

Cabinet

Date: Thursday, 12th September, 2019

Time: 6.30 pm

Venue: Council Chamber - Guildhall, Bath

Agenda

To: All Members of the Cabinet

Councillor Dine Romero (Council Leader and Liberal Democrat Group Leader), Councillor Rob Appleyard (Cabinet Member for Adult Services), Councillor Tim Ball (Cabinet Member for Housing, Planning, and Economic Development), Councillor Neil Butters (Cabinet Member for Transport Services), Councillor Paul Crossley (Cabinet Member for Community Services), Councillor Kevin Guy (Cabinet Member for Children's Services), Councillor Richard Samuel (Deputy Council Leader and Cabinet Member for Resources), Councillor Sarah Warren (Cabinet Member for Climate Emergency and Neighbourhood Services), Councillor David Wood (Cabinet Member for Climate Emergency and Neighbourhood Services) and Councillor Joanna Wright (Cabinet Member for Transport Services)

Chief Executive and other appropriate officers
Press and Public

The agenda is set out overleaf.



Jack Latkovic

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 39 443501225 394452

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

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

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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Cabinet - Thursday, 12th September, 2019

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 5 - 12)

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 13 - 18)

A list of Cabinet Single Member decisions taken and published since the last Cabinet meeting to note (no debate).

12. BATHS CLEAN AIR PLAN- SEPTEMBER 2019 UPDATE (Pages 19 - 60)

This report provides an update on the actions undertaken following the Cabinet meeting in March 2019 and sets out the decisions required to progress the project as set out within the programme shown in Appendix 1.

13. MEDIUM TERM FINANCIAL STRATEGY & CORPORATE PLAN UPDATE (Pages 61 - 92)

The Corporate Strategy and Medium Term Financial Strategy (MTFS) sets out the strategic direction and priorities for the Council as well outlining the financial context and challenges the Council faces over the next five years and the strategy that will be used to inform its annual budget process.

14. REVENUE AND CAPITAL BUDGET MONITORING, CASH LIMITS AND VIREMENTS - APRIL 2019 TO JULY 2019 (Pages 93 - 136)

This report presents the financial monitoring information for the Authority as a whole for the financial year 2019/20 to the end of July 2019.

15. TREASURY MANAGEMENT 2019-20 QUARTER 1 PERFORMANCE REPORT (Pages 137 - 152)

This report gives details of performance against the Council's Treasury Management Strategy and Annual Investment Plan for 2019/20.

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

BATH AND NORTH EAST SOMERSET

CABINET

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

Wednesday, 10th July, 2019

Present:

Councillor Dine Romero	Council Leader and Liberal Democrat Group Leader
Councillor Rob Appleyard	Cabinet Member for Adult Services
Councillor Tim Ball	Cabinet Member for Housing, Planning, and Economic Development
Councillor Neil Butters	Cabinet Member for Transport Services
Councillor Paul Crossley	Cabinet Member for Community Services
Councillor Kevin Guy	Cabinet Member for Children's Services
Councillor Richard Samuel	Deputy Council Leader and Cabinet Member for Resources
Councillor Sarah Warren	Cabinet Member for Climate Emergency and Neighbourhood Services
Councillor David Wood	Cabinet Member for Climate Emergency and Neighbourhood Services
Councillor Joanna Wright	Cabinet Member for Transport Services

1 WELCOME AND INTRODUCTIONS

The Chair was taken by Councillor Dine Romero, Council Leader.

The Chair read out the following statement:

'Welcome to the first Cabinet meeting of the new administration.

The Lib Dems were elected to take bold action on the issues that affect residents: transport, housing, the climate emergency, and opening up the Council to give local people a voice.

You will see that, as part of our Cabinet structure, we're allowing roles to be job-shared, bringing a range of expertise and perspective into the Cabinet.

We have created a specific Cabinet portfolio for tackling the Climate Emergency.

And we have introduced a new element to our decision making reports – every decision we take is being evaluated for its climate change impact.

This administration is committed to taking decisive action on climate change, and in doing so, enable and inspire change throughout the community.

As I said at our first Council meeting, we are committed to listening to and working with residents.

We are changing the culture of decision making by building a more open, outward looking and consultative Council.

There is an important role for PDS and, before major decisions are taken, Cabinet members will work with the cross party policy development and scrutiny panels, and with the broader population including specialist interest groups, through a range of consultative means.

Finally, just a reminder.

As we said we would, we will be having an independent review of the clean air zone proposal. The clean air zone must protect residents' health, but it must be fair to the least well-off. So we are committed to not, I repeat NOT, charging for private cars. We said this before the election, during the election and since the election, but I know that fears are being raised that this may change. It will not. We are not going to charge for private cars.'

The Chair invited each Cabinet Member to introduce themselves and give a brief description of their portfolios and their aspirations over the next four years.

Each Cabinet Member informed the meeting of the role in the Cabinet, their portfolios and services for which they were responsible, and the area of commitment which they would be dedicated to.

2 EMERGENCY EVACUATION PROCEDURE

The Senior Democratic Services Officer drew attention to the evacuation procedure as set out in the Agenda.

3 APOLOGIES FOR ABSENCE

There were no apologies for absence.

4 DECLARATIONS OF INTEREST

Councillor Rob Appleyard declared an other interest in item 14 'RULE 15 Loan Request from Bath Festivals' as his neighbour was one of Bath Festival's principal officers.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

6 QUESTIONS FROM PUBLIC AND COUNCILLORS

There were 6 questions from Councillors.

[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.]

7 STATEMENTS, DEPUTATIONS OR PETITIONS FROM PUBLIC OR COUNCILLORS

Neill Young (Moorland and Oldfield Clean Air – MOCA) read out a statement [*a copy of which available on the Council's website*] where he expressed his concerns on road safety and parking issues at Junction Road (B3111).

Councillor Joanna Wright said that she has been speaking with the relevant officers about road safety and parking issues not only at Junction Road, but also for other roads which were in a similar position. Councillor Wright said that it would not be possible to set traffic and safety improvements instantly, and that she would keep the residents up to date with the developments on this matter.

The Chair said that she would allow David Redgewell to address the Cabinet at a later point of the meeting.

NOTE: David Redgewell addressed the Cabinet after agenda item 13 Youth Justice Plan.

David Redgewell summed up his statement [*a copy of which is available on the Council's website*] by saying that the Council, together with the West of England Combined Authority, must deliver a Bus Strategy before finalising the Joint Spatial Plan.

The Chair thanked David Redgewell for his statement by saying that all comments would be taken on board by the relevant Cabinet Member. The Chair added that the funding had been set aside for the Bus Strategy.

8 CONSIDERATION OF SINGLE MEMBER ITEMS REQUISITIONED TO CABINET

There were none.

9 MATTERS REFERRED BY POLICY DEVELOPMENT AND SCRUTINY BODIES

There were none.

10 SINGLE MEMBER CABINET DECISIONS TAKEN SINCE PREVIOUS CABINET MEETING

The report was noted by the Cabinet.

11 REVENUE AND CAPITAL OUTTURN 2018/19

Councillor Richard Samuel thanked the Finance Team for their work in setting out the financial position of the Council.

Councillor Samuel introduced the report by saying that the document described the revenue and capital outturn for 2018/19, highlighting net revenue over budget position of £0.92m. The position has vastly improved through actions including a recruitment freeze that have been implemented during the financial year. The improvement has continued since the last report, which forecasted an over budget position of £3.21m based on monitoring for the year to December 2018, mainly due to improvements in income generation within Heritage Services, and a reduction in capital financing costs arising from the review of the capital programme and re-phasing of capital projects.

The 2018/19 approved budget has included the requirement for the delivery of £16.99m of savings. The final outturn position has included achievement of £13.58m or 80% of the savings target compared to 82% delivered in 2017/18. Savings items that were no longer deliverable in 2018/19 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2019/20 budget. It was expected that delayed savings totalling £3.4m would be delivered in 2019/20.

Councillor Samuel highlighted the main areas of over/under budget; Adult Care, Health & Wellbeing (£0.983m under budget), Children & Young People (£1.761m over budget), Economy & Community Regeneration (£1.050m under budget), Transport & Environment (£0.813m over budget) and Finance & Efficiency (£0.058m under budget).

Councillor Richard Samuel moved the recommendations.

Councillor Dine Romero seconded the motion by saying that it was important to recognise that the Council finances have been suffering from continuous cuts in funding from the government.

Councillor Paul Crossley used this opportunity to highlight contributions from some of the services within his portfolio, in particular bereavement services, crematorium, cemetery, parks, libraries and heritage services.

RESOLVED (unanimously) that the Cabinet agreed to:

- 2.1 Note the revenue budget outturn over budget position of £0.92m for 2018/19 and the use of Revenue Budget Contingency to fund the overall shortfall;
- 2.2 Note that no carry forward requests are being put forward for approval;
- 2.3 Approve that all over budgets are written-off as an exception to the Budget Management Rules for 2018/19.
- 2.4 Note the revenue virements for 2018/19 reported for information in Appendix 2(i)
- 2.5 Note the reserve positions and the use of flexible capital receipts shown in paragraphs 3.14-3.16;
- 2.6 Note the outturn position of the 2018/19 capital programme in paragraph 3.22, and the funding outlined in paragraph 3.24;
- 2.7 Approve the capital rephasing and write-off of net underspends as listed in Appendix 3. This reflects the outturn spend position on projects against final budgets as detailed in Appendix 4(ii).

12 TREASURY MANAGEMENT OUTURN REPORT

Councillor Richard Samuel said that this was a routine report. The Council's external borrowing as at 31st March 2019 totalled £226.1 million. The Council's Capital Financing Requirement (CFR) as at 31st March 2019 was £300.7 million. The difference from actual borrowing has reflected self-investment of reserves and the savings from avoiding new borrowing was greater than interest rate achieved on investments. The overall outturn for Interest and Capital Financing Budget was underspent of £741K towards overall outturn of the Council. This reflected external interest savings from re-phasing of capital spend.

Councillor Samuel added that overall position has deteriorated since March this year, and that political uncertainty in the country could have an adverse impact on financial markets which could affect interest rates and ratings.

Councillor Samuel concluded his statement by expressing his concern that Brexit discussions have completely taken over the Parliament, and that no other business has taken place, which could have severe negative impact on Local Authorities.

Councillor Samuel moved the recommendations.

Councillor Dine Romero seconded the motion.

Councillor Sarah Warren queried if any of the Council's investments were with the funds invested in fossil fuel companies.

Councillor Samuel responded that, as far as he was aware, there were no investments in fossil fuel companies. Nevertheless, Councillor Samuel would ask the officer to add that information in the next report.

RESOLVED (unanimously) that the Cabinet agreed to:

2.1 The Treasury Management Report to 31st March 2019, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.

2.2 The Treasury Management Indicators to 31st March 2019 are noted.

13 YOUTH JUSTICE PLAN

Councillor Kevin Guy introduced the report by saying that Council has statutory duty to adopt the Youth Justice Plan although it would be a responsibility of the Youth Offending Service Management Board to ensure the delivery of the Plan. Councillor Guy invited the relevant Development and Scrutiny Panel to oversee the performance of the Youth Offending Service Management Board by inviting their members to one of their meetings.

Councillor Guy also said that youth crime was on the rise locally and nationally, and that there has been a serious issue of a small but increasing number of young people being groomed and exploited into offending (including via so-called 'county-lines').

Councillor Kevin Guy moved the recommendations.

Councillor Rob Appleyard seconded the motion by saying that the provision for the prevention of youth offending depends on national funding, which was now reduced

by 0.4%. Councillor Appleyard suggested that Police and Crime Commissioner Board should be more involved in supporting this work.

Councillor Paul Crossley said that in Southdown a number of young people who work with the Youth Offending Service undertook community reparation projects to help develop their understanding of the harm they have caused others and to make indirect amends. These projects included working with the Council Parks Department and community organisations to improve the environment and animal welfare.

Councillor Joanna Wright said that a venue such as Alice Park skateboard site was important for young people in terms of youth crime prevention.

RESOLVED (unanimously) that the Cabinet:

2.1 Agreed the Youth Justice Plan fulfils the requirements of the Crime and Disorder Act 1998 and can be submitted to the Youth Justice Board for England and Wales;

2.2 Adopted the Youth Justice Plan as part of the Council's Policy and Budget Framework that can be accommodated within the Council budget;

2.3 Noted that the Youth Offending Service Management Board is responsible for ensuring delivery and ask the relevant Development and Scrutiny Panel to oversee performance.

14 RULE 15 LOAN REQUEST FROM BATH FESTIVALS

The Chair informed the meeting that part of this report has been marked as confidential. However, the Cabinet would debate this matter in public without addressing any points from confidential paper. If any of the Cabinet Members felt that they had to raise the points from the confidential papers, then the Chair would ask the public to vacate the meeting.

Councillor Richard Samuel introduced the report by saying that Bath Festivals has approached the Council for a loan of £75,000 to enable them to continue to implement their new business plan and continue to operate. The organisation needed to raise £300,000 of which it had pledges for £210,000 through a Charitable Investment Bond, plus an offer of a loan of £25,000 from a Charitable Trust but only if Bath and North East Somerset Council would agree to provide a £75,000 loan. Following an assessment of their financial position, the Council's Director of Finance has outlined that a more sustainable way forward would be to offer a one-off grant with conditions to support the group through the next three years. The conditions would enable B&NES to assist with improving the Festival's forward programming.

Councillor Richard Samuel moved the recommendations.

Councillor Dine Romero seconded the motion by saying that a one-off grant would be an investment into something that would be a benefit for the residents.

Councillor Paul Crossley welcomed the proposal and added that the first proposed condition in paragraph 3.3 of the report was quite important in terms of involving residents from all community groups. Council Crossley stressed that one-off grant, with conditions, would enable festival to become self-financed.

Councillor Tim Ball agreed with Councillor Crossley by saying that visiting audience would have to be wider, and the only way to achieve that would be in offering different music genre.

Councillor Richard Samuel welcomed the comment from Councillor Crossley that Bath Festivals should be self-financed and invited the Cabinet to agree with the additional recommendation which would read:

‘The Cabinet agree to receive an interim progress report from the Cabinet Member for Community Services by November 2019 to review the achievement of objectives set by the Council as a condition of the grant.’

RESOLVED (unanimously) that the Cabinet agreed to:

2.1 Approve a conditional one-off grant of £75,000 to Bath Festivals from the Revenue Budget Contingency to ensure that the Council can assist with improving the community reach and accessibility for residents of the Bath Festivals Programme, as well as the profitability of the programme.

2.2 The conditions to be agreed by the Chief Executive, in consultation with the Leader of the Council.

2.3 Receive an interim progress report from the Cabinet Member for Community Services by November 2019 to review the achievement of objectives set by the Council as a condition of the grant.

The meeting ended at 7.30 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 1-Jul-2019 to 3-Sep-2019

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>

RULE 15 Bath Riverside Land and Infrastructure Investment

Bath Western Riverside will provide up to 2284 new homes on former industrial land in the heart of the city. The scheme was committed in 2010 and has now built out 854 new homes including 25% affordable homes. The remaining land comprises former gas works and live operational gas infrastructure which risks the delivery of the remaining 1000+ homes. The Council has a continuing role using external grant funding to secure delivery of this strategically important project in the heart of the Bath City Riverside Enterprise Zone.

Decision Maker: Council Leader

Decision published: 29/08/2019

Effective from: 28/08/2019

Decision:

The Cabinet Member agree to;

a. Increase the Provisional Capital programme item for Bath Western Riverside from £12.5M to £29.8M to incorporate additional external funding allocations from WECA and Homes England;

b. Delegate the approval to the Director of Economy and Growth in consultation with the S151 Finance officer to;

I. Enter funding agreements with Homes England and WECA to fund infrastructure and land investment in the future phase of Bath Riverside on the former gas lands and Council waste site.

II. Move provisional capital approved to full approval upon entry to Funding Agreements and commitment to proceed on infrastructure expenditure

III. Recycle initial investment in enabling infrastructure to support the Council's aims to deliver additionality to affordable housing provision and school delivery as part of the future project outcomes.

c. Approve the execution of actions under the Council's Corporate Agreement with Crest entered in 2010 to exercise its pre-emption to acquire undeveloped land within the Bath Western Riverside project (the Site).

d. Delegate to the Director of Economy and Growth the power to appropriate for planning purposes the Site (pursuant to section 122 of the Local Government Act 1972) and to exercise the power, if required, under Section 203 of the Housing and Planning Act 2016 ("Section 203") to facilitate the carrying out of the development of the Site.

Lead officer: Simon Martin

RULE 15 New lease of a retail unit in Bath

To seek approval to the letting of a key anchor retail unit within Bath City Centre.

Decision Maker: Cabinet Member for Resources

Decision published: 22/08/2019

Effective from: 22/08/2019

Decision:

The Cabinet Member is asked to;

Approve the new lease of a retail unit within Bath City Centre subject to the provisions contained within the Heads of Terms attached in the exempt Appendix 1 to this report.

Lead officer: Richard Long

Supporting an Exemplar Housing Development

The Council's housing development company Aequus Construction Ltd is delivering nine family homes in the Southdown Ward of Bath. This report seeks to utilise this site as an exemplar for a number of priorities including affordable housing, climate emergency and homes for local people.

Decision Maker: Cabinet Member for Housing, Planning, and Economic Development

Decision published: 14/08/2019

Effective from: 22/08/2019

Decision:

The Cabinet Member agrees that:

- (i) A grant of £140K capital funding be provided to ACL from the Affordable Housing Programme to support the provision of two shared-ownership affordable family homes within the development which is beyond current planning policy requirements.
- (ii) An allocation of £128K of funding be provided from the Revenue Budget Contingency to enable the Council to fund the measures needed to deliver very low carbon, sustainable family homes and to enable the Council to use this site as an exemplar site for climate change emergency.
- (iii) An allocation of £7K of revenue funding from the Revenue Budget Contingency be provided for title restrictions in favour of the Council against the future use of the properties for HMO purposes.

Lead officer: Martin Shields

Adoption of Revised Planning Obligations Supplementary Planning Document (SPD) and related Revised Community Infrastructure Levy Regulation 123 List relating to new development green space requirements

Currently, where green space requirements for new development are not provided on site as part of the development which is covered by planning obligations, there is no direct mechanism for mitigating the impact of development off site in terms of impact on green space provision, as CIL is not intended for site specific mitigation projects at the planning application stage. The aim of this report is to adopt amendments to the Planning Obligations Supplementary Planning Document (SPD) approved 2015 and related amendments to the Regulation 123 list (R123) list to make it clear that where on site provision is not practical, off site provision including enhancement and maintenance of existing green space should be secured by way of planning obligation to mitigate the impact of development.

In addition, there are minor amendments to the section on adoption of green space by the Council and minor factual updates to the Tree Replacement section of the SPD are also included to reflect updated cost information on tree replacement where applicable.

Decision Maker: Cabinet Member for Housing, Planning, and Economic Development

Decision published: 31/07/2019

Effective from: 09/08/2019

Decision:

The Cabinet Member agreed that the Planning Obligations SPD amendments relating to S106 green space obligations, and updated costs for tree replacement are adopted.

The Cabinet Member agreed that the Regulation 123 (R123) amendments are approved

Lead officer: Richard Daone

Aequus Developments Limited 2019-20 Business Plan and Remuneration Report

Report seeking shareholder approval to the Aequus Business Plan for 2019-22 and to the Aequus Remuneration policy.

Decision Maker: Council Leader

Decision published: 24/07/2019

Effective from: 24/07/2019

Decision:

To approve the Aequus Developments Limited 2019-22 Business Plan and Remuneration Report.

Lead officer: Michael Hewitt

Neighbourhood Community Infrastructure Levy for Bath - Approval of the fifth round of project recommendations

This decision asks for approval for the recommendations set out by the Bath City Forum relating to the fifth allocation of funding for three projects from Bath's "neighbourhood portion" of the Community Infrastructure Levy.

Decision Maker: Council Leader

Decision published: 01/07/2019

Effective from: 09/07/2019

Decision:

The Cabinet Member agrees that funding be provided from Neighbourhood CIL Project Funding for Bath:

To agree a £34,500 allocation from the Bath CIL neighbourhood portion for Bathwick Towpath Improvement Project Application BA059

To agree a £19,200 allocation from the Bath CIL neighbourhood portion for Queen Square Bench Project Application BA062

To agree a £3,650 allocation from the Bath CIL neighbourhood portion for KiActiv Health – Move More Project Application BA061

To agree a £125,000 allocation from the Bath CIL neighbourhood portion for Bath City Farm Community Hub Project Application BA051

To agree a £12,300 allocation from the Bath CIL neighbourhood portion for – Parade Gardens Bandstand Renovation Project Application BA053

Lead officer: Mark Hayward

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Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	12 th September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3152
TITLE:	Bath Clean Air Plan-September 2019 update	
WARD:	All	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1- Clean Air Zone Project Programme</p> <p>Appendix 2- Report of the independent Peer Review of the preferred option</p> <p>Appendix 3- Draft revenue reinvestment plan of the Clean Air Zone Charging Order</p>		

1 THE ISSUE

- 1.1 Poor air quality is the largest known environmental risk to public health in the UK. Investing in cleaner air and doing more to tackle air pollution are priorities for the EU and UK governments, as well as for Bath and North East Somerset Council (B&NES). B&NES has monitored and endeavoured to address air quality in Bath, and the wider B&NES area, since 2002. Despite this, Bath has ongoing exceedances of the legal limits for Nitrogen Dioxide (NO₂) and these are predicted to continue until 2025 without intervention.
- 1.2 This report provides an update on the actions undertaken following the Cabinet meeting in March 2019 and sets out the decisions required to progress the project as set out within the programme shown in Appendix 1.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Note the progress on the delivery of the Clean Air Zone (CAZ) Project with a view to ensuring compliance in the shortest possible time, including;
 - a) The revised project programme (Appendix 1).

- b) The outcome of the independent peer review and any recommended actions.
- 2.2 Approve the incorporation of the CAZ scheme into the Council's capital programme, with a total current cost budget of £17.996m, of which £5.944m is to be fully approved and £12.052m provisionally approved, subject to future grant awards.
- 2.3 Note the current estimates of revenue costs and funding as set out in paragraph 5.6 totalling £31.365m, of which £0.231m of grant funding has been awarded. The remainder is subject to future grant awards and Full Business Case approval.
- 2.4 Grant authorisation for officers to use the following powers:
 - a) The use of anti-idling enforcement powers under The Road Traffic (Vehicle Emissions) (Fixed Penalty) (England) Regulations 2002;
 - b) The use of environmental weight limit enforcement powers under the Road Traffic Regulation Act 1984.
- 2.5 Following an appropriate tender process, delegate to the Corporate Director and Director of Finance (s.151 Officer) in consultation with the Cabinet member for Resources and Deputy Leader, the decision to appoint a financial partner to administer the proposed financial assistance schemes on behalf of the Council.
- 2.6 Agree that the consultation on the CAZ Charging Order and scheme overview can commence on 23 September 2019.
- 2.7 Note the updated Equalities Impact Assessment (EqIA) as published at (<https://www.bathnes.gov.uk/bath-breathes-2021-overview/outline-business-case>).

