be a Joint Committee under S102 LGA). Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that the Brunel company delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function.

  Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. Further work on issues such as how this will operate, the Shareholder Agreement, and appointments will be clarified and brought back to each Administering Authority to approve at a later date.

- **Client Group:** This will be comprised primarily of pension investment officers drawn from each of the Administering Authorities. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. In effect, it will provide a client-side link between the Oversight Board and the Brunel company, and will draw on Administering Authorities finance and legal officers from time to time.

The following illustration shows the key structural components of the Brunel Pension Partnership in diagrammatic form:



5.3 Governance arrangements

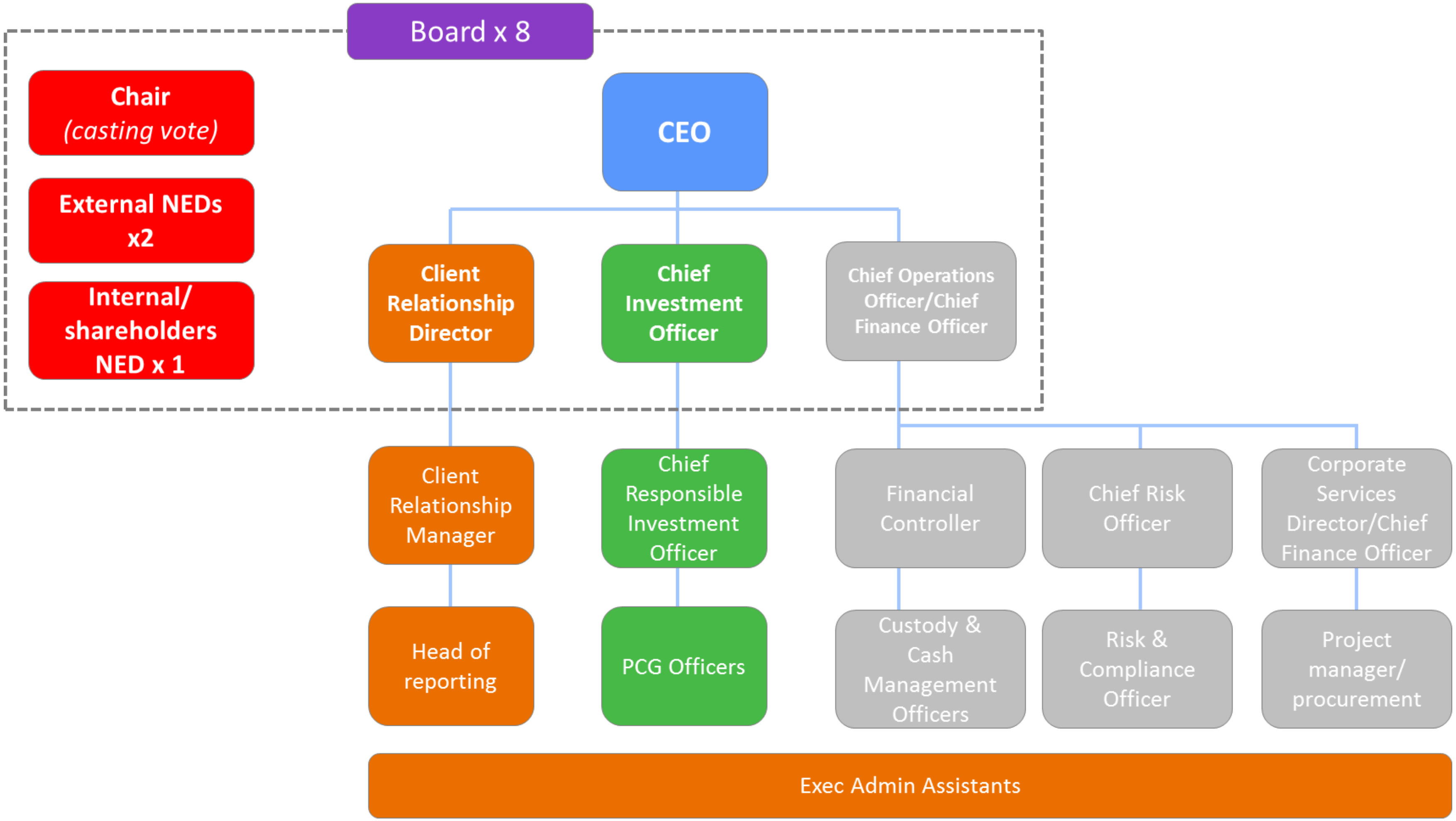
Much of the detail relating to the BPP's governance arrangements will be set out in three key documents: **Articles of Association** of the Brunel company; **Shareholders' Agreement** between the Administering Authorities; **Terms of Reference** for the Oversight Board. These documents will address issues such as powers of the company, shareholder control through reserved matters, exit arrangements and procedures of the company. The current proposals that are reflected in the commercial case are based on a first draft of documents produced by Osborne Clarke which are yet to be properly discussed and scrutinised. Osborne Clarke will advise on the drafting of these documents, working with Chief Legal Officers accordingly. The project timetable has an indicative time for these to be put in place of Spring 2017.

