

**Democratic Services**

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**Date:** 24<sup>th</sup> January 2017  
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**To: All Members of the Cabinet**

Councillor Tim Warren	Leader of the Council and Conservative Group Leader
Councillor Liz Richardson	Cabinet Member for Homes and Planning
Councillor Patrick Anketell-Jones	Cabinet Member for Economic Development, Conservative Deputy Group Leader Bath
Councillor Charles Gerrish	Cabinet Member for Finance and Efficiency, Conservative Deputy Group Leader North East Somerset
Councillor Vic Pritchard	Cabinet Member for Adult Social Care and Health
Councillor Anthony Clarke	Cabinet Member for Transport
Councillor Martin Veal	Cabinet Member for Community Services
Councillor Michael Evans	Cabinet Member for Children's Services
Councillor Paul Myers	Cabinet Member for Policy, Localism & Partnerships

Chief Executive and other appropriate officers  
Press and Public

Dear Member

**Cabinet: Wednesday, 1st February, 2017**

You are invited to attend a meeting of the **Cabinet**, to be held on **Wednesday, 1st February, 2017** at **4.00 pm** in the **Council Chamber - Guildhall, Bath**.

The agenda is set out overleaf.

Yours sincerely

Jack Latkovic  
for Chief Executive

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The decisions taken at this meeting of the Cabinet are subject to the Council's call-in procedures. Within 5 clear working days of publication of decisions, at least 10 Councillors may signify in writing to the Chief Executive their wish for a decision to be called-in for review. If a decision is not called-in, it will be implemented after the expiry of the 5 clear working day period.

**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 Jack Latkovic who is available by telephoning Bath 01225 394452 or by calling at the Guildhall Bath (during normal office hours).
- 2. 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. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays, notice must normally be received in Democratic Services by 4.30pm the previous Friday but Bank Holidays will cause this to be brought forward).

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must normally be received in Democratic Services by 4.30pm the previous Friday but Bank Holidays will cause this to be brought forward). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Jack Latkovic as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Jack Latkovic as above.

Appendices to reports 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' Rooms.

- 4. 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](http://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.

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

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

**7. Emergency Evacuation Procedure**

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

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

**8. Officer Support to the Cabinet**

Cabinet meetings will be supported by the Senior Management Team.

**9. Recorded votes**

A recorded vote will be taken only when requested by a member of Cabinet.

**Cabinet - Wednesday, 1st February, 2017**

**in the Council Chamber - Guildhall, Bath**

**A G E N D A**

1. WELCOME AND INTRODUCTIONS

2. EMERGENCY EVACUATION PROCEDURE

*The Chair will draw attention to the emergency evacuation procedure as set out in the Notes*

3. APOLOGIES FOR ABSENCE

4. 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 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.*

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

6. QUESTIONS FROM PUBLIC AND COUNCILLORS

*Questions submitted before the deadline will receive a reply from an appropriate Cabinet member or a promise to respond within 5 days of the meeting. Councillors may ask one supplementary question for each question they submitted, up to a maximum of two per Councillor.*

7. STATEMENTS, DEPUTATIONS OR PETITIONS FROM PUBLIC OR COUNCILLORS

*Councillors and members of the public may register their intention to make a statement if they notify the subject matter of their statement before the deadline. Statements are limited to 3 minutes each. The speaker may then be asked by Cabinet members to answer factual questions arising out of their statement.*

8. MINUTES OF PREVIOUS CABINET MEETING (Pages 7 - 14)

*To be confirmed as a correct record and signed by the Chair*

9. CONSIDERATION OF SINGLE MEMBER ITEMS REQUISITIONED TO CABINET

*This is a standard agenda item, to cover any reports originally placed on the Weekly list for single Member decision making, which have subsequently been the subject of a Cabinet Member requisition to the full Cabinet, under the Council's procedural rules*

10. MATTERS REFERRED BY POLICY DEVELOPMENT AND SCRUTINY BODIES

*This is a standing agenda item (Constitution rule 14, part 4D – Executive Procedure Rules) for matters referred by Policy Development and Scrutiny bodies. The Chair of the relevant PDS Panel will have the right to attend and to introduce the Panel's recommendations to Cabinet.*

11. SINGLE MEMBER CABINET DECISIONS TAKEN SINCE PREVIOUS CABINET MEETING (Pages 15 - 20)

*This report lists Cabinet Single Member decisions taken and published since the last Cabinet meeting.*

12. REVENUE & CAPITAL BUDGET MONITORING, CASH LIMITS AND VIREMENTS – APRIL TO DECEMBER 2016 (Pages 21 - 48)

*This report presents the financial monitoring information for the Authority as a whole for the financial year 2016/17 to the end of December 2016.*

13. BUDGET AND COUNCIL TAX 2017/18 AND FINANCIAL OUTLOOK 2017/18 TO 2019/20 (Pages 49 - 166)

*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.*

14. TREASURY MANAGEMENT MONITORING REPORT TO 31ST DECEMBER 2016 (Pages 167 - 180)

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

*This report gives details of performance against the Council's Treasury Management Strategy and Annual Investment Plan 2016/17 for the first nine months of 2016/17.*

15. TREASURY MANAGEMENT & INVESTMENT STRATEGY 2017/18 (Pages 181 - 210)

*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.*

*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 Committee Administrator for this meeting is Jack Latkovic who can be contacted on 01225 394452.

# 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**

**CABINET**

These minutes are draft until confirmed as a correct record at the next meeting.

Monday, 14th November, 2016

**Present:**

Councillor Tim Warren	Leader of the Council and Conservative Group Leader
Councillor Liz Richardson	Cabinet Member for Homes and Planning
Councillor Patrick Anketell-Jones	Cabinet Member for Economic Development, Conservative Deputy Group Leader Bath
Councillor Charles Gerrish	Cabinet Member for Finance and Efficiency, Conservative Deputy Group Leader North East Somerset
Councillor Vic Pritchard	Cabinet Member for Adult Social Care and Health
Councillor Anthony Clarke	Cabinet Member for Transport
Councillor Martin Veal	Cabinet Member for Community Services
Councillor Michael Evans	Cabinet Member for Children's Services
Councillor Paul Myers	Cabinet Member for Policy, Localism & Partnerships

**46 WELCOME AND INTRODUCTIONS**

The Chair welcomed everyone to the meeting.

**47 EMERGENCY EVACUATION PROCEDURE**

The Senior Democratic Services Officer drew attention to the evacuation procedure.

**48 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**49 DECLARATIONS OF INTEREST**

There were none.

**50 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**51 QUESTIONS FROM PUBLIC AND COUNCILLORS**

There were 33 questions from Councillors and 3 questions from members of the public.

*[Copies of the questions and responses, including supplementary questions and responses if any, have been placed on the Minute book and are available on the Council's website.]*

## **52 STATEMENTS, DEPUTATIONS OR PETITIONS FROM PUBLIC OR COUNCILLORS**

Christine Boyd made a statement [*a copy of which is available on the Minute Book and on the Council's website*] related to east of Bath Park and Ride.

Christine Boyd also made a statement on behalf of Andrew Mercer [*a copy of which is available on the Minute Book and on the Council's website*] related to east of Bath Park and Ride.

Annie Kilvington made a statement [*a copy of which is available on the Minute Book and on the Council's website*] related to east of Bath Park and Ride.

Jo Hargreaves made a statement [*a copy of which is available on the Minute Book and on the Council's website*] related to Bath Community Academy.

Duncan Hounsell (Chair of the Keynsham & Salford Liberal Democrats) made a statement [*a copy of which is attached to the Minutes as Appendix 6 and on the Council's website*] related to WoE Joint Spatial Plan.

Cllr Ian Gilchrist, Cllr Jasper Becker and Sarah Carney presented a petition to the Cabinet objecting to First Group's re-routing of the U1 along Upper Oldfield Park, which has commenced without any consultation with the residents (*note: the petition has been passed to the relevant Council department and copies of the petition and statements are available on the Minute Book in Democratic Services*).

## **53 MINUTES OF PREVIOUS CABINET MEETING**

**RESOLVED** that the minutes of the meeting held on Wednesday 19<sup>th</sup> October 2016 be confirmed as a correct record and signed by the Chair.

## **54 CONSIDERATION OF SINGLE MEMBER ITEMS REQUISITIONED TO CABINET**

There were none.

## **55 MATTERS REFERRED BY POLICY DEVELOPMENT AND SCRUTINY BODIES**

There were none.

## **56 SINGLE MEMBER CABINET DECISIONS TAKEN SINCE PREVIOUS CABINET MEETING**

The Cabinet agreed to note the report.

## **57 CONSIDERATION OF THE ESTABLISHMENT OF THE WEST OF ENGLAND COMBINED AUTHORITY**

Ian Bell (Bath Business Community) said that Bath Business Community were very keen to see the Devolution deal accepted. It was the right thing to take the deal through the consultation with public and stakeholders, and the deal would give some certainty to the whole area. Ian Bell concluded his statement by saying that some members of the Bath Business Community did not like the word, or concept, of Mayor though they had congratulated the Council on successful negotiations with the government in terms of the deal.

Councillor Robin Moss said that he was disappointed that the decision on Devolution would be taken by the Cabinet, and not the Council. Councillor Moss felt that this was a major change in partnership work with other Councils, and for that reason the decision should be taken by the Full Council. Councillor Moss concluded his statement by saying that, in general, Labour Group had approved principles of the Devolution.

Councillor Dine Romero expressed her concerns that, taking into account the importance of the matter, a short report on the Devolution was only available in the last few days. Councillor Romero also expressed her concerns that only small portion of the population took part in the consultation. Councillor Romero concluded her statement by suggesting that the Combined Authority should have a Chair and not a Mayor.

David Redgewell address the Cabinet as per his statement sent in advance of the meeting [*a copy of which is available on the Minute Book and on the Council's website*].

Trevor Osbourne also welcomed the Devolution deal and the retention of business rates. Trevor Osbourne did express his concern on the fact that Bristol was built through trade and Bath through culture, and that we must recognise that two cities would have different needs. Trevor Osbourne also expressed his concern on business rates retention in Bath by highlighting that culture, further education, voluntary sector, charity and small independent traders do not pay business rates.

Councillor Tim Warren said this was a key moment on what had been a long journey for the Council, and its neighbours, to ensure we get the best possible deal from Government for our residents now and for the future. The paper had set out the draft order for the creation of the new West of England Combined authority which would be the vehicle for us receiving and delivering many of the powers and funding we had been lobbying and negotiating for over the last months. The area had achieved the best deal, one that far outweighs any other devolution deal done elsewhere in the country. In terms of protections for our area, we had secured more safeguards than any other deal in the country. This wasn't an easy journey because Devolution involves central government giving up control on things and that was not easy for it to do. There was still a lot of work to be done so that we benefit from the deal.

Councillor Tim Warren moved the recommendations.

Councillor Charles Gerrish seconded the motion by supporting the Leader and by recognising his role in making this happen and in achieving what was the best deal available. The area would benefit from 100% Business Rates Retention Pilot; based on the budgeted level of business rates income in 2016/17, it was estimated that an additional £18.9m would be retained by the West of England authorities in 2017/18 as a result. For B&NEs this would be in the region of £2m plus additional revenue

next year. Councillor Charles Gerrish welcomed the fact that the deal would open discussions over the potential for a significant new Housing Investment Fund, and that the Government had committed to working with B&NES and Highways England to look at options to link the A36 and A46.

Councillor Patrick Anketell-Jones commented that the Devolution deal would shape the WoE for the delivery of economic development. The area would need the development of infrastructure, with Metro West being one of the key projects for its delivery.

Councillor Liz Richardson said that we should embrace, and not be concerned with the change. Councillor Liz Richardson also said that, from her portfolio perspective, the most positive thing from the Devolution deal was about the new Housing Investment Fund.

Councillor Anthony Clarke expressed his support to the Devolution deal, in particular with co-working arrangements with other authorities on transport matters.

Councillor Martin Veal said that nobody would want to see return to Avon, hence why so many safeguards had been put in place. Councillor Martin Veal praised Councillor Tim Warren for his contribution in securing the best deal and added that this would make WoE the powerhouse that other authorities in the country would envy.

Councillor Paul Myers also supported the deal by saying that this would improve partnership working with neighbouring authorities, which would be of benefit to our residents.

Councillor Michael Evans also supported the deal by highlighting that the Combined Authority Mayor would be directly accountable to the public.

Councillor Vic Pritchard commended the work of the Leader and officers for getting the best deal in the country. However, Councillor Vic Pritchard expressed his concern that only 0.19% of the population took part in the consultation. Councillor Vic Pritchard said that he would abstain from voting on this matter.

Councillor Tim Warren concluded the debate by saying that this was a long and difficult process and there was still work to do, and the Council had not taken the issues this agenda creates lightly, but in the interests of the area and residents.

**RESOLVED** that the Cabinet agreed to:

- 1) Note the Summary of Consultation Responses report, and the Representations submitted to the Secretary of State ;
- 2) Note the principles in the Governance Scheme are delivered subject to the variations detailed in Appendix B
- 3) Subject to the safeguard in recommendation 2.5 below give consent to the establishment of the West of England Combined Authority

- 4) Appoint the Leader of the Council as this Council's Member of West of England Combined Authority;
- 5) Delegate to the Chief Executive, in consultation with the Leader of Council, the 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;
- 6) Delegate authority to the Monitoring Officer to make all consequential amendments to the Constitution.

## **58 ENGLISHCOMBE NEIGHBOURHOOD DEVELOPMENT PLAN**

Councillor Liz Richardson said that The Localism Act 2011 had reformed the planning system to give local people new rights to shape the development of the communities in which they live. The Act had provided for a new type of community-led initiative known as a Neighbourhood Development Plan which sets out the policies on the development and use of land in a parish or 'Neighbourhood Area'. The Council had a duty to assist communities in the preparation of Neighbourhood Development Plans and orders, to take a Plan through a process of examination and referendum, and to bring the Neighbourhood Plan into force. In line with the Neighbourhood Planning Protocol (version dated 9th September 2015) the decision to make the Plan was for the Council's Cabinet.

The referendum took place on the 15th September 2016, and there was a 25.9% turnout of the overall Neighbourhood Area electorate. A majority (91%) were in favour of using the Englishcombe NDP to help decide planning applications in the Neighbourhood Area.

Councillor Liz Richardson moved the recommendations.

Councillor Patrick Anketell-Jones seconded the motion by welcoming the Englishcombe NDP as the 4<sup>th</sup> plan adopted in Bath and North East Somerset.

**RESOLVED** (unanimously) that the Cabinet agreed to make and bring into force the Englishcombe Neighbourhood Development Plan, as part of the Development Plan for the Englishcombe Neighbourhood Area, in accordance with Section 38A(4) of the Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011).

## **59 REVENUE & CAPITAL BUDGET MONITORING, CASH LIMITS AND VIREMENTS – APRIL TO SEPTEMBER 2016**

Councillor Andrew Furse addressed the Cabinet by expressing his concerns in overspend at some services within the Council, in particular in Children Services, Support Services and Community Services.

Councillor Charles Gerrish said that the report was presented as part of the reporting of financial management and budgetary control required by the Council. The report had presented the financial monitoring information for the Authority as a whole for the financial year 2016/17 to the end of September 2016. The report had highlighted

any significant areas of forecast over and under spends in revenue budgets, and the Council's current revenue financial position for the 2016/17 financial year to the end of September 2016 by Cabinet Portfolio. The current forecast outturn position was for an overspend of £941,000 which equates to 0.30% of gross budgeted spend (excluding Schools). Strategic Directors would work to manage their budgets within the overall allocations approved by the Council, and this would include the development of appropriate mitigating actions as the financial year progresses.

Councillor Charles Gerrish moved the recommendations.

Councillor Paul Myers seconded the motion by welcoming that the forecast outturn position had included the requirement for the delivery of £12.644m savings as part of the approved budget for 2016/17, a significant element of which had been confirmed as delivered. The Council's financial position, along with its financial management arrangements and controls, were fundamental to continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation had provided information on new risks and pressures in service areas, and appropriate management actions were then identified and agreed to manage and mitigate those risks.