3 THE REPORT

- 3.1 In order to achieve the overall project programme (shown in Appendix 1) in light of the changes to the governance arrangements, and ensure compliance with the EU Limit Values for NO₂ in the shortest time possible and by 2021 at the latest, it is necessary for Cabinet to agree that the public consultation on the Charging Order and final scheme will commence on 23 September 2019.
- 3.2 As part of the scheme, it will be necessary to restrict the flow of traffic through Queen Square, however these measures are temporary until such time as the remaining exceedances have been eliminated in line with the monitoring and evaluation plan.
- 3.3 As agreed as part of the Cabinet decision on 5 March 2019, an in-depth review of the agreed community-led boundary extensions (which arose as a result of responses to the public consultation rather than being required to achieve compliance with relevant limit values for NO₂) has now been completed. During the detailed design of the Eastern extension, Officers have identified an opportunity to reduce the signage and camera 'clutter'

in this predominantly residential area by relocating the CAZ boundary so as to more closely follow the route of the canal. As well as reducing the impact of the CAZ cameras and signage on the amenity of the area, a further advantage of revising the boundary is to more closely align it with the boundary of the Residents Parking Zone (RPZ). This will help to prevent non-compliant vehicles (owned by residents or non-residents) from parking only in the area of the RPZ that would otherwise be left outside of the zone. Ward councillors and Residents Associations are supportive of the proposals and Officers are now in the process of consulting individual residents about this amendment prior to consulting with the wider public during the proposed public consultation on the Charging Order in September 2019.

- 3.4 An independent peer review of the CAZ project was commissioned at the request of the Cabinet in July 2019. It was tasked with undertaking a thorough desktop review of the business case development processes used to arrive at the conclusions as set out in previous Cabinet reports and to ensure that no opportunities have been missed to achieve the air quality objective in the shortest possible time.
- 3.5 The total cost of the independent peer review was approximately £9k and it is appended to this report (Appendix 2).
- 3.6 The peer review broadly supports the approaches taken by the Project Team and Members to date and that they are in accordance with government guidance. It recognises that the modelling and assessment work was undertaken in relatively short timescales which have been imposed by the government's Joint Air Quality Unit (JAQU), and that there are specific, local factors which have required the Council to develop bespoke approaches. It also acknowledges that there is an absence of real-world evidence to evaluate the effectiveness of CAZ's and as such, there is uncertainty in the outcomes which will be delivered.
- 3.7 The peer review recommends the development of contingency plans to allow measures to increase the effectiveness of the CAZ, should emissions not decrease as planned. All of the recommendations of the peer review will be fed into the development of the Full Business Case (FBC) which will be brought before Cabinet for a decision in December 2019. The monitoring and evaluation plan will be updated in light of these recommendations and included as part of the FBC to ensure that the CAZ is successful in delivering its aim of improving air quality throughout the city and ensure compliance with the EU Limit Values for NO₂ in the shortest time possible and by 2021 at the latest.
- 3.8 In addition, the peer review acknowledges that, notwithstanding the limitations with any modelling of the CAZ, the proposed CAZ scheme has the potential to control traffic flows in order to achieve the desired outcome of compliance within the shortest possible time.
- 3.9 The Cabinet recognises that the proposed CAZ scheme is a necessary and urgent step to achieve compliance with EU Limit values and improve the environment for its residents, businesses and visitors. However, the emerging priority of tackling the climate emergency must be properly

addressed, including the need to tackle congestion by reducing the number of journeys made within the city in the short to medium term. This will improve the environment for residents and visitors, help to preserve the condition of heritage infrastructure and reduce costs to businesses through having fewer vehicles on the roads. Tackling both carbon dioxide (CO₂) emissions and congestion will support the aim of making Bath a world leader in air quality improvement and sustainable transport.

4 STATUTORY CONSIDERATIONS

- 4.1 In 2010 the formal deadline passed for EU Member States to comply with legal limits for NO₂ concentration levels set under the Directive to protect human health. Where a breach of the limits takes place after the relevant deadline, air quality plans must be prepared to achieve compliance "in the shortest time possible". Nine years on from the deadline, the UK continues to breach legal limits.
- 4.2 The European Commission referred the UK to the European Court of Justice (ECJ) for failing to respect agreed air quality limit values and for failing to take appropriate measures to keep exceedance periods as short as possible. This action has been taken as the Commission considers that the UK has not presented credible, effective and timely measures to reduce pollution, within the agreed limits and as soon as possible, as required under EU law.
- 4.3 The ECJ may impose both a periodic penalty payment and a lump sum on a Member State, and the Commission's current position is to seek both a penalty payment and a lump sum in every case it refers to the ECJ. It is too early to quantify the potential financial sanction with any accuracy, but it would be calculated taking into account:
 - a) the importance of the rules breached and the impact of the infringement on general and particular interests,
 - b) the period the EU law has not been applied,
 - c) the country's ability to pay, ensuring that the fines have a deterrent effect.
- 4.4 Given the nature of the non-compliance, its duration and its impact on the wider population, the penalty could potentially be substantial. Whilst any financial penalty imposed by the ECJ would be imposed upon the UK government, Part 2 of the Localism Act 2011 empowers the government to require local authorities to make payments of amounts, as determined by the government, in respect of an EU financial sanction.
- 4.5 In effect, this allows UK central government to pass on all, or a proportion of, any fines imposed by the ECJ to local authorities in England which the government considers have contributed to the failings that have led to the above proceedings. As one of the local authorities involved, the Council could be at risk of having a large fine imposed on it by the UK government, depending upon the exact amount of the penalty imposed by

the ECJ. This is an important risk to the Council. At present the impact of Brexit is unclear with regard to this process and the threat of fines.

- 4.6 It is not known how UK Government would exercise this power if at all, but it underscores the critical importance of the proposed measures to secure air quality compliance with UK and EU statutory NO₂ limits in the shortest time possible consistent with the constraints of the relevant legislation, its legal obligations and public law considerations.
- 4.7 Under the Environment Act 1995, an initial Ministerial Direction was issued to Bath and North East Somerset Council and many other UK cities including Derby, Leeds, Nottingham and Southampton in July 2017. This Direction stipulated that the Council should prepare a final plan for a scheme to deliver compliance within legal limits by 31 December 2018 in line with the UK Air Quality Plan (AQP) which was achieved in March 2019. A second Ministerial Direction was issued following this submission which stipulated that the Council must submit a FBC by 23 August 2019 at the latest. However, in light of the change in administration, the change to the governance arrangements, the requirement to independently review the scheme and the need to consult on the revised CAZ C proposals and to take that consultation into account in finalising the scheme, the programme has been adjusted and it is now anticipated that the FBC will be submitted in December 2019 (subject to sign-off from the Cabinet on 5 December 2019).
- 4.8 Failing to take action towards achieving compliance within the shortest possible time could leave the Council exposed to legal challenge, not only for a failure to fulfil its statutory duty to comply with the Ministerial Direction, but also its obligation under air quality legislation to achieve compliance with legal NO₂ limits in the shortest possible time.
- 4.9 The Client Earth No. 2 judgment gave a robust ruling on the interpretation of the obligations flowing from the Directive and, in particular, the requirement that air quality plans must be prepared to achieve compliance "in the shortest time possible". The ruling set out a three-part test for assessing whether air quality plans meet that requirement. This test requires that plans must:

- Aim to achieve compliance as soon as possible;
- Choose a route to compliance which reduces human exposure as quickly as possible; and
- Ensure that compliance with the limit values is not just possible but likely.

Achieving compliance with air quality standards across Bath will result in widespread public health improvements. Specific health impacts for nitrogen dioxide include:

- Long-term exposure to air pollution is linked to increases in premature death, associated with lung, heart and circulatory conditions.

- Short term exposure can contribute to adverse health effects including exacerbation of asthma, effects on lung function and increases in hospital admissions.
- Other adverse health effects including diabetes, cognitive decline and dementia, and effects on the unborn child are also linked to air pollution exposure.

4.10 The Council has a public sector equality duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people carrying out their activities. An Equalities Impact Assessment (EqIA) was drafted in September 2018 so that the Council could fulfil this duty and has been subsequently reviewed (<https://www.bathnes.gov.uk/bath-breathes-2021-overview/outline-business-case>)

4.11 The EqIA should be read in conjunction with the Distribution and Equalities Impact Analysis (as published on <http://www.bathnes.gov.uk/bath-breathes-2021>).

4.12 Transport is widely acknowledged as a key driver of air quality issues. It is estimated in B&NES that around 92% of all Nitrogen Oxide (NOx) emissions are attributable to road traffic. Consequently, the Bath Clean Air Plan (CAP) has been developed with an understanding of the wider transport, business and air quality strategies in B&NES and beyond, in order to accord with these policies (for example the Getting Around Bath Strategy and Joint Local Transport Plan), wherever possible. Whilst the objectives of the CAP overlap with other local and regional strategies, and its delivery should be beneficial to achieving the objectives within these strategies, the CAP has its own specific objectives (resulting from the legal direction on the Council) and therefore does not seek to achieve all other local transport objectives such as general reductions in traffic flows or improvements in the public bus network.

4.13 Section 9 of this report sets out the ongoing consultation, communication and engagement which has been carried out on Bath's CAP. The intention is to build on the engagement which has been undertaken through this process and to continue to communicate clearly and openly with local residents, businesses and visitors. In addition, the learning from the consultation on the CAP – including the high level of interest and engagement – will be fed into future consultations.

4.14 In order to take enforcement action and reinforce behaviour changes, it is necessary for Cabinet to authorise Officers to use the powers to enforce weight limits under the Road Traffic Regulation Act 1984. These powers are used by other local authorities in addition to the powers enforced by the Police to prevent vehicles contravening weight limits on the highway which will help to manage air quality and congestion and protect the character and environment of heritage areas.

4.15 Similarly, it is necessary for Cabinet to authorise Officers to use anti-idling powers under the Road Traffic (Vehicle Emissions) (Fixed Penalty)

(England) Regulations 2002 in order to help to manage air quality and congestion and protect the character and environment of heritage areas.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Capital expenditure for the CAZ infrastructure and mitigation measures is to be funded via grant award by DEFRA and Department of Transport. Further funding opportunities through the West of England Combined Authority (WECA) to enhance the package of measures have been agreed in principle.

The current total scheme capital costs and funding awards are set out in the tables below:

Capital Spend	For Full Approval £'000	For Provisional Approval £'000	Total £'000
Implementation of CAZ Enforcement System	3,949	871	4,820
Implementation of traffic management and public realm amendments	1,995	-	1,995
Mitigation measures to support those impacted by the scheme	-	9,924	9,924
Risk allocation	-	1,257	1,257
Total Capital Spend Estimate	5,944	12,052	17,996

Capital Funding	Funding Fully Secured £'000	Funding subject to grant award £'000	Total £'000
Implementation Fund Grant (DEFRA/DFT)	5,944	2,128	8,072
Clean Air Fund (DEFRA/DFT)	-	9,924	9,924
Total Capital Spend Estimate	5,944	12,052	17,996

5.2 Capital expenditure will be incurred by the Council across a range of activities as listed below:

Enforcement system:

- The supply, installation, configuration and testing of fixed Automatic Number Plate Recognition (ANPR) cameras; a fully-equipped mobile enforcement vehicle (MEV) and an integrated back office system with relevant staff accommodation;

- the provision of a server system, including replacement after five years
- a complete system test and site acceptance testing (SAT);
- Design peer review and project management for systems integration and operational planning;
- Project management of the delivery phase.

Street works:

- camera and communications network infrastructure (all required cabinets, mounting posts, ducting and cabling for the ANPR cameras and data communications network and associated traffic management);
- road signage (all required signage, marking and kerb realignment and associated traffic management);
- a review of the current Resident's Parking Zones (RPZ's).
- Variable Message Signs (VMS);
- Traffic restrictions and public realm enhancements at Queens Square;

Mitigation Measures:

- Bus upgrades (retrofits and repowering);
- Last mile delivery (cargo bike scheme);
- Improved Park and Ride security and extended opening hours;
- Electric vehicle charging points;

5.3 The funding for the capital spend is from the following sources:

Implementation Fund Grant (DFT/DEFRA)- £5.94m of capital has already been awarded to the Council towards design development and implementation of the scheme, this funding will support the development and submission of the FBC, which will allow the balance of £2.13m to be released. The release of these funds also enables time critical works (e.g. cable ducting) to be carried out so that the project timescales can be maintained.

Clean Air Fund (DFT/DEFRA)- £9.924m of capital funding subject to government approval of the FBC to fund the mitigation measures set out above.

WECA Funding - Proposals are being developed and will be subject to the WECA funding approval process.

5.4 The Capital Programme approval can only be given for the £5.94m of secured grant funding, with the balance being earmarked in the

Provisional Programme and subject to the future approval of grant awards being confirmed.

- 5.5 Outside of direct Council Expenditure, First Group have provided a letter of intent to invest more than £12m in upgrading and replacing non-compliant buses, reflecting their commitment to clean air within the city. First will also receive £0.65m from the Clean Bus Technology Fund towards the cost of retrofitting of older buses.
- 5.6 Revenue expenditure for the CAZ infrastructure and mitigation measures is to be funded via grant award by DEFRA and Department of Transport and revenue from operating the CAZ.

The current total scheme revenue costs and funding awards are set out in the tables below:

Revenue Spend over the projected life of the scheme (10 years)	Spend – Grant Awarded £'000	Spend – Subject to Grant Award and FBC approval £'000	Total £'000
Implementation and operation of CAZ Enforcement System	213	7,148	7,361
Mitigation measures to support those impacted by the scheme	-	18,850	18,850
Underwriting Year 1-3 operational revenue costs	-	5,031	5,031
Risk allocation	-	123	123
Total Revenue Spend Estimate	213	31,152	31,365

Revenue Funding	Funding Fully Secured £'000	Funding subject to grant award / FBC £'000	Total £'000
Implementation Fund Grant (DEFRA/DFT)	213	4,818	5,031
Clean Air Fund (DEFRA/DFT)	-	18,850	18,850
Operating Revenue	-	7,484	7,484
Total Revenue Spend Estimate	213	31,152	31,365

- 5.7 Revenue costs such as staff and system costs for the entirety of the scheme are forecasted to be covered by income generation and government grant funding. The FBC will seek an assurance that impacts associated with any risk to the forecasted revenue generated from the scheme are fully underwritten by central government to protect the

Council's wider revenue budget position. Within the financial model, the scheme forecasts higher levels of income before income levels begin to decline as compliance is gained. A sinking fund is proposed to provide smoothing of income in future years and to ensure that monies are ring-fenced. The final revenue cost and funding position will be presented as part of the FBC approval in December 2019.

- 5.8 It is a requirement of the Transport Act 2000 that a general plan outlining the use of the net proceeds from the scheme for a period of 10 years and a detailed programme for the application of the net proceeds during the opening five year period, is developed. This is incorporated in the draft Charging Order and the relevant section is attached as Appendix 3.
- 5.9 The Council is committed to providing access through finance partners to financial assistance to upgrade to compliant vehicles for those individuals, organisations and businesses that are impacted by the implementation of the scheme. This is currently proposed to be in the form of a grant and/or interest free finance. Government grant funding is being sought to cover the administration and finance costs associated with the financial assistance scheme (£10.620m revenue on current forecasts) with the finance partners providing the capital for the scheme (£19.192m on current forecasts).
- 5.10 To provide the assistance packages the Council will need to appoint one or more financial partners. This will follow both the confirmation of the necessary government funding and the completion of a tender process to select partners with the skills and experience to manage and administer the financial assistance schemes on the Council's behalf. Due to the high level of capital funding to be provided by the finance partner(s), the specialist nature of the market, and the significant level of Council support being proposed, an expert consultant has been appointed to develop the tender documents and assist with the tender assessment process. Subject to approval at the CAZ Project Board specific authorisation is also being sought to delegate sign-off of the procurement to the Corporate Director and Director of Finance in consultation with the Cabinet member for Resources and Deputy Leader. Full details of the procurement will be publically available once finalised.
- 5.11 To deliver the other mitigation measures as proposed in the CAF, a number of tender processes will be undertaken in line with the Council's Contract Standing Orders to ensure best value is achieved. It is proposed that the outcome of each tender process is ratified at the CAZ Project Board by the appointed Cabinet Members.
- 5.12 To deliver the outcomes of the CAZ and CAF bid, it is necessary to appoint to a number of posts on fixed term contracts in line with Council recruitment guidelines. These posts will be fully funded from grant settlements from central government and work is ongoing to find the necessary office accommodation for the Project Team, consultants and contractors. This may be through the lease of an external office space which will again be funded from central government grants. Any expenditure will not be committed until government grant funding has been confirmed.

6 RISK MANAGEMENT

- 6.1 A risk assessment for the project has been undertaken, in compliance with the Council's decision making risk management guidance. Specific information can be found in the project documentation (as published o).
- 6.2 The delivery and success of the CAP has a range of interdependencies with national, sub-regional and local stakeholders and statutory bodies, whose activities, programmes and policies could have significant implications on the delivery of air quality compliance in the shortest possible time in Bath and North East Somerset. All relationships with these bodies are monitored by the Project Team and reported to the Project Board.
- 6.3 The initial implementation works are to be treated as capital expenditure, in line with grant funding. If the project did not complete there is a risk that these costs, or an element of these costs, would need to revert to revenue. This is currently assessed as low risk, but will continue to be monitored through the Project Board governance processes.
- 6.4 If revenue enforcement income and associated government grant income were to be insufficient for the recovery of costs, any shortfall would ultimately need to be underwritten by Council. However, along with the supporting revenue grants, a significant annual surplus is projected and will be ring-fenced for future use through the use of a sinking fund. Eventually, if income fell in the medium term, this would mean compliance has been gained and running costs would correspondingly be reduced to mitigate any adverse impact.
- 6.5 The s.151 Officer and the Monitoring Officer have been involved in the formation of both the draft FBC and CAF bids, and have signed this report off for publication.

7 CLIMATE CHANGE

- 7.1 The CAP is focused on one pollutant; NO₂. However, in an attempt to reduce NO₂ emissions, the CAP could inadvertently alter other pollutant emissions, such as CO₂. Changes in CO₂ emissions at the same time as a reduction in NO₂ could be brought about by the transition from diesel vehicles (which produce high levels of NO₂) to petrol vehicles (which produce less NO₂ but more CO₂) or from adjustments to the number of trips made.
- 7.2 In addition, the declaration of a charging zone or access restrictions, may result in vehicles re-routing around the zone. This could increase fuel consumption and subsequently carbon emissions.
- 7.3 By changing travel behaviours (including number of trips, trip mode and vehicle type), the CAP may influence the quantum of Greenhouse Gas (GHG) emissions generated by road transport. A change in GHG emissions, and CO₂ emissions in particular, could generate variable effects on climate change processes.

7.4 The approach to estimating the economic impact of GHG emissions utilised the following data:

- Vehicle kilometres output from the traffic model;
- Euro splits as estimated by ANPR;
- Behavioural responses estimated in the traffic model;
- CO₂ emissions per kilometre, by vehicle class, as provided by JAQU.

This data was processed as part of the air quality modelling technical workstream to estimate the change in CO₂ emissions across the appraisal period for both the baseline and intervention scenarios (Table 0-1). Model data was made available for the opening year (2021) and future year (2031). Interpolation was undertaken for intervening years, based on fleet change and the anticipated reduction in non-compliant vehicles over time in both the baseline and intervention scenarios. The difference in emissions under the two scenarios was then calculated to determine the change in CO₂ emissions attributable to the intervention across the appraisal period.

Table 0-1: Temporal Change in CO₂ Emissions (tonnes)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CAZ C with Traffic Management Measures										
Baseline	49,186	49,339	49,492	49,645	49,798	49,951	50,104	50,257	50,410	50,563
Intervention	48,932	49,093	49,255	49,416	49,577	49,739	49,900	50,062	50,223	50,385
Difference	254	246	237	229	221	212	204	196	187	179

7.5 As set out in the March 2019 Cabinet report, it is proposed that any surplus revenue generated by the enforcement of the scheme will be held in a Revenue Reinvestment Reserve. Allocation of this revenue will be managed by a Steering Group and there is opportunity for reinvestment to directly or indirectly facilitate the achievement of various transport policies. These are set out in the Joint Local Transport Plan, Getting Around Bath- a Transport Strategy for Bath and Balancing your needs- a Parking Strategy for Bath and North East Somerset and are available on the Council's website. These policies include schemes to reduce the use of private vehicles which will further contribute to a reduction in carbon dioxide generated by traffic.

8 OTHER OPTIONS CONSIDERED

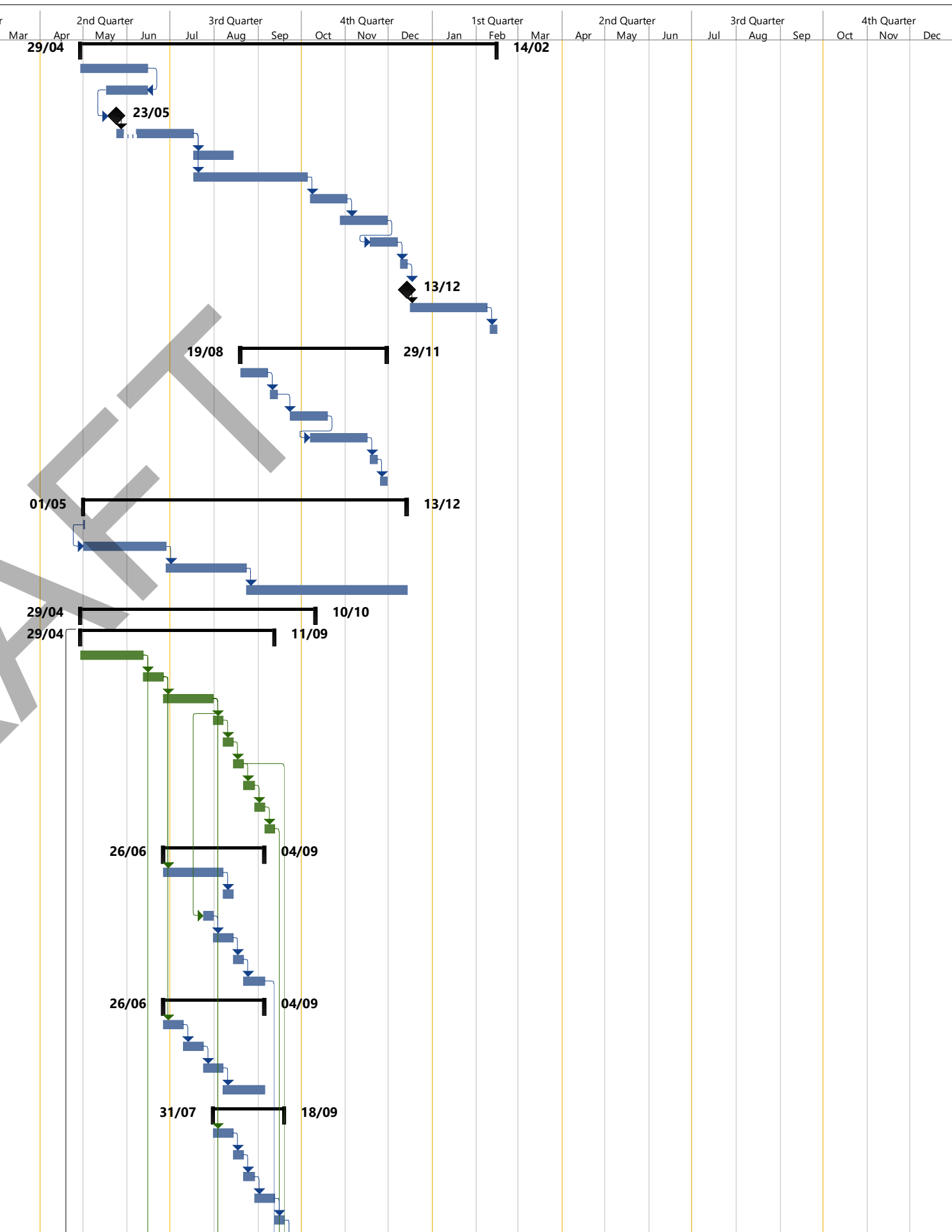
8.1 Do not progress the plans as previously agreed on March 5 2019 by Cabinet and fail to achieve compliance with the Ministerial Directions. This was rejected due to the legal requirements set out in Section 4 of this report.