Standing behind these key documents will be the other requisite documents such as conflict of interest policy and terms of reference for the Brunel company's committees. Its FCA regulated status will require it to have high standards of internal governance and compliance, with a particular focus on risk management.

The proposed operating model for the Brunel company includes a board which will be made up of four non-executive directors (independent chair, plus two externally recruited non-executives and one shareholder representative non-executive), with three or four executive directors (chief executive officer, chief finance/operations officer, chief investment officer and (yet to be confirmed) client relationship director). Various committees (audit, remuneration, risk and compliance) will be required, as will other statutory roles, such a company / board secretary.

This board will be responsible for three business units, which will relate to the following: investments (including responsible investments), operations and finance (including risk and compliance), and client relationships (including reporting). A programme of external and internal recruitments will be implemented to ensure that the senior and other supporting roles are staffed by suitably qualified and experienced personnel.

The operational structure diagram below set outs the proposed high level operating structure of the Brunel Company.


Board x 8
Chair
(casting vote)
External NEDs x2
Internal/ shareholders NED x 1
CEO
Client Relationship Director
Chief Investment Officer
Chief Operations Officer/Chief Finance Officer
Client Relationship Manager
Chief Responsible Investment Officer
Financial Controller
Chief Risk Officer
Corporate Services Director/Chief Finance Officer
Head of reporting
PCG Officers
Custody & Cash Management Officers
Risk & Compliance Officer
Project manager/ procurement
Exec Admin Assistants

5.4 Contractual arrangements

The contractual relationship between the Administering Authorities and the BPP will be set out in a comprehensive **Services Agreement.** It will define the investment pooling and related services which the Brunel company will perform, and the contractual terms which will apply to the delivery of those services.

The core contractual obligation of the Brunel company will be to define and set up portfolios reflecting the detailed Strategic Asset Allocations of the BPP Administering Authorities, and to select investment managers who are capable of operating suitable Manager Operated Funds for each portfolio. The Brunel company will be required contractually to maintain its FCA regulated status.

In support of that core contractual obligation, the Brunel company will offer a number of subsidiary services to the Administering Authorities. These services will cover such matters as custody and investment administration, financial performance reporting, responsible investment, investment research, investment accounting, risk management, transition management, cash management, etc. Where appropriate and necessary, the Brunel company will contract with third party service providers to procure services that will not be provided internally (e.g. custody, transition management, HR services).

5.5 Brunel company and procurement issues

A legal review has concluded that a decision by the Administering Authorities to enter into the Services Agreement, and thereby procure the services of the Brunel company, will be exempt from the application of the public contract procurement procedures (as set out in the Public Contracts Regulations 2015). This legal review was undertaken by Osborne Clarke, and included obtaining a legally privileged opinion from Leading Counsel (a QC) who specialises in procurement law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

5.6 Brunel company and FCA authorisation

In order to meet this core contractual obligation the Brunel company will need to be FCA regulated. A key consideration in that respect is being clear on the FCA permissions that will be required, taking into account the Brunel company's activities. A legal review has concluded that there is a very strong likelihood that the BPP will involve the creation of a Collective Investment Scheme, with the Brunel Company acting as the operator. This legal review was undertaken by Osborne Clarke, and included obtaining an opinion from Leading Counsel (a QC) who specialises in FCA regulatory law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

The project timetable allows for the appropriate permissions to be obtained from the FCA. The Brunel company will be required contractually to maintain its FCA regulated status, and as such its board of directors will have to maintain compliance with the FCA's applicable rules and procedures for a regulated entity carrying out activities of the type envisaged.