**RESOLVED** (unanimously) that the Cabinet agreed:

- 1) Strategic Directors should continue to work towards managing within budget in the current year for their respective service areas and develop an action plan of how this will be achieved, including not committing any unnecessary expenditure and stringent budgetary control.
- 2) This year's revenue budget position is noted.
- 3) The capital expenditure position for the Council in the financial year to the end of September and the year end projections are noted.
- 4) The revenue virements listed for approval are agreed, and those listed for information are noted.
- 5) The capital virements listed for approval are agreed, and those listed for information are noted.

## **60 TREASURY MANAGEMENT MONITORING REPORT TO 30TH SEPTEMBER 2016**

Councillor Charles Gerrish said that the Full Council had received and noted this report on 10<sup>th</sup> November 2016.

Councillor Charles Gerrish moved the recommendations.

Councillor Vic Pritchard seconded the motion.

**RESOLVED** (unanimously) that the Cabinet agreed:

- 1) That the Treasury Management Report to 30th September 2016, prepared in accordance with the CIPFA Treasury Code of Practice, is noted;
- 2) That the Treasury Management Indicators to 30th September 2016 are noted.

The meeting ended at 3.45 pm

Chair \_\_\_\_\_

Date Confirmed and Signed \_\_\_\_\_

**Prepared by Democratic Services**

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Bath & North East Somerset Council

## **Cabinet Single-Member Decisions and Responses to Recommendations from PDS Panels**

published 3-Nov-16 to 23-Jan-17

Further details of each decision can be seen on the Council's Single-member Decision Register at <http://democracy.bathnes.gov.uk/mgDelegatedDecisions.aspx?&dm=3>

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### **Bath - Frome Supported evening Bus service**

*The supported evening bus service 267 is to be cancelled from April 2017. Services will be replaced commercially on Fridays and Saturdays but the Council is offering a proportionate contribution to services on Monday-Thursday evenings only.*

Decision Maker: Cabinet Member - Transport

Decision published: 13/01/2017

Effective from: 21/01/2017

Decision:

The Cabinet Member agrees that:

1. The Council should give notice to terminate the contract with First Somerset & Avon Ltd for evening bus service 267 operating between Bath and Frome.
2. The Council should make a contribution of £2,250 towards the cost of retaining the service on Mondays to Thursdays provided that the balance of the cost is met by other local authorities along the route

Lead officer: Richard Smith

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### **Energy Services: Local Energy Tariff**

*This report seeks approval for the principle of entering the local energy market to create a Council backed energy tariff in order to gain a range of community benefits.*

Decision Maker: Leader of the Council

Decision published: 12/01/2017

Effective from: 20/01/2017

Decision:

The Cabinet Members agree to:

- Approve the principle of commissioning a partner to create a Council endorsed local energy tariff offer for electricity and gas in order to gain a range of community benefits.

· Note that there will be a further report to Cabinet prior to contract award, having tested the business plan and marketing approach through the procurement process.  
Lead officer: Jane Wildblood

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### **Approval of capital funding for Waste & Recycling containers**

*The Council is implementing a new collection service in 2017/18 and needs to place orders now for wheeled bins, reusable rubbish bags and recycling containers.*

Decision Maker: Cabinet Member - Finance and Efficiency

Decision published: 09/01/2017

Effective from: 17/01/2017

Decision:

The Cabinet Members agree that the capital budget up to a maximum of £1.34M be spent on waste & recycling containers.

Lead officer: Carol Maclellan

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### **Secondary Co-ordinated Admissions Scheme 2018-19**

*To agree the Secondary Co-ordinated Admissions Scheme for 2018-19.*

Decision Maker: Cabinet Member - Children's Services

Decision published: 04/01/2017

Effective from: 12/01/2017

Decision:

The Cabinet Member agreed with the Secondary Co-ordinated Admissions Scheme for 2018-19.

Lead officer: Kevin Amos

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### **Freight Consolidation Future Options**

*The freight consolidation centre will require ongoing funding to continue. Previous growth predictions necessary for reducing the costs have not borne out. The funding required for the scheme to operate is expected to stay at the current figure which is £270,952 per year across Bristol and B&NES; B&NES current share of this is £124,000. There is £124,000 approved from B&NES reserves for 2016/17, there is no future funding currently approved beyond March 2017.*

*The council has marketed the scheme to the best of its ability. This has had a limited impact. Options for bringing the Council's operations on board have been explored as well but these will not provide the necessary growth levels nor are they currently viable.*

*Alternative solutions for reducing council deliveries are being progressed separately which will help to mitigate against 0.2% increase in HGVs and 0.4% increase in heavy duty vehicle emissions expected as a result of closing the scheme.*

*The current Freight Consolidation contract ends on 30th November 2017. Prior to this a procurement exercise would need to take place which will have staffing and financial implications. It is estimated this procurement exercise would take a minimum of seven months to complete. Either Council can cancel the scheme ahead of the 30th November 2017 by giving 3 months' notice to terminate the contract.*

*Bristol has identified the Freight Consolidation Centre as a possible saving in their Corporate Strategy Consultation 2017/2022. They will take a decision on this in January.*

*A decision now needs to be made as to whether the scheme should be closed down or whether it should continue to be subsidised at the specified level.*

Decision Maker: Cabinet Member - Transport

Decision published: 20/12/2016

Effective from: 30/12/2016

Decision:

The Cabinet Member agrees that Option 1 -the preferred option- is approved and adopted. This includes the following actions:

A) The current Freight Consolidation Centre is closed at the end of March 2017 with contract notice submitted on the 30th December 2016

B) To mitigate the service impacts from the closure, grant money from the Go Ultra Low Office of Low Emission Vehicles (GUL OLEV) will be used to scope and pilot an alternative consolidation method using small electric delivery trucks and/or electric bicycles serving the city centre.

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### **Charging for Business Advice and Licensing pre-application service**

*The Public protection and Health Improvement team are seeking to support business by providing enhanced charged for services.*

Decision Maker: Cabinet Member - Community Services

Decision published: 12/12/2016

Effective from: 20/12/2016

Decision:

The Cabinet Member agreed to:

1.1 The Public Protection and Health Improvement Service (PP&HI) charging businesses for regulatory advice; pre-application advice and application assistance;

1.2 The PP&HI service charging for training, mentoring and development courses along with enhanced advice and support services across a range of activities including events, active lifestyles and regulatory services.

These will be operated initially as a pilot with a view to building in to the fees and charges setting process in 2017/18 and beyond

Lead officer: Suzanne McCutcheon

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## **Keynsham Conservation Area Appraisal & Keynsham Conservation Area Management Plan**

*Conservation area appraisals provide the justification for conservation areas by defining the special architectural and historic interest that warranted their designation. They also provide an opportunity to inform and involve local communities in maintaining the character that gives conservation areas their distinctiveness.*

*An appraisal of the Keynsham Conservation Area was prepared in 2015. It includes:*

- *An assessment of the special interest*
- *A description of the architectural qualities*
- *Opportunities for enhancement*
- *Recommended management proposals*
- *A record of community involvement*
- *An explanation of the planning policy context*
- *References for policy and guidance*

*It is accompanied by the Keynsham Conservation Area Management Plan which identifies opportunities for enhancement.*

*Resources to take the appraisal forwards have been made available by the Council and this report seeks formal adoption of the documents by B&NES Council as the local planning authority.*

Decision Maker: Leader of the Council

Decision published: 29/11/2016

Effective from: 07/12/2016

Decision:

The Cabinet Members agree that Keynsham Conservation Area Appraisal & Keynsham Conservation Area Management Plan should be formally adopted by the Council.

Lead officer: Adrian Neilson

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### **Allocation of Parking Permits in Controlled Zones**

*The existing policy for the eligibility of parking permits within controlled parking zones was adopted in 2006. The operational application and implementation of the existing policy, over the past 10 years, has highlighted a number of issues which have been clarified within the revised policy.*

Decision Maker: Cabinet Member - Transport

Decision published: 15/11/2016

Effective from: 23/11/2016

Decision:

The Cabinet Member agrees that the revised policy is adopted and that delegated powers are given to the Divisional Director for Environmental Services, in consultation with the Cabinet Member for Transport, to vary the policy to reflect current circumstances and needs when appropriate.

Lead officer: Andrew Dunn

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### **Proposed changes to the existing parking restrictions on the Riverside Coach Park and The Guildhall, Bath.**

*To confirm the implementation of changes to the parking restrictions within the Riverside Coach Park and the Guildhall car park, Bath*

Decision Maker: Cabinet Member - Transport

Decision published: 15/11/2016

Effective from: 23/11/2016

Decision:

The Cabinet Member agrees that;

1. The Riverside Coach Park charges are removed and all free parking for coaches is limited to 30 minutes only between the hours of 8am to 6pm, 7 days a week. No charge or time limit applies between 6pm and 8am.
2. No changes are made to the parking restrictions within the Guildhall car park.

Lead officer: Chris Major

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<b>Bath &amp; North East Somerset Council</b>		
MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>1<sup>st</sup> February 2017</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2922</b>
TITLE:	<b>Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2016 to December 2016</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report</b></p> <p><b>Appendix 1:</b> Revenue &amp; Capital Monitoring Commentary  <b>Appendix 2:</b> Revenue Monitoring Statement: All Council Spending  <b>Appendix 3:</b> Capital Monitoring Statement: All Council Spending  <b>Appendices 4(i) &amp; 4(ii):</b> Proposed Revenue Virements &amp; Revised Revenue Cash Limits 2016/17  <b>Appendices 5(i) &amp; 5(ii):</b> Capital Virements &amp; Capital Programme by Portfolio 2016/17</p>		

## 1 THE ISSUE

1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2016/17 to the end of December 2016.

## 2 RECOMMENDATION

The Cabinet agrees that:

- 2.1 Strategic Directors need to work towards managing within budget in the current year for their respective service areas, using action plans to achieve this, including not committing any unnecessary expenditure and stringent budgetary control.
- 2.2 This year's revenue budget position as shown in Appendix 2 is noted.
- 2.3 The capital expenditure position for the Council in the financial year to the end of September and the year end projections detailed in Appendix 3 are noted.
- 2.4 The revenue virements listed for approval in Appendix 4(i) are agreed, and those listed for information are noted.
- 2.5 The changes in the capital programme listed in Appendix 5(i) are noted.

### **3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

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

### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

4.1 The annual medium term financial planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council is performing against the financial targets set in February 2016 through the Budget setting process.

### **5 THE REPORT**

5.1 The Budget Management Scheme requires that the Cabinet consider the revenue and capital monitoring position four times per year.

5.2 For revenue budgets which are forecast to be overspent, the Divisional Directors are expected to seek compensating savings to try and bring budgets back to balance.

5.3 Appendix 1 highlights any significant areas of forecast over and under spends in revenue budgets. Appendix 2 outlines the Council's current revenue financial position for the 2016/17 financial year to the end of December 2016 by Cabinet Portfolio. The current forecast outturn position is for an overspend of £1,039,000 which equates to 0.37% of gross budgeted spend (excluding Schools).

5.4 The forecast outturn position includes the requirement for the delivery of £12.644m savings as part of the approved budget for 2016/17, a significant element of which was been confirmed as delivered.

5.5 The Council's financial position, along with its financial management arrangements and controls, are fundamental to continuing to plan and provide services in a managed way, particularly in light of the medium term financial challenge. Close monitoring of the financial situation provides information on new risks and pressures in service areas, and appropriate management actions are then identified and agreed to manage and mitigate those risks.

5.6 Revenue budget virements which require Cabinet approval are listed in Appendix 4(i). Technical budget adjustments are also shown in Appendix 4(i) for information purposes as required by the Budget Management Scheme.

5.7 Appendix 3 outlines the current position for the 2016/17 Capital budget of £94.147m, with a current forecast spend of £74.049m, which is £20.098m less than the budget. Not all investment opportunities have yet crystallised, and some schemes have seen an element of slippage.

5.8 Previously approved budget adjustments are also shown in Appendix 5(i) for information purposes as required by the Budget Management Scheme, while Appendix 5(ii) provides the updated capital programme allocated by Portfolio.

**6 RATIONALE**

6.1 The report is presented as part of the reporting of financial management and budgetary control required by the Council.

**7 OTHER OPTIONS CONSIDERED**

7.1 None

**8 CONSULTATION**

8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Strategic Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

**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 substance of this report is part of the Council's risk management process. The key risks in the Council's budget are assessed annually by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

<b>Contact person</b>	<i>Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213</i> <a href="mailto:Tim_Richens@bathnes.gov.uk">Tim_Richens@bathnes.gov.uk</a> <a href="mailto:Jamie_Whittard@bathnes.gov.uk">Jamie_Whittard@bathnes.gov.uk</a>
<b>Background papers</b>	<i>Budget Management Scheme</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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### REVENUE BUDGET MONITORING APRIL 2016 TO DECEMBER 2016

- 1.1 Appendix 2 outlines the Council's current financial position for the 2016/17 financial year to the end of December 2016 by Cabinet Portfolio. The Appendix shows the current forecast outturn position is an overspend of £1,039,000 or 0.37% of the gross expenditure budget (excluding Schools).
- 1.2 Strategic Directors need to work towards managing within budget in the current year for their respective service areas, using action plans to achieve this, including not committing any unnecessary expenditure and stringent budgetary control.
- 1.3 The forecast outturn position includes the requirement for the delivery of £12.644m savings as part of the approved budget for 2016/17, a significant element of which has been confirmed as delivered.
- 1.4 Within the current £1,039,000 forecast overspend figure, there are areas of over and under spending which are detailed below, along with any planned management actions being taken to reduce projected overspends.
- 1.5 **Leader's Portfolio – forecast £156,000 overspend**

This forecast overspend is in Legal & Democratic Services, where the proposed service restructure in order to achieve savings targets will not be implemented until April 2017 due to external and additional unplanned work demands on the Council Solicitor, e.g. EU Referendum and work in the Mayoral Combined Authority (MCA). The April 2017 restructure will deliver savings in 2017/18.

- 1.6 **Finance & Efficiency Portfolio – forecast £566,000 underspend**

The forecast overspend on this portfolio is made up of the following variances:

**Support Services:** There is a £658,000 overspend forecast across Support Services.

Customer Services are forecasting a slightly improved position of a £299,000 overspend. The shortfall is mainly a result of reduced grant related to Universal Credit implementation, as well as the income target from potentially running a "Payment by Results" pilot scheme with the Department for Works & Pensions not currently proceeding.

Within Human Resources, there is a shortfall of income from Schools following academy conversions, plus a shortfall of Fire Risk Assessment income, which have resulted in a forecast overspend of £138,000. There is also a £59,000 staffing overspend forecast in People Services, where the full efficiency savings from the new Payroll system are yet to materialise. A manager's training plan is in place.

In addition, Traded Services are forecast to be £287,000 overspent, including a £50,000 overspend in Print Services, with a review underway to generate efficiency savings, and a £272,000 overspend in Catering. The Catering overspend has continued to increase owing to a combination of overspends in Community Meals, where consultation is currently taking place for mitigating actions, and also inflationary pressures in the supply of food costs from the new Schools food contract, which were originally expected to generate savings. These are partially mitigated by £35,000 of net additional income in Cleaning Services.

Within the Portfolio, there is also £82,000 of management savings across Support Services which have not been delivered, and £160,000 of further Procurement savings targets across the Council which are yet to be achieved.

These overspends are partially offset by forecast underspends of £92,000 in Property Services from the restructure implementation in November, £205,000 in Corporate Estate due to lower accommodation and energy costs, and £92,000 in Information Technology project budgets.

**Corporate costs:** £1,224,000 forecast underspend. There is additional income of £300,000 forecast from the Thermae Spa Profit Share arrangements, and a £680,000 underspend forecast in Capital Financing costs, owing to capital programme slippage delaying the need to borrow, and Minimum Revenue Provision (MRP) savings. There is also an £80,000 surplus in the budget for Education Services Grant reduction, plus several other small underspends including the Charter Trustees not taking their budgeted grant, unfunded pensions costs and a small projected surplus on the Council contribution required for historic pension deficit recovery.

### **1.7 Adult Social Care & Health Portfolio – forecast on target**

The Adult Social Care revenue budget forecasts a balanced outturn position for 2016/2017. This position has been supported by anticipated use of the Social Care Reserve; this is mitigating inflationary and demographic pressures in Adult Social Care as a result of the implementation of the National Living Wage and the costs associated with purchased care packages supporting complex service users in their home and, also, the increasing demand for high dependency residential care and nursing care home placements. The current service pressure is forecast to be £1,478,000 which will be balanced by a transfer from the Social Care Reserve (slightly increased from £1,433,000 previously reported, due to greater clarity in expenditure incurred).