9 CONSULTATION

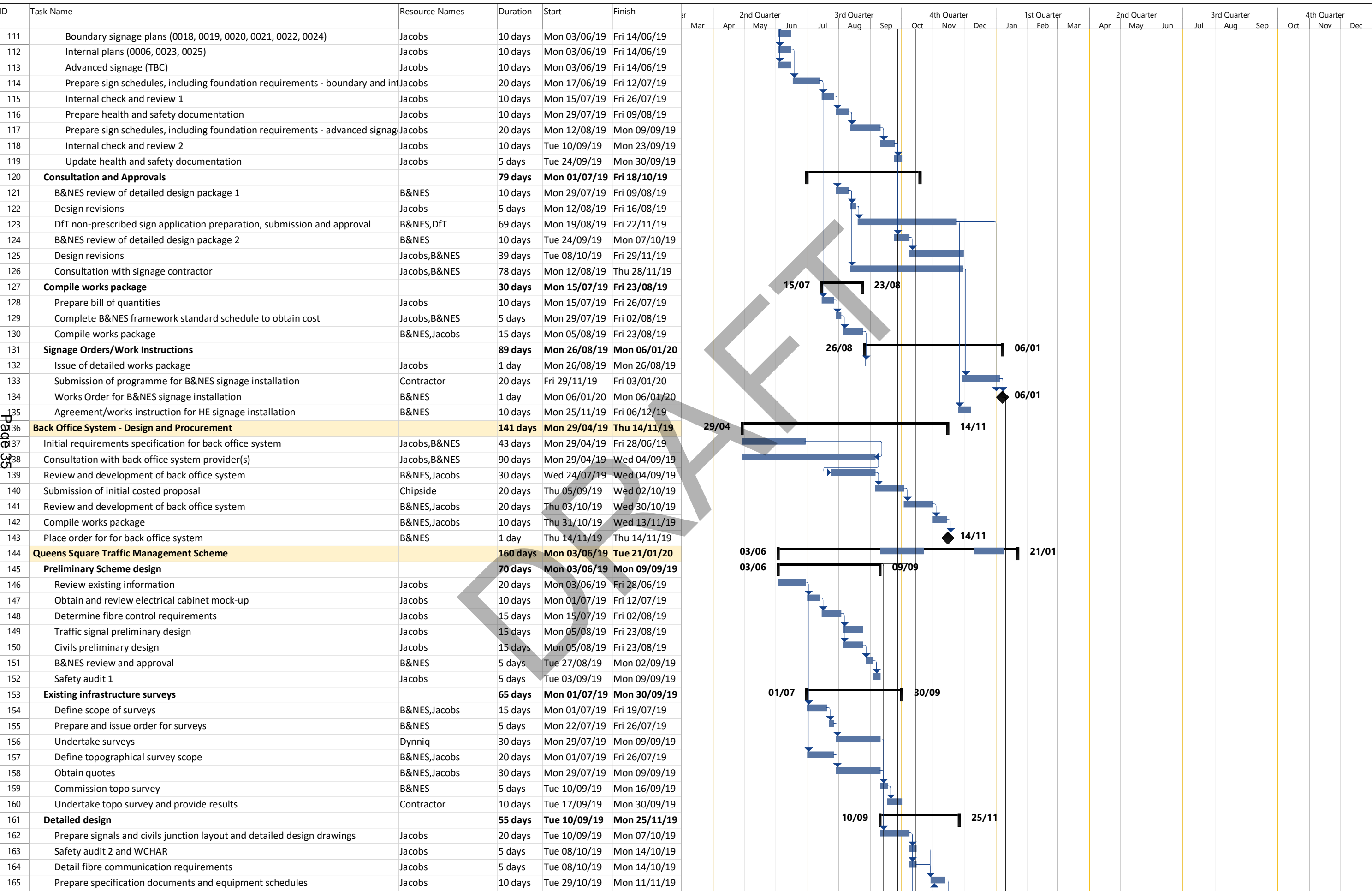
- 9.1 Engagement has been a critical part of the development of the proposals to improve air quality in Bath. The Council has a legal duty to consult, engage and consider the equality impacts of the proposals taken forward. It has made a commitment to communicate with both the public and stakeholders throughout the various stages of the project, whilst both developing the plan and once agreed, during the implementation of the measures to reduce NO₂ emissions.
- 9.2 Failing to fully understand the outcomes from the public consultation when making a significant decision which could affect the transport and travel choices of a large number of businesses and individuals, would leave the Authority at risk of legal challenge.
- 9.3 The principles adopted to ensure fair consultation are detailed below:
- a) consultation must take place when the proposal is still at a formative stage;
 - b) sufficient reasons must be put forward for the proposal to allow for intelligent consideration and response;
 - c) adequate time must be given for consideration and response; and
 - d) the product of consultation must be conscientiously taken into account.
- 9.4 The engagement processes have been ongoing since the Strategic Outline Business Case was published in February 2018. These have included a wide range of engagement activities including a formal consultation with public drop-in sessions, face to face meetings with stakeholders and attendance at Scrutiny Panels and other programmed meetings. Significant work has been undertaken to ensure engagement with both vulnerable and hard to reach groups. Outcomes on all of the engagement processes undertaken are publically available on the Council's website.
- 9.5 The next step is to consult on the changes to the scheme since the last formal consultation in October/November 2018 and to seek views on the draft Charging Order. This is proposed to commence on 23 September 2019 and the consultation period will run for 4 weeks. As before, postcards will be sent to every residential and business address within Bath and North East Somerset and this will be supported by a media and communications strategy, to ensure that all residents and business owners are fully aware of the final proposals.
- 9.6 The outcome of the consultation will be used to inform the final FBC submission to central government which is programmed for December 2019 (subject to final sign-off by Cabinet on 5 December 2019).
- 9.7 The statutory requirement to consult on road user charging schemes, such as a Charging Order to introduce a Clean Air Zone, is contained in the Transport Act 2000, which states:
- "(1A) ... the charging authority ... must consult such local persons, and such representatives of local persons, as they consider appropriate about the charging scheme."

The Council is proposing to discharge this duty by consulting on the final draft Charging Order and final scheme design in a formal public consultation which is programmed to begin on 23 September 2019. Please see Section 9 for further details.

Contact person	<i>Chris Major x4231</i>
Background papers	<p><i>E3132 Bath's Clean Air Plan</i> https://democracy.bathnes.gov.uk/ieDecisionDetails.aspx?ID=1218</p> <p><i>Documents published on the Council's website, including the Outline Business Case and Equalities Impact Assessment</i> https://www.bathnes.gov.uk/bath-breathes-2021-overview</p>
Please contact the report author if you need to access this report in an alternative format	

ID	Task Name	Resource Names	Duration	Start	Finish																												
						Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec						
1	Full Business Case (FBC)		201 days	Mon 29/04/19	Fri 14/02/20	29/04 14/02																											
2	Prepare and issue initial draft FBC and CAF bid	Jacobs	33 days	Mon 29/04/19	Fri 14/06/19																												
3	B&NES review of draft FBC and CAF bid	B&NES	20 days	Fri 17/05/19	Fri 14/06/19																												
4	Submit first draft FBC and CAF bid to JAQU for review	B&NES	0 days	Thu 23/05/19	Thu 23/05/19	23/05																											
5	JAQU review of draft FBC and CAF bid	JAQU	30 days	Fri 24/05/19	Tue 16/07/19																												
6	B&NES Independent Review	B&NES	20 days	Wed 17/07/19	Tue 13/08/19																												
7	Prepare and issue final draft FBC and CAF bid	Jacobs	57 days	Wed 17/07/19	Fri 04/10/19																												
8	B&NES review of final draft FBC and CAF bid	B&NES	20 days	Mon 07/10/19	Fri 01/11/19																												
9	Prepare and issue final FBC and CAF bid	Jacobs	25 days	Mon 28/10/19	Fri 29/11/19																												
10	Prepare and issue cabinet report	B&NES	15 days	Mon 18/11/19	Fri 06/12/19																												
11	B&NES Cabinet sign-off	B&NES	5 days	Mon 09/12/19	Fri 13/12/19																												
12	Submit final FBC and CAF bid to JAQU for review	B&NES,Jacobs	0 days	Fri 13/12/19	Fri 13/12/19	13/12																											
13	JAQU review of final FBC	JAQU	40 days	Mon 16/12/19	Fri 07/02/20																												
14	Secretary of State sign off	JAQU	5 days	Mon 10/02/20	Fri 14/02/20																												
15	Public consultation and engagement		74 days	Mon 19/08/19	Fri 29/11/19	19/08 29/11																											
16	Prepare and issue cabinet report	B&NES	15 days	Mon 19/08/19	Fri 06/09/19																												
17	B&NES Cabinet briefing	B&NES	5 days	Mon 09/09/19	Fri 13/09/19																												
18	Public consultation	Jacobs,B&NES	20 days	Mon 23/09/19	Fri 18/10/19																												
19	Prepare and issue draft consultation report	Jacobs	30 days	Mon 07/10/19	Fri 15/11/19																												
20	B&NES review of draft consultation report	B&NES	5 days	Mon 18/11/19	Fri 22/11/19																												
21	Prepare and issue final consultation report	Jacobs	5 days	Mon 25/11/19	Fri 29/11/19																												
22	Utilities		160 days	Wed 01/05/19	Fri 13/12/19	01/05 13/12																											
23	Request C2 information from B&NES	Jacobs	1 day	Wed 01/05/19	Wed 01/05/19																												
24	C2 information compiled (signage)	B&NES	40 days	Wed 01/05/19	Thu 27/06/19																												
25	Prepare C2 plans to support all design packages	Jacobs	40 days	Fri 28/06/19	Thu 22/08/19																												
26	Utility site surveys (if required)	Contractor	80 days	Fri 23/08/19	Fri 13/12/19																												
27	ANPR Cameras - Design and Procurement		116 days	Mon 29/04/19	Thu 10/10/19	29/04 10/10																											
28	Identify and propose camera locations, types and posts required		95 days	Mon 29/04/19	Wed 11/09/19	29/04 11/09																											
29	Assessment of locations	Jacobs	30 days	Mon 29/04/19	Tue 11/06/19																												
30	Prepare overview drawing of all locations	Jacobs	10 days	Wed 12/06/19	Tue 25/06/19																												
31	Updates to overview drawing following liaison and surveys	Jacobs	25 days	Wed 26/06/19	Tue 30/07/19																												
32	Prepare layout drawings locations 1-9	Jacobs	5 days	Wed 31/07/19	Tue 06/08/19																												
33	Prepare layout drawings locations 10-18	Jacobs	5 days	Wed 07/08/19	Tue 13/08/19																												
34	Prepare layout drawings locations 19-27	Jacobs	5 days	Wed 14/08/19	Tue 20/08/19																												
35	Prepare layout drawings locations i1 - i8	Jacobs	5 days	Wed 21/08/19	Wed 28/08/19																												
36	Prepare layout drawings P&R and Bathampton sites	Jacobs	5 days	Thu 29/08/19	Wed 04/09/19																												
37	B&NES review	B&NES	5 days	Thu 05/09/19	Wed 11/09/19																												
38	Identify and propose cabinets		50 days	Wed 26/06/19	Wed 04/09/19	26/06 04/09																											
39	Assessment of locations	Jacobs,B&NES	30 days	Wed 26/06/19	Tue 06/08/19																												
40	Identify cabinets for replacement	Jacobs,B&NES	5 days	Wed 07/08/19	Tue 13/08/19																												
41	Prepare cabinet design and specification plan	Jacobs,B&NES	5 days	Wed 24/07/19	Tue 30/07/19																												
42	Review with suppliers	Jacobs,B&NES	10 days	Wed 31/07/19	Tue 13/08/19																												
43	Updates to cabinet design and specification	Jacobs,B&NES	5 days	Wed 14/08/19	Tue 20/08/19																												
44	B&NES Review	B&NES	10 days	Wed 21/08/19	Wed 04/09/19																												
45	Lighting column surveys		50 days	Wed 26/06/19	Wed 04/09/19	26/06 04/09																											
46	B&NES to undertake desktop surveys	B&NES	10 days	Wed 26/06/19	Tue 09/07/19																												
47	Identify columns to be replaced	B&NES	10 days	Wed 10/07/19	Tue 23/07/19																												
48	Contractor to visit sites and undertake detailed assessment	B&NES,Contractor	10 days	Wed 24/07/19	Tue 06/08/19																												
49	B&NES to scope and price works	B&NES	20 days	Wed 07/08/19	Wed 04/09/19																												
50	Identify and propose power requirements		35 days	Wed 31/07/19	Wed 18/09/19	31/07 18/09																											
51	Assessment of locations for type of supply	B&NES,Jacobs	10 days	Wed 31/07/19	Tue 13/08/19																												
52	Identify number and extents of connections	B&NES,Jacobs	5 days	Wed 14/08/19	Tue 20/08/19																												
53	Prepare scope of civils works	B&NES,Jacobs	5 days	Wed 21/08/19	Wed 28/08/19																												
54	Liaison with Western Power	B&NES,Jacobs	10 days	Thu 29/08/19	Wed 11/09/19																												
55	Interface with ducting contractor and B&NES	B&NES,Jacobs	5 days	Thu 12/09/19	Wed 18/09/19																												

ID	Task Name	Resource Names	Duration	Start	Finish	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
56	Site visits and collaboration with camera provider		100 days	Mon 29/04/19	Wed 18/09/19																						
57	Initial visits	B&NES,Jacobs,Videalert	20 days	Mon 29/04/19	Tue 28/05/19																						
58	Follow-up visits	B&NES,Jacobs,Videalert	20 days	Wed 29/05/19	Tue 25/06/19																						
59	Continuing liaison with camera provider to order placement	B&NES,Jacobs,Videalert	60 days	Wed 26/06/19	Wed 18/09/19																						
60	Develop specification and methodology, including preferred models	Jacobs,Videalert	35 days	Wed 26/06/19	Tue 13/08/19																						
61	Camera car specification	Jacobs,Videalert	35 days	Wed 26/06/19	Tue 13/08/19																						
62	Compile works package including standard details		35 days	Wed 31/07/19	Wed 18/09/19																						
63	Identify standard details required	Jacobs	5 days	Wed 31/07/19	Tue 06/08/19																						
64	Review for applicability	Jacobs	5 days	Wed 07/08/19	Tue 13/08/19																						
65	Prepare health and safety documentation	Jacobs	5 days	Wed 14/08/19	Tue 20/08/19																						
66	Compile full works packages	Jacobs,B&NES	5 days	Thu 12/09/19	Wed 18/09/19																						
67	Works package and orders		16 days	Thu 19/09/19	Thu 10/10/19																						
68	Issue of detailed works packages	B&NES,Jacobs	1 day	Thu 19/09/19	Thu 19/09/19																						
69	Submission and review of costed proposals	Contractor,B&NES	15 days	Thu 19/09/19	Wed 09/10/19																						
70	Works Order - Videalert	B&NES	1 day	Thu 10/10/19	Thu 10/10/19																						
71	Works Order - Select	B&NES	1 day	Thu 10/10/19	Thu 10/10/19																						
72	Works Order - Western Power	B&NES	1 day	Thu 19/09/19	Thu 19/09/19																						
73	Works Order - B&NES Street Lighting	B&NES	1 day	Thu 10/10/19	Thu 10/10/19																						
74	Communications Networks - Design and Procurement		85 days	Wed 12/06/19	Wed 09/10/19																						
75	Identify communications networks required		35 days	Wed 12/06/19	Tue 30/07/19																						
76	Review existing ducting network in relation to proposed camera locations	Jacobs	15 days	Wed 12/06/19	Tue 02/07/19																						
77	Compile package of existing information	Jacobs	5 days	Wed 03/07/19	Tue 09/07/19																						
78	Undertake initial liasion and site visits with contractor	Jacobs	10 days	Wed 03/07/19	Tue 16/07/19																						
79	Identify new fibre sites	Jacobs,Contractor	10 days	Wed 17/07/19	Tue 30/07/19																						
80	Identify wireless sites	Jacobs,Contractor	10 days	Wed 17/07/19	Tue 30/07/19																						
81	Site surveys including wireless trial		60 days	Wed 03/07/19	Wed 25/09/19																						
82	Contractor to undertake site surveys	Select	10 days	Wed 17/07/19	Tue 30/07/19																						
83	Consultation with comms network provider(s)	Jacobs,B&NES	60 days	Wed 03/07/19	Wed 25/09/19																						
84	Identify wireless communications trial location and scope	Jacobs,B&NES	5 days	Wed 31/07/19	Tue 06/08/19																						
85	Provide costed proposal for trial	Select,Pinnac	5 days	Wed 07/08/19	Tue 13/08/19																						
86	Place order for trial	B&NES	5 days	Wed 14/08/19	Tue 20/08/19																						
87	Undertake trial	B&NES,Jacobs,Select	5 days	Wed 21/08/19	Wed 28/08/19																						
88	Wireless and IT equipment		50 days	Wed 31/07/19	Wed 09/10/19																						
89	Identify locations	B&NES	20 days	Wed 31/07/19	Wed 28/08/19																						
90	Define scope	B&NES	20 days	Thu 29/08/19	Wed 25/09/19																						
91	Provide scope to Pinnac	B&NES	10 days	Thu 26/09/19	Wed 09/10/19																						
92	Compile works package including standard details		23 days	Mon 29/07/19	Thu 29/08/19																						
93	Prepare ducting layout drawings 1-7	Jacobs	5 days	Wed 31/07/19	Tue 06/08/19																						
94	Prepare ducting layout drawings 8-14	Jacobs	5 days	Wed 07/08/19	Tue 13/08/19																						
95	Prepare ducting layout drawings 15-20	Jacobs	5 days	Wed 14/08/19	Tue 20/08/19																						
96	Compile standard details	Jacobs	5 days	Wed 31/07/19	Tue 06/08/19																						
97	Prepare health and safety documentation	Jacobs	5 days	Wed 21/08/19	Wed 28/08/19																						
98	Compile works packages	Jacobs	5 days	Thu 29/08/19	Wed 04/09/19																						
99	Proposals and orders		13 days	Thu 05/09/19	Mon 23/09/19																						
100	Issue of detailed works packages	Jacobs	2 days	Thu 05/09/19	Fri 06/09/19																						
101	Submission and review of costed proposals	Pinnac,Select	10 days	Mon 09/09/19	Fri 20/09/19																						
102	Works order - wireless and IT equipment	B&NES	1 day	Mon 23/09/19	Mon 23/09/19																						
103	Works order - communications network	B&NES	1 day	Mon 23/09/19	Mon 23/09/19																						
104	Signage - Design and Procurement		153 days	Mon 27/05/19	Mon 06/01/20																						
105	Detailed design and specification		35 days	Mon 27/05/19	Fri 12/07/19																						
106	Review outline design (type, sign faces and locations)	Jacobs	4 days	Tue 28/05/19	Fri 31/05/19																						
107	Prepare/update sign face plans (1201, 1202)	Jacobs	10 days	Mon 03/06/19	Fri 14/06/19																						
108	Prepare/update location plans for each site		85 days	Mon 03/06/19	Mon 30/09/19																						
109	Boundary signage plans (0002, 0003, 0004, 0007, 0009)	Jacobs	10 days	Mon 03/06/19	Fri 14/06/19																						
110	Boundary signage plans (0010, 0011, 0012, 0014, 0016)	Jacobs	10 days	Mon 03/06/19	Fri 14/06/19																						