5.7 Personnel implications

A legal review by Osborne Clarke of the relevant employment law has reached an initial conclusion that the Transfer of Undertakings (Protection of Employment) Regulations 2006 **("TUPE")** will not apply if employees currently employed in the pension functions of any of the Administering Authorities move to the Brunel company as a result of any selection and employment process. The position on TUPE will be confirmed when any employee migration from an Administering Authority to the Brunel company takes place.

The Cabinet Office Guidance on Staff Transfers in the Public Sector **(COSOP)** sets out a framework for TUPE-style protections to be afforded to employees involved in public sector reorganisations, in circumstances where there is not a relevant transfer within the meaning of the TUPE legislation. While local authorities are not legally bound to observe COSOP, it is intended that, so far as possible, the principles of COSOP will be adhered to.

In summary, subject to the detailed legal advice, it is envisaged at this stage any employees who move from employment with an Administering Authority to the Brunel company will receive TUPE-equivalent protection.

5.8 Risk allocation

Under the BPP structure, the Administering Authorities will retain the key investment risk of designing the detailed Strategic Asset Allocation for their Fund. Taking that into account, the Brunel company will provide to the Administering Authorities the key investment management services of selecting, appointing and monitoring the investment managers operating the various Manager Operated Funds. Related services, also provided by the Brunel company, will include such matters as custody, performance reporting and transition management services.

While as noted the key investment risk will be retained by the Funds, it is apparent that the Brunel company will take on a contractual risk for providing investment management and related services to the Administering Authorities. Previously, the tasks of selecting, appointing and monitoring fund managers has been undertaken by local pension funds, with input from external professional advisers where necessary.

Where relevant services cannot be provided by the in-house resources of the Brunel company third party service providers will be appointed (for example, providers of custody, performance analytics, data management and investment accounting services). To that extent, the risk transfer to the Brunel company will be mitigated by the appointment of third party service providers.

The directors of the Brunel company will owe the normal fiduciary and other duties that any director owes to an FCA regulated company. Additionally, all staff will owe contractual duties to the Brunel company as their employer, and as set out in their individual employment contracts. During the next development phase the use of possible risk mitigation arrangements, including Directors' & Officers' liability insurance and Professional Indemnity insurance, will be investigated and agreed.

5.9 Charging mechanism

In the Financial Model, Brunel company costs are assumed to be split between the ten Administering Authorities using an equitable approach to cost sharing. This allows for approximately half of the costs to be split equally between the ten Administering Authorities and the remainder to be split in proportion to assets under management. This modelling is intended to capture the ultimate reality of Brunel company operation, when the pricing policy for its services is likely to contain both fixed and marginal elements.

The charging mechanism that will actually apply when the BPP becomes operational will be decided after taking into account a range of alternative charging methodologies, and will be determined by agreement between the Administering Authorities.

5.10 Development costs and implementation timescale

Under the project timetable the indicative time for the Brunel company to be set up with appropriate ownership and governance arrangements is Spring 2017. Work on the development of its operational capability will continue in the interim period.

The Memorandum of Understanding (MoU) agreed between the Administering Authorities in September 2015 stated that the Brunel project development costs would be split equally between the participating funds (i.e. a tenth each). It has cost £1.2m (£0.12m per fund) to take matters to the FBC stage, including the preceding Strategic and Outline Business Cases (submissions to Government in February and July).

A new MoU has been drawn up and reviewed by the Finance and Legal Assurance Group (to be ratified by the Shadow Oversight Board), to cover the period from December 2016 until the permanent Brunel company arrangements are in place. This update will refresh arrangements on collaborative working, decision-making and cost allocation during that period. The MoU includes provision for charging the time of officers assigned to BPP project roles. Up to this point the cost of such officer time has been absorbed by each Administering Authority.

Development costs will continue to be allocated to Administering Authorities on an equal share basis. The initial projected future development costs up to April 2018 are £3.3m (£0.33m per fund). This includes working and regulatory capital for the Brunel company of £2.0m (£0.2m per fund). Any change in the development budget will be subject to approval by Administering Authorities. The Brunel company will also have operating costs as it builds capability from its inception in 2017, which will be invoiced separately.