### **1.8 Children's Services Portfolio – forecast £1,488,000 overspend**

The forecast overspend within this Portfolio is due to a number of pressures.

Children's Social Care operational costs are forecast to overspend by £739,000 (previously forecast as a £457,000 overspend), due to increased spend on court action and Child Sexual Exploitation awareness to help the safety of younger people, as well as an overspend on staffing where staffing remains at a level that ensures the safe monitoring and protection of vulnerable children whilst ensuring good outcomes, and are in line with other Local Authorities who have been

commended in Ofsted inspections as providing appropriate services to vulnerable children. The forecast overspend has worsened due to increased costs associated with placements of children in high cost residential placements, and the increased use of court directed parent and baby placements. This area continues to be reviewed to identify potential mitigations.

There is also a £254,000 overspend forecast on Children's Centres and Nurseries, where although management costs have been reduced, income targets have not been met. The provision of this will be reviewed in areas where there is a high level of alternative service delivery.

In addition, there is a reduced overspend of £488,000 forecast for Home to School Transport (previous forecast £650,000 overspend). The overspend is due to pressures on Special Educational Needs (SEN) and Mainstream transport, following demand increases as a result of legislative change in recent years. Also, high demand from outside the area for places in the Council's Special Schools is making the placement of pupils locally increasingly difficult, and therefore it is required to transport pupils further distances outside of the area. Efforts are being made to extend capacity by opening SEN units within mainstream schools and Academies. There is also review of transport currently underway. There has been a reduction in the overspend forecast due to the mitigating actions being taken by management as part of its review of transport. The main actions producing savings at present are the review of safer routes to school and the introduction of personal transport budget for pupils with Education, Health and Care Plans (EHCP).

### **1.9 Homes & Planning Portfolio – forecast £6,000 underspend**

An overall underspend of £6,000 is forecast within Development, with higher than budgeted pre-application planning income offsetting increased administration costs and a reduction in spa water monitoring income. The previously reported underspend in Housing Services has reduced due to unplanned pressures affecting the service.

### **1.10 Economic Development Portfolio – forecast £399,000 underspend**

There is a £247,000 overspend forecast in Economy & Culture, where the savings attributable to a review of Destination Management, and income budgeted from "Digital B&NES" have been delayed. This is offset by a net £542,000 forecast over achievement of Heritage Services profit target, reflecting visitor trends remaining above the national average for visitor attractions, and also a £110,000 underspend in Regeneration, owing to the temporarily increased recharges to Capital Projects such as Bath Quays.

### **1.11 Community Services Portfolio – forecast £256,000 overspend**

Within Community Services, there is now a £125,000 overspend forecast in Libraries (previously forecast at a £62,000 overspend), due to shortfalls in income and savings not currently identified, and these shortfalls are being addressed as

part of the Modern Libraries project. In addition, there is an overspend of £68,000 forecast in Bereavement Services relating to the need to employ a technical specialist to cover a period of sickness, the impact of delayed savings arising from the strategic review (now delivered), and the need to undertake unplanned enhancements to the public facing areas following refurbishment works at Haycombe Cemetery. There is also a £33,000 pressure in Place Overheads due to the decision to fund the 2016 Christmas light displays, and a £30,000 shortfall in Public Protection licensing income, mainly owing to street trading in Southgate underperforming against expectations.

#### **1.12 Transport Portfolio – forecast £110,000 overspend**

The £188,000 shortfall on Bus Lane Enforcement income and £110,00 pressure on Bus Revenue Support have been mitigated by higher than budgeted income from car parking and parking enforcement, as well as staffing savings in the Parking Office & Enforcement Teams and a business rates rebase on the park & ride sites, resulting in a net £53,000 underspend forecast in Transport & Parking Services. There is a £163,000 overspend forecast in Highways, predominantly due to Policy & Development where difficulties in recruiting staffing vacancies on statutory provision are being covered by agency staff.

## CAPITAL BUDGET MONITORING – APRIL 2016 TO DECEMBER 2016

2.1 The approved Capital Programme for 2016/17 is currently £94.147m, and is detailed in Appendix 5(ii). Changes to the Capital Programme since November Cabinet are shown highlighted in Appendix 5(i).

### Progressing Capital Projects Updates

- 2.2 **Bath Transport Package: Main Works** – Variable message signs on A36 and A4 installed. Engagement on positioning of variable message signs for A46 and A420 will be required, and due to this, the installation will run into 17/18. Six remaining real time information installations along Dorchester Street will be installed during this financial year.
- 2.3 **Transport Improvement Programme** – Programme is progressing well, with multiple schemes in design and consultation and several are now completed, including Bannerdown Road (Batheaston) footway works and Adaptations to 20mph & Rural 20 mph schemes. Quarter four schemes are now being progressed, including Saltford pedestrian crossing upgrades, Marksbury safety improvements and Charlotte Street pedestrian improvements.
- 2.4 **Highways Maintenance Programme** – Schemes progressing to programme, including the additional grant of £176,000 and further £500,000 allocation. Surfacing and surface treatment programmes are substantially complete, notably resurfacing a section of the A37 through Pensford and the A4 Upper Bristol Road in Bath.
- 2.5 **East of Bath Transportation** – Council reaffirmed its commitment to an East of Bath Park & Ride within an integrated transport strategy, and has asked for the Local Development Framework Steering Group to review options, and the Communities, Transport & Environment Panel to undertake a scrutiny review, with a view to the Cabinet selecting a preferred site at its meeting on 25<sup>th</sup> January 2017.
- 2.6 **Waste Projects including Infrastructure Relocation** – Land acquisition and design development for the relocation of Refuse and Recycling collection operations, Commercial Waste Service and Waste Transfer Station in progress. Work to explore future options for the Bath Recycling Centre is underway, along with plans to relocate the outer Bath street cleansing team. Approvals being progressed to procure new vehicles and containers.
- 2.7 **Bath Leisure Centre Refurbishment** – The first package of works are progressing to build the new enlarged Health & Fitness Suite and refresh the remaining Sports Hall. Final costs and timescales for the remaining phases of works are in development. Completion of Phase 1 likely to be March 2017, and Package 2A (Trampoline park, soft play etc.) to start early 2017 for anticipated completion by Summer 2017.
- 2.8 **Keynsham Leisure Centre** – Final scheme has now been submitted to the planning authority. Interior designs still to be finalised, and works are anticipated to commence during Summer 2017, subject to approval being granted.

- 2.9 **Affordable Housing** – Extra Care Scheme at Ensleigh (Lansdown) is progressing, with on-site start expected early 2017/18. 13 rural affordable housing units at Farmborough, with a further 5 rural units in Bathampton are due for completion 2017/18; Capital funding for a “Platform for Life”, a shared housing project for young people and a rural scheme in Chew Valley have now been approved. The remaining capital programme for 2016/17 and 2017/18 is now provisionally allocated/earmarked.
- 2.10 **Digital B&NES** – The phase one of Connecting Devon and Somerset (CDS) broadband rollout programme in B&NES with BT will hit its superfast contracted target by March 2017. Phase 2 will progress rollout further and the invitation to Tender is now closed and preferred bidders were selected. Contracts due to be awarded imminently with delivery to commence in late Spring/early Summer 2017. Public Wi-Fi in Bath City Centre is still expected to go live in Spring 2017.
- 2.11 **Saw Close Regeneration** – Private casino and leisure development on site including a new square. Revolving Infrastructure Funding approved by Local Enterprise Partnership board in January 2016 for wider public realm improvement. Project is running to programme in coordination with private developer, and due to be on site from Spring 2017.
- 2.12 **RIF Project – Destructor Bridge:** Bridge complete and opened for pedestrian and cycle use. Opening to vehicular use pending highway approval to traffic management on Midland Road.
- 2.13 **RIF Project - Bath Quays Waterside (Innovation Quay):** Highway diversion completed and operational, and the north bank service diversions substantially complete. North bank archaeological investigations are complete. Ground contamination and the requirement to undertake further archaeological work have extended excavation programme. The completion of works now likely to be in Quarter 1 2017.
- 2.14 **Bath Quays North** – Proposals for procurement of a development partner are being considered, with a decision by Council. A revised outline EDF Business Case is being prepared, with submission expected in Autumn 2017, with detailed business cases to be submitted by end of 2017/18.
- 2.15 **Bath Quays South** – Council progressing direct delivery of scheme, with a full EDF Business Case Decision expected in Q4 2016/17, with relevant approvals being undertaken. Planning Application has now been submitted.
- 2.16 **Bath Quays Bridge** – Planning application submitted in November 2016 with a decision is expected in early 2017. Construction works will follow thereafter, with construction completion forecast in the first quarter of 2018.
- 2.17 **Schools Capital Maintenance Programme** – Condition repairs and maintenance projects are ongoing at Farmborough, Peasedown St. John, St. Philip’s Odd Down, Ubley, Westfield, St Nicholas Primary, Batheaston, St Martins Garden, Newbridge and Swainswick.

- 2.18 **Roman Baths Archway Project** - This £5Million project will be funded by a Council capital contribution of £1Million, together with a Heritage Lottery Fund (HLF) grant of £3.376 Million, other grants and fundraising. A £75,000 grant has been awarded by the Garfield Weston Foundation and other applications are in the pipeline, including to the Clore Duffield Foundation. The Council is on track to meet the match funding target. Planning permission and Listed Building Consent were granted in September 2016.
- 2.19 **Grand Parade & Undercroft** – Planning consent has been approved. The project team are updating the business plan based on the current rental forecast to determine the most viable way to progress this scheme. All options will be considered.

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Portfolio Summary Monitor	CURRENT YEAR 2016/17 FORECAST OUTTURN					ADVERSE / FAVOURABLE
	Forecast Gross Expenditure	Forecast Gross Income	Net Forecast Actual	Annual Current Budget	Forecast over or (under) spend	
REVENUE SPENDING For the Period APRIL 2016 to DECEMBER 2016	£'000	£'000	£'000	£'000	£'000	
Leader	6,287	(702)	5,585	5,430	156	ADV
Finance & Efficiency	105,976	(100,578)	5,398	5,963	(566)	FAV
Adult Social Care & Health	102,526	(44,628)	57,898	57,898		ON TARGET
Children's Services	157,022	(127,368)	29,653	28,166	1,488	ADV
Homes & Planning	6,861	(3,495)	3,366	3,372	(6)	FAV
Economic Development	17,163	(21,508)	(4,345)	(3,946)	(399)	FAV
Community Services	30,755	(10,222)	20,533	20,277	256	ADV
Transport	24,726	(19,942)	4,784	4,674	110	ADV
<b>TOTAL COUNCIL</b>	<b>451,315</b>	<b>(328,443)</b>	<b>122,872</b>	<b>121,833</b>	<b>1,039</b>	<b>ADV</b>

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Portfolio Summary Monitor	CURRENT YEAR 2016/17 FORECAST OUTTURN		
	Forecast Actual Expenditure	Annual Current Budget	Forecast In-Year Variance
Capital Monitor Apr 2016/17 - Dec 2016/17			
	£'000	£'000	£'000
Leader	899	899	( )
Finance & Efficiency	22,461	27,226	(4,766)
Adult Social Care & Health	1,624	1,598	26
Children's Services	12,533	13,613	(1,080)
Homes & Planning	759	495	264
Economic Development	9,132	17,164	(8,032)
Community Services	11,816	16,105	(4,289)
Transport	14,826	17,048	(2,222)
<b>TOTAL COUNCIL</b>	<b>74,049</b>	<b>94,147</b>	<b>(20,098)</b>

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**2016/17 Revenue Virements for Approval**

Appendix 4 (i)

<u>REF NO</u>	<u>REASON / EXPLANATION</u>	<u>CABINET MEMBER</u>	<u>TRANSFER FROM</u>	<u>Income</u>	<u>Expenditure</u>	<u>CABINET MEMBER</u>	<u>TRANSFER TO</u>	<u>Income</u>	<u>Expenditure</u>	<u>DESCRIPTION</u>	<u>ONGOING EFFECTS</u>
			<u>CASHLIM</u>	<u>(£'s)</u>	<u>(£'s)</u>		<u>CASHLIM</u>	<u>(£'s)</u>	<u>(£'s)</u>		

The following virements are reported for approval under the Budget Management Scheme rules.

**NONE TO REPORT**

<b>OVERALL TOTALS</b>				0	0			0	0		
					0				0		

**2016/17 Revenue Virements for Information**

<u>REF NO</u>	<u>REASON / EXPLANATION</u>	<u>CABINET MEMBER</u>	<u>TRANSFER FROM</u>	<u>Income (£'s)</u>	<u>Expenditure (£'s)</u>	<u>CABINET MEMBER</u>	<u>TRANSFER TO</u>	<u>Income (£'s)</u>	<u>Expenditure (£'s)</u>	<u>DESCRIPTION</u>	<u>ONGOING EFFECTS</u>
			<u>CASHLIM</u>				<u>CASHLIM</u>				

The following virements have either been previously approved, are technical in nature or are below limits within BMS that require approval, and therefore are reported for information only.

INFO 16#36	Service Supported Borrowing Recharges	Finance & Efficiency	Various		2,480,380	Finance & Efficiency	Capital Financing / Interest		4,471,568	Centralisation of relevant Service Supported Borrowing recharge budgets.	Budget virement is on-going.
		Adult Social Care & Health	Adult Services		9,531						
		Children's Services	Health, Commissioning & Planning		529,907						
		Economic Development	Economy & Culture		33,078						
		Community Services	Various		346,720						
		Transport	Various		1,071,952						
INFO 16#37	Building Engineering	Finance & Efficiency	Property Services		60,000	Finance & Efficiency	Corporate Estate Including R&M		60,000	Following the abolition of the Engineering Services Team in Property Services, part of the budget was transferred to Corporate Estate to cover the external costs of repairs & maintenance.	Budget virement is on-going.
INFO 16#38	Time Out Youth Centre	Children's Services	Learning & Inclusion		23,282	Finance & Efficiency	Corporate Estate Including R&M		23,282	Transfer of budget for premises located in Riverside building, previously occupied by Time Out Youth Centre.	Budget virement is on-going.
INFO 16#39	Transport Strategic Review Savings	Children's Services	Health, Commissioning & Planning		100,000	Transport	Transport & Parking Services - Public & Passenger Transport		100,000	Allocation of Transport Strategic Review Savings to Home to School Transport.	Budget virement is on-going.