ID	Task Name	Resource Names	Duration	Start	Finish	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter														
						Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
166	Prepare controller build forms	Jacobs	5 days	Tue 12/11/19	Mon 18/11/19																						
167	Determine SCOOT control strategy and preparing SCOOT 'node/link' drawing(s)	Siemens	15 days	Tue 08/10/19	Mon 28/10/19																						
168	Health and safety documentation	Jacobs	5 days	Tue 19/11/19	Mon 25/11/19																						
169	Consultation and approvals		90 days	Tue 10/09/19	Tue 21/01/20																						
170	B&NES review and approval	B&NES	10 days	Tue 26/11/19	Mon 09/12/19																						
171	Consultation with selected contractor(s)	B&NES,Jacobs	30 days	Tue 10/09/19	Mon 21/10/19																						
172	Site visits	B&NES,Jacobs	30 days	Tue 08/10/19	Mon 18/11/19																						
173	Communications with affected stakeholders inc public consultation	B&NES,Jacobs	70 days	Tue 08/10/19	Tue 21/01/20																						
174	Works package and orders		16 days	Tue 10/12/19	Wed 08/01/20																						
175	Confirm specification, cost & programme	Contractor,B&NES	15 days	Tue 10/12/19	Tue 07/01/20																						
176	Order - Dynniq	B&NES	1 day	Wed 08/01/20	Wed 08/01/20																						
177	Order - Volker Highways (ducting, kerbing, white lining)	B&NES	1 day	Wed 08/01/20	Wed 08/01/20																						
178	Order - Siemens for SCOOT	B&NES	1 day	Wed 08/01/20	Wed 08/01/20																						
179	Order - B&NES IT for CCTV	B&NES	1 day	Wed 08/01/20	Wed 08/01/20																						
180	Order - Select (fibre connections and possibly CCTV)	B&NES	1 day	Wed 08/01/20	Wed 08/01/20																						
181	ANPR Camera Implementation		200 days	Fri 11/10/19	Thu 30/07/20																						
182	Provision of supplementary contractor details for ANPR, connectivity and specificat	Contractor	20 days	Fri 11/10/19	Thu 07/11/19																						
183	Final review and acceptance of ANPR camera detailed design and specification	Contractor	20 days	Fri 08/11/19	Thu 05/12/19																						
184	Mobilisation, component acquisition, assembly & production	Contractor	60 days	Fri 06/12/19	Fri 06/03/20																						
185	Site installation - street lighting, poles, cameras and power	Contractor	100 days	Mon 09/03/20	Thu 30/07/20																						
186	Communications Network Implementation		180 days	Tue 24/09/19	Mon 15/06/20																						
187	Provision of supplementary contractor details for communications	Select	20 days	Tue 24/09/19	Mon 21/10/19																						
188	Final review and acceptance of communications specifications	B&NES,Jacobs	20 days	Tue 22/10/19	Mon 18/11/19																						
189	Mobilisation, component acquisition, assembly and production	Select	40 days	Tue 19/11/19	Tue 21/01/20																						
190	Installation (comms network and terminations)	Select	100 days	Wed 22/01/20	Mon 15/06/20																						
191	Signage Installation		115 days	Tue 07/01/20	Fri 19/06/20																						
192	Mobilisation, hardware acquisition, assembly and production	Volker Highways	30 days	Tue 07/01/20	Mon 17/02/20																						
193	Site surveys	B&NES,Jacobs,Volker H	20 days	Tue 07/01/20	Mon 03/02/20																						
194	Installation - boundary	Volker Highways	75 days	Tue 04/02/20	Thu 21/05/20																						
195	Installation - internal	Volker Highways	40 days	Tue 04/02/20	Mon 30/03/20																						
196	Installation - advanced	Volker Highways	75 days	Tue 04/02/20	Thu 21/05/20																						
197	Review and acceptance	B&NES,Volker Highway	20 days	Fri 22/05/20	Fri 19/06/20																						
198	Back Office System Implementation		170 days	Fri 15/11/19	Thu 23/07/20																						
199	Detailed design of back office system	Contractor	20 days	Fri 15/11/19	Thu 12/12/19																						
200	Provision of Final System Specification (FSS)	Contractor	5 days	Fri 13/12/19	Thu 19/12/19																						
201	Agreement of back office detailed design and FSS	B&NES	10 days	Fri 20/12/19	Fri 10/01/20																						
202	Mobilisation, component acquisition, assembly & production	Contractor	20 days	Mon 13/01/20	Fri 07/02/20																						
203	Integration with central government system	B&NES,JAQU	20 days	Mon 13/01/20	Fri 07/02/20																						
204	Back office installation	Contractor	100 days	Mon 10/02/20	Thu 02/07/20																						
205	Site acceptance testing	B&NES,Contractor	15 days	Fri 03/07/20	Thu 23/07/20																						
206	Queen Square Traffic Management - Implementation		75 days	Thu 09/01/20	Fri 24/04/20																						
207	Mobilisation	Contractor	20 days	Thu 09/01/20	Wed 05/02/20																						
208	Construction - civils	Volker Highways	20 days	Thu 06/02/20	Wed 04/03/20																						
209	Resurfacing and lining	Volker Highways	5 days	Thu 05/03/20	Wed 11/03/20																						
210	Slot cutting	Select	10 days	Thu 12/03/20	Wed 25/03/20																						
211	Signals installation inc power supplies	Dynniq	15 days	Thu 26/03/20	Fri 17/04/20																						
212	SAT and commissioning	Dynniq	5 days	Mon 20/04/20	Fri 24/04/20																						
213	System Integration Testing, Monitoring and Handover		58 days	Fri 10/07/20	Wed 30/09/20																						
214	System/comms integration end to end testing	B&NES,Contractor	15 days	Fri 10/07/20	Thu 30/07/20																						
215	Performance monitoring	B&NES,Contractor	28 days	Fri 31/07/20	Wed 09/09/20																						
216	Handover	B&NES,Contractor	15 days	Thu 10/09/20	Wed 30/09/20																						
217	Preparation of CAZ System for Operation	B&NES,Contractor	23 days	Thu 01/10/20	Mon 02/11/20																						
218	Baseline monitoring	B&NES	20 days	Tue 06/10/20	Mon 02/11/20																						
219	CAZ Operation Ready to Commence	B&NES	0 days	Mon 02/11/20	Mon 02/11/20																						



SNC • LAVALIN

Bath Clean Air Zone

Peer Review – Report

Bath and North East Somerset Council

27 August 2019

Notice

This document and its contents have been prepared and are intended solely as information for Bath and North East Somerset Council and use in relation to a review of the air quality, modelling and strategy elements of the Outline Business Case for the Bath Clean Air Plan.

SNC-Lavalin assumes no responsibility to any other party in respect of or arising out of or in connection with this document and/or its contents.

This document has 22 pages including the cover.

Document history

Revision	Purpose description	Originated	Checked	Reviewed	Authorised	Date
Rev 1.0	Draft Report	SG/SP/PJT	AC	LS	AC	19/08/2019
Rev 2.0	Revised Draft	SG/SP	AC	LS	AC	22/08/2019
Rev 2.1	Final revisions	SP/PJT				27/08/2019

Client signoff

Client	Bath and North East Somerset Council
Project	Bath Clean Air Zone
Job number	5191007
Client signature / date	

Contents

Chapter	Page
Executive summary	4
1. Introduction	6
2. Background	7
2.1. JAQU guidance	7
2.2. Clean Air Zones	8
2.3. Non-official guidance	8
2.4. Decision-making process	8
3. Air quality review	10
3.1. Review findings	10
3.2. Conclusions	11
3.3. Recommendations	12
4. Traffic modelling review	13
4.1. Review findings	13
4.2. Conclusions	14
4.3. Recommendations	14
5. Strategic case and conclusions	15
5.1. Next steps	15
Appendices	17
Appendix A. Air quality review summary	18
Appendix B. Traffic modelling review summary	21
 Figures	
Figure 2-1 - JAQU's evidence assurance process	7
Figure 2-2 - Summary of OBC development process	9

Executive summary

The key inputs, assumptions and decision points taken in forming the current Bath CAZ proposal have been reviewed across three topic areas: air quality, traffic modelling and the strategic case. The purpose of this high-level independent and impartial review is to provide BANES with feedback whilst providing recommendations for further investigation. The review process does not provide technical or analytical assurance of the work undertaken.

The conclusions and recommendations provided in this high-level review are therefore based on BANES' and its consultants technical assessments undertaken to date, with acknowledgement of the uncertainty as to the degree of post-opening response.

Overall, the Options Assessment Report and Outline Business Case follow a structured, evidenced based approach in line with best practice in business case development.

It should be noted that modelling and forecasting assessments undertaken to produce the CAZ proposal are based on following best practice and statutory and non-statutory guidelines.

Air quality

The air quality review contains some specific recommendations that could increase the understanding of the potential impact of the options, we would be happy to discuss these further with your technical team.

It is recognised however that (a) the modelling and assessment work has been undertaken within the relatively short timescales prescribed by JAQU and (b) there appear to be specific, local factors which have a substantial influence on air pollutant concentrations in Bath (e.g. road gradient). It is acknowledged that BANES felt required to develop a bespoke approach for undertaking its air quality assessments; this review highlights some recommendations to improve this approach, with the aim of ensuring it becomes more robust against potential scrutiny,

Traffic modelling

The modelling/forecasting for the CAZ is providing forecasts of the response of road users to the introduction of charges to entering Bath. Road users may respond by upgrading vehicle fleets, choosing to pay the charge to enter the CAZ, change model of transport or decide not to travel.

The London congestion charge is an example of the complexities of such forecasts, and variability against real-world results, as traffic reduction levels far exceeded the forecast when the scheme went live. It should be noted however, that London congestion charge's key aim to reduction in traffic flows, whereas the CAZ aims relate to reductions in emissions.

Uncertainty

The absence of an extensive pool of real-world evidence presents difficulty in evaluating the effects of delivering CAZs. The current lack of evidence on the response of road users when faced with the choice to pay a fee, upgrade their vehicles, or choose active modes, means that the technical forecasts undertaken for the CAZ proposal is subject to uncertainty.

A further consideration with CAZ is the extent and speed that commercial bodies and private individuals can adapt to any charge, e.g., how many vehicles are in the taxi fleet and how long would it take to convert that fleet?

The air quality review contains several recommendations for further work that could increase the understanding of alternative scenarios. We recognise that some of these issues may have already been or are currently being considered in technical work and would be happy to meet with your consultant team to discuss these areas in more detail.

Overall, with limited experience of charging schemes and emissions control schemes around the world there should be contingency plans to allow measures to increase the effectiveness should emissions not decrease as planned. [It is subsequently understood that this work is currently in progress and will be included in the FBC].

Summary

Whilst there are limitations with any modelling of CAZ, we do recognise that that CAZ C, with traffic management, has the potential to use wider control of traffic flows to achieve the desired outcomes. It will be

important that the traffic management approach implemented is able to respond and either restrict or relax the flow of general traffic as the real-world applications and impacts of the CAZ are monitored.

Critical to the successful implementation of CAZ will be robust monitoring and evaluation of the performance of the scheme, alongside a willingness to review and alter the scheme should the real-world performance differ from significantly from the business case.

1. Introduction

A high-level peer review of the air quality, traffic modelling and strategic case elements of the Outline Business Case (OBC) for Bath and North East Somerset Council's (BANES) Bath Clean Air Plan (CAP) has been undertaken. The following documents have been reviewed across the three topic areas:

Table 1-1 - Reviewed documents¹

Air quality	Traffic modelling	Strategic case
Outline Business Case	Outline Business Case	Outline Business Case
Options Assessment Report	Options Assessment Report	Options Assessment Report
AQ2 Local Plan Air Quality Modelling Methodology Report	T3 Local Plan Transport Modelling Methodology Report	BANES Technical Independent Review Panel Responses (June 2019 draft) ²
AQ3 Air Quality Modelling Report	ANPR Data Analysis and Application	
ANPR Data Analysis and Application	Local Model Validation Report (Addendum: LGV and HGV Validation)	
Primary Behavioural Response Calculation Methodology	Sensitivity Testing Technical Note	
Sensitivity Testing Technical Note	Analytical Assurance Statement	
Analytical Assurance Statement	BANES Technical Independent Review Panel Responses (June 2019 draft) ²	
BANES Technical Independent Review Panel Responses (June 2019 draft) ²		

¹Documents have been sourced from BANES' Bath Breathes website and were published in March 2019 unless stated.

²BANES' responses to the Technical Independent Review Panel (T-IRP) were requested and provided.

The intention of this report is to provide a high-level review of the key inputs, assumptions and decision points that were made by BANES and its consultants in preparing the preferred Clean Air Zone (CAZ) option. In order to provide an independent and impartial review, Atkins did not contact BANES' consultants (Jacobs and Air Quality Consultants).

This report is set out as follows:

- Section 2 provides the background context of Bath CAZ, setting out the national guidance and subsequent decision-making process that BANES and its consultants took in delivering its proposals;
- Section 3 sets out the air quality review findings;
- Section 4 sets out the traffic modelling review findings; and
- Section 5 provides commentary on the strategic case and presents conclusions and next steps.

2. Background

The OBC and its supporting technical documents have been reviewed and a simple diagram produced illustrating the decision-making process which was followed during the development of the OBC (see Figure 2-1).

2.1. JAQU guidance

This review has been undertaken with reference to the following guidance issued by JAQU:

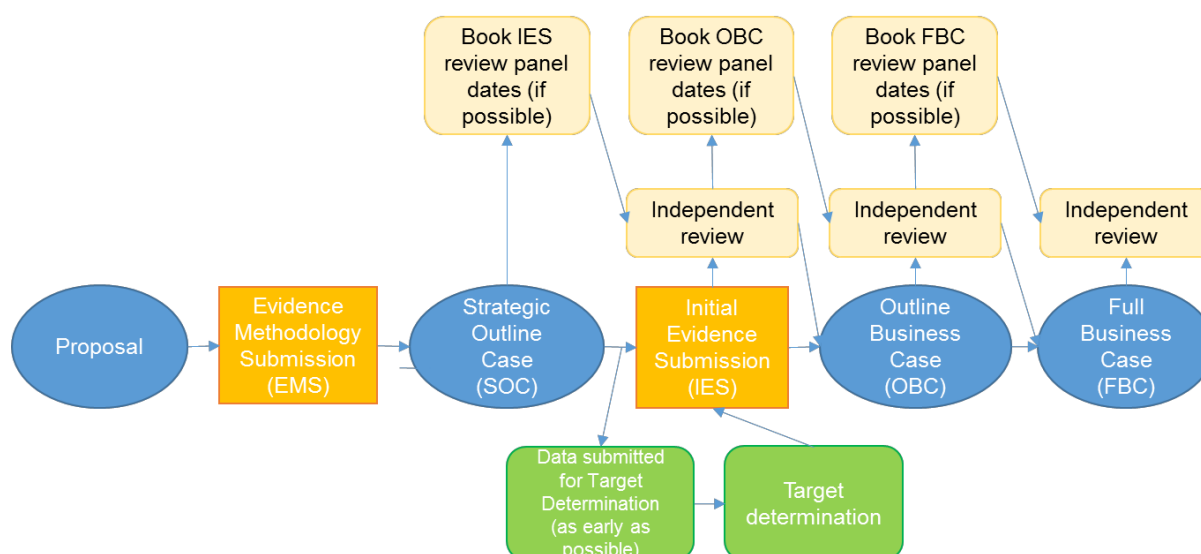
- Evidence – Transport and Air Quality;
- Options Appraisal; and
- Evidence – Supplementary Note of Sensitivity Testing.

It should be noted that the evidence base developed to support BANES' Local Plan has previously been reviewed at several stages as part of JAQU's Evidence Assurance Programme to ensure a *"reasonable level of robustness and quality given the timeframe"*. This process has included a number of independent reviews of BANES' entire evidence base by a group of external experts called the Technical Independent Review Panel (T-IRP), who have reviewed the evidence at key milestones respectively (see Figure 2-1).

The following additional documents, produced as part of and following these reviews, were therefore also requested from and provided by BANES and included in the review:

- BANES T-IRP Responses June 19 DRAFT; and
- Technical Note: Response to T-IRP Comments on Gradient Adjustments (March 2019).

Figure 2-1 - JAQU's evidence assurance process



2.1.1. Success factors

JAQU's Option Appraisal guidance is built around the principle of primary and secondary critical success factors (CSFs), such that the primary CSF always take precedence – in this case, to achieve compliance in the shortest possible time. Business cases therefore need to assess the expected year in which compliance with NO₂ limits will be achieved for each option. Options that are not expected to deliver compliance in the same calendar year as the fastest combination of options should therefore be rejected.

While the primary CSF determines whether an option achieves the minimum requirements of the project, other CSFs should be used to determine which option would be best relative to other considerations. These secondary CSFs should be scored on a sliding scale (e.g. from 1 to 4) and options might not be automatically rejected for performing poorly against a certain scored CSF if they perform well against others. Options should be accepted/rejected based on the final combined weighted score of these CSFs.

2.2. Clean Air Zones

Charging Clean Air Zones are zones where vehicle owners are required to pay a charge to enter, or move within, a zone if they are driving a vehicle that does not meet the particular emission standard for their vehicle type in that zone. Defra / DfT's Clean Air Zone Framework¹ defines four classes of charging CAZ, each of which affect a different combination of vehicle types, as summarised in Table 2-1.

Table 2-1 - CAZ classes

CAZ	Buses	Coaches	Taxis & private hire	HGVs	LGVs	Cars
Class A	X	X	X			
Class B	X	X	X	X		
Class C	X	X	X	X	X	
Class D	X	X	X	X	X	X

2.3. Non-official guidance

Whilst not intended as legal advice, ClientEarth have issued guidance² to local authorities on the legal tests which should be applied to local air quality plans based on recent High Court judgements against the UK Government, namely that plans must:

1. Aim to achieve compliance as soon as possible;
2. Choose a route to compliance which reduces human exposure as quickly as possible; and
3. Ensure that compliance with the limit values is not just possible, but likely.

These three tests have been taken into account when considering the outcomes of this review.

2.4. Decision-making process

A high-level summary of the decision-making process followed during the development of BANES' OBC is set out below in Figure 2-2.

On 5th March 2019, Cabinet decided on the preferred CAZ option, which is a Class C CAZ with traffic management. This decision was made following the production of the OBC which demonstrated that two options were found to achieve compliance in the shortest possible time, and were therefore deemed to be equally effective in terms of compliance. These two options were:

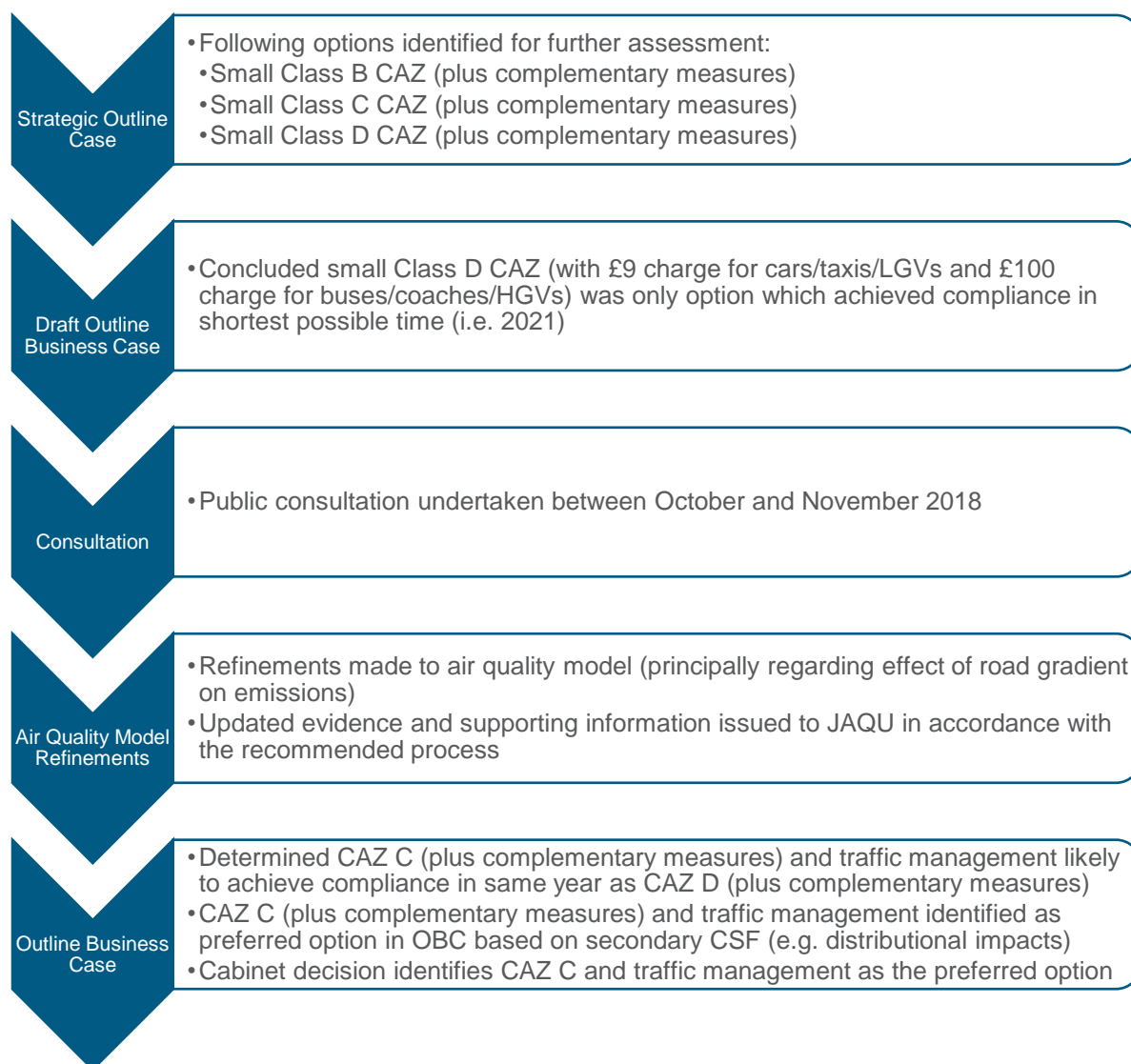
- A Class C CAZ with traffic management (the OBC's preferred option and decided to be the Cabinet's preferred option); and
- A Class D CAZ.

A key focus of this review has therefore been on seeking to understand the model refinements made following the draft OBC, which resulted in the preferred option in the OBC changing from a Class D CAZ to a Class C CAZ with traffic management measures. The Class D CAZ proposal was initially considered to be the best performing option during the preceding SOBC phase.

¹ Defra / DfT (2017), Clean Air Zone Framework, Principles for setting up Clean Air Zones in England.

² ClientEarth (2018), What do ClientEarth's legal cases mean for Feasibility Studies for nitrogen dioxide compliance in England?

Figure 2-2 - Summary of OBC development process



3. Air quality review

The findings of this review are summarised in tabular format in Appendix A. [It is understood that the responses / clarifications to the medium/high risk items described in Appendix A, are currently being developed by Jacobs on behalf of BANES]. Those observations which are considered to be the most significant in terms of the primary CSF are discussed in more detail below – where ‘most significant’ relates to the confidence BANES can have that the preferred option identified in the OBC is likely to achieve compliance with the EU Limit Value in the ‘shortest possible time’.

3.1. Review findings

3.1.1. Road gradient adjustment

It is acknowledged (including by JAQU) that road gradients can have a significant impact on vehicle NO_x emissions, particularly for HDVs (heavy duty vehicles: HGVs, buses and coaches). JAQU’s preferred approach for modelling road gradients is that set out in LAQM.TG16³, however JAQU state that “*the limitations and uncertainties around this approach must be acknowledged*”.

Between the draft OBC and current OBC, a different and bespoke approach to reflecting the effect of road gradient on emissions was developed by the consultants employed by BANES to undertake the air quality modelling for the OBC. This was in an attempt to better account for the effect of uphill road gradients on emissions, which at some locations in Bath appear to result in substantially increased emissions. The objective was to improve the performance of the air quality model, which tended to substantially underpredict at locations with substantial uphill gradients. As this change affected the air quality modelling baseline results and Target Determination datasets, an updated set of evidence reports and supporting information were developed and issued to JAQU (additional to the defined stages of submission), in accordance with the recommended process, to seek JAQU comment on the approach prior to Final OBC submission.

The approach currently employed within the air quality modelling undertaken on behalf of BANES therefore multiplies estimated LGV and HGV emissions on selected uphill road sections by a factor of 7.392 to more closely match measured concentrations, whereas all other road traffic emissions are multiplied by a factor of 1.575. Which roads the two separate adjustments are applied to (compared to PCM exceedance locations) is not clear from the documents reviewed.

JAQU’s Technical Independent Review Panel’s (T-IRP) response to this approach, which they initially gave a ‘red’ risk rating to (i.e. significant development is needed in important areas), stated:

“The calibration factor applied to LGV/HGV on gradient sections is far greater than an expected value as implied by other studies. As example, the study undertaken at Caerphilly suggests a calibration factor of approximately 2 to be appropriate for cars and for vans. It appears this factor has only been applied to LGV/HGV and no factor has been applied to cars within the fleet. There is concern that in not applying this factor to all diesel vehicles, this may be disproportionately over-estimating the impact of the CAZ C+ measure package”.

The T-IRP’s concern was that the approach employed substantially increases the contribution made by LGVs and HGVs to NO₂ concentrations adjacent to certain road links, relative to other vehicle types (especially diesel cars). This in turn increases the modelled effectiveness of a Class C CAZ (which affects buses, coaches, taxis, PHVs, HGVs and LGVs).

In other words, by not applying the same magnitude of gradient adjustment to diesel cars, the assumed benefits of a Class C CAZ (i.e. the preferred option), at locations where the gradient adjustment is applied, is substantially increased. This therefore introduces uncertainty in the likely effectiveness of the preferred option.