6. MANAGEMENT CASE

6.1 Introduction

The purpose of the Management Case is to describe how the BPP proposal will be delivered successfully. The focus is on effective project management during the next phase, including proposals for addressing relevant risks for the Administering Authorities and the successful delivery of the challenges of change management for a project of this nature.

6.2 Project management arrangements

The level of project management resource required to ensure the successful delivery of the BPP proposal will be kept under regular review. The next development phase is likely to be demanding with a significant amount of work to be done on a range of matters. These will include setting up the Brunel company's governance and contractual arrangements, addressing all relevant operational matters including staff recruitment, and preparing for submission of the FCA application.

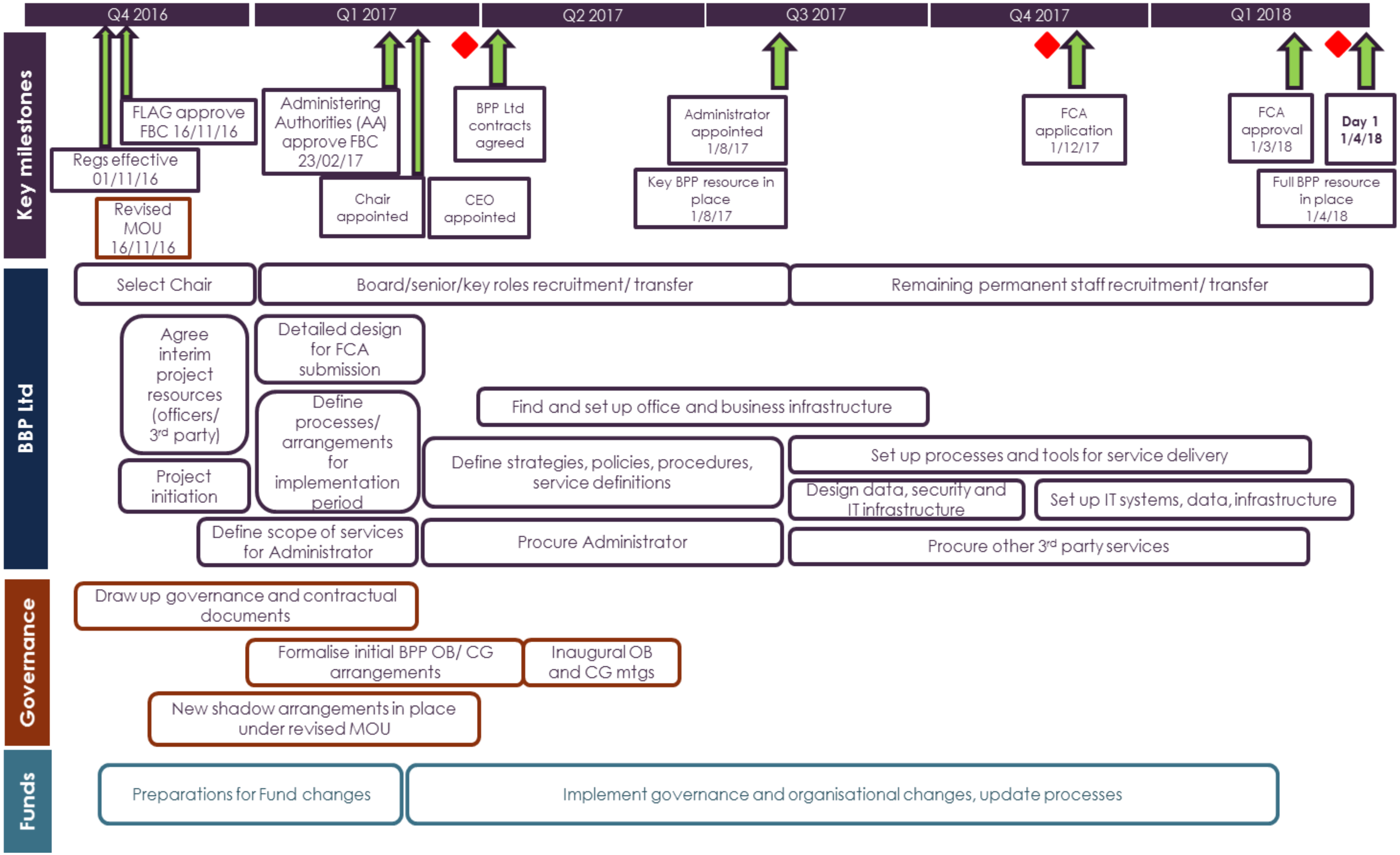
A particular challenge will be ensuring that these tasks can be delivered in parallel with the appointment of the Brunel company's leadership team, including the Chair. The permanent staff appointments will take place throughout the remainder of the project, so the project structure will evolve during the lifecycle of the project. They will be key in providing continuity of leadership and direction while other resource changes are underway.