<b>OVERALL TOTALS</b>				<b>0</b>	<b>4,654,850</b>			<b>0</b>	<b>4,654,850</b>		
					<b>4,654,850</b>				<b>4,654,850</b>		

**Portfolio Cash Limits 2016/17 - Revenue Budgets**
**Appendix 4(ii)**

CABINET PORTFOLIO	Service	Nov'16 Approved Cash Limits £'000	Technical Adjustments, below BMS limits or already agreed - shown for information £'000	Total Virements for Approval £'000	Feb'17 Revised Cash Limits £'000
<b>Leader</b>	Council Solicitor & Democratic Services	2,550			2,550
	Strategy & Performance	2,880			2,880
	<b>PORTFOLIO SUB TOTAL</b>	<b>5,430</b>			<b>5,430</b>
<b>Finance &amp; Efficiency</b>	Finance	2,230	(29)		2,201
	People Services	527			527
	Risk & Assurance Services	1,016			1,016
	Information Technology	4,567	(66)		4,501
	Customer Services	2,773	(167)		2,606
	Human Resources	441			441
	Property Services	2,507	(60)		2,447
	Corporate Estate Including R&M	4,117	(2,122)		1,994
	Commercial Estate	(14,975)	(13)		(14,988)
	Traded Services	58			58
	Strategic Director - Resources	110			110
	Corporate items (Management Savings)	(150)			(150)
	Hsg / Council Tax Benefits Subsidy	(195)			(195)
	Capital Financing / Interest	3,008		4,472	7,480
	Unfunded Pensions	1,679			1,679
	Corporate Budgets incl. Capital, Audit & Bank Charges	879			879
	New Homes Bonus Grant	(5,199)			(5,199)
	Magistrates	17			17
	Coroners	305			305
Environment Agency	222			222	
	<b>PORTFOLIO SUB TOTAL</b>	<b>3,935</b>	<b>2,014</b>		<b>5,950</b>
<b>Adult Social Care &amp; Health</b>	Adult Services	57,366	(10)		57,357
	Adult Substance Misuse (Drug Action Team)	539			539
	<b>PORTFOLIO SUB TOTAL</b>	<b>57,906</b>	<b>(10)</b>		<b>57,896</b>
<b>Children's Services</b>	Children, Young People & Families	12,579			12,579
	Learning & Inclusion	15,831	(23)		15,807
	Health, Commissioning & Planning	(108,113)	(630)		(108,743)
	Schools Budget	108,537			108,537
	<b>PORTFOLIO SUB TOTAL</b>	<b>28,834</b>	<b>(653)</b>		<b>28,181</b>
<b>Homes &amp; Planning</b>	Development Management	1,740			1,740
	Building Control & Land Charges	220			220
	Housing	1,383			1,383
	<b>PORTFOLIO SUB TOTAL</b>	<b>3,343</b>			<b>3,343</b>
<b>Economic Development</b>	Economy & Culture	1,307	(33)		1,274
	World Heritage	147			147
	Heritage	(5,685)			(5,685)
	Project Delivery				
	Regeneration, Skills & Employment	317			317
	<b>PORTFOLIO SUB TOTAL</b>	<b>(3,913)</b>	<b>(33)</b>		<b>(3,946)</b>

**Portfolio Cash Limits 2016/17 - Revenue Budgets**
**Appendix 4(ii)**

CABINET PORTFOLIO	Service	Nov'16 Approved Cash Limits £'000	Technical Adjustments, below BMS limits or already agreed - shown for information £'000	Total Virements for Approval £'000	Feb'17 Revised Cash Limits £'000
<b>Community Services</b>	Place Overheads	329			329
	Public Protection & Health Improvement - Regulatory & Active Lifestyles	1,880	(15)		1,865
	Neighbourhoods & Environment - Waste & Fleet Services	14,395	(66)		14,330
	Neighbourhoods & Environment - Parks & Bereavement Services	1,782	(203)		1,578
	Libraries & Information	1,567	(62)		1,505
	Public Protection & Health Improvement - Leisure	670			670
	<b>PORTFOLIO SUB TOTAL</b>	<b>20,624</b>	<b>(347)</b>		<b>20,277</b>
<b>Transport</b>	Transport - Planning & Policy				
	Highways & Traffic Management	8,531	(1,031)		7,500
	Transport & Parking Services - Parking	(6,603)	(41)		(6,644)
	Transport & Parking Services - Public & Passenger Transport	3,747	100		3,847
	<b>PORTFOLIO SUB TOTAL</b>	<b>5,675</b>	<b>(972)</b>		<b>4,703</b>
	<b>NET BUDGET</b>	<b>121,833</b>			<b>121,833</b>
<b>Sources of Funding</b>					

Council Tax	77,847			77,847
Revenue Support Grant*	14,423			14,423
Retained Business Rates	22,509			22,509
Collection Fund Deficit (-) or Surplus (+)	(385)			(385)
Balances	7,440			7,440
<b>Total</b>	<b>121,833</b>			<b>121,833</b>

Capital Virements - Additions & Reductions 2016/2017

Appendix 5 (i)

REF NO	REASON / EXPLANATION	TRANSFER / FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP16#065-2016	<b>Bath Cycle Action Plan - Bath Quays Scheme</b>	Government Grant	103,758		Place - Environmental Services		103,758	CCAF2 grant as approved by CAF Board towards Cycle elements of Bath Quays Schemes. Approved by Single Member Decision E2838
CAP16#066-2016	<b>Transport Improvement Programme</b>	S106 Contribution	31,658		Place - Environmental Services		31,658	S106 specific deposit re Wellow Lane to improve bus stops in the area added to TIP scheme. Approved by Technical Adjustment Oct 16
CAP16#067-2016	<b>Transport Improvement Programme</b>	Revenue	4,000		Place - Environmental Services		4,000	Allocations by councillors from ward councillors initiative funds to contribute towards pedestrian improvement scheme. Approved by Technical Adjustment Oct 16
CAP16#068-2016	<b>Green Investment and Jobs Fund: Investment in Bathampton Old Mill Hotel Hydro</b>	Corporate Supported Borrowing	130,000		Resources - Strategy and Performance		130,000	Budget approved by Cabinet Member for Community Services and the Leader of the Council - Single Member Decision ref E2888
CAP16#069-2016	<b>30-35 Westgate Street</b>	Service Supported Borrowing	7,761,650		Resources - Property Services		7,761,650	Purchase of 30-35 Westgate Street. Approved by Single Member Decision E2916
CAP16#070-2016	<b>Acquisitions - Future Revenue Generation</b>	Service Supported Borrowing	-5,900,000		Resources - Property Services		-5,900,000	Purchase of 30-35 Westgate Street. Approved by Single Member Decision E2916
CAP16#071-2016	<b>Saxon Court, Broad St pedestrian Link</b>	Revenue	1,000		Place - Environmental Services		1,000	New Paving across entrance to Broad Street Car park. Approved by Technical Adjustment Nov 16
CAP16#072-2016	<b>Transport Improvement Programme</b>	S106 Contribution	75,000		Place - Environmental Services		75,000	S106 specific deposit re Temple Inn Lane for Speed Camera on A37 to be added to TIP scheme. Approved by Technical Adjustment Nov 16
CAP16#073-2016	<b>Digital B&amp;NES</b>	3rd Party Contribution	3,000		Place - Community Regeneration		3,000	£3k contribution from BTP for Christmas market Wi-Fi. Approved by Technical Adjustment Nov 16
CAP16#074-2016	<b>Beechen Cliff Woodland</b>	Revenue	28,785		Place - Environmental Services		28,785	Agreement that £34,147 held in reserve for Environmental Improvement Reserve can be used to fund capital schemes via TA. Approved by Technical Adjustment Nov 16
CAP16#075-2016	<b>Neighbourhoods-Bin &amp; Bench Replacement</b>	Revenue	5,362		Place - Environmental Services		5,362	Agreement that £34,147 held in reserve for Environmental Improvement Reserve can be used to fund capital schemes via TA. Approved by Technical Adjustment Nov 16
CAP16#076-2016	<b>Bath Quays Bridge</b>	Government Grant	53,242		Place - Community Regeneration		53,242	Increase to Bath Quays Bridge budget to utilise CAF1 funding approved by CAF Board. Approved by Technical Adjustment Nov 16
CAP16#077-2016	<b>River Corridor Fund</b>	Corporate Supported Borrowing	80,000		Place - Community Regeneration		80,000	£80,000 of the provisional allocation of £150,000 within the 2016/17 capital programme be allocated. Approved by Single Member Decision E2892
CAP16#078-2016	<b>Saw Close Development</b>	Various	234,000		Place - Community Regeneration		234,000	Approved budget of £2.05m be given Full Approval to complete the design and deliver the Saw Close Public Realm project 16/17. Approved by Single Member Decision E2862

CAP16#079-2016	<b>Whitchurch Primary - Land Purchase Costs</b>	S106 Contribution	30,000		People & Communities - Children's Services		30,000	Land required for future School expansion at Whitchurch; land available now although expansion scheme will not commence until 2017-18. Approved by Single Member Decision E2910
CAP16#080-2016	<b>Waste Operations - Relocation</b>	Service Supported Borrowing	-20,000		Place - Environmental Services		-20,000	Correction to the virement processed in Aug 2016 as incorrect value was entered - per the Cabinet report E2891
CAP16#081-2016	<b>Park and Ride East of Bath Project Development</b>	Corporate Supported Borrowing	300,000		Place - Environmental Services		300,000	Request to increase budget by £300k. Approved by Single Member Decision E2900
CAP16#082-2016	<b>Transport Improvement Programme</b>	S106 Contribution	-25,000		Place - Environmental Services		-25,000	Correction to last months budget request, amount requested included ongoing maintenance deposits, therefore budget needs to be reduced and that money retained on B/Sht. Approved by Technical Adjustment Dec 16
CAP16#083-2016	<b>Roman Baths Archway Centre</b>	3rd Party Contribution	73,000		Place - Community Regeneration		73,000	Re-phasing of budget necessary to undertake RIBA Stage 4 technical design work and surveying and archaeological investigation work, funded by HLF Grant. Approved by Technical Adjustment Dec 16
CAP16#084-2016	<b>Bath Quays Bridge &amp; Linking Infrastructure</b>	Government Grant	28,504		Place - Community Regeneration		28,504	Increase to Bath Quays Bridge budget to utilise CAF1 funding approved by CAF Board. Approved by Technical Adjustment Nov 16
CAP16#085-2016	<b>Bath Quays Delivery</b>	Service Supported Borrowing	3,547,000		Place - Community Regeneration		3,547,000	Drawdown of Service Supported Borrowing. Approved by SMD E2838 June 2016
<b>OVERALL TOTALS</b>			<b>6,544,959</b>	<b>0</b>		<b>0</b>	<b>6,544,959</b>	
				<b>6,544,959</b>			<b>-6,544,959</b>	

**Capital Virements - Additions & Reductions Future Years**

**Appendix 5 (i)**

REF NO	REASON / EXPLANATION	TRANSFER / FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP16#005-FY	<b>Keynsham New Build - Timeline Art Project</b>	Revenue	1,300		Resources - Property Services		1,300	Increase Keynsham Timeline Art Project with existing Arts revenue budgets in 17/18. Approved by Technical Adjustment Nov 16
CAP16#006-FY	<b>Saw Close Development</b>	Various	1,627,000		Place - Community Regeneration		1,627,000	Approved budget of £2.05m be given Full Approval to complete the design and deliver the Saw Close Public Realm project 17/18. Approved by Single Member Decision E2862
CAP16#007-FY	<b>Saw Close Development</b>	Various	189,000		Place - Community Regeneration		189,000	Approved budget of £2.05m be given Full Approval to complete the design and deliver the Saw Close Public Realm project 18/19. Approved by Single Member Decision E2862
CAP16#008-FY	<b>Bath Quays Delivery</b>	Service Supported Borrowing	1,008,000		Place - Community Regeneration		1,008,000	Drawdown of Service Supported Borrowing 17/18. Approved by SMD E2838 June 2016
CAP16#009-FY	<b>Bath Quays Delivery</b>	Service Supported Borrowing	145,000		Place - Community Regeneration		145,000	Drawdown of Service Supported Borrowing 18/19. Approved by SMD E2838 June 2016
CAP16#010-FY	<b>Innovation Quay - Economic Development Funding Enabling Infrastructure</b>	Corporate Supported Borrowing	2,800,000		Place - Community Regeneration		2,800,000	Drawdown of Corporate Supported Borrowing 17/18. Approved by SMD E2838 June 2016
CAP16#011-FY	<b>Innovation Quay - Economic Development Funding Enabling Infrastructure</b>	Corporate Supported Borrowing	1,420,000		Place - Community Regeneration		1,420,000	Drawdown of Corporate Supported Borrowing 18/19. Approved by SMD E2838 June 2016
CAP16#012-FY	<b>Archway Centre, Saw Close - Development Works</b>	Government Grant	-78,000		Place - Community Regeneration		-78,000	Re-phasing of budget necessary to undertake RIBA Stage 4 technical design work and surveying and archaeological investigation work. Approved by Technical Adjustment Dec 16
<b>OVERALL TOTALS</b>			<b>7,112,300</b>	<b>0</b>		<b>0</b>	<b>7,112,300</b>	
				<b>7,112,300</b>			<b>-7,112,300</b>	

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CAPITAL SCHEME	2016/17		
	Budget at November 2016 Cabinet	Approvals to February 2017 Cabinet	Budget at February 2017 Cabinet
	£'000	£'000	£'000
<b><u>Transport</u></b>			
Bath Transport Package - Main Scheme	4,650	0	4,650
Rossiter Road	0	40	40
Batheaston Bridge	1	0	1
MetroWest - the Greater Bristol Metro Project	-3	0	-3
Transport Improvement Programme	2,734	56	2,789
Cycle City Ambition	51	0	51
Victoria Bridge	31	0	31
A431 Kelston Road Stabilisation	292	0	292
Highways Maintenance Programme	5,418	-9	5,409
Park and Ride East of Bath Project Development	106	300	406
Riverside Path, Bath	-22	0	-22
Parking - Vehicle Replacement Programme	15	0	15
Saltford Station - reopening feasibility work	250	0	250
Better Bus Fund	51	0	51
Kennet & Avon Tow Path & Cycle Parking	643	0	643
Street Lighting - LED Replacement Programme	2,140	0	2,140
Keysham Town Centre one way system	200	0	200
Bath Cycle Action Plan - Bath Quays Scheme	0	104	104
	16,557	490	17,048
<b><u>Community Services</u></b>			
Vehicle Replacement: Neighbourhoods	692	0	692
Allotments	45	0	45
Beechen Cliff Woodland & Other Open Spaces Improvements	80	29	108
Leisure Dilapidations	581	0	581
Neighbourhoods - Bin and Bench Replacement	58	5	63
Play Equipment	174	0	174
Great Dell Walkway	3	0	3
Public WC Conversions	6	0	6
Waste Re-provision feasibility work	353	0	353
Waste Project - relocation of cleansing	542	0	542
Waste Operations - Relocation	3,248	-20	3,228
Haycombe Improvements (was Neighbourhoods - Haycombe Cemetery Florist/Café)	19	0	19
Cleansing Vehicles	122	0	122
Sydney Gardens	311	0	311
Parks Vehicles	41	0	41
Bath Leisure Centre Refurbishment	5,127	0	5,127
Parade Gardens Infrastructure for Business Development	32	0	32
Leisure - Council Client / Contingency	1,313	0	1,313
Bath Recreation Ground Trust - Leisure	500	0	500
Keynsham Leisure Centre - Land Assembly	2,500	0	2,500
Parks Service Schemes	345	0	345
	16,091	14	16,105
<b><u>Economic Development</u></b>			
Odd Down Playing Fields Development	-20	0	-20
Temple Precinct	16	0	16
Heritage Infrastructure Development	194	-60	134
Pump Room Electrical Distribution	0	60	60
Roman Baths Archway Centre	0	73	73
BWR - Council Project Team	141	0	141
BWR - Affordable Housing	212	0	212
BWR - Infrastructure	1,550	0	1,550
NRR Infrastructure	303	0	303
London Road Regeneration	30	0	30
Enterprise Area - Flood Mitigation Phase 1	4,300	0	4,300
BWR - Relocation of Gas Holders	1,668	0	1,668
River Corridor & ROSPA safety works	280	80	360
Digital B&NES	781	3	784
Somer Valley Business Centre	99	0	99
Bath Quays South	265	0	265
Bath Quays North	139	0	139