Sensitivity testing was therefore undertaken on behalf of BANES in response to this comment, the outcomes of which reduced the T-IRP’s perceived risk associated with this assumption to amber / green (i.e. some amendments/additions needed), however the T-IRP still stated that:

“The panel remain unconvinced that the selected method for gradient uplift factors is the most robust. The sensitivity testing done in this area appears to demonstrate that it does not impact the outcome of the study. However, the panel recognise that this a topic with a high level of residual uncertainty.

³ Defra (2016), Local Air Quality Management Technical Guidance (LAQM.TG16).

Please ensure that monitoring on gradient roads is conducted and that the source apportionment on these roads is regularly evaluated during implementation. Errors in the source apportionment contribution at the modelling stage can be projected forward and so compound in the future. "

Therefore, whilst the T-IRP remain unconvinced of the robustness of the gradient correction approach adopted, they seem content that any associated risks are managed going forwards as part of the monitoring and evaluation process. There are two potential issues with this:

- The costs for monitoring and evaluation will be much higher (albeit these should be funded by JAQU); and
- It is unclear what BANES would be required to do if the preferred option once implemented is shown not to achieve compliance at locations where the bespoke gradient adjustment has been applied.

It would therefore seem prudent that additional work is undertaken to develop a contingency plan should monitoring and evaluation show the preferred option does not achieve compliance at locations where the assumed effectiveness of the preferred option has been influenced by the gradient adjustment approach applied. [It is subsequently understood that this work is currently in progress and will be included in the FBC].

3.1.2. Background pollutant concentrations

It is common practice to verify and adjust (where necessary) background maps (i.e. the assumed contribution from sources which have not been specifically modelled), by comparing modelled concentrations (provided by Defra) with measured background concentrations in a particular area and deriving an appropriate adjustment factor.

This process has been undertaken within the air quality modelling undertaken on behalf of BANES, however in this instance, the comparison and adjustment factor applied (+41%) is based on a comparison at a single diffusion tube site in Bath. As such, it is considered that there is significant uncertainty as to whether:

- This comparison is truly accurate (given the uncertainty associated with diffusion tube measurements, which are typically adjusted for bias based on measurements undertaken at roadside locations where concentrations are much higher than at background sites); and/or
- Whether the adjustment factor derived at this single monitoring site is representative of the difference between estimated and real-world background concentrations across the study area as a whole.

3.1.3. Sensitivity testing

A large number of sensitivity tests have been undertaken and presented and discussed with the Sensitivity Testing Note and Analytical Assurance Statement (AAS), however other than the sensitivity testing for gradients discussed in Section 3.1.1 (which is not presented within either the Sensitivity Testing Note or AAS), no sensitivity testing is presented for the current preferred option (i.e. a Class C CAZ with traffic management), which is unusual. It is assumed therefore the sensitivity tests were undertaken when the preferred option was still a Class D CAZ.

3.2. Conclusions

It is considered that the identification of a charging Class C CAZ plus traffic management as the preferred option is particularly dependent upon the magnitude of the bespoke gradient correction factor derived by the consultants employed by BANES, in which there is significant uncertainty, and regarding which concerns have been raised by the T-IRP.

Because this approach significantly increases the relative contribution made by HGVs and LGVs on roads with uphill gradients, were this approach not applied, it is assumed that a charging Class C CAZ plus traffic management would potentially not be the preferred option (i.e. the Primary CSF of achieving compliance in the shortest possible time would potentially not be met).

In other words, by not applying the same gradient adjustment to diesel cars, the relative benefits of CAZ D and CAZ C are not compared on a common footing, which may unduly add uncertainty to the identification of the preferred option. Given this degree of uncertainty, it is unclear whether the preferred option as defined in the OBC is actually 'likely' (rather than just 'possible') to 'achieve compliance in the shortest possible time', thereby increasing the risk of potential challenge to BANES' current Clean Air Plan.

3.3. Recommendations

It is considered prudent to undertake the following to reduce the uncertainty and risk in the selection of BANES' current OBC preferred option:

- A map of the locations in the air quality study area where gradient adjustments were applied (compared to PCM exceedance locations) is required (and should be presented in AQ2) to understand the extent to which the road gradient approach applied affects modelled annual mean NO₂ concentrations in Bath and the estimated year of compliance for each option;
- Sensitivity tests of the CAZ C and CAZ D scenarios, with the same gradient adjustment factors applied to diesel cars as to LGVs and HGVs;
- Develop a contingency plan which could be employed should the implementation of the preferred option fail to achieve compliance at locations with substantial uphill road gradients. This should include how the monitoring and evaluation plan would identify if and when additional intervention was required, what this intervention might be and how it would be implemented and funded. [It is subsequently understood that this work is currently in progress and will be included in the FBC]; and
- Update the Sensitivity Testing Note and AAS with the results of sensitivity testing of the preferred option. [It is subsequently understood that this work is currently in progress and will be included in the FBC].

Representatives of Atkins' Air Quality team are available to meet Bath and North East Somerset Council's air quality consultants to discuss the specifics of the additional modelling (should you wish to proceed with it) to best develop a way forward. We also recognise that some testing may already have been done since or around the revised OBC and would be happy to receive or discuss such information as this could change our recommendations above.

4. Traffic modelling review

The findings of the traffic modelling review are summarised in tabular format in Appendix B. [It is understood that the responses / clarifications to the medium/high risk items described in Appendix B, are currently being developed by Jacobs on behalf of BANES]. Those observations which are considered to be the most significant in terms of the primary CSF are discussed in more detail below – where ‘most significant’ relates to the confidence BANES can have that the preferred option identified in the OBC is likely to achieve compliance with the EU Limit Value in the ‘shortest possible time’.

4.1. Review findings

The main data utilised in the modelling is provided in the ANPR Data Analysis and Application and Appendix I Stated Preference survey report, with reference to its usage in the Modelling Methodology report. In general, the quality and quantity of the data utilised, and how it was processed and used is considered acceptable and provides confidence in the outputs of the modelling. A number of checks on the consistency of the data with the quoted sources and how it was used showed there to be no major concerns.

Based on the information provided in the modelling reports, the suitability of the base model to replicate observed traffic conditions and its ability to realistically respond to changes in infrastructure pricing and demand are considered acceptable. The primary calibration metric (volumetric check on traffic flows) generally looks to be acceptable, particularly with respect to LGV and HGV freight traffic.

A number of issues and questions potentially remain, these being:

4.1.1. Freight (prior) demand matrix data)

There is minimal detail on how the freight (prior) demand matrix data was developed before checking the assignment. There is no discussion on checks on trips ends, trip distribution and how the “post adjustment” process was applied.

A high-level review of the matrix prompts the following questions and observations:

- What age is the data and how much confidence do we have in it?
- There is also concern about applying NTEM and RTF growth to 2014 data to derive 2017 data.
- Does this meet local observations?
- The ANPR data has not been used to potentially check the freight trip patterns through the CAZ. How well does the model replicate these?
- Whilst the calibration of the model using volumetric traffic counts matches to a reasonable standard, further checks on the distribution patterns would provide confidence that the model is responding plausibly to how these trips will respond to the CAZ.

4.1.2. Stated preference surveys

The modelling relies on stated preference (SP) surveys to predict responses to the CAZ. This prompts the following questions and observations:

- Whilst this is presumably the only source of information currently available, are there any examples of how freight actually responds to a similar freight demand scheme elsewhere?
- Some of the assumptions for replacement rates of (in particular) Taxis, HGVs and buses (in excess of 80% within two years) would appear to be very high without evidence that this is plausible behaviour.
- Clarification of how changes from the SP survey have been applied to the model. The responses from the SP appear to be based on change in VKM but absolute changes in demand have been applied to the demand matrix.

4.1.3. Other issues and questions

- It may be prudent to check historic observed (short term) trends in travel to check if projected growth to 2021 is plausible. Does the annual increase in demand forecast met with recent observed on-site trends?
- It has been noted and agreed that the modelling incorporates no variable demand element. The highway model does include some VDM and realism testing, but these have not been utilised in the CAZ testing as it only applies to car trips.

4.2. Conclusions

It would be preferable to have some evidence of how freight traffic actually responds to a similar scheme, as opposed to reliance on a SP survey, but if this data is not available then the modelling approach undertaken is the most robust to provide information to the AQ modelling and is considered acceptable to assess the suitability of the preferred option. Whilst there are some localised issues, these would not appear to have a material impact on forecasting the impact of the scheme.

In general, the approach is considered the most proportionate and the execution of the modelling is reasonable.

4.3. Recommendations

It is considered prudent to undertake the following to reduce the uncertainty and risk in the selection of BANES' current OBC preferred option:

- Is there any (recent) evidence as to behavioural response to schemes similar to the CAZ? Reliance on SP surveys requires a high level of uncertainty as to actual behaviour;
- Additional clarification and detail on how well freight trip patterns have been replicated in the model and its reliability to predict changes from the CAZ;
- Confirmation of how the SP survey responses have been implemented in the model (change in distance or demand?); and
- A check on recent historic trends to confirm the reliability of near-term forecasts.

5. Strategic case and conclusions

The key inputs, assumptions and decision points taken in forming the current Bath CAZ proposal have been reviewed across three topic areas: air quality, traffic modelling and the strategic case. The purpose of this high-level independent and impartial review is to provide BANES with feedback whilst providing recommendations for further investigation. The review process does not provide technical or analytical assurance of the work undertaken.

The conclusions and recommendations provided in this high-level review are therefore based on BANES' and its consultants technical assessments undertaken to date, with acknowledgement of the uncertainty as to the degree of post-opening response.

Overall, the Options Assessment Report and Outline Business Case follow a structured, evidenced based approach in line with best practice in business case development.

It should be noted that modelling and forecasting assessments undertaken to produce the CAZ proposal are based on following best practice and statutory and non-statutory guidelines. The air quality review contains some specific recommendations that could increase the understanding of the potential impact of the options, we would be happy to discuss these further with your technical team.

It is recognised however that (a) the modelling and assessment work has been undertaken within the relatively short timescales prescribed by JAQU and (b) there appear to be specific, local factors which have a substantial influence on air pollutant concentrations in Bath (e.g. road gradient). It is acknowledged that BANES subsequently felt required to develop a bespoke approach for undertaking its air quality assessments; this review highlights some recommendations to amend this approach, with a view to ensuring that it becomes more robust against potential scrutiny,

Overall, the modelling/forecasting for the CAZ is providing forecasts of the response of road users to the introduction of charges to entering Bath. Road users may respond by upgrading vehicle fleets, choosing to pay the charge to enter the CAZ, change model of transport or deciding not to travel.

The London congestion charge is an example of the complexities of such forecasts, and variability of forecasts against real-world results, as traffic reduction levels far exceeded the forecast when the scheme went live. It should be noted however, that London congestion charge's key aim to reduction in traffic flows, whereas the CAZ aims relate to reductions in emissions.

The absence of an extensive pool of real-world evidence presents difficulty in evaluating the effects of delivering CAZs. The current lack of evidence on the response of road users when faced with the choice to pay a fee, upgrade their vehicles, or choose active modes, means that the technical forecasts undertaken for the CAZ proposal is subject to uncertainty.

A further consideration with CAZ is the extent and speed that commercial bodies and private individuals can adapt to any charge, e.g., how many vehicles are in the taxi fleet and how long would it take to convert that fleet?

The air quality review contains several recommendations for further work that could increase the understanding of alternative scenarios. We recognise that some of these issues may have already been or are currently being considered in technical work and would be happy to meet with your consultant team to discuss these areas in more detail.

Overall, with limited experience of charging schemes and emissions control schemes around the world there should be contingency plans to allow measures to increase the effectiveness should emissions not decrease as planned. [It is subsequently understood that this work is currently in progress and will be included in the FBC].

Whilst there are limitations with any modelling of CAZ, we do recognise that that CAZ C, with traffic management, has the potential to use wider control of traffic flows to achieve the desired outcomes. It will be important that the traffic management approach implemented is able to respond and either restrict or relax the flow of general traffic as the real-world applications and impacts of the CAZ are monitored.

Critical to the successful implementation of CAZ will be robust monitoring and evaluation of the performance of the scheme. It is therefore prudent to have robust contingency plans alongside a willingness to review and alter the scheme should the real-world performance differ from significantly from the business case.

5.1. Next steps

BANES should reflect on the conclusions and recommendations presented in this high-level peer review. Whilst the degree of uncertainty relating to the absence of real-world evidence is important, actioning the

recommendations provided across the three topic areas will assist in adding clarity and confidence to the technical work undertaken in establishing the preferred CAZ option.

Atkins and BANES' consultants may wish to discuss and agree the specifics of the actions to best develop a way forward quickly and recognising that some testing may already have been done since or around the revised OBC.

Appendices



Appendix A. Air quality review summary

Report	Aspect	Observation	Comment	Risk of challenge	Suggestion
AQ2 Air Quality Modelling Methodology Report	Vehicle emission factors	Latest version of EFT available at time of study used (v8.0.1a)	Standard practice	Negligible	None
	Dispersion model	ADMS Roads (v4.1) used	Standard practice	Negligible	None
	Street Canyons	Advanced Street Canyon model (with parameters manually defined)	Model has been widely used for similar studies but is subject to some uncertainty. Manual definition of street canyon parameters introduces risk of error.	Low	None
	Base year	2017	Standard practice	Negligible	None
	Model domain	Defined as per JAQU guidance	Spatial extent considered likely to be sufficient, however it is unclear whether or not more minor roads have been specifically excluded as exceedances considered unlikely or they are just not included within the traffic model.	Low	None
	Receptor locations (PCM)	Receptors modelled at 2m in height and 4m from the roadside adjacent to PCM model links	Required by JAQU guidance	Negligible	None
	Met data	Data used from Filton airport for 2017	Considered appropriate	Negligible	None
	Surface roughness	0.1m for met site, 1.0m for dispersion site	Considered appropriate	Negligible	None

Traffic data	From SATURN (GBATH) traffic model	Considered appropriate	Negligible	None
Fleet composition	Derived from ANPR data	Considered appropriate	Negligible	None
Vehicle speed data	From SATURN (GBATH) traffic model (with manual adjustments)	Considered appropriate	Negligible	None
Gradient correction	LGV and HDV emissions adjusted upwards (by factor of 7.392) to account for increase in emissions when driving up hill	Bespoke approach subject to significant uncertainty	High	Undertake additional sensitivity testing
Background concentrations	Mapped background NO ₂ concentrations uplifted by 41%	Uplift based on comparison at single diffusion tube site and therefore subject to significant uncertainty	Medium	Undertake additional sensitivity test for preferred option
Primary-NO ₂	EFT used to calculate location specific values	Considered appropriate	Negligible	None
NO _x to NO ₂	NO _x to NO ₂ calculator used (v6.1)	Considered appropriate	Negligible	None
Model verification	Process in accordance with LAQM.TG16. Some monitoring sites excluded, with justification.	Considered appropriate	Negligible	None
Train emissions	Excluded	Considered appropriate	Negligible	None
Diurnal emissions profile	Based on generic traffic profile	Does not take into account local conditions and / or effects of varying speeds during different time periods	Low	None
Future fleet composition projections	2017 fleet project to 2021 using EFT	Considered appropriate	Negligible	None

AQ3 Air Quality Modelling Report	General	None	None	Negligible	None
Sensitivity Testing Technical Note	General	Sensitivity test results only presented for Do-Min and CAZ D scenarios	Ideally sensitivity tests would be undertaken for -preferred option (i.e. CAZ C + traffic management)	Medium	Undertake additional sensitivity testing of preferred option
Analytical Assurance Statement	General	No discussion of sensitivity testing undertaken in support of gradient adjustment.	Ideally sensitivity of modelling to gradient adjustment approach should be discussed	Medium	Include additional discussion and sensitivity testing undertaken of gradient adjustment.

Appendix B. Traffic modelling review summary

Report	Aspect	Observation	Comment	Risk of challenge	Suggestion
ANPR Data Analysis and Application	Use of ANPR Data	Data was only used to split existing demand matrices.	Could the ANPR data be used to check on the spatial distribution of the model? I.e. the proportion of through trips in Bath	Low	Use ANPR data to check model freight trip patterns
State Preference survey	Check of SP surveys	How did the local SP results compare with other similar surveys, were they consistent?	Checks undertaken, similar to TfL	Negligible	None
State Preference survey	Check of SP surveys	Is there any evidence that the SP responses are robust in practice?	The vehicle replacement rate for taxis, HGVs and buses are all in excess of 80% within two years, is this plausible? Is there evidence this will happen?	Medium	Without an actual CAZ elsewhere, this is difficult to confirm.
Local Model Validation Report (Addendum: LGV and HGV Validation)	Growth from 2014 to 2017	Adjustments were made from using NTEM 7.2 to generate a 2017 base.	Were any checks done on observed data to see if the demographic growth in NTEM or freight traffic forecasts are consistent with observed trips into the centre? Evidence in Bristol suggest that traffic into the centre has flatlined for a decade hence applying generic growth might not have been appropriate?	Low	Worth checking historic traffic trends, where available. Does this trend support modelled projection to 2021?
	Freight Demand and Trip Patterns	Minimal detail on what data was used to develop the (LGV & HGV) freight trip ends and spatial distribution.	What age is the data, what source? How confident are we in the information?	Medium	Further details requested

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	ANPR Trip patterns	How well does the model replicate freight trip patterns	What is the observed vs modelled % volume of “through” trips in the CAZ? This data is available in the ANPR data but no check on how well the model replicates it.	Medium	High level check on trip patterns
	Model Adjustment	No explanation of HGV “post adjustment”.	Is this matrix estimation? What is the implication of the adjustment, the changes are very large?	Low	Further explanation of post adjustment or discussion of implications
	Freight proportion	Observed HGV % = 1.3-2% vs model = 2.8-5.5%.	The model has more than double the % HGVs. What are the implications of this? Does it result in an over prediction of the CAZ benefits?	Low	Explanation of implications
T3 modelling methodology report	Planned Infrastructure	There are no transport infrastructure schemes in Bath between 2017 and 2021.	Is this correct? It seems “odd” that nothing is planned or is being built in four years?	Low	Assume this is correct, but worth double checking
	LGV compliance	LGV modelled compliance is forecast to increase from 13% (2017) to 57% (2021).	Atkins cannot follow the calculation as default from EFT goes from ~50% (2017) to 80% (2021). Note that HGV is closer to default data	Low	Confirmation of the calculation
	VDM & Realism Testing	The modelling assumed fixed growth for 2021 and a highway only variable response for 2031.	The variable response only applies to the distributional of cars, which are not part of the response of the CAZ D testing. Is the VDM and subsequent realism testing actually being utilised?	Medium	This has been previously discussed by the review panel but clarity on what the model is actually doing

PART 1 –
THE COUNCIL'S GENERAL PLAN FOR APPLYING ITS SHARE OF THE PROCEEDS OF THIS
SCHEME DURING THE OPENING TEN YEAR PERIOD

It is proposed that the Scheme would commence on []. This plan therefore covers the ten-year period from [] to [].

The objective of the Scheme is to take steps towards meeting required limit values for nitrogen dioxide (NO₂) in the shortest possible time, and by so doing reduce the exposure of people to excessive levels NO₂. This would be done by applying a substantial daily charge so that operators would make an economic decision whether or not to take their vehicles into the clean air zone. The charge is set at such a level as to encourage operators to modify or replace their vehicles or change modes, and so maximise the air quality and health benefits of the zone.

The revenue generated by the Scheme would in the first place be used to cover the cost of operation of the Scheme, including the maintenance of cameras, operational staff, etc. It is not anticipated that the proposed Scheme would generate substantial net revenues. Indeed, the more vehicles that are compliant with the Scheme's standards the less revenue will be generated. However, in the event that net revenues are generated from the proposed Scheme over the opening ten year period, these proceeds would be applied in such proportions as may be decided by the Council, to directly or indirectly facilitate the achievement of the transport policies set out in the Joint Local Transport Plan, Getting Around Bath – A Transport Strategy for Bath and Balancing Your Needs – A Parking Strategy for Bath & North East Somerset and as may be amended or supplemented from time to time.

These improvements could include:

- improving air quality by supporting work on assessing the health impact, air quality and traffic monitoring improvements, other Air Quality Management Areas and zero and low emission vehicles
- providing attractive and safe walking and cycling networks, and initiatives to support the uptake of active travel including the promotion of Workplace and School Travel Plans and formation of low traffic neighbourhoods and school streets
- supporting and enhancing the existing public transport network, including home to school transport
- using technology to monitor traffic flows, keep traffic moving and improve the enforcement of traffic restrictions
- providing initiatives park and ride and sharing schemes to minimise the impact of single occupancy vehicles
- introducing measures to influence and better manage private car use
- enabling deliveries to be made more efficiently, such as supporting the development of freight consolidation centres and providing for distribution by less polluting modes

PART 2 –
THE COUNCIL’S DETAILED PROGRAMME FOR APPLYING ITS SHARE OF THE PROCEEDS OF
THIS SCHEME DURING THE OPENING FIVE YEAR PERIOD

It is proposed that the Scheme would commence on []. This plan therefore covers the five-year period from [] to [].

As set out in Part 1 of this Annex, it is not anticipated that the proposed Scheme would generate substantial net revenues. The Council's detailed plan for applying any net proceeds during this period would therefore depend to a large extent on:

- the level of net proceeds generated;
- the progress made towards meeting the required limit values for NO₂;
- to what extent the Scheme has impacted on the affected groups identified in the Equalities Impact Assessment for the Scheme;
- to what extent the proposed improvements have already been implemented by other means.

Given these uncertainties the Council intends to form a Revenue Reinvestment Reserve Steering Group comprised of councillors, senior officers and representatives from relevant business and other key interest groups to review and prioritise the proposed improvements and make recommendations to the Project Board for approval.

These improvements could include:

- enhancing the non-charging measures already being funded by the Government's Implementation Fund and Clean Air Fund;
- enhancing the monitoring and evaluation of the Scheme;
- maintaining and enhancing the existing walking and cycling network and creating low traffic neighbourhoods;
- supporting walking, scooting and cycling to school initiatives and creating school streets;
- supporting and enhancing the public transport network, including home to school transport;
- maintaining and enhancing the public electric vehicle charge point network;
- supporting and enhancing sharing schemes such as the electric cycle hire scheme and car and van club network;
- providing additional park and ride capacity and security at the existing park and ride sites and on existing bus routes;
- providing schemes to reduce the impact of vehicles on the health and wellbeing of residents and visitors;
- supporting the development of a mobility as a service (MaaS) platform; and
- related research and policy development.

Bath & North East Somerset Council		
MEETING	Cabinet	
MEETING DATE:	12 September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3154
TITLE:	Medium Term Financial Strategy & Corporate Plan Update	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix A – Corporate Strategy & Medium Term Financial Strategy		

1 THE ISSUE

- 1.1 The Corporate Strategy and Medium Term Financial Strategy (MTFS) sets out the strategic direction and priorities for the Council as well outlining the financial context and challenges the Council faces over the next five years and the strategy that will be used to inform its annual budget process.

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Approve the attached Corporate Strategy and Medium Term Financial Strategy.