Any non-permanent assignments of officers to support the Brunel company set-up and resourcing will be progressed on an interim basis.

Conflicts of interest may emerge, and if so they will be carefully managed by establishing clear accountabilities and resource allocation.

The following diagram provides an indicative overview of the programme activities and the key milestones:

Brunel Pension Partnership – Stage 3b: implementation **PLAN 1 - Key decision points and high level activities** ◆ = formal review points



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6.3 Benefits realisation and risk management

The delivery of the expected benefits of pooling will be through the operation of the Brunel company and the services it delivers to the Brunel Funds. It will be monitored by the Oversight Board and Client Group, using the reporting activities provided by the Brunel company.

A comprehensive risks register is already in place and will continue to be maintained by the Project Office. The risks will be further categorised to identify those risks directly to the Funds and those directly applicable to the Brunel company. The risks will be reported to the programme and project management teams through regular status reports. Very high risks or those requiring urgent action to manage will be escalated as needed.

6.4 Project milestones and gateways

Meetings of the Brunel Administering Authorities are scheduled to take place between 2 December 2016 and 23 February 2017. At these meetings Resolutions for in principle decisions to approve investment pooling will be considered, with appropriate delegations being granted to progress the next development phase. The approval by Administering Authorities of these Resolutions will mark a key milestone in the establishment of the BPP investment pool.

Further formal reviews that the project has progressed in line with the provisions agreed in the FBC will be held prior to the key milestones. These include the appointment of the Brunel company Chair (early 2017), set-up of the Brunel company and agreement of the key shareholder and other corporate documents (by Spring 2017), submission of the Brunel company's FCA application (by November 2017), and operational readiness for commencement of pooling (by April 2018).

Bath & North East Somerset Council		
MEETING:	COUNCIL	
MEETING DATE:	14th February 2017	**AGENDA ITEM NUMBER**
TITLE:	Designation of Statutory Officer for Adult Social Services & Children's Services	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

1.1 This report seeks approval to the designation of the Strategic Director - People & Communities (CM Bowden) as the Council's statutory Director of Adult Social Services and Director of Children's Services with immediate effect.

2 RECOMMENDATION

2.1 That the Council designate Charles Michael Bowden, Strategic Director – People & Communities as its 'Director of Adult Social Services' and 'Director of Children's Services' in accordance with section 6 of the Local Authority Social Services Act 1970 and section 18 of the Children's Act 2004 respectively, with immediate effect.

3 FINANCIAL IMPLICATIONS

3.1 There are no additional financial implications associated with this report as the cost of this role is factored into existing budgets.

4. THE REPORT

4.1 Section 6 of the Local Authority Social Services Act 1970 and Section 18 of the Children's Act 2004 requires the Council to designate one or more of its officers in the statutory roles of Director of Adult Social Services and Director of Children's Services.

4.2 With Ashley Ayre's now designated as Head of Paid Service (who was previously the Council's Director of Adult Social Services and Director of Children's Services), the Council needs to designate another officer to fulfil these statutory roles.

4.3 It is proposed that Charles Michael Bowden, who has been appointed to the role of Strategic Director – People & Communities on an interim basis, be designated as the Council's Director of Adult Social Services and Director of Children's Services

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has not been undertaken. The Council has a statutory responsibility to make these arrangements.

6 CONSULTATION

6.1 None –this is a statutory requirement. Both postholders are aware of the preparation of this report and support its recommendations.

7 ADVICE SOUGHT

7.1 The Council's Monitoring Officer and Section 151 Officer have had an opportunity to input to this report and have cleared it for publication.

Contact Person	*Ashley Ayre, Chief Executive – telephone 01225 477400*
Background papers	*Local Authority Social Services Act 1970 - section 6* *Children's Act 2004 - section 18*
Please contact the report author if you need to access this report in an alternative format	