Bath Quays Bridge & Linking Infrastructure	1,088	82	1,170
Bath Quays Delivery	0	3,547	3,547
Energy at Home	392	0	392
Cattlemarket/Cornmarket	22	0	22
BWRE/Green Park	147	0	147
Radstock and Westfield Implementation Plan	92	0	92
Cleveland Pools	100	0	100
Roman Baths Development: East Baths Development	652	0	652
South Road Car Park	155	0	155
Manvers Street	57	0	57
Saw Close Development Works	39	234	273
Heritage: Victoria Art Gallery Air Conditioning	150	0	150
Warmth & Health Homes Programme	163	0	163
Green Investment & Job Opportunities Fund	0	130	130
	13,015	4,149	17,164
<b><u>Children's Services</u></b>			
Schools Capital Maintenance Programme	1,305	20	1,325
Schools Devolved Capital	1,443	-8	1,435
Weston All Saints Primary - Basic Need	90	0	90
Castle Primary - Basic Need	700	0	700
St Saviour's Junior - Basic Need	54	0	54
Saltford Primary - Basic Need	1,211	0	1,211
Short Breaks for Disabled Children	22	0	22
School Energy Invest to Save Fund	230	0	230
Early Years - 2yr Olds Funding / S106	2	0	2
Basic Needs Feasibility / Option Appraisal	26	-20	6
Schools LA Contribution to Capital / Private Capital / Seed Challenge / Travel Plans	150	0	150
Paulton Junior School - Basic Need	1,628	8	1,637
Youth Projects	48	0	48
Peasedown St John Primary	20	0	20
Client Data System for Children's Social Services	149	0	149
Bishop Sutton Primary School - Basic Need	720	0	720
St Mary's Writhlington Replace Classroom Block	355	0	355
Chandag Infants UIFSM	210	0	210
Schools Minor Works and DDA Schemes	155	0	155
Westfield Primary School - Basic Need	113	0	113
St John's School Keynsham classroom refurbishment	59	0	59
Children's Centre Capital Schemes	30	0	30
Oldfield Park Junior School - Basic Need	129	0	129
Farmborough Primary BN Feasibility Study	31	0	31
St Marys Writhlington BN Feasibility Study	-25	0	-25
Whitchurch Primary BN Feasibility Study	17	30	47
Ensligh - New Primary School Feasibility Study	2,564	0	2,564
MOD Foxhill Mulberry Park - New School Feasibility Study	19	0	19
Bathwick St Mary New School Expansion	19	0	19
East Harptree - DDA BN Feasibility Study	28	0	28
Bathampton School Basic Needs	15	0	15
St Michaels Junior School Pratten Building Feasibility Study	6	0	6
Keynsham East New School Feasibility Study - Cost	5	0	5
Farmborough Primary - Basic Need	714	0	714
St Michaels Junior School Replace temporary building	285	0	285
Riverside Youth Hub Development	200	0	200
St Keyna Basic Need Feasibility Study	451	0	451
Somerdale New School Feasibility Costs	4	0	4
Ubley Primary Basic Needs	329	0	329
Castle Primary - Phase 4 New Build Feasibility	20	0	20
St Nicholas Primary - SEN Breakout Unit	20	0	20
St Nicholas Primary - Feasibility Study Expansion	15	0	15
St Saviour's Junior - Bulge Year Feasibility Study	15	0	15
St Gregs, St Marks 6th Form	0	0	0
	13,583	30	13,613
<b><u>Finance &amp; Efficiency</u></b>			
Workplaces Programme Delivery	1,493	0	1,493
Keynsham Regeneration & New Build	2,168	0	2,168
Lewis House (Inc Comms Hub & OSS)	30	0	30
The Hollies	26	0	26
Corporate Estate Planned Maintenance	2,005	0	2,005
Disposals Programme (Minor)	167	0	167
Commercial Estate Investment Fund	350	0	350
Saw Close Development	57	0	57
Grand Parade & Undercroft	4,824	0	4,824

Equality Act Works	515	0	515
Roseberry Place	48	0	48
1 - 3 James Street West	130	0	130
7 - 9 Lower Borough Walls	39	0	39
Key Disposal - Keynsham K2 Charlton Road	1	0	1
Corporate Capital Contingency	2,000	0	2,000
PRMP Northumberland Place	10	0	10
PRMP Pattern Book	66	0	66
PRMP Team Costs	10	0	10
City Information Scheme Corporate Project	119	0	119
Victoria Hall	4	0	4
Bathampton Farmhouse	40	0	40
Housing Delivery Vehicle	224	41	265
Property Company Investment	4,893	0	4,893
Westgate Street 30-35 Acquisition	0	7,762	7,762
Acquisitions - Future Revenue Generation	5,881	-5,675	206
	25,100	2,127	27,227
<b><u>Leader</u></b>			
Desktop As a Service - VDI Technology	203	0	203
Customer Services System	215	0	215
IT Asset Refresh (Servers and Network)	220	0	220
LAA Performance Reward Grant	162	0	162
Windows 7 Upgrade	9	0	9
New Customer Payments & Library Kiosks	5	0	5
Agresso System Development & 5.6 Upgrade	85	0	85
	899	0	899
<b><u>Homes and Planning</u></b>			
Affordable Housing	759	-265	495
	759	-265	495
<b><u>Adult Social Care &amp; Housing</u></b>			
Disabled Facilities Grant	1,002	0	1,002
Adult Social Care Database replacement	596	0	596
	1,598	0	1,598
<b>TOTAL CAPITAL SCHEME BUDGET</b>	<b>87,602</b>	<b>6,546</b>	<b>94,148</b>
<b><u>Sources of Funding (£'000)</u></b>			
EU/Government Grant	25,249	495	25,744
Revenue	1,463	39	1,502
Other Council Support including Borrowing and Capital Receipts	57,279	5,736	63,015
s106 Contribution	3,137	200	3,336
Other 3rd Party	475	76	551
<b>Total Sources of Funding (£'000)</b>	<b>87,602</b>	<b>6,546</b>	<b>94,148</b>

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## Bath & North East Somerset Council

MEETING:	<b>Cabinet</b>	
MEETING DATE:	<b>1 February 2017</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 2914</b>
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

## **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**

The Cabinet is asked to recommend:

### **2.1 That the Council approve:**

- a) The General Fund net revenue budget for 2017/18 of £112.796m 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 Authorise the Council's Section 151 Officer, in consultation with the Cabinet Member for Finance & Efficiency, to make any necessary changes and presentational improvements to the draft budget proposal for submission to Council.

### **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 £2.0m or 1.7% decrease in the non-schools budget to £112.796m
  - 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 14<sup>th</sup> February and any decision having to be deferred until the reserve date on 23<sup>rd</sup> 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.

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

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## **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 21<sup>st</sup> 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](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 £14.7m 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 £112.796m, a net cash decrease of £1.983m 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 £14.7M 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**

	<b>2017/18</b>
<b>Revenue Budget Funding:</b>	<b>£m</b>
Council Tax	82.192
Retained Business Rates (after tariff)	31.261
Reserves & Collection Fund (one-off)	(0.657)
<b>Total Funding</b>	<b>112.796</b>
<b>Net Revenue Budget Spend</b>	<b>112.796</b>
<b>Capital Programme – for approval</b>	<b>56.083</b>
<b>Capital Programme - for provisional approval (subject to)</b>	<b>126.584</b>

**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 support 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 schools anticipated to convert to academies on or by 1<sup>st</sup> 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 “Pride in Your Place 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 14<sup>th</sup> 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 12<sup>th</sup> 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 29<sup>th</sup> June 2016 and 14<sup>th</sup> November 2016. It is now anticipated that the WECA will meet on the 15<sup>th</sup> 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 £2.0m or 1.7% 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 £112.796m. 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
<b>Total Base Budget rolled forward – 2017/2018 (after removal of one-off items in 2016/2017 Budget)</b>	<b>114,779</b>
One-off Allocations (excluding transfer to Business Rates Reserve)	424
Contractual and Unavoidable Inflation	4,254
New Legislation / Government Initiatives	2,326
Demographic Growth	4,019
Other / Technical (Including Capital Financing)	1,713
<b>Total including Growth</b>	<b>127,515</b>
Efficiency Savings	2,740
Refinancing	3,965
Growth Avoidance	1,265
Increases in Income from fees, charges and other grants	5,350
Service Redesign	1,399
<b>Total Savings</b>	<b>14,719</b>
<b>Recommended Net Revenue Budget 2017/2018</b>	<b>112,796</b>

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)
<b>Adult Social Care &amp; Health</b>	4,042	2,391	<b>59,548</b>
<b>Children's Services</b>	2,464	191	<b>25,285</b>
<b>Place</b>	1,555	2,335	<b>20,694</b>
<b>Resources &amp; Support Services</b>	1,660	2,379	<b>6,435</b>
<b>Corporate &amp; Agency</b>	3,014	7,424	<b>834</b>
<b>Totals</b>	<b>12,736</b>	<b>14,719</b>	<b>112,796</b>

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.

## APPENDIX 2

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
<b>Total</b>	<b>56,083</b>	<b>7,343</b>	<b>2,367</b>	<b>0</b>	<b>0</b>	<b>65,793</b>

**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
<b>Total</b>	<b>126,584</b>	<b>72,501</b>	<b>23,905</b>	<b>19,289</b>	<b>19,574</b>	<b>261,853</b>

<b>Grand Total</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>	<b>327,646</b>
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**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
<b>Total</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>	<b>327,646</b>

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 15<sup>th</sup> 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 15<sup>th</sup> 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 15<sup>th</sup> 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 SCHMES**

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, Pierrepont 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.

<b>Development Name</b>	<b>Developer</b>	<b>Provision to be delivered</b>	<b>Anticipated opening / completion date</b>	<b>Approximate Funding Shortfall</b>
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 Salford 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.**

<b>PRUDENTIAL INDICATOR</b>	<b>2015/16 Actual</b>	<b>2016/17 Probable Outturn</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Estimate of Capital Expenditure (£'000s)</b>					
Actual/estimates of capital expenditure	39,999	82,109	182,667	79,844	26,272
<b>Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)</b>					
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
<b>Capital Financing as % of Net Revenue Stream</b>					
Actual/estimates of the ratio of financing costs to net revenue stream			11.05%	16.53%	18.91%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			3.72%	5.38%	6.17%
<b>Borrowing Limits (£m)</b>					
Operational boundary – borrowing			£306m	£350m	£361m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
<b>Operational boundary - total</b>			<b>£308m</b>	<b>£352m</b>	<b>£363m</b>
Authorised limit - borrowing			£338m	£382m	£392m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
<b>Authorised limit - total</b>			<b>£340m</b>	<b>£384m</b>	<b>£394m</b>
<b>Capital Financing Requirement (£'000s) (as at 31 March)</b>					
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.

### Borrowing limits

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

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit, but 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 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.

Table 9: Projected Significant Earmarked Reserves

	Revenue Budget Contingency	Transformation Investment Reserve	Restructuring & Severance Reserve	Business Rate Reserve	Affordable Housing Reserve	Financial Planning Reserve
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Estimated Reserves @ 1st April 2017</b>	<b>1,150</b>	<b>2,040</b>	<b>100</b>	<b>1,106</b>	<b>3,000</b>	<b>2,248</b>
Reallocation of Reserves	0	2,000	2,480	0	0	-1,643
Allocation in 2017/2018	0	-3,230	-1,120	-643	0	-60
<b>Balance C/F</b>	<b>1,150</b>	<b>810</b>	<b>1,460</b>	<b>463</b>	<b>3,000</b>	<b>545</b>
Allocation in 2018/2019	0	-665	-715	0	0	0
<b>Balance C/F</b>	<b>1,150</b>	<b>145</b>	<b>745</b>	<b>463</b>	<b>3,000</b>	<b>545</b>
Allocation in 2019/2020	0	-145	-3,745	0	0	0
<b>Balance C/F</b>	<b>1,150</b>	<b>Nil (est)</b>	<b>-3,000</b>	<b>463</b>	<b>3,000</b>	<b>545</b>

### **Unearmarked Revenue Reserves**

The Local Government Act 2003 contains a duty on the Statutory Finance Officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director – 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 9<sup>th</sup> 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**

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

\* 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	£112,796k	See Annex 1
Less retained business rates, reserves and estimate of Collection Fund position	£30,604k	See Annex 1 Sources of Funding
<b>To be funded by Council Tax</b>	<b>£82,192k</b>	
Tax base (Band D properties equivalent)	63,996.16	Approved by the Section 151 Officer in December 2016
<b>Recommended Council Tax at Band D for 2017/2018</b>	<b>£1,284.33</b>	
2016/2017 Council Tax Band D	£1,240.90	
<b>Recommended Increase</b>	<b>£43.43</b>	<b>3.50% increase</b>
<b><i>The increase comprises:</i></b>		
<i>Adult Social Care Precept</i>	<i>£24.82</i>	<i>2.00% increase</i>
<i>General Fund Precept</i>	<i>£18.61</i>	<i>1.50% increase</i>

***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 8<sup>th</sup> 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 10<sup>th</sup> 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)**

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

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	Removal of One-offs (including one-off virements in 2016/17)	2017/18 Base Budget	MTSRP Growth	MTSRP Savings	Total 2017/18 Budget Changes	2017/18 Proposed Budget	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Leader</b>	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	
	<b>PORTFOLIO SUB TOTAL</b>	<b>5,430</b>	<b>(242)</b>	<b>5,188</b>	<b>242</b>	<b>(195)</b>	<b>47</b>	<b>5,235</b>	
<b>Finance &amp; Efficiency</b>	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	87	(25)	62	120	
	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	2,485	(3,424)	(939)	(198)	
	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	4		4	226		
<b>PORTFOLIO SUB TOTAL</b>	<b>5,950</b>	<b>(351)</b>	<b>5,598</b>	<b>4,414</b>	<b>(9,508)</b>	<b>(5,093)</b>	<b>505</b>		
<b>Adult Social Care &amp; Health</b>	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)			
<b>PORTFOLIO SUB TOTAL</b>	<b>57,896</b>		<b>57,896</b>	<b>4,042</b>	<b>(2,391)</b>	<b>1,652</b>	<b>59,548</b>		
<b>Children's Services</b>	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	
<b>PORTFOLIO SUB TOTAL</b>	<b>28,181</b>	<b>(5,170)</b>	<b>23,011</b>	<b>2,464</b>	<b>(191)</b>	<b>2,274</b>	<b>25,285</b>		
<b>Homes &amp; Planning</b>	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	
<b>PORTFOLIO SUB TOTAL</b>	<b>3,343</b>	<b>(153)</b>	<b>3,190</b>	<b>139</b>	<b>(405)</b>	<b>(266)</b>	<b>2,924</b>		

**Portfolio Cash Limits 2017/18 - Revenue Budgets**

**APPENDIX 2 ANNEX 1**

CABINET PORTFOLIO	Service	Current 2016/17 Cash Limits	Removal of One-offs (including one-off virements in 2016/17)	2017/18 Base Budget	MTSRP Growth	MTSRP Savings	Total 2017/18 Budget Changes	2017/18 Proposed Budget
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Economic Development</b>	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
<b>PORTFOLIO SUB TOTAL</b>		<b>(3,946)</b>	<b>(205)</b>	<b>(4,151)</b>	<b>19</b>	<b>(567)</b>	<b>(548)</b>	<b>(4,699)</b>
<b>Community Services</b>	Place - Overheads	329	88	417	69		69	487
	Public Protection & Health Improvement - Regulatory & Active Lifestyles	1,865	(285)	1,580	251	(60)	191	1,771
	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	(190)	(127)	1,451
	Libraries & Information	1,505	106	1,611	18	(100)	(82)	1,529
	Public Protection & Health Improvement - Leisure	670		670	13		13	683
<b>PORTFOLIO SUB TOTAL</b>		<b>20,277</b>	<b>(809)</b>	<b>19,468</b>	<b>1,051</b>	<b>(479)</b>	<b>572</b>	<b>20,040</b>
<b>Page 110</b>	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
<b>PORTFOLIO SUB TOTAL</b>		<b>4,703</b>	<b>(125)</b>	<b>4,578</b>	<b>364</b>	<b>(985)</b>	<b>(621)</b>	<b>3,957</b>
<b>NET BUDGET</b>		<b>121,833</b>	<b>(7,055)</b>	<b>114,779</b>	<b>12,736</b>	<b>(14,719)</b>	<b>(1,983)</b>	<b>112,796</b>

**Sources of Funding**

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			8,752	31,261
Collection Fund Deficit (-) or Surplus (+)	(385)	385				(185)	(185)
Balances	7,440	(7,440)				(472)	(472)
<b>Total</b>	<b>121,833</b>	<b>(7,055)</b>	<b>114,779</b>			<b>(1,983)</b>	<b>112,796</b>

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

**Council Tax - Calculation**

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		<b>3.50%</b>

**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
<b>Estimated Reserves @ 1st April each year</b>	<b>12,536*</b>	<b>12,480</b>	<b>11,975</b>
2016/2017 Projected Outturn Underspensing	-	-	-
Projected Invest to Save Movements	-56	-505	-595
<b>Estimated Reserves @ 31st March each year</b>	<b>12,480</b>	<b>11,975</b>	<b>11,380</b>