3 THE REPORT

- 3.1 The Corporate Strategy and Medium Term Financial Strategy (MTFS) provide a linked framework for strategic planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning. Together they explain the strategic direction and priorities for the Council, the financial context for the Corporate Strategy and the targets, as well as the financing mechanisms available to the Council to achieve this.
- 3.2 The MTFS does not detail how individual savings will be made, nor how categories of additional income will be achieved. Nevertheless it describes the scope of the work required, and taking place, to meet these targets together with some of the anticipated impacts.

- 3.3 The focus is on the next two years for financial planning purposes. However, there is significant uncertainty for next year and beyond because the national approach to funding local government is currently under review. The MTFs assumes that despite significant cuts in previous years funding constraints will continue and will therefore be guided by the priority areas of service delivery which the Corporate Strategy will set out.

4 STATUTORY CONSIDERATIONS

- 4.1 The Corporate Plan & Medium Term Financial Strategy as outlined is part of the preparation for the budget and Council Tax setting for 2020/21 that will be considered by this council in February 2020. Equality analysis will be carried out on specific budget proposals as part of that process.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The resource implications are outlined within the Corporate Plan & Medium Term Financial Strategy attached to this report.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 The Corporate Plan & Medium Term Financial Strategy includes a section on specific risks.

7 CLIMATE CHANGE

- 7.1 The Corporate Strategy highlights that "Addressing the Climate Emergency" is one of the key themes reflected in the new administration's priorities. This includes plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for the area to become carbon neutral by 2030.

8 OTHER OPTIONS CONSIDERED

- 8.1 The supporting paper outlines options for balancing future budgets.

9 CONSULTATION

- 9.1 A consultation plan is being prepared to ensure stakeholder engagement for the key aspects of the strategy and this will take place in the autumn period, including a series of community engagement sessions hosted by the Area Forums.

Contact person	Donna Parham, Director of Finance – 01225 477468; Donna_Parham@bathnes.gov.uk
Background papers	Budget and Council Tax 2019/20 and Financial Outlook – Council Agenda February 2019 Financial Settlement information (Government website)

Please contact the report author if you need to access this report in an alternative format

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Bath & North East Somerset – Corporate Strategy and Medium Term Financial Strategy 2020/21 -2024/25

1. Purpose of the Strategy

The Corporate Strategy and Medium Term Financial Strategy (MTFS) provide a linked framework for strategic planning, articulating the organisation's key aims and ambitions and guiding our activities with medium term budget setting and planning. Together they explain the strategic direction and priorities for the Council, the financial context for the Corporate Strategy and the targets, as well as the financing mechanisms available to the Council to achieve this.

The MTFS does not detail how individual savings will be made, nor how categories of additional income will be achieved. Nevertheless it describes the scope of the work required, and taking place, to meet these targets together with some of the anticipated impacts.

The focus is on the next two years for financial planning purposes. However, there is significant uncertainty for next year and beyond because the national approach to funding local government is currently under review. The MTFS assumes that despite significant cuts in previous years funding constraints will continue and will therefore be guided by the priority areas of service delivery which the Corporate Strategy will set out.

The Corporate Strategy and MTFS also provide the background for consultation due to take place in autumn 2019.

2. Expected Outcomes from the Strategy

The objective of this document is to set the new administration's priorities to be delivered over the next four years for the Corporate Strategy within the context that enables the Council's budget setting and financial planning process to deliver a balanced budget over the next five years, but with specific focus on the next two years.

A balanced budget means that balances or reserves are not used to meet on-going expenditure commitments. B&NES will look to ensure sound plans are in place to balance the budget over the medium to longer term rather than year to year balancing.

The unprecedented scale of the financial challenge, the additional demands on the Council especially for Children's Services and Adult Social Care, and the scope to use new ways of working notably digital communications, all indicate the need for different ways of working and greater prioritisation of activity and spend. For some services, a different relationship with customers and communities may also be needed.

3. Executive Summary and Recommendations from the Strategies for Consideration

The overall aim of the Corporate Strategy and Medium Term Financial Strategy is to:

- Set out and deliver the Council's priorities within affordable and sustainable financial constraints;
- Ensure that the new administration's (Council's) strategic priorities are reflected in its capital programme and also that the capital programme is affordable;
- Ensure that cash flows are adequately planned so that cash is available when required and the Council can meet its capital spending obligations; and
- Set a sound financial planning framework to underpin the effective financial management of the Council.

There is a continued lack of clarity around future funding for Local Government. It was announced by the Chancellor in August that the three year Spending Review will be replaced by a one year review for 2020/21. The lack of any release of consultation papers before the summer recess indicates that it is becoming increasingly likely that changes to funding streams including Fairer Funding, Business Rate Retention, New Homes Bonus, and Better Care Funding will be delayed by another year. The estimates within the Strategy have not yet reflected this as the two year funding gap of £18.4m plus growth target of £2.8m are unlikely to change overall. However, it will be necessary to provide Members with an update once the changes are known.

Despite this uncertainty the Council still needs to plan its' finances for the medium to longer term and therefore the Strategy is based on best estimates at this stage. The Council has a good track record in savings delivery with £69m delivered between 2013/14 to 2018/19 and, a further £9m expected in this financial year – a total of £78m over seven years. These estimates show that the Council will need to find a further £36.8m (including the £3.4m already identified) in savings over the next five years. In essence the Council will need to reduce net spend by approximately 32% (11% of gross spend) over the next five years.

In the shorter term the profile of the savings shows a requirement of £21.85m over the next two years (£15.36m in 2020/21 of which there are planned savings of £3.44m, followed by £6.49m. A further target has been added of £2.76m to fund new priorities over the two year period. Therefore assuming the planned £3.44 can be delivered the target for **new** savings over the next two years is £21.17m

The current budget gap includes increases of 2.99% per annum in Council Tax for each year of the plan. No further increases in Adult Social Care Precepts have

been factored into the plan as there has been no further flexibility announced by central Government.

Financial Planning and Smoothing Reserves will only be utilised to smooth savings over the next two years while maintaining sufficient levels to meet key risks. Flexible capital receipts will continue to be utilised and will need to be accelerated to deliver ongoing savings at a faster pace.

Capital spending will focus on reviewing current provisional schemes and funding priorities while minimising the impact on the revenue budget.

As part of delivering this strategy plans are being put in place to engage with all elected members, partners and the public as part of the budget process for 2019/20 and the following years.

4. Corporate Strategy

The current Corporate Strategy, adopted in 2016, sets out the strategic direction for the Council to March 31st 2020. Given that this is coming to the end of its adopted timeline and the election of a new Council in May of this year, it is now appropriate for the Council to consider the development of a new Corporate Strategy.

This will set out the new Council and Cabinet's vision and focus for the next four/five years, guiding decision-making, business planning and resource allocation over that period. It will establish the context for the council's financial and budget strategy in the light of the new administration's priorities and be built around a four phase planning cycle, as below:

- Phase One – Plan, prioritise and decide
- Phase Two – Gear up and start delivery
- Phase Three – Continue to deliver and realise benefits
- Phase Four – Review and future planning

Whilst a programme of engagement on the draft Strategy and associated budget will be carried out in the autumn, some key themes are already beginning to emerge which reflect the new administration's priorities and which build on the strategic direction of the Council:

Addressing the Climate Emergency

This will include our plans to work with local communities to deliver the Council resolution agreed in March 2019 to declare a climate emergency, and for our area to become carbon neutral by 2030.

Work is already underway on this key priority including arrangements to assess the impact of council decisions on climate change, with a report due to be

presented to Council in October 2019.

Delivering for Local Residents

This will include delivering services in new ways and making the best use of digital approaches.

It will also include ambitions around securing more affordable and social housing and improving the quality of rented housing, as well as making our housing stock greener and tackling fuel poverty.

We will also be focused on reducing congestion and delivering significant improvements to public transport, walking and cycling facilities. Alongside the introduction of the Clean Air Zone, there are wider ambitions for a more pedestrian-friendly city centre and for reducing the impact of cars in residential streets through better traffic management and reductions in 'rat-running'.

Focusing on Prevention

This ambition will be developed in the context of the financial challenges facing the council, particularly the well-publicised and nation-wide issues facing local government relating to the costs of social care.

Social care services for both adults and children are key statutory functions of local authorities and whilst we must provide care for those who need it, we also want to find more ways to enable people to enjoy wellbeing and to live independently, which is a positive outcome for them as well as reducing demand and financial pressure for the Council.

Giving People a Bigger Say

We can only deliver our strategy if the Council is transparent, open and listening. This will include promoting schemes such as Citizens Juries to involve local people in the decision-making process.

The Corporate Strategy is now being developed to set out further detail on the commitments related to each of these themes. This will inform the ongoing work programme of the Council over the life of the Strategy. A service planning process will be carried out in order to translate the Corporate Strategy commitments into identifiable actions for the coming year.

The Council's Core Values

Council and the CCG's staff, B&NES Councillors and the BaNES CCG Board have adopted the following core values as part of our vision and how we deliver our priorities:-



These values will set the framework for the development of our organisational culture. To underpin this, we are also developing a People Strategy to help with culture development, workforce planning and skills and training for staff.

The Medium Term Financial Strategy

The MTFS complements the Corporate Strategy by defining the financial framework within which these priorities will be delivered. It outlines the factors which are expected to drive future costs and sets out the funding projections and our strategy for addressing the funding gap. It supports the medium term policy and financial planning process at the heart of setting revenue and capital budgets.

The core principles underlying the MTFS are as follows:

- That the Council will seek to maintain a sustainable financial position over the course of the planning period and balance the budget on a two year rolling programme;
- That the Council will make provision for pressures, demographic changes, and inflation where appropriate with new priorities added only if “headroom” is achieved;
- The deployment of the Council’s limited resources will be focused towards essential services and those that contribute to the delivery of the Corporate Strategy
- Council tax increases have been included within the term of the MTFS to support essential services.
- New sustainable income opportunities are to be maximised wherever possible while maintaining current income streams through current economic uncertainty.

5. The Current Financial Position

2018/19 Outturn

The 2018/19 outturn reported an overspend position of £0.92m to Cabinet in July 2019 as follows:-

Portfolio	Revised Budget £'m	Outturn £'m	Variance £'m
Leader	2.28	2.29	0.01
Finance & Efficiency	(0.37)	(0.31)	0.06
Transformation & Customer Services	5.83	6.09	0.26
Adult Care, Health & Wellbeing	61.72	60.74	(0.98)
Children & Young People	29.20	30.96	1.76
Development & Neighbourhoods	19.17	19.22	0.05
Economic & Community Regeneration	(4.92)	(5.97)	(1.05)
Transport & Environment	(1.37)	(0.56)	0.81
Total	111.53	112.46	0.92

Budget 2019/20

The 2019/20 net budget of £113.10m was approved by Council in February 2019. Budget monitoring to the end of July, reflecting the new Cabinet Portfolio's, showed a projected overspend of £1.68m against the revised budget of £113.57m as shown below:-

Portfolio	Revised Budget £'m	Forecast Year End Actual £'m	Variance Over / (Under) £'m
Leader	(0.36)	(0.41)	(0.05)
Resources	8.03	10.02	1.99
Adult Services	62.45	62.45	-
Children's Services	28.71	29.74	1.03
Climate Emergency & Neighbourhood Services	15.92	15.93	0.01
Transport Services	(0.58)	0.01	0.59
Housing, Planning & Economic Dev.	3.27	3.19	(0.08)
Community Services	(3.87)	(4.29)	(0.41)
Smoothing reserve to be allocated		(1.40)	(1.40)
Total	113.57	115.24	1.68

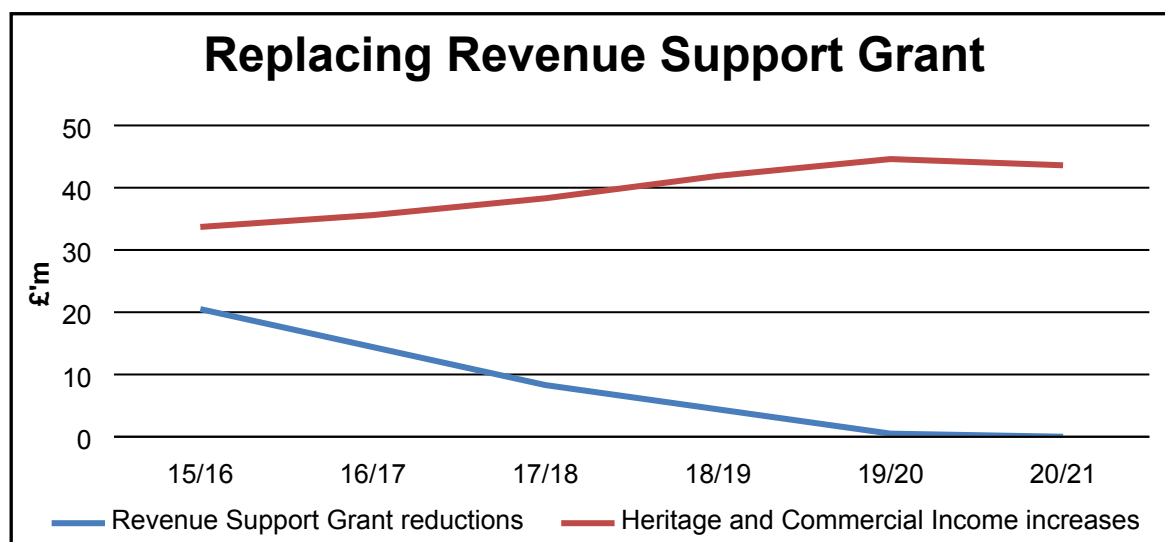
The figures show an upturn in demand and financial pressures especially in Children's services and Commercial Estate. It also highlighted that a continued focus is required to delivering the savings that were agreed as part of budget setting to

bring spend back in line with the budget. The Cabinet member for Resources has set an objective for 2019/20 to achieve a balanced budget with no drawdown from reserves. To achieve this Directors will develop in year recovery plans, including:-

- Holding / deleting vacant posts.
- Centralising and reducing discretionary spend.
- Consider Voluntary Redundancy requests to enable agreed staffing savings.

Analysis of Current Position

Local Government has suffered from continued reductions in funding – the £20.5m received in Revenue Support Grant has now been completely removed. The table below shows how the Council has grown its' main income streams from heritage and commercial estates but there is limited ability to keep growing these income streams because of limits on visitor capacity and the current difficulties within the retail sector. Therefore, maintaining the levels currently budgeted for is becoming an increasing priority-



Drivers of Demand

The economy

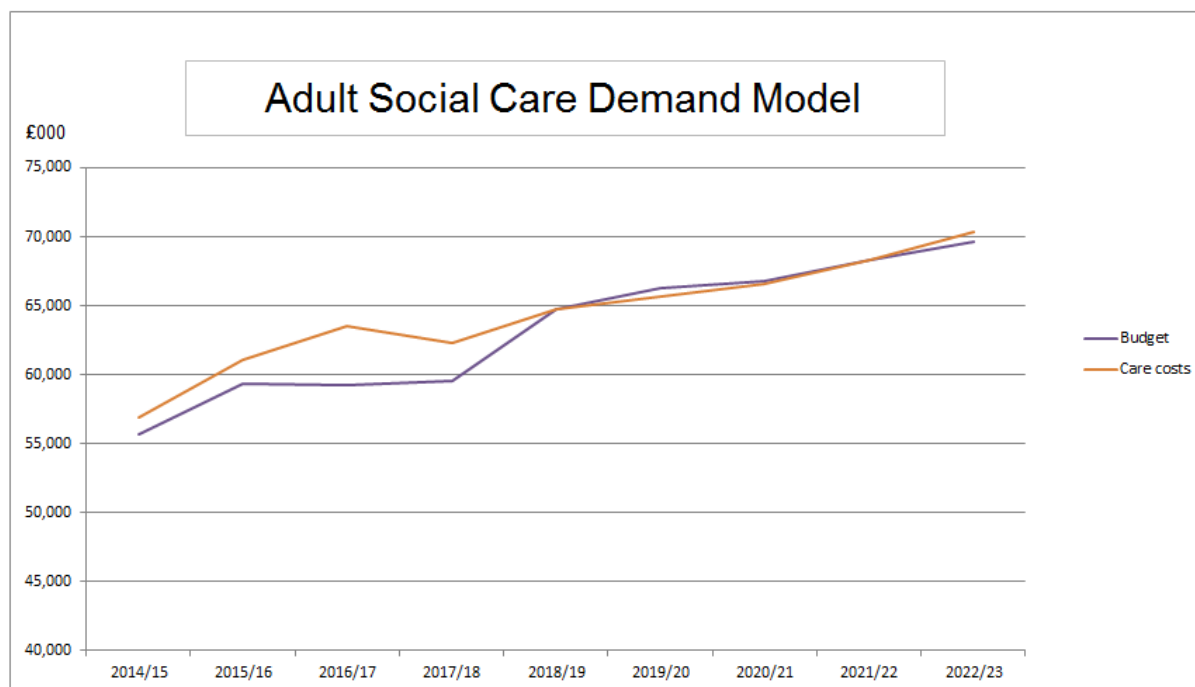
The Office for National Statistics (ONS) estimates that the UK economy grew by 1.4% in real terms in 2018. The economic effects of the UK's imminent departure from the European Union possibly without a "deal" remain highly uncertain with a 0.2% reduction in growth for quarter 2 of 2019 (the first reduction since 2012). It is generally accepted that a recession is occurring if negative growth is recorded over two consecutive quarters. A recession would affect demand for public services and also the resources available to the Council to deliver those services, particularly business rates retention, commercial estate, car parking, and heritage income, with increasing requirements for Council Tax Support if unemployment increases. It is increasingly important for the Council to work with partners, such as the West of England Combined Authority (WECA), and the Local Enterprise Partnership (LEP), to

make the most of the area's opportunities for local and sub-regional economic stability.

Demand Led Services

The Council has sought to set realistic and deliverable budgets through the MTFS and budgeting process. Significant resource has been added to Adult and Children's services over the last few years whilst both services have delivered other savings and efficiency gains.

The challenges facing adult social care services (ASC) nationally as well as locally include factors such as increasing demand, capacity and market stability issues in the independent sector and the impact of year-on-year savings requirements. Nationally, the government has acknowledged that the growing demand for adult social care services is placing increasing pressure on council budgets. The long awaited green paper on adult social care has yet to be published although the government has provided additional temporary funding of £0.73m in 2019/20 for Winter Pressures and £1.028m through the Improved Better Care Fund (iBCF). In addition, councils with social care responsibilities were able to levy a precept on adult social care up to 2019/20. The total additional income generated from the precept is £6.6m per annum. The MTFS allocates £17.3m for demographic and contract inflation pressures within ASC over the next five years. The following graph shows the impact of demographic and inflationary growth in ASC on the budget and outturn position since 2014/15:-



The Council has embarked on an ambitious savings programme of service transformation in adult services, much of this integrated with local health service

provision. The programme, being delivered in partnership with Virgin Care, will focus on:

- Managing the Councils budget to meet demand needs without overspending through robust needs assessment and care planning.
- Strengthen brokerage and contract monitoring to ensure payments to providers are made in a consistent and fair manner.
- Learn from our neighbours in improving services delivery whilst delivering savings.

The number of children looked after (LAC) by the Council has risen by 40% in the past 5 years to 190 in 2018/19 (although this higher level is in line with similar authorities). The numbers continue to increase with 192 LACs recorded at the end of June as well as a nearby private residential unit for children with high needs closing putting significant pressure on services and budgets. The Government is aware of the pressures of Children's services on local authorities (91% of Local Authorities overspent on Children's Services in 2017/18). Additional temporary government funding of £1.25m was allocated to Children's Services in 2019/20. The MTFS allocated £5.8m for demographic and contractual inflationary pressures within Children's Services over the next five years.

Whilst we recognise the need to provide appropriate care and placements to meet the needs of children and young people we will continue to review the models of care, opportunities to bring in external investment and good practice, and to scrutinise individual needs and placement costs in order to mitigate these financial pressures as far as possible.

Significant increases in children and young people with SEND are also adding to the pressure on Council resources. Between January 2013 and January 2017, there was a 90% increase in locally supported children and young people with a Statement or EHCP who have a primary need diagnosis of autistic spectrum disorder, the largest volume increase of all the primary need types (increased from 146 to 277). The second biggest rise has been seen with those who have a primary need classified as Social, Emotional and Mental Health, up from 117 to 200 during the same period.

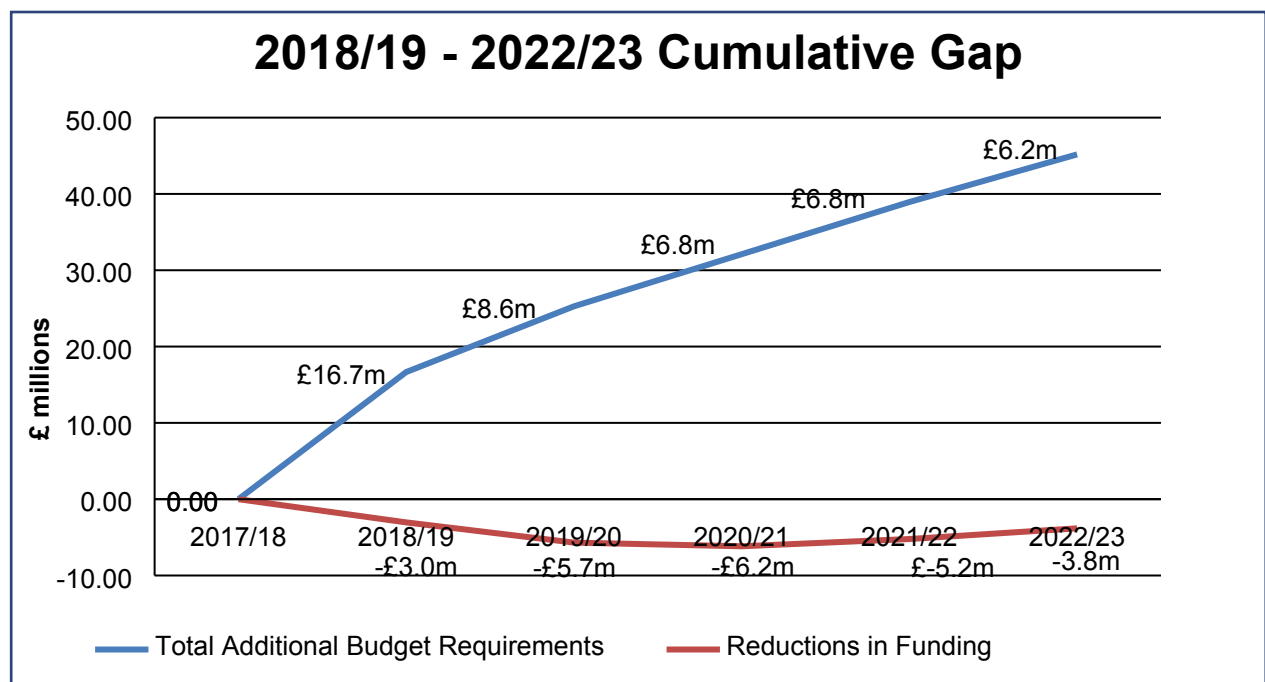
The costs of SEND should be absorbed within the High Needs Block of Dedicated Schools Grant (DSG) received from the Department of Education. However, this has been insufficient to meet demands. The Council therefore has had to provide up to £2.3m annually as a corporate contingency that is held in reserve to fund this deficit while plans are underway to reduce costs through negotiations with the Schools Forum, lobbying Government, and allocating capital funds to create more specialist places in local mainstream schools. The creation of additional local capacity will enable families to access appropriate specialist support more locally, which fits with parental preferences and at the same time will reduce the financial impact on the Council through the use of more remote and independent provision, together with the associated transport costs. Whilst this provision should start to come on stream from next year, it is likely to take 4-5 years before it substantially reduces the levels of expenditure.