\* 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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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	Total 5 Year Funding		
													Borrowing/ Capital Receipts	Grants/ External Funding	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PLACE</b>															
<b>Environmental Services</b>															
<b>Full Approval</b>															
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	
Salford 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	
<b>Subtotal Full</b>	<b>16,107</b>	<b>14,808</b>	<b>30,914</b>	<b>4,379</b>	<b>10,891</b>	<b>15,270</b>	<b>1,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,320</b>	<b>47,234</b>	<b>10,133</b>	<b>6,187</b>	
<b>Provisional Approval</b>															
Transport Improvement Programme**	0	0	0	0	0	0	1,163	1,163	1,163	1,163	4,652	4,652	0	4,652	
Highways 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	
Existing 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 Officers	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	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
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
<b>Subtotal Provisional</b>	<b>8</b>	<b>372</b>	<b>380</b>	<b>11,953</b>	<b>24,993</b>	<b>36,946</b>	<b>23,428</b>	<b>6,568</b>	<b>6,255</b>	<b>5,025</b>	<b>78,222</b>	<b>78,602</b>	<b>52,781</b>	<b>25,441</b>
<b>Sub Total - Environmental Services</b>	<b>16,115</b>	<b>15,180</b>	<b>31,295</b>	<b>16,332</b>	<b>35,884</b>	<b>52,216</b>	<b>24,478</b>	<b>6,568</b>	<b>6,255</b>	<b>5,025</b>	<b>94,542</b>	<b>125,836</b>	<b>62,914</b>	<b>31,628</b>
<b>Community Regeneration</b>														
<b>Full Approval</b>														
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
<b>Subtotal Full</b>	<b>22,756</b>	<b>11,103</b>	<b>33,859</b>	<b>3,948</b>	<b>12,576</b>	<b>16,523</b>	<b>3,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,923</b>	<b>53,783</b>	<b>9,194</b>	<b>10,730</b>
<b>Provisional Approval</b>														
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>1,329</b>	<b>1,329</b>	<b>15,908</b>	<b>19,814</b>	<b>31,733</b>	<b>12,027</b>	<b>13,585</b>	<b>12,853</b>	<b>14,415</b>	<b>84,613</b>	<b>85,942</b>	<b>64,962</b>	<b>19,651</b>
<b>Sub Total - Community Regeneration</b>	<b>22,756</b>	<b>12,432</b>	<b>35,188</b>	<b>19,856</b>	<b>32,390</b>	<b>48,256</b>	<b>15,427</b>	<b>13,585</b>	<b>12,853</b>	<b>14,415</b>	<b>104,536</b>	<b>139,725</b>	<b>74,156</b>	<b>30,381</b>
<b>TOTAL PLACE</b>	<b>38,871</b>	<b>27,612</b>	<b>66,483</b>	<b>36,188</b>	<b>68,273</b>	<b>100,472</b>	<b>39,905</b>	<b>20,153</b>	<b>19,108</b>	<b>19,440</b>	<b>199,078</b>	<b>265,561</b>	<b>137,070</b>	<b>62,008</b>
<b>PEOPLE &amp; COMMUNITIES</b>														
<b>Adult Care</b>														
<b>Provisional Approval</b>														
PSS Grant Unallocated	0	0	0	798	0	798	0	0	0	0	798	798	0	798
<b>Subtotal Provisional</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>798</b>	<b>0</b>	<b>798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>798</b>	<b>798</b>	<b>0</b>	<b>798</b>
<b>Sub Total - Adult Care</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>798</b>	<b>0</b>	<b>798</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>798</b>	<b>798</b>	<b>0</b>	<b>798</b>
<b>Children and Young People - Schools</b>														
<b>Full Approval</b>														
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
<b>Subtotal Full</b>	<b>5,677</b>	<b>9,387</b>	<b>15,064</b>	<b>1,082</b>	<b>3,124</b>	<b>4,206</b>	<b>258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,464</b>	<b>19,528</b>	<b>230</b>	<b>4,234</b>
<b>Provisional Approval</b>														
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	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
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>750</b>	<b>750</b>	<b>5,097</b>	<b>10,899</b>	<b>15,996</b>	<b>6,858</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,854</b>	<b>23,604</b>	<b>660</b>	<b>22,194</b>
<b>Sub Total - Children and Young People - Schools</b>	<b>5,677</b>	<b>10,137</b>	<b>15,814</b>	<b>6,179</b>	<b>14,023</b>	<b>20,202</b>	<b>7,116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,318</b>	<b>43,133</b>	<b>890</b>	<b>26,428</b>
<b>TOTAL PEOPLE &amp; COMMUNITIES</b>	<b>5,677</b>	<b>10,137</b>	<b>15,815</b>	<b>6,977</b>	<b>14,023</b>	<b>21,000</b>	<b>7,116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,116</b>	<b>43,931</b>	<b>890</b>	<b>27,226</b>
<b>RESOURCES SERVICES</b>														
<b>Property &amp; Project Delivery</b>														
<b>Full Approval</b>														
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 Rose 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
<b>Subtotal Full</b>	<b>40,523</b>	<b>8,771</b>	<b>49,294</b>	<b>7,788</b>	<b>11,698</b>	<b>19,486</b>	<b>2,500</b>	<b>2,367</b>	<b>0</b>	<b>0</b>	<b>24,353</b>	<b>73,647</b>	<b>24,353</b>	<b>0</b>
<b>Provisional Approval</b>														
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>3,238</b>	<b>3,238</b>	<b>300</b>	<b>29,850</b>	<b>30,150</b>	<b>26,057</b>	<b>1,557</b>	<b>0</b>	<b>0</b>	<b>57,764</b>	<b>61,002</b>	<b>57,764</b>	<b>0</b>
<b>Sub Total - Property</b>	<b>40,523</b>	<b>12,009</b>	<b>52,532</b>	<b>8,088</b>	<b>41,548</b>	<b>49,636</b>	<b>28,557</b>	<b>3,924</b>	<b>0</b>	<b>0</b>	<b>82,117</b>	<b>134,649</b>	<b>82,117</b>	<b>0</b>
<b>Strategy &amp; Performance</b>														
<b>Full Approval</b>														
LAA Performance Reward Grant	247	75	322	87	0	87	0	0	0	0	87	408	0	87
<b>Subtotal Full</b>	<b>247</b>	<b>75</b>	<b>322</b>	<b>87</b>	<b>0</b>	<b>87</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87</b>	<b>408</b>	<b>0</b>	<b>87</b>
<b>Provisional Approval</b>														
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>750</b>	<b>890</b>	<b>1,640</b>	<b>750</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>3,140</b>	<b>3,140</b>	<b>3,000</b>	<b>140</b>
<b>Sub Total - Strategy &amp; Performance</b>	<b>247</b>	<b>75</b>	<b>322</b>	<b>837</b>	<b>890</b>	<b>1,727</b>	<b>750</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>3,227</b>	<b>3,548</b>	<b>3,000</b>	<b>227</b>

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
<b>Business Support</b>														
<b>Full Approval</b>														
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
<b>Subtotal Full</b>	<b>1,640</b>	<b>140</b>	<b>1,779</b>	<b>363</b>	<b>148</b>	<b>511</b>	<b>135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>646</b>	<b>2,425</b>	<b>646</b>	<b>0</b>
<b>Provisional Approval</b>														
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>80</b>	<b>80</b>	<b>136</b>	<b>2,186</b>	<b>2,322</b>	<b>2,631</b>	<b>1,445</b>	<b>181</b>	<b>134</b>	<b>6,713</b>	<b>6,793</b>	<b>6,713</b>	<b>0</b>
<b>Sub Total - Business Support</b>	<b>1,640</b>	<b>220</b>	<b>1,859</b>	<b>499</b>	<b>2,334</b>	<b>2,833</b>	<b>2,766</b>	<b>1,445</b>	<b>181</b>	<b>134</b>	<b>7,359</b>	<b>9,218</b>	<b>7,359</b>	<b>0</b>
<b>Customer Services</b>														
<b>Provisional Approval</b>														
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
<b>Subtotal Provisional</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,999</b>	<b>6,999</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,749</b>	<b>7,749</b>	<b>7,105</b>	<b>644</b>
<b>Sub Total - Customer Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,999</b>	<b>6,999</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,749</b>	<b>7,749</b>	<b>7,105</b>	<b>644</b>
<b>TOTAL RESOURCES</b>	<b>42,409</b>	<b>12,304</b>	<b>54,713</b>	<b>9,423</b>	<b>51,771</b>	<b>61,195</b>	<b>32,823</b>	<b>6,119</b>	<b>181</b>	<b>134</b>	<b>100,452</b>	<b>155,165</b>	<b>99,581</b>	<b>871</b>
Corporate Capital Contingency	0	2,000	2,000	0	0	0	0	0	0	0	0	2,000	0	0
<b>GRAND TOTAL</b>	<b>86,957</b>	<b>50,054</b>	<b>137,010</b>	<b>52,588</b>	<b>134,068</b>	<b>182,667</b>	<b>79,844</b>	<b>26,272</b>	<b>19,289</b>	<b>19,574</b>	<b>327,646</b>	<b>464,657</b>	<b>237,541</b>	<b>90,105</b>

\* 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 Maintenance Capital Planned Maintenance Programme 2017/2018

Programme	Project	Value
<b><u>Street Lighting Programme</u></b>	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
	<b>Sub Total</b>	<b>£300,000</b>
	<b><u>Highway Structures Programme</u></b>	Cleveland Bridge, Walcot - Design
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
<b>Sub Total</b>	<b>£700,000</b>	
<b><u>Highway Drainage Programme</u></b>	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 Improvements	£30,000
	Millenium Hall, West Harptree - Highway Drainage Improvements	£15,000
	Montrose Cottages, Lower Weston - Drainage Improvement Works	£25,000
<b>Sub Total</b>	<b>£150,000</b>	
<b><u>Carriageway Resurfacing &amp; Major Re-Construction</u></b>	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
<b>Sub Total</b>	<b>£1,450,000</b>	
<b><u>Carriageway Surface Dressing</u></b>	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
	<b>Sub Total</b>	<b>£325,000</b>
<b><u>Carriageway Micro Asphalt Surfacing</u></b>	Alpine Close, Paulton	£4,945
	Alpine Road, Paulton	£6,107
	Cadbury Road, Keynsham	£13,649

<b>Highways Maintenance Capital Planned Maintenance Programme 2017/2018</b>
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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
	<b>Sub Total</b>	<b>£325,000</b>
<b>Footway Programme</b>	Paving Programme	£100,000
	Asphalt Concrete Programme	£75,000
	Slurry Sealing Programme	£75,000
	<b>Sub Total</b>	<b>£250,000</b>
<b>Other Programmes</b>	Planned Patching Programme & Pothole Action Fund	£388,000
	Planned Road Marking Improvement Programme	£50,000
	<b>Sub Total</b>	<b>£438,000</b>
	<b>OVERALL 2017/18 TOTAL</b>	<b>£3,938,000</b>

## Transport Improvement Programme 2017/2018

Programme	Project	Value	Value
<b>Local Safety Schemes</b>	Anti-Skid Surfacing	10	£10,000
	Accident investigation and prevention (AIP) & scheme design	20	£20,000
	Ensligh 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
	<b>Sub Total</b>	<b>387</b>	<b>£386,983</b>
<b>Public Transport</b>	Improvements to bus stops	35	£35,000
	<b>Sub Total</b>	<b>35</b>	<b>£35,000</b>
<b>Managing Congestion</b>	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
	<b>Sub Total</b>	<b>440</b>	<b>£439,736</b>
<b>Safer Routes to Schools</b>	Strategic Review Safe Routes to school	75	£75,000
	Lower Oldfield Park Zebra crossing	40	£40,000
	<b>Sub Total</b>	<b>115</b>	<b>£115,000</b>
<b>Cycle Schemes</b>	Cycle parking	5	£5,000
	Cycle Network Contribution Keynsham cycling S106	51	£50,761
	Sydney Gardens Cycle link from Great Pultney Street to K&A towpath	5	£5,000
	<b>Sub Total</b>	<b>61</b>	<b>£60,761</b>
<b>Pedestrian Schemes</b>	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, Soothdown - 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
	<b>Sub Total</b>	<b>219</b>	<b>£218,585</b>
<b>Traffic Management Schemes</b>	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
	<b>Sub Total</b>	<b>267</b>	<b>£267,459</b>
<b>Miscellaneous</b>	JLTP Monitoring, Equipment and NHT survey	35	£35,000
	Programme Management	50	£50,000
	<b>Sub Total</b>	<b>85</b>	<b>£85,000</b>
<b>Local Growth Fund Schemes</b>	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
	<b>Sub Total</b>	<b>570</b>	<b>£570,000</b>
<b>CIL</b>	A37 Woollard Lane	70	£70,000
	<b>Sub Total</b>	<b>70</b>	<b>£70,000</b>
	<b>OVERALL 2017/18 TOTAL</b>	<b>2,249</b>	<b>£2,248,524</b>

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Corporate Estate Planned Maintenance Programme 2017/2018		
Business Unit	Project	Value
Hampton Row from 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-building 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
<b>Total</b>		<b>£1,357,000</b>

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
<b>Total</b>		<b>£100,000</b>

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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

## **Appendix 2 Annex 4**

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
<b>Efficiency Savings</b>									
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
<b>Sub Total - Efficiency Savings</b>		<b>268</b>	<b>200</b>	<b>350</b>	<b>818</b>				

<b>Income Generating Opportunities</b>									
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.
<b>Sub Total - Income Generating Opportunities</b>		<b>1,034</b>	<b>665</b>	<b>313</b>	<b>2,011</b>				

<b>Refinancing</b>									
Disabled Facility Grants - retained at current level and refinanced from grant.	Application of grant monies available.	265	0	0	265	L	0	None	None
<b>Sub Total - Refinancing</b>		<b>265</b>	<b>0</b>	<b>0</b>	<b>265</b>				

<b>Service Redesign</b>									
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. Proposals will be discussed with the WECA where appropriate.
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	50	50	0	100	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.

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
Recycling Centre resourcing review	Reduce staffing at recycling centres during quiet periods	10	0	0	10	L	1	None	None
Review of Dog Warden Service	Provide statutory minimum service	30	30	0	60	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**      **769**    **787**    **887**    **2,443**

**TOTAL PLACE**      **2,335**    **1,652**    **1,550**    **5,537**

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
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## 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	<ul style="list-style-type: none"> <li>Reduced prevalence of incremental package increases, realising a cashable benefit</li> <li>Improved outcomes for service users by ensuring they receive the right level of care at the right time and dependency is not built unnecessarily</li> <li>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</li> <li>Decision makers are held to account which can result in a greater level of ownership for operational decisions to contribute to wider practice changes</li> <li>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.</li> </ul>

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
<b>Sub Total - Efficiency Savings</b>		<b>1,126</b>	<b>963</b>	<b>50</b>	<b>2,138</b>				

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
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**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.
<b>Sub Total - Growth Avoidance</b>		<b>1,265</b>	<b>1,263</b>	<b>1,263</b>	<b>3,791</b>				

**Sub Total - Adult Social Care & Health**

<b>2,391</b>	<b>2,226</b>	<b>1,313</b>	<b>5,929</b>
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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
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## Children's Services

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.
<b>Sub Total - Efficiency Savings</b>		<b>88</b>	<b>323</b>	<b>0</b>	<b>410</b>				

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
<b>Service Redesign</b>									
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.
<b>Sub Total - Service Redesign</b>		<b>103</b>	<b>600</b>	<b>300</b>	<b>1,003</b>				
<b>Sub Total - Children's Services</b>		<b>190.5</b>	<b>922.5</b>	<b>300.0</b>	<b>1,413.0</b>				
<b>TOTAL PEOPLE &amp; COMMUNITIES</b>		<b>2,581</b>	<b>3,148</b>	<b>1,613</b>	<b>7,342</b>				

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
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## 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	
<b>Sub Total - Efficiency Savings</b>		<b>390</b>	<b>215</b>	<b>100</b>	<b>705</b>				

### Income Generating Opportunities

Property development company	<ul style="list-style-type: none"> <li>To generate Revenue Income for the Council</li> <li>To hold, manage and operate market housing for private short-term lettings.</li> <li>To sell market housing for investment</li> <li>Provision of other market housing related activity</li> <li>Deliver and manage other commercial and property developments.</li> <li>To deliver long term capital appreciation</li> </ul>	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: <ul style="list-style-type: none"> <li>Deliver new developments of market housing.</li> <li>To align with Corporate Priorities</li> <li>To manage market housing assets</li> <li>To stimulate / accelerate market housing and development delivery</li> <li>To improve supply, quality and quantity of private rented housing</li> <li>To act as a responsible private landlord</li> </ul>
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.
<b>Sub Total - Income Generating Opportunities</b>		<b>825</b>	<b>1,035</b>	<b>450</b>	<b>2,310</b>				

<b>Service Redesign</b>									
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.
Page 146 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
<b>Sub Total - Service Redesign</b>		<b>445</b>	<b>245</b>	<b>820</b>	<b>1,510</b>				
<b>TOTAL RESOURCES</b>		<b>1,660</b>	<b>1,495</b>	<b>1,370</b>	<b>4,525</b>				

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
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## 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.
<b>Sub Total - Efficiency Savings</b>		<b>869</b>	<b>631</b>	<b>600</b>	<b>2,100</b>				

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
<b>Service Redesign</b>									
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 leveraging-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. <b>This is a truly council wide and cross cutting initiative.</b>	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.
<b>Sub Total - Service Redesign</b>		0	25	2,800	2,825				
<b>TOTAL ONE COUNCIL - CROSS CUTTING</b>		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
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## 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
<b>Sub Total - Income Generating Opportunities</b>		<b>3,295</b>	<b>80</b>	<b>60</b>	<b>3,435</b>				

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
<b>Sub Total - Refinancing</b>		<b>3,700</b>	<b>-140</b>	<b>-160</b>	<b>3,400</b>				

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.
<b>Sub Total - Service Redesign</b>		<b>82</b>	<b>41</b>	<b>41</b>	<b>164</b>				

### TOTAL CORPORATE

<b>7,077</b>	<b>-19</b>	<b>-59</b>	<b>6,999</b>
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### OVERALL SAVINGS

<b>14,522</b>	<b>6,932</b>	<b>7,874</b>	<b>29,328</b>
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\* Final calculations for Business Rate forecasts show additional Section 31 grants to cover extensions of reliefs announced by Government of approximately £200k in 2017/18

**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 its 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 1<sup>st</sup> 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 1<sup>st</sup> April of the appropriate year (unless alternative implementation arrangements are specified in the agreement). Where the negotiations have not been concluded by 1<sup>st</sup> April, the increase will be paid at the earliest opportunity together with back pay from 1<sup>st</sup> 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 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/](http://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](mailto:human_resources@bathnes.gov.uk). Tel: 01225 477203

**SENIOR MANAGEMENT PAY & GRADING**

BAND	MIN/MID/MAX POINTS	Composition, Terms & Conditions
<b>CHIEF EXECUTIVE &amp; HEAD OF PAID SERVICE</b>		
<b>Band 1</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>- 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</li> <li>- No variable element within the remuneration package.</li> <li>- All other conditions in accordance with overall Council pay policy.</li> </ul>
<b>STRATEGIC DIRECTORS</b>		
<b>Band 2</b>	Fixed/Spot	<ul style="list-style-type: none"> <li>• People &amp; Communities [statutory roles for Adult &amp; Children's Services] (PC)</li> <li>• Place (P)</li> <li>• Resources (R)</li> <li>- 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</li> <li>- No variable element within the remuneration package.</li> <li>- All other conditions in accordance with overall Council pay policy.</li> </ul>

BAND	MIN/MID/MAX POINTS	Composition, Terms & Conditions	
<b>DIVISIONAL DIRECTORS/Heads of Service</b>			
<b>Band 4</b>	Minimum	£94,641	<ul style="list-style-type: none"> <li>• Adult Care and Health Strategy Commissioning (PC)</li> <li>• Business Support (R) [S151 Officer]</li> <li>• Property &amp; Project Delivery (R)</li> <li>• Environmental Services (P)</li> </ul>
	Middle	£97,425	
	Maximum	£100,209	
<b>NHS</b>	Fixed	£90,263	<ul style="list-style-type: none"> <li>- Director of Public Health Part of the transfer of Public Health Services to Local Government &amp; paid in accordance with NHS senior consultant rates with other statutory related protections</li> </ul>
<b>Band 5</b>	Minimum	£83,508	<ul style="list-style-type: none"> <li>• CYP Specialist Services (PC)</li> <li>• Strategy and Performance (R)</li> <li>• Risk &amp; Assurance (R)</li> <li>• Legal &amp; Democratic [Monitoring Officer]</li> <li>• Development (P)</li> <li>• Community Regeneration (P)</li> <li>• Customer Services (R)</li> </ul>
	Middle	£86,289	
	Maximum	£89,076	
<b>Band 6</b>	Minimum	£72,372	<ul style="list-style-type: none"> <li>• Not allocated to any postholder in current leadership group</li> </ul>
	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:	<b>Cabinet</b>	
MEETING DATE:	<b>1<sup>st</sup> February 2017</b>	
TITLE:	<b>Treasury Management Monitoring Report to 31st December 2016</b>	EXECUTIVE FORWARD PLAN REFERENCE:  <b>E 2923</b>
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<p><b>List of attachments to this report:</b></p> <p><b>Appendix 1</b> – Performance Against Prudential Indicators  <b>Appendix 2</b> – The Council’s Investment Position at 31st December 2016  <b>Appendix 3</b> – Average monthly rate of return for 1<sup>st</sup> 9 months of 2016/17  <b>Appendix 4</b> – The Council’s External Borrowing Position at 31st December 2016  <b>Appendix 5</b> – Arlingclose’s Economic &amp; Market Review Q3 of 2016/17  <b>Appendix 6</b> – Interest &amp; Capital Financing Budget Monitoring 2016/17  <b>Appendix 7</b> – Summary Guide to Credit Ratings</p>		

### 1 THE ISSUE

- 1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan 2016/17 for the first nine months of 2016/17.

### 2 RECOMMENDATION

The Cabinet agrees that:

- 2.1 the Treasury Management Report to 31st December 2016, prepared in accordance with the CIPFA Treasury Code of Practice, is noted
- 2.2 the Treasury Management Indicators to 31<sup>th</sup> December 2016 are noted.

### 3 RESOURCE IMPLICATIONS

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

#### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

4.1 This report is for information only.

#### **5 THE REPORT**

##### **Summary**

5.1 The average rate of investment return for the first nine months of 2016/17 is 0.49%, which is 0.13% above the benchmark rate.

5.2 The Council's Prudential Indicators for 2016/17 were agreed by Council in February 2016 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

##### **Summary of Returns**

5.3 The Council's investment position as at 31<sup>st</sup> December 2016 is given in **Appendix 2**. The balance of deposits as at 31<sup>st</sup> December 2016 are also set out in the pie charts in this appendix.

5.4 The Council is the accountable body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2011/12 financial year, the value of the fund as at 31<sup>st</sup> December 2016 is £28.7 million. The Council acts as an agent and holds these funds until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. These funds are invested separately from the Council's cash balances they are therefore excluded from all figures given in this report.

5.5 The Council also continues to act as Accountable Body for the West of England Local Enterprise Partnership (WoE LEP). In 2016/17 it has received £42.407m of Local Growth Fund (LGF) from Central Government following submission of its Strategic Economic Plan. This sum, prior to distribution, is being invested in line with the Council's overall Treasury Management Strategy, with the interest earmarked to fund support and governance costs. The balances related to the LGF are included in the figures given in this report.

5.6 Gross interest earned on investments for the first nine months totalled £314k. Net interest, after deduction of amounts due to Schools, Local Growth Fund and other internal balances, is £148k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.49%, which was 0.13% above the benchmark rate of average 7 day LIBID +0.05% (0.36%).

##### **Summary of Borrowings**

5.7 The Council repaid £31.3m in borrowing, taking replacement borrowing of £23m in the three months to 31<sup>th</sup> December 2016 reducing the total current borrowing to £120.0 M.

5.8 The Council's Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2016 was £182.5 million with a projected total of £266 million by the end of 2016/17 based on the capital programme approved at February 2016 Council. This represents the Council's underlying need to borrow to finance capital expenditure, and

demonstrates that the borrowing taken to date relates to funding historical capital spend.

5.9 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31<sup>st</sup> March 2016 apportioned to Bath & North East Somerset Council is £13.40m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.7.

5.10 The borrowing portfolio as at 31<sup>st</sup> December 2016 is shown in **Appendix 4**.

### **Strategic & Tactical Decisions**

5.11 As shown in the charts at **Appendix 2**, the investment portfolio has been diversified across UK Banks and Building Societies, Local Authorities and very highly rated Foreign Banks. The Council also uses AAA rated Money Market funds to maintain very short term liquidity. The Council has £13.5M invested in Money Market Funds as at 31<sup>st</sup> December 2016.

5.12 The Council does not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates. The Council's investment counterparty list does not currently include any banks from Portugal, Ireland, Greece, Spain and Italy.

5.13 The Council's current average investment return is in broadly line with the budgeted level of 0.45%.

### **Future Strategic & Tactical Issues**

5.14 Our treasury management advisors economic and market review for the second quarter 2016/17 is included in **Appendix 5**.

5.15 The Bank of England base rate was reduced to 0.25% on 4th August 2016. In the opinion of the Council's treasury advisors there is unlikely to be a rate rise until Q3 2018.

5.16 These lower rates reinforce the benefits of the Council's current policy of internal borrowing (although it is recognised this could be adversely impacting elsewhere including pension liabilities) and this continues to be monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus is now on the rate of increase and the medium-term peak and, in this respect, the current forecast remains that rates will rise slowly and to a lower level than in the past.

### **Budget Implications**

5.17 A breakdown of the revenue budget for interest and capital financing and the forecast year end position based on the period April to December is included in **Appendix 6** and shows a forecast underspend of £680,000 reflecting savings from capital programme slippage delaying the need to borrow and a lower Minimum Revenue Provision (MRP) requirement

5.18 This position will be kept under review during the remainder of the year, taking into account the Council's cash-flow position and the timing of any new borrowing required.

## 6 RATIONALE

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

## 7 OTHER OPTIONS CONSIDERED

7.1 None.

## 8 CONSULTATION

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

8.2 Consultation was carried out via e-mail.

## 9 RISK MANAGEMENT

9.1 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 and Borrowing advice is provided by our Treasury Management consultants Arlingclose.

9.2 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

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

<b>Contact person</b>	<i>Tim Richens - 01225 477468 ; Giles Oliver - 01225 477022 Tim_Richens@bathnes.gov.uk ; Giles_Oliver@bathnes.gov.uk</i>
<b>Background papers</b>	<i>2016/17 Treasury Management &amp; Investment Strategy</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## APPENDIX 1

### Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

#### 1. Authorised limit for external debt

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

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31<sup>st</sup> December 2016</b>
	£'000	£'000
Borrowing	266,000	120,004
Other long term liabilities	2,000	0
<b>Cumulative Total</b>	<b>268,000</b>	<b>120,004</b>

#### 2. Operational limit for external debt

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

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31<sup>st</sup> December 2016</b>
	£'000	£'000
Borrowing	229,000	120,004
Other long term liabilities	2,000	0
<b>Cumulative Total</b>	<b>231,000</b>	<b>120,004</b>

#### 3. Upper limit for fixed interest rate exposure

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

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31<sup>st</sup> December 2016</b>
	£'000	£'000
<b>Fixed interest rate exposure</b>	<b>229,000</b>	<b>100,004*</b>

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

#### 4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31st December 2016</b>
	£'000	£'000
<b>Variable interest rate exposure</b>	<b>141,000</b>	<b>20,000</b>

#### **5. Upper limit for total principal sums invested for over 364 days**

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

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31st December 2016</b>
	£'000	£'000
<b>Investments over 364 days</b>	<b>50,000</b>	<b>0</b>

#### **6. Maturity Structure of borrowing**

This indicator is set to control the Council's exposure to refinancing risk.

	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual as at 31st December 2016</b>
	%	%	%
Under 12 months	50	Nil	8.3*
12 months and within 24 months	75	Nil	0
24 months and within 5 years	75	Nil	8.3
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	83.4

\* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

#### **7. Average Credit Rating**

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

	<b>2016/17 Prudential Indicator</b>	<b>Actual as at 31st December 2016</b>
	Rating	Rating
<b>Minimum Portfolio Average Credit Rating</b>	<b>A-</b>	<b>AA+</b>

## APPENDIX 2

### The Council's Investment position at 31st December 2016

The term of investments, from the original date of the deal, are as follows:

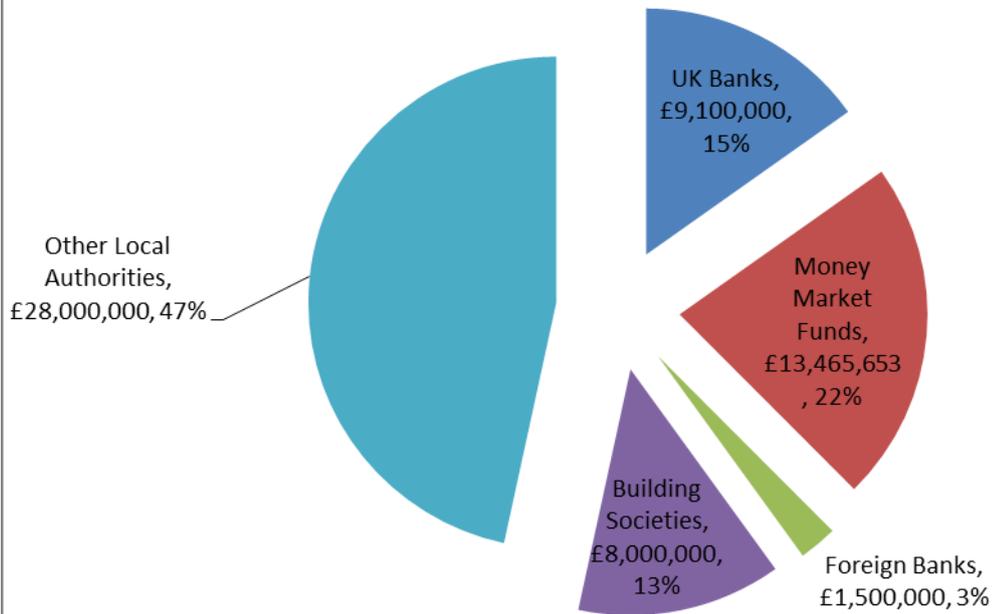
As per Weekly	Balance at 31st December 2016
	£'000's
Notice (instant access funds)	15,066
Up to 1 month	6,000
1 month to 3 months	13,000
Over 3 months	26,000
<b>Total</b>	<b>60,066</b>

The investment figure of £96.7 million is made up as follows:

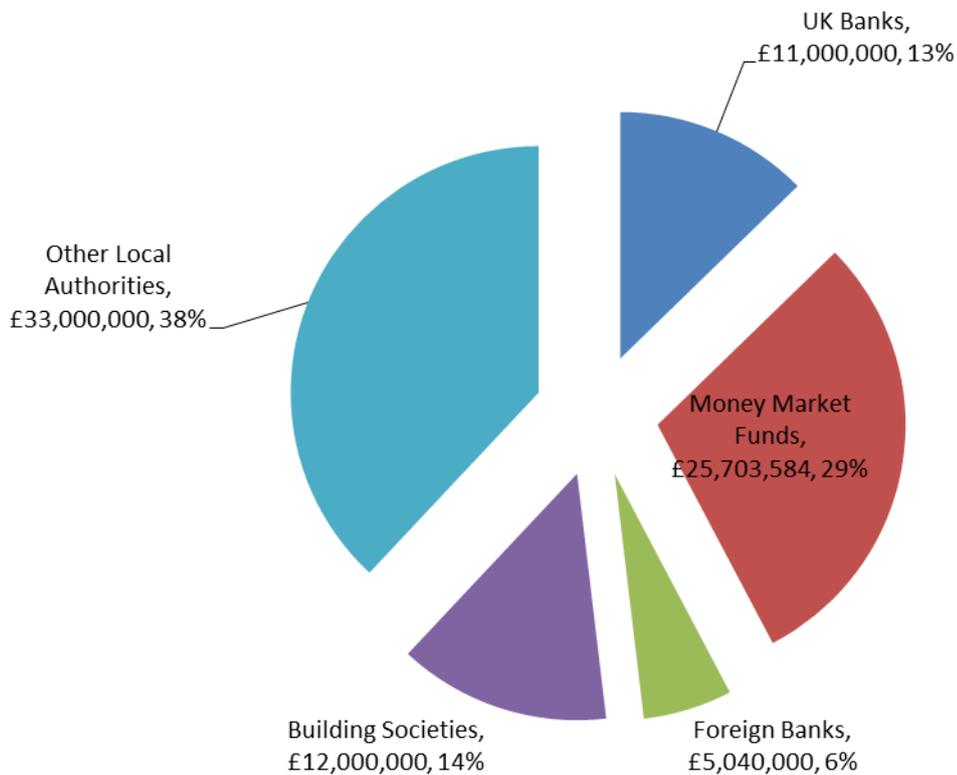
	Balance at 31st December 2016
	£'000's
B&NES Council	18,080
West Of England Growth Points	134
Local Growth Fund	35,166
Schools	6,686
<b>Total</b>	<b>60,066</b>

The Council had a total average net positive balance of £84.663m during the period April 2016 to December 2016.