6. Financial Outlook

Currently the MTFS shows a projected budget gap for each year of the plan as follows:-

Indicative Budget Forecast	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
Estimated Base Budget	113.10	126.65	124.44	128.06	131.96	135.03
Estimated Funding	(113.10)	(113.63)	(117.95)	(122.44)	(127.02)	(128.29)
Annual Funding Gap	-	13.02	6.48	5.62	4.94	6.74
Savings Already Agreed	-	3.44	-	-	-	-
Adjustments for one-off grants	-	-2.34	-	-	-	-
Remaining Funding Gap	-	11.92	6.49	5.62	4.94	6.74
Additional Requirement to fund new priorities	-	1.79	0.97			
Savings Target	-	13.71	7.46	5.62	4.94	6.74
Cumulative Target	-	13.71	21.17	26.79	33.73	38.47

The funding gap over the medium term can be analysed further to identify additional pressures on expenditure and the impact of funding reductions in income as follows:-



Indicative Budget Forecast

The detail of the budget gap is shown in the table below and outlines additional cost pressures and reduced funding:-

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Budget Requirement (Previous Year)	113.10	113.63	117.96	122.44	127.02
Once-Off items from previous year	-1.44	0.00	0.00	0.00	0.00
Pay inflation	2.16	1.59	1.53	1.49	1.26
Pension Contributions	0.61	0.61	0.61	0.61	0.61
Demographic Growth & Increase in Service Volumes	3.31	3.31	3.31	3.31	2.96
Contractual Inflation	1.82	1.91	1.96	1.91	1.88
Budget Pressures / Rebasing	2.53	0.08	0.00	0.00	0.00
New Priorities - not yet added pending headroom	0.00	0.00	0.00	0.00	0.00
Provision for amber rated savings	1.00	0.80	0.80	0.80	0.80
Increase(-)/ Reduction in New Homes Bonus Grant	1.93	0.91	1.39	0.90	0.00
Capital Financing	1.61	1.61	0.50	0.50	0.50
Draft Budget Before Savings	126.65	124.44	128.06	131.96	135.03
Savings Proposals					
Remove one-off grants in 2019/20	-2.34				
New and Revised Savings Plan	3.44				
Estimated Savings Required	11.92	6.49	5.62	4.94	6.74
Budget Requirement	113.63	117.95	122.44	127.02	128.29
Funding of Budget Requirement					
Council Tax	89.01	92.75	96.64	100.60	101.61
Adult Social Care Precept 0%	6.69	6.76	6.82	6.89	6.96
Business Rate Retention incl Revenue Support Grant at 75% retention	17.93	18.45	18.98	19.53	19.72
Funding of Budget Requirement	113.63	117.96	122.44	127.02	128.29

The forecast includes the following cost pressures and assumptions:-

- **Pay Inflation** – Estimated 2.75% increase in 2020/21, and a further 2% per annum from 2021/22; The Trade Unions are currently requesting a 10% increase for 2020/21, ongoing negotiations will be monitored to see if any update is required.
- **Pension Costs** – Allowance of 1% per annum from 2020/21 arising from the triennial Pension Fund revaluation impact on Employer's pension contribution rates, which will be finalised in the late Autumn;
- **Demographic Growth & Increase in Service Volumes** – Additional demand from new placement and market pressures in Adult & Children Social Care;
- **Interest Rates** - Continued very low rates of interest of around 1% per annum for treasury management cash investments. The Council will maintain a minimum cash policy;
- **Inflation** – CPI projections for the coming years are expected to be 2.0%. No general inflationary provision included – specific contractual inflation has been provided and identified on a limited basis as growth within service areas based on specific service circumstances and contractual commitments;
- **Budget Pressures / Rebasing** – Provision for rebasing 2019/20 ongoing revenue spend and savings pressures;
- **Capital Spending** – an allowance has been made to fund a minimal number of new schemes given current financial constraints;
- **Borrowing** – longer term borrowing costs have been factored into the MTFS however the authority will continue to optimise the use of cash balances subject to market conditions and the overriding need to meet cash outflows;
- **New Priorities** – will be developed with the new administration as part of the Corporate Strategy and have not yet been factored into the plan. These will only be considered once the gap has been funded. The new priorities will require targeted headroom of £2.76m over the first two years of the plan.

7. Outlook for 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 2019/20. 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.

In 2018 the Government issued a consultation regarding future funding for Local Authorities (LA's) – A Review of Local Authorities Relative Needs and Resources. The review has the aim of revising and updating the distribution of funding between LA's. This review does not measure the level of funding required for Local Government as a whole its objective is purely to assess the relative needs and pressures of authorities to ensure that the distribution of funding between authorities is fair.

B&NES continues to lobby for the following areas to be included in any revised funding methodology:-

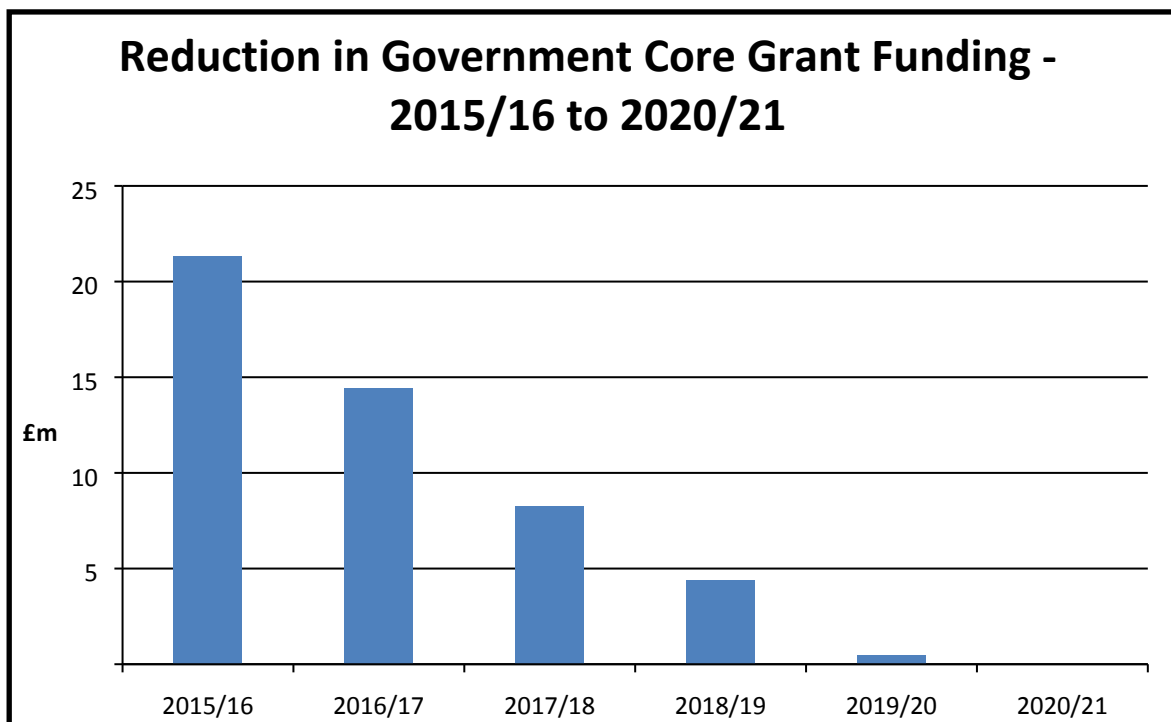
- funding for student households;

- ability to introduce a Local Tourism Levy;
- full cost recovery of planning fees - we will be engaging further on how best to compensate Bath & North East Somerset for these costs;
- funding for Special Education Needs and Disability;
- charges for listed building applications;
- removal of the NDR exemption for Listed Buildings;

The Government's timetable outlined that the new methodology would be used to distribute funds from 2020/21 onwards. However, with the recent announcement of a one year spending review on the 4th September it is looking increasingly unlikely that this timetable will be met and that some or all of the current funding streams will continue for a further year rather than the four-year settlement outlined in the Government's consultation paper on the 24th July 2018. Depending on which grants/funding are delayed the overall two year position outlined in this report continues to be a realistic estimate of the financial gap. It will be necessary to report further updates to Cabinet when further clarity can be obtained. This Strategy currently estimates the following impacts on the grant headings below:-

Revenue Support Grant

The strategy assumes that the remaining £0.49m Revenue Support Grant for 2020/21 will be removed.

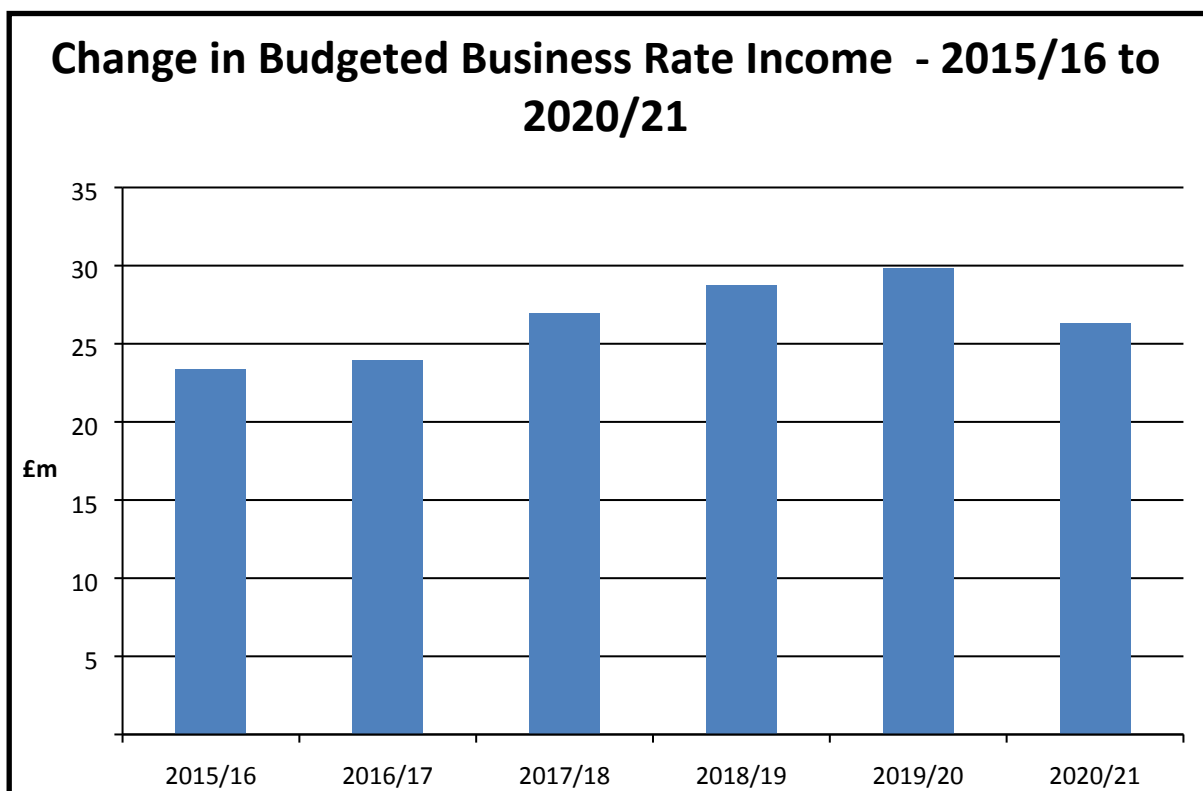


New Homes Bonus

The 2017/18 Settlement announced changes to the funding arrangement for the New Homes Bonus (NHB) with the bonus reducing to 4 years in 2018/19. The 2019/20 consultation paper stated that New Homes Bonus would cease from 2020/21 and will be replaced with a different incentive. For financial planning purposes the grant has been phased out between 2020/21 and 2023/24. No further information has been received to date regarding the future or replacement of NHB.

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 2017/18. The Government has asked WECA and the WECA unitary authorities for information regarding the impact the 100% pilot has had on the authorities. We currently have no further information and therefore have assumed that the Council will join the new 75% retention model 2020/21 resulting in an estimated £3.6m reduction in funding for 2020/21. The strategy also assumes that a baseline reset will occur in 2020/21.



(Note – the chart shows budgeted income rather than actual which is at risk from appeals etc)

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 through 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.

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. It is estimated that over 85% of schools will have converted to academies by September 2020 and that all schools will develop plans to convert in the coming years.

With the introduction of the National Funding Formula (NFF) the DSG was ring-fenced for schools from 2018/19 making the LA responsible for the demographic pressures being observed in the SEND / High Needs element of the DSG. The Council currently holds £2.3m in reserves to meet any shortfalls once the schools contribute, one-off central Government grants are taken into account and any underspends within other useable DSG blocks are utilised.

The schools contributions are limited to 1 year under the NFF regulations and therefore further consultation is currently underway to gain a transfer from the Schools Block in 2020/21. The Capital Programme has been providing funding to provide additional SEND places in mainstream schools.

When schools convert to academies their reserves transfer to them and therefore school reserves have reduced significantly as a result reflecting that only 15% remain as maintained schools.

Adult Social Care Support Grant

The Government has allocated £0.73m to B&NES to help reduce winter pressures on the NHS. The use of the funding is aimed at reducing Delayed Transfers of Care (DTOC) and authorities are required to meet certain conditions for its use. In addition a further one-off grant of £1.25m was allocated to relieve pressures in ASC or Children's Services. No further grant for 2020/21 has been announced.

Adult Social Care Green Paper

The Adult Social Care Green Paper is still awaited. Although the Government recognises the pressures of ASC on Councils there is no current timeline for its publication.

Better Care Fund

The Better Care Fund is intended to incentivise 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. The Government announced that the Better Care Fund was under review for 2020/21 but no further announcements have been made to date.

The Council and CCG's Better Care Fund has a minimum CCG funding contribution of £12.067m in 2019/20. The Strategy currently estimates that funding will continue at current levels given the known pressures on both the Council and the CCG.

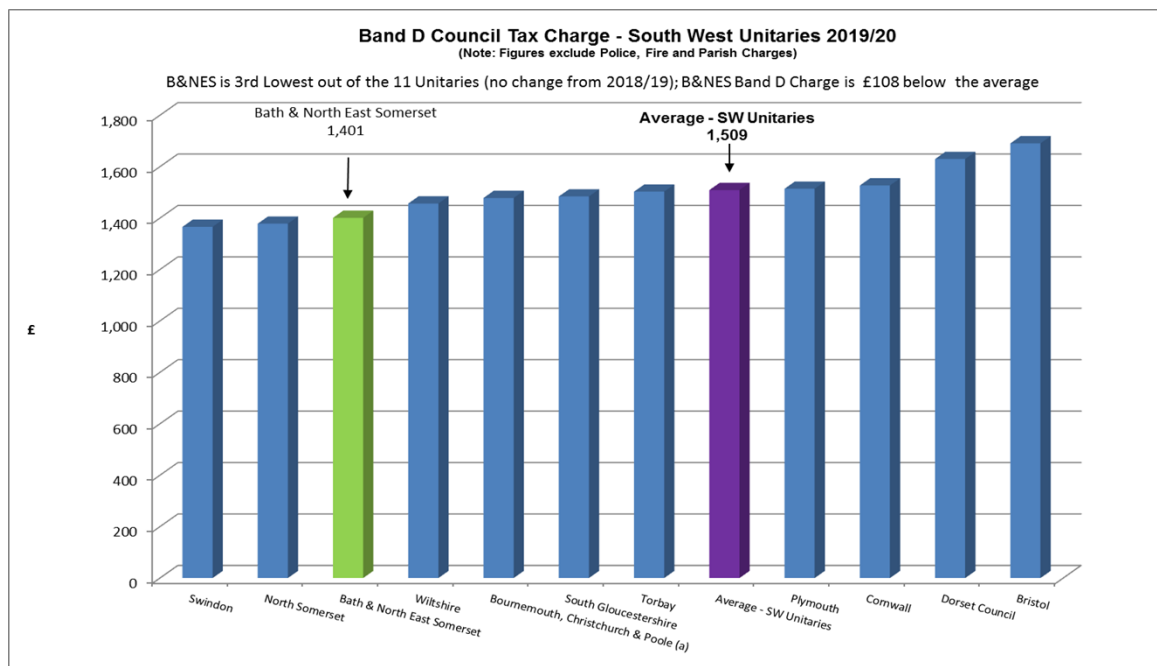
In addition to the minimum contribution the Chancellors budget announced 3 years of grant funding for adult social care from 2017. For 2019/20 the local allocations of one-off funding was £4.03m. This funding is pre-committed through the agreement of the Better Care Fund plan and is helping to protect current Social Care spending levels and meet the national conditions for the BCF plan including improving delayed transfers of care (DTOC) performance. Whilst there have been no further funding announcements it is assumed that this level of funding will continue beyond 2019/20.

Both the Council and CCG would face significant funding challenges in the event that the £4.03m grant funding does not continue in 2020/21 as this is funding recurring care placements and helping enable hospital discharges into Social Care. The impact of this would need to be jointly managed with the CCG through the Health and Care Board that governs the Better Care Fund spending plan.

8. Council Tax

Comparison of 2019/20 Council Tax

The chart below shows how B&NES compares (3rd lowest) to other South West unitary authorities:-



Council Tax Precept

The current funding gap in the MTFS assumes **2.99% increase** in council tax each year. This assumes that the Government's referendum principles continue to allow increases of up to 3% before a referendum is required.

The Government has factored 3% increases into each authority's "Spending Power" and funding figures.

Adult Social Care Precept

The Government 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 ringfenced to ASC. B&NES approved an increase of 2% in 2017/18, 3% in 2018/19, and 1% in 2019/20. There has been no further indication from central Government to extend the precept beyond 2019/20 and therefore no further increases have been factored in at this time.

Long Term Empty Properties

Properties that are empty for more than two years are currently liable for a surcharge of 50%. The Government has passed legislation to enable Local Authorities to increase this to 100% surcharge. This premium is important as an incentive to bring back Long Term Empty properties back into use. Proposals may be brought forward for consideration as part of the budget setting proposals for 2020/21.

9. Strategy for Savings

Current estimates are that £36.8m savings will now be required over the next five years including savings already approved.

The strategy has outlined that the savings will be reviewed on a two year rolling profile which means that a target of £21.17m has been set assuming the £3.44m already planned is delivered and including a 15% target for new priorities. This strategy aims to smooth the savings required to increase the time needed for assessment and consultation of those savings plans.

The Council has become leaner and made significant staffing savings over the last two years but given the scale of the challenge faced, the Council needs to establish a significant transformation reserve to invest in innovations that will fundamentally change services and drive out cost and increase efficiency at pace. Current reserves are insufficient to support the scale of “one-off” investment required over the next 2-3 years if the council is to fundamentally shift its models of operation, maximise efficiency and deliver the commitments of the administration. We do have a model for this which works but it is insufficient to the scale of the challenge.

Work will be undertaken in the autumn to quantify the required level of resources to fund this transformation work that will inform a review of assets to be sold to accelerate the delivery of savings. Linked to the above there would be the need to invest in a Change/Transformation Office to bring all of the current and future savings and change projects into a single programme with a focus on ensuring delivery. A Change/Transformation Board will also be established chaired by the Cabinet Member for Resources/Deputy Leader which would ensure accountability of both Cabinet Members and Directors for the delivery of their elements of the programme.

In addition to this savings plans will be developed through:-

- Reducing service costs for services costing above average based on VfM assessment – waste and recycling, highways, and ASC to be reviewed for 2020/21;
- Priority based resourcing to develop options to reduce spend by reducing or stopping services but maintaining essential services;
- Maintain commercial income to increase discretionary charges only where appropriate/ full cost recovery;
- Shared services where appropriate/ right sizing with our partners e.g CCG and WECA;
- Targeted capital spend to reduce borrowing costs;
- Managing Demand (and the processes surrounding demand);
- Contract Savings - review of all contract spend to reduce costs.

10. Capital Programme

The Prudential Code for Capital Finance in Local Authorities was updated in December 2017. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

It required authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decision are made with sufficient regard to the long term financial implications and potential risks to the authority.

To ensure that the capital programme remains affordable the following approach will be taken:-

- A review all existing provisional schemes and simplify, reduce, pause or stop as necessary;
- Minimise new schemes except those that meet corporate strategy priorities;
- Agree an affordable limit for new schemes requiring corporate borrowing;
- Ensure adequate investment in assets supporting key service provision (including meeting health and safety requirements or replace obsolete or inefficient assets/equipment);and
- Deliver or work with partners to deliver high priority government funded programmes and WoE programmes where they meet corporate priorities.

The Capital Programme will retain 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 either a further Officer decision and in some cases a formal Executive decision for Full Approval. The budget estimates for schemes shown for Provisional Approval are therefore included on an indicative basis, and as an aid to planning.

The Capital Programme will retain narrative only reference to pipeline projects and grant funding in early stage progression. These items will require further decision to incorporate into the programme at a later date, in line with the delegations outlined in the February Budget report.

The capital programme is aligned with the Community Infrastructure Levy allocations agreed for the coming financial year.

The following shows the capital programme approved in February 2019 as part of budget setting:-

Cabinet Portfolio:	Budget 2019/20 £'m	Budget 2020/21 £'m	Budget 2021/22 £'m	Budget 2022/23 £'m	Budget 2023/24 £'m	Total £'m
Development & Neighbourhoods	8.063	0.000	0.000	0.000	0.000	8.063
Economic & Community Regen.	28.582	31.456	7.582	3.321	1.281	72.222
Transport & Environment	10.252	0.239	0.110	0.000	0.000	10.601
Children & Young People	2.692	0.000	0.000	0.000	0.000	2.692
Finance & Efficiency	28.910	0.000	0.000	0.000	0.000	28.910
Transformation/ Customer Svcs	0.087	0.000	0.000	0.000	0.000	0.087
Capital Contingency	0.005	0.000	0.000	0.000	0.000	0.005
Total	78.591	31.695	7.692	3.321	1.281	122.579

Capital Schemes For Provisional Approval (Subject to)

Cabinet Portfolio:	Budget 2019/20 £'m	Budget 2020/21 £'m	Budget 2022/22 £'m	Budget 2022/23 £'m	Budget 2023/24 £'m	Total £'m
Development & Neighbourhoods	24.346	1.816	0.971	2.055	0.408	29.596
Economic & Community Regeneration	24.356	9.943	10.792	0.985	0.635	46.711
Transport & Environment	3.529	7.056	5.924	5.204	4.829	26.542
Children & Young People	22.464	6.645	0.000	0.000	0.000	29.109
Finance & Efficiency	16.052	2.325	2.250	2.310	0.670	23.607
Transformation/ Customer Svcs	3.825	0.068	0.068	0.000	0.000	3.961
Total	94.571	27.853	20.005	10.554	6.542	159.525
Grand Total	173.162	59.548	27.697	13.875	7.823	282.105

The current capital programme that was approved in February 2018 was funded as follows:-

Financing	Budget 2019/2020 £'m	Budget 2020/2021 £'m	Budget 2022/2022 £'m	Budget 2022/2023 £'m	Budget 2023/2024 £'m	Total £'m
Grant	56.346	21.874	10.597	6.805	5.829	101.451
Capital Receipts/RTB	8.666	3.495	0.791	6.135	0.635	19.722
Revenue	1.355	0.000	0.000	0.000	0.000	1.355
Borrowing	96.974	33.615	16.159	0.835	1.329	148.912
3rd Party (inc S106 & CIL)	9.822	0.564	0.150	0.100	0.030	10.666
Total	173.162	59.548	27.697	13.875	7.823	282.105

Note this does not include slippage from 2018/19 which totalled £29.0m.