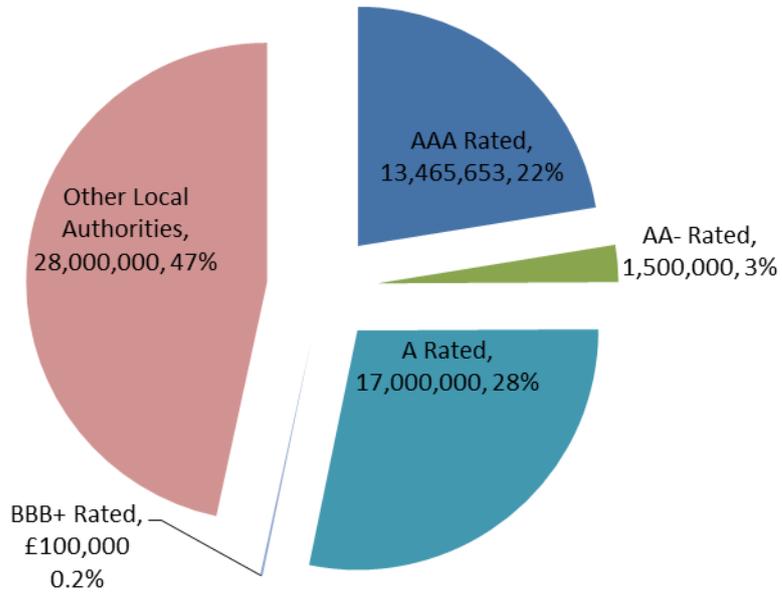
**Chart 1: Council Investments as at 31st December 2016 (£60.1m)**



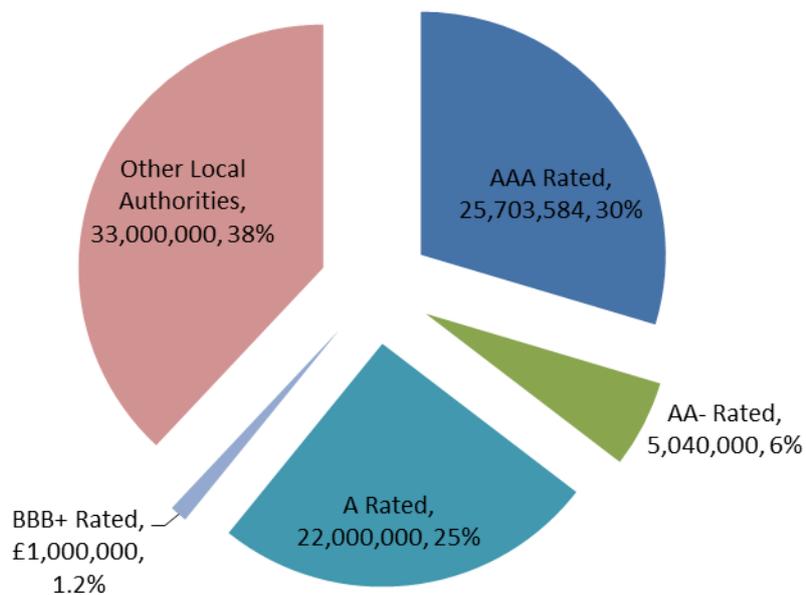
**Chart 2: Council Investments as at 30th September 2016 (£86.7m)**



**Chart 3: Council Investments per lowest equivalent Long Term credit rating (£60.1m) 31st December 2016**



**Chart 4: Council Investments per lowest equivalent Long Term credit rating (£86.7m) 30th September 2016**



## APPENDIX 3

### Average rate of return on investments for 2016/17

	April %	May %	June %	July %	Aug %	Sept %	
<b>Average rate of interest earned</b>	0.45	0.52	0.52	0.52	0.51	0.49	
<b>Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)</b>	0.41	0.42	0.41	0.41	0.36	0.33	
<b>Performance against Benchmark %</b>	+0.04	+0.10	+0.11	+0.11	+0.15	+0.16	

	Oct %	Nov %	Dec %				<b>Average for Period</b>
<b>Average rate of interest earned</b>	0.48	0.45	0.45				<b>0.49%</b>
<b>Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)</b>	0.31	0.24	0.23				<b>0.36%</b>
<b>Performance against Benchmark %</b>	+0.17	+0.21	+0.22				<b>+0.13%</b>

## APPENDIX 4

### Councils External Borrowing at 31st December 2016

<b>LONG TERM</b>	<b>Amount</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
PWLB	5,300,000	29/01/15	15/08/29	2.62%
PWLB	5,000,000	29/01/15	15/02/61	2.92%
PWLB	19,704,175	20/06/16	200641	2.36%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%

Middlesbrough Borough Council	5,000,000	6/12/16	06/01/17	0.26%
Middlesbrough Borough Council	5,000,000	15/12/16	15/02/17	0.29%
<b>TOTAL</b>	<b>120,004,175</b>			
<b>TEMPORARY</b>	<b>Nil</b>			
<b>TOTAL</b>	<b>120,004,175</b>			<b>3.43%</b>

\*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

## APPENDIX 5

### Economic and market review for October to December 2016 (provided by Arlingclose)

Following the sharp decline in household, business and investor sentiment that was prompted by the unexpected outcome of the referendum in Q2, the preliminary estimate of Q3 2016 GDP defied expectations as the economy grew 0.5% quarter-on-quarter, down only slightly from 0.7% in Q2 and year/year growth running at a healthy pace of 2.3%.

Economic data continued to challenge the current sentiment throughout the quarter. Consumer Price Inflation (CPI) fell to 0.9% in October but rose to 1.2% in November, both predominantly driven by clothing, fuel and hotel prices although the Office for National Statistics (ONS) were quick to point out that there was little evidence to link this rise to the decline in the value of sterling. With sterling having now fallen by around 20% with its impact on prices still to come, according to the ONS, CPI will be heading close towards the Bank of England's target rate of 2% in the first half of 2017, consistent with the forecasts contained within the Bank's last quarterly Inflation Report issued in November 2016. After a weak August, British consumers picked up the pace of their spending in Q3. UK retail sales growth surged to a 14-year high in October as consumers kept spending and colder weather boosted clothing sales. According to the British Retail Consortium (BRC), fears over Brexit are likely to weigh on sales in the period ahead.

Labour market data also proved resilient, showing a small rise in the level of unemployment by 10,000, and average earnings dipping slightly, but at 2.3% still delivering real earnings growth although clearly under pressure from higher prices. The ILO unemployment rate remained at 4.9%, its lowest level in 11 years.

In the August meeting, the Bank of England's Monetary Policy Committee (MPC) stated that the majority of members expected to support a further cut in Bank Rate to its effective lower bound at one of the MPC's forthcoming meetings during the course of the year. In the final calendar quarter of 2016 the MPC kept Bank Rate unchanged at 0.25% and asset purchases at £435 bn.

In a further twist to an extraordinary year in political events, the US voted Donald Trump as the 45th President of the United States who will take up office on 20th January 2017. Uncertainty surrounds whether or not the President-elect will make good the fiscal, regulatory and policy initiatives and changes which were central to his campaign and, if so,

their timing and size and their effect on growth, employment and inflation both domestic and globally.

Following a strengthening labour market, in a move that was largely anticipated, at its meeting in December, the Federal Reserve's Open Market Committee (FOMC) increased the target range for official interest rates for just the second time in the last decade. The range was increased to between 0.5% and 0.75%, from 0.25% and 0.5%. In the accompanying statement Fed Chair Janet Yellen also highlighted the expectation of three further rate hikes in 2017, followed by three hikes in each of 2018 and 2019.

### **Market reaction**

Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future.

Since September there has been a recovery in longer dated gilt yields, largely due to the MPC revising its earlier forecast that Bank rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, which is almost back at pre-Brexit levels of 1.37% on 23rd June. 20- and 50-year gilt yields have also risen considerably in the third quarter to 1.76% and 1.7% respectively, and are nearly back up to pre-Brexit levels.

However, this recovery was not realised across all maturities. The 1 year gilt yield dropped from 0.13% at the end of September to -0.004% at the end of December. The one year gilt yield first went negative at the beginning of December, having only been negative intra-day previously. 2 and 3 year gilt yields have also continued to fall.

Movements in gilt yields are reflected in the PWLB borrowing rates, as evidenced in Tables 2 and 3 in Appendix 2.

After recovering from an initial sharp drop in Quarter 2, equity markets appear to have continued their rally, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7142.83 and 3873.22 respectively on 30th December, up 3.5% and 3.1% over the quarter.

Money market rates for very short-dated periods (overnight to 1 month) have largely started recovering from a noticeable fall in the previous quarter. 7-day and 1-month LIBID rates increased by about 0.1%, to 0.35% and 0.61% respectively. Longer-dated periods (6 months to 2 years) also increased by between 10 and 20 basis points; on 30th December the 6-month LIBID rate was 0.64%, 12-month 0.81% and the 2-year swap rate 0.60%.

### **Credit Commentary**

At the end of November, the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies (Barclays, HSBC, Lloyds/Bank of Scotland, Santander UK, HSBC, RBS/Natwest and Nationwide BS). The 2016 stress tests were more challenging and designed under a new Bank of England framework, which tested the resilience of banks to tail risk events; events perceived to be very low probability but particularly wide-reaching and severe (a big downturn in global economic global conditions, a peak-to-trough decline in UK GDP of 4.3% alongside a 4.3% rise in unemployment, a 30% decline in house prices and a 42% decline in commercial real

estate). Royal Bank of Scotland, Barclays and Standard Chartered Bank were found to be the weakest performers.

During the stress test process, RBS had identified the capital deficits which were likely to be revealed and updated its capital plan to incorporate further capital strengthening actions. The revised plan was accepted by the Prudential Regulation Authority (PRA). The regulator drew attention to the severity of the stress test for Standard Chartered's business model, which is exposed to both Asian and commodity markets. (This bank is currently suspended from the Authority's lending list for new investments.)

The stress tests were based on banks' financials as at 31st December 2015; one of the main short-comings of these tests is that by the time the results are published, they are 11 months out of date for most banks. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority deposits, in a stressed scenario.

Changes to long-term credit ratings over the quarter included Moody's upgrades to rating of both Barclays Bank and Suisse to A1 and to Santander UK plc's rating to Aa3 from A1. S&P upgraded the long-term rating of Goldman Sachs International Bank to A+ from A.

## APPENDIX 6

### Interest & Capital Financing Costs – Budget Monitoring 2016/17 (July to December)

April to June 2016	YEAR END FORECAST			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
<b>Interest &amp; Capital Financing</b>				
- Debt Costs	5,404	5104	(300)	FAV
- Internal Repayment of Loan Charges)	-6200	-6200	0	
- Ex Avon Debt Costs	1,240	1,240	0	
- Minimum Revenue Provision (MRP)	7,115	6855	(260)	FAV
- Interest on Balances	-79	-199	(120)	FAV
<b>Sub Total - Capital Financing</b>	<b>7480</b>	<b>6920</b>	<b>(680)</b>	<b>FAV</b>

## APPENDIX 7

### Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate san issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

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

## 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 Cabinet agree to;

- 2.1 Recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1).
- 2.2 Recommend the Investment Strategy as detailed in Appendix 2.
- 2.3 Recommend to February Council for approval that 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.

The Cabinet is also asked to

- 2.4 Note the Treasury Management Indicators detailed in Appendix 1 and delegate authority for updating the indicators prior to approval at Full Council on 14th February 2017 to the Chief Finance Officer and Cabinet Member for Finance & Efficiency, in light of any changes to the recommended budget as set out in the Budget Report elsewhere on the agenda for this meeting.

### **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 is on the agenda for the 9<sup>th</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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

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<b>Background papers</b>	<i>2016/17 Treasury Management &amp; Investment Strategy.</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

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## **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	<u>£2m</u>	<u>£2m</u>	<u>£2m</u>
<b>Operational boundary – TOTAL</b>	<b>£308m</b>	<b>£352m</b>	<b>£363m</b>
Authorised limit – borrowing	£338m	£382m	£392
Authorised limit – other long-term liabilities	<u>£2m</u>	<u>£2m</u>	<u>£2m</u>
<b>Authorised limit – TOTAL</b>	<b>£340m</b>	<b>£384m</b>	<b>£394m</b>

### **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 31<sup>st</sup> December 2016 comprised:

	<b>Principal</b>	<b>Ave. rate</b>
	£m	%
<b>External Borrowing</b>		
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
<b>TOTAL GROSS EXTERNAL DEBT</b>	<b>120.0</b>	<b>3.56</b>
<b>Investments</b>		
Short Term Investments	60.1	0.40
Long Term Investments	Nil	N/A
<b>TOTAL INVESTMENTS**</b>	<b>60.1</b>	<b>0.40</b>
<b>NET DEBT</b>	<b>59.9</b>	<b>3.16</b>

\* 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 31<sup>st</sup> 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 31<sup>st</sup> 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
<b>TOTAL</b>	<b>218</b>

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.

#### Sources of borrowing

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 1<sup>st</sup> 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 solely 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
<b>UK Central Govt.</b>	N/A	N/A	£unlimited 50 Years	N/A	N/A
<b>AAA</b>	£10m 5 Years	£15m 20 Years	£10m 50 Years	£10m 20 Years	£5m 20 Years
<b>AA+</b>	£10m 5 Years	£15m 10 Years	£15m 25 Years	£5m 10 Years	£5m 10 Years
<b>AA</b>	£10m 4 Years	£15m 5 Years	£15m 15Years	£5m 5 Years	£5m 10 Years
<b>AA-</b>	£10m 3 Years	£15m 4 Years	£10m 10 Years	£5m 4 Years	£5m 10 Years
<b>A+</b>	£10m 2 Years	£15m 3 Years	£10m 5 Years	£5m 3 Years	£5m 5 Years
<b>A</b>	£10m 13 Month	£10m 2 Years	£10m 5 Years	£5m 2 Years	£5m 5 Years
<b>A-</b>	£10m 6 Months	£10m 13 months	£10m 5 Years	£5m 13 Months	£5m 5 Years
<b>BBB+</b>	£5m 3 Months	£10m 6 Months	£10m 2 Years	£3m 6 months	£3m 2 Years
<b>BBB</b>	£5m Overnight	£5m 3 Months	N/A	N/A	N/A
<b>None</b>	£1m 6 Months	N/A	£10m 25 Years	£50,000 5 Year	£3m 5 Years
<b>Pooled Funds</b>	£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
<b>TOTAL</b>	<b>60</b>

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:

### Treasury management advisers

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 Investements

2017/18										
CRITERIA										
	Max Duration	Council Limit (£m)	FITCH RATINGS			Moody's Ratings		S&P Ratings		
			S/Term	L/Term	Support	S/Term	L/Term	S/Term	L/Term	
<b>UK Banks</b>		<b>Sovereign Rating</b>		<b>AA</b>		<b>Aa1</b>		<b>Aau</b>		
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-	
<b>Lloyds Banking Group</b>										
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	
<b>Royal Bank of Scotland Group</b>										
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	
<b>UK Building Societies</b>										
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	-	-	
<b>Foreign Banks</b>										
<b>Australia</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
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-	
<b>Canada</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAA</b>		
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								
<b>Finland</b>		<b>Sovereign Rating</b>		<b>AA+</b>		<b>Aa1</b>		<b>AA+</b>		
OP Corporate Bank plc	2 Years	10				P-1	Aa3	A-1+	AA-	
<b>Germany</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Landesbank Hessen-Thuringen	13 months	10	F1+	A+		P-1	A1	A-1	A	
<b>Netherlands</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Bank Nederlandse Gemeenten	5 Years	10	F1+	AA+	1	P-1	Aaa	A-1+	AAA	
Coöperatieve 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	
<b>Singapore</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
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-	
<b>Sweden</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
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-	
<b>Switzerland</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AAAu</b>		
Credit Suisse AG	13 months	10	F1+	A	5	P-1	A1	A-1	A	
<b>USA</b>		<b>Sovereign Rating</b>		<b>AAA</b>		<b>Aaa</b>		<b>AA+u</b>		
J P Morgan Chase Bank NA	2 Years	10	F1+	AA-	5	P-1	Aa3	A-1	A+	
<b>Supernational</b>										
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