Grants funding received from the WECA for feasibility studies, business case development and infrastructure schemes include:

- £400k towards improvements to the A39 / B3116 'Two Headed Man' junction;
- £700k towards improvements to the A39/A368 'Bence's Garage' junction;
- £40k towards improving cycle networks, including employer grants to encourage cycling to work;
- Investment of £10m in the area to establish a new Institute for Advanced Automotive Propulsion Systems;
- Funds to develop the road improvements schemes at Freezing Hill Lane and Hicksgate;
- £3.3m "Love our High Street" initiative;
- £43.3m towards Bath Quays enabling infrastructure works (Bath Quays North, Bath Quays South and Bath Quays Bridge).

These are funded from the additional investment funds received by the WECA as part of the devolution arrangements and reflected accordingly with the Councils revenue and capital budget proposals.

An allocation of up to £0.5m in revenue to support new schemes has been factored into each year of the Medium Term Financial Strategy. This enables high priority schemes to be approved as well as considering the impact on the revenue budget. The more detailed capital strategy will be updated for approval as part of the budget in February 2020.

Capital receipts will be used flexibly and further adjustments may be made as part of setting the budget for 2020/21 to replace some of the capital receipts with borrowing to ensure the first call on any receipts is to maintain flexibility within revenue. The current programme will continue to be reviewed to ease this financial impact.

The intention is to take a measured approach between borrowing in the current market climate and the utilisation of internal cash flow wherever possible. Borrowing has been factored into the strategy to ensure that the authority can meet its future borrowing obligations as well as taking advantage of current low interest rates. The decision on the timing of new borrowing will still be driven by market factors, particularly movements in interest rates to provide overall value for money to the Council

Capital Risk Contingency

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

- Individual major projects within the capital programme hold their own contingency in accordance with good project management practise to meet unavoidable and unforeseen costs;
- The capital programme includes a funded corporate risk contingency which will be maintained at £2m;
- 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.

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 was updated in February 2019 and there are currently no revisions proposed.

11. Releasing Capital Receipts to Fund Savings Projects

Central Government outlined in December 2015 that local authorities will be able under certain circumstances to utilise capital receipts for revenue expenditure for certain purposes. These include for example:-

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Sharing Chief-Executives, management teams or staffing structures;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or regional procurement hubs;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, selling services to others).
- Integrating public facing services across two or more public sector bodies to generate savings or to transform service delivery;
- Improving systems and processes to tackle fraud and corruption;

Further guidance was released in March 2016 which outlined a simpler approach to allow authorities to utilise receipts if the spend resulted in an ongoing saving. The guidance is clear however that expenditure should be once-off and the flexibility cannot be utilised for ongoing expenditure.

The Strategy should list each project that plans to make use of the capital receipts flexibility and that on a project by project basis details of the expected savings/service transformation are provided. The Strategy should report the impact on the local authority's Prudential Indicators for the forthcoming and subsequent years.

The strategy in future years will monitor the performance of projects approved in previous years. The current flexibility is in place until March 2022 and therefore the budgets for 2020/21 and 2021/22 will continue to utilise this wherever possible as part of budget planning. The Strategy does not currently require further amendment and will be updated for approval as part of budget setting in February 2020.

12. Earmarked and Non-Earmarked Reserves

Earmarked Reserves are set aside for specific purposes whereas Non-Earmarked Reserves are retained to meet unforeseen risks. A regular review of financial risks to

assess the optimum levels of balances and reserves will be reported to members annually. This ensures that the authority has sufficient funds to meet its key financial risks. The strategy remains that balances remain at a level that covers these key risks.

The current strategy for Non-Earmarked Reserves remains unchanged and will continue to be based on a financial risk assessment. The current target is to retain Non-Earmarked reserves within the range of £11.9m to £13.1m. The reserve is currently expected to remain within this range to meet key financial risks.

A review has taken place of key reserves as part of the overall MTFS to assist with medium to long-term financial planning and to smooth the impact of the quantum of savings required in each year. The management of these reserves is fundamental to the delivery of this strategy. The following table shows each of those key reserves and the expected balance at the end of the 2019/20 financial year:-

	Unallocated Balance as at 1/4/19 £'m	Projected Use in Year £'m	Current Estimated Balance 31/3/20 £'m
Revenue Budget Contingency	3.05	2.04	1.01
Financial Planning and Smoothing Reserve*	5.73	1.50	4.23
Transformation Investment Reserve *	2.15	1.85	0.30
Restructuring & Severance Reserve	2.18	0.00	2.18

Note * Use of these reserves are in line with budget plans agreed in February 2019

The Budget Monitoring Report presented to Cabinet in September outlines that if the estimated over budget of £1.68m were to occur then £1.68m would need to be found from the Revenue Budget Contingency Reserve. This will need monitoring closely as there will be a requirement to top up this reserve for 2020/21 to £2.0m to meet budget risks next year. This will be found from reviewing all other reserves and also the use of any one-off income such as council tax surplus. The remaining reserves outlined above are being utilised as planned in the 2019/20 budget.

Using Reserves to Smooth Savings Targets

The strategy requires flexibility around capitalising costs and the flexible use of capital receipts to fund redundancy, transformation, and ICT costs where appropriate to free up reserves.

13. Reviewing the Strategy

This strategy will naturally span the life of the Council Plan but will be reviewed annually to take into account changes within and external to the organisation. In more uncertain times the strategy will be reviewed more frequently.

14. Public/Stakeholder Consultation

Planned public consultation will take place in the autumn period 2019.

Planned scrutiny of the MTFS through the Policy Development and Scrutiny Panel is planned for November 2019 with savings being scrutinized in January 2020.

15. Risks to the Medium Term Financial Strategy

The Strategy and Plan make regular risk predictions. The key risks to the plan are currently seen as:

Risk	Likelihood	Impact	Risk Management
Further demands on services continue to escalate beyond current estimates	Possible	High	Ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures
Pay awards will be higher than estimated	Possible	Medium	Unions have currently requested a 10% increase. Increased provision to 2.75% for 2020/21 and will need to ensure that reserves are sufficient to meet any higher levels.
Interest rates reduce further impacting on investment income	Unlikely	Low	Rates are likely to stay lower for longer rather than decrease although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low.
Interest rates increase	Unlikely	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS

Risk	Likelihood	Impact	Risk Management
Volatility and uncertainty around business rates	Likely	High	Ensure business rate income and appeals are monitored and that specific reserve is sufficient to manage in-year volatility
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Likely	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Portfolio has been diversified to manage some of this risk especially within the retail sector
Brexit risks	Likely	Medium	Continue to highlight the demand pressures to central Government regarding Adult Social Care and Children's Services. Review reserves to manage any short-term impact. Monitor any economic impact.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations.
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan

The key risks will continue to be monitored throughout the budget setting process and subsequently outlined in each budget setting report to Council and will be reviewed regularly, and reported through budget monitoring to Cabinet.

16.Next Steps and Timetable for the Corporate Strategy and 2020/21 Budget Setting

Community engagement on the Council's Corporate Strategy and budget proposals will take place in the autumn period. In September, the Council Leader will update the Area Forums on the new administration's priorities in the context of the background information and plans set out in this report, and will seek feedback from attendees. Details of this process are set out below:

- 3rd September: Bathavon North Forum (Bathampton Village Hall, 6pm)
- 18th September: Cam Valley Forum (Freshford Memorial Hall, 6pm)
- 23rd September: Keynsham Area Forum (Keynsham Community Space, 6.30pm)
- 24th September: Somer Valley Forum (Swallow Community Café, 7pm)
- 30th September: Chew Valley Forum (Chew Valley School, 7pm)

Further updates on the work to develop the Corporate Strategy and MTFS will also be presented as appropriate to Parish Liaison on 30th October and the Area Forums due to take place in November and early December 2019.

The timeline also envisages that more specific budget proposals will be available for community engagement and feedback in December. It is therefore planned that at least one dedicated public engagement session will take place in December to promote feedback on what is being proposed for the budget. This would also provide an opportunity for dialogue and discussion of the approach being taken by the new administration to budget planning. The council work closely with our voluntary and community sector (eg through the "3SG" group) to ensure effective dialogue with local groups through this process.

For up to date details about the dates, timings and venues of Area Forum and Budget engagement meetings, please see here:

<https://www.bathnes.gov.uk/services/neighbourhoods-and-community-safety/localism-and-community-planning>

Views and feedback will be collated and reported to members through the detailed budget process. Policy Development and Scrutiny Panel arrangements are in place for November and January.

Cabinet and Council will consider the Corporate Strategy and budget in February 2020

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	12 th September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3156
TITLE:	Revenue and Capital Budget Monitoring, Cash Limits and Virements – April 2019 to July 2019	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Revenue Monitoring Commentary Appendix 2 – Key Scheme Capital Monitoring Commentary Appendix 3 (i) & 3 (ii) – Proposed Revenue Virements & Revised Revenue Cash Limits 2019/20 Appendix 4 (i) & 4 (ii) – Capital Virements & Capital Programme by Portfolio 2019/20		

EXECUTIVE SUMMARY

a) Revenue budget

The Revenue budget outturn is currently forecast to be £1.68m over budget. The areas over budget are mainly due to additional demand in Childrens Services £1.03m and a c£1m shortfall in income from Commercial Estate, there are a number of other smaller variances that amount to £0.32m favourable. Whilst the Childrens Services budget was re-based for 2019/20 there has been an unexpected increase in specialist Health and Social Care placements, Commercial Estate is due to a slowing down of high street retail income. To provide mitigation to this position Managers have been requested to develop cost reduction plans and to minimise spend wherever possible which will further improve the year-end position.

b) Capital budget

The capital budget is currently showing an expected under budget position of £30.5m mainly due to re-phasing of Bath Quays and ACL/ADL loan drawdowns into future financial years to reflect revised project spend profiles.

c) Council Tax and Business Rates

The current forecast Council's share of the year end Collection Fund position is:

- Council Tax – Surplus of £0.44m (2018/19 Surplus £0.69m)
- Business Rates – Surplus of £1.59m (2018/19 Surplus £0.76m)

d) Council Reserves

Council reserves will be required to mitigate the current position if the actions being put in place are not successful. The current position would require use of £1.68m of the Budget Contingency Reserve (which was set up to mitigate budget risk). Provision will need to be made within the 2020/21 budget to replenish the Budget Contingency Reserve for any drawdown made during 2019/20.

1 THE ISSUE

- 1.1 This report presents the financial monitoring information for the Authority as a whole for the financial year 2019/20 to the end of July 2019.

2 RECOMMENDATION

The Cabinet is asked to agree:

- 2.1 To note the 2019/20 forecast over budget of £1.68m (as at the end of July 2019) and the recovery plan actions outlined in Appendix 1;
- 2.2 To note the mitigations that will be required shown in paragraph 3.6, if the over budget position cannot be reduced by the end of the financial year
- 2.3 To approve the revenue virements listed for approval in Appendix 3(i) and to note those virements listed for information only.
- 2.4 To note the capital year-end forecast detailed in paragraph 3.15 of this report;
- 2.5 To note the changes in the capital programme including capital schemes that have been agreed for full approval under delegation listed in Appendix 4(i)

3 THE REPORT

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

REVENUE BUDGET

3.2 Service Directors have been asked to outline the actual expected outturn for the year and the reasons to date for over / under budget forecasts. For revenue budgets which are forecast to be over budget, the Directors are expected to seek compensating savings to try and bring budgets back to balance. To achieve this the Directors will develop in year recovery plans, including:-

- Holding / deleting vacant posts;
- Centralising and reducing discretionary spend;
- Considering Voluntary Redundancy requests to enable agreed staffing savings.

3.3 A summary by Portfolio of the revenue position as at 31st July 2019 is shown in the table below:

Portfolio	Revised Budget £'m	Year End Forecast £'m	Variance Over / (Under) £'m
Leader	(0.36)	(0.41)	(0.05)
Resources	8.03	10.02	1.99
Adult Services	62.45	62.45	-
Children's Services	28.71	29.74	1.03
Climate Emergency & Neighbourhood Services	15.92	15.93	0.01
Transport Services	(0.58)	0.01	0.59
Housing, Planning & Economic Development	3.27	3.19	(0.08)
Community Services	(3.87)	(4.29)	(0.41)
Smoothing reserve to be allocated		(1.40)	(1.40)
Total	113.57	115.24	1.68

Note1: Some of the figures in this table are affected by rounding.

- 3.4 The current **year-end** forecast is an over budget position of £1.68m, which equates to 0.59% of gross budgeted spend (excluding Schools).

Portfolio Commentary

- 3.5 Key variances and associated actions by Portfolio are as follows, a more detailed breakdown can be found in Appendix 1.

Leader (£0.05m under budget)

The variance is mainly due to a positive forecast in the return to the Council from the Aequus group, this will depend on property transfer targets being achieved. This has mitigated an adverse variance in the destination management contract with Visit Bath; this is due to the phased implementation of company changes that will deliver savings from 2020/21.

Resources (£1.99m over budget)

Portfolio variances are mainly attributable to a £1m shortfall on Commercial Estate income; this is due to a slowing down of retail income resulting from a UK wide structural change in the retail economy and the decision to limit further acquisitions of new income generating commercial assets as a result of changes in investment and Treasury Management guidance, which has impacted on the delivery of the annual savings target. This has been recognised as an ongoing risk and incorporated into the 2020/21 budget planning assumptions as an unavoidable pressure. To off-set this, a re-balancing of the commercial estate is taking place into other sectors, where possible, and capacity will be increased to more rapidly return voids to the market and the performance of commercial estate income will continue to be closely monitored.

There is also an adverse variance of c£1.4m as a result of the phased implementation of the Improving How We Work savings programme; this is being mitigated through the planned use of smoothing reserves with savings to be realised in full towards the end of the financial year.

There are favourable variances in Information Technology, Corporate Budgets and Risk & Assurance Services that have partially mitigated a pressure in Legal Services alongside the above adverse variances.

Adult Services (on budget)

The Adult Service Portfolio is on budget, however this has utilised £0.53m of the Adult Social Care reserve. This is planned use of the reserve, with the reserve funding ring fenced for the use on Adult Social Care expenditure. This has mitigated the over budget forecast in Learning Disabilities from new transition placements and placement pressures in Mental Health. There has been positive income from service user contributions that is helping mitigate the rising costs of care packages.

There has been some good progress on Social Care savings plans which is reflected in the monitoring position, with savings commentary in section 3.7 of this report.

Childrens Services (£1.03m over budget)

The Childrens Services financial position is £1m over budget; this is due to a £0.5m increase in the Joint Agency Panel specialist placements pooled budget. There has been an additional 5 placements in this financial year in addition to the full year effect of prior year placements. This budget and the placements it is funding are being reviewed by Social Care and Health commissioners to explore what cost management options are available. There has also been an increase in Childrens Social care residential placements alongside Unaccompanied Asylum Seeker Children costing more than the Government grant funding.

Management action includes all requests for children to come into care are subject to service manager scrutiny. Placement with family is always considered before care placement. We regularly review whether any children in care can return home. The Placements, Contracts and Commissioning Team use a preferred provider framework and dynamic purchasing system to negotiate the best value. We are reviewing our recruitment strategy for in house foster carers to reduce the need to use more costly independent fostering agencies.

In addition to the above there is an increase in SEND placements that is funded from the high needs block within the Dedicated Schools Grant, the above budget costs are £2.35m. This cost pressure has been recognised by the Council with a contingency budget of £2.35m for SEND made available to help prevent a negative DSG balance; however the current forecast indicates a further a £0.12m pressure to the DSG that will not be funded by Council reserves and require recovery plans.

Climate Emergency & Neighbourhoods (£0.01m over budget)

There are no material variances to report for the April – July monitoring report; services are forecast to be on budget at year end.

Transport Services (£0.59m over budget)

There is a reported pressure in Parking from income under recovery of £0.28m; this is largely attributable to early signs of behaviour changes following the new off street parking pricing structure. There has also been a reduction in PCN income from vacancies in enforcement officers that need recruiting into, income levels are being monitored closely; this has been recognised as a potential financial planning pressure.

It is also forecast that CCTV income target of £150k will not be achieved, a service review of the Councils CCTV operations is planned in the coming months that will assess the technology and service configuration with a recommended set of options for implementation.

Housing, Planning & Economic Development (£0.08m under budget)

There are no material variances to report for the April – July monitoring report; services are forecast to be on budget at year end.

Community Services (£0.42m under budget)

The favourable variance is from strong visitor performance in the first quarter of the year in the Roman Baths, both admission and retail income performed above budget expectations. There are also some service underspends from vacant posts in Heritage and Customer Services.

REVENUE BALANCES, CONTINGENCY AND RESERVES

3.6 Use of Reserves to Mitigate the Over Budget Position

If the current forecast position is not reduced by year-end, the following earmarked reserves will be utilised:-

Mitigation	Amount £'m
Revenue Budget Contingency Reserve	£1.68m
Total	£1.68m

The 2020/21 budget will need to factor in any requirement to replenish the Revenue Budget Contingency reserve to £2m in line with the approved Medium Term Financial Strategy. There is currently no requirement to use non-earmarked reserves as part of these mitigations.

Key Reserves

The following table shows the balances of key reserves at the beginning of the year, planned use, and expected balance at the year-end based on current forecast including the mitigations outlined in the table above:-

	Unallocated Balance as at 1/4/19 £'m	Projected Use in Year £'m	Current Estimated Balance 31/3/20 £'m
Revenue Budget Contingency	3.05	2.04	1.01
Financial Planning and Smoothing Reserve*	5.73	1.50	4.23
Transformation Investment Reserve *	2.15	1.85	0.30
Restructuring & Severance Reserve	2.18	0.00	2.18

Note * Use of these reserves are in line with budget plans agreed in February 2019

Reserves and Flexible Capital Receipts

Flexible Capital Receipts are being utilised for revenue spend that results in ongoing revenue savings. A three year target of £11.5m was agreed as part of budget setting in February 2019, this has now been updated to reflect the re-profiled requirement as follows:-

	Actual Usage 2017/18 £'m	Actual Usage 2018/19 £'m	Estimated Usage 2019/20 £'m	Estimated Total Usage £'m
Flexible Capital Receipts	3.12	3.45	4.92	11.50

Unapplied capital receipts of £1.25m were carried forward from 2018/19 and £1.10m has been received in 2019/20 so far with a further £4.80m expect by 31st March 2019.

General Fund Un-earmarked Reserve

The General Fund Un-earmarked Reserve is retained to meet the Council's key financial risks. The risk assessment has set a range of between £11.9m and £13.1m to meet those risks. The current estimate is that as at 31/03/20 the reserve will remain at £12.3m and remains sufficient to meet those risks.

SAVINGS PERFORMANCE

3.7 The 2019/20 revenue budget approved savings of £8.8m, with £2.2m of these savings to be found through service improvement, £3.2m from commissioning and contract management, £2m from additional income and the rest from service efficiencies. The table below shows forecast performance against the savings targets.

Cabinet Portfolio	RED £'000	AMBER £'000	GREEN £'000	TOTAL £'000
	£000	£000	£000	£000
Leader	150	280	0	430
Resources	60	2,839	437	3,336
Community (Leisure, Tourism & Culture)	0	9	1,350	1,359
Adult Care & Health	0	2,590	0	2,590
Children & Young People	0	0	418	418
Environment & Climate Change	16	0	260	276
Planning, Homes & Economic Development	0	95	-12	84
Transport	50	259	0	309
Total	276	6,072	2,454	8,802

The above table shows progress has been made with £2.45m forecast to be fully delivered, £6m is considered to be at risk due to delays and/or plans still being developed and £0.27m which will not be achieved during 2019/20.

Savings items that have been identified as high risk in 2019/20 and will require further action, mitigation or smoothing reserve are as follows:

- **Improving How we work Programme.**
 - **Consolidation of Performance / intelligence function £0.25m**
The first stage of the project has been completed the service are now focusing on delivery of the priorities for Children Service and improving resilience across the rest of the Council. The service will consider other opportunities for further consolidation and centralisation once the revised structure has been embedded.
 - **Office Accommodation £0.30m**
The Programme will continue to exploit the release of other buildings and income opportunities as the overall Programme progresses with staff working differently and more flexibly. Plans are in place to increase the footprint for the Police. Rental income will not start accruing until 20/21.
 - **Service redesign/digital business improvement £0.75m**
The Digital projects are already in progress and as the Programme has only just mobilised some savings will be identified this financial year but only a proportion delivered.
 - **Training £0.35m**
There is an insufficient amount to fund mandatory and essential statutory training for 2,100 staff across the council. Based on April-June spend we are forecasting a total spend of around £200k which is due to the insufficient amount transferred across from services upon centralisation.
- **Commissioning £2.59m**
A number of mechanisms have been identified to achieve these areas of savings. However, the activity to achieve growth avoidance is limited in

2019/20. Commissioning plans are more likely to come into fruition for 2020/21 and 2021/22. With that in mind, additional focus is being placed on targeting and reducing existing placements and packages. A Programme approach is in place which has identified a number of Projects that will achieve the longer term savings. However, some risks have been identified with realising cashable savings in 2019/20, due to phased implementation timescales.

- **Commissioning of Destination Management £0.150m**

The Visit Bath saving is unlikely to be achieved in 2019/20. Destination Management review is being commissioned and financial recovery plan being implemented by the Visit Bath Board to reduce annual running costs.

3.8 The Council's financial position, along with its financial management arrangements and controls, are fundamental in 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.

3.9 Any revenue budget virements which require Cabinet approval are listed in Appendix 3(i). Technical budget adjustments are also shown in Appendix 3(i) for information purposes, as required by the Budget Management Scheme.

COUNCIL TAX & COUNCIL TAX SUPPORT

3.10 The current overall forecast outturn position on the Council Tax Collection Fund is for a surplus of around £0.44m for the Council's share, this represents a 0.5% variance against target income. The reason for the surplus is mainly due to the number of chargeable dwelling being slightly higher than forecast. For 2019/20, the tax base included an adjustment of £9.16m for the estimated costs of the Local Council Tax Support Scheme and current estimates are in line with this amount. The one-off impacts of the Council Tax collection fund projected outturn position will be built into the financial planning assumptions for the 2020/21 budget.

3.11 The collection rate for Council Tax was 38.7%, compared to the previous year's figure of 38.8% at the end of July 2019.

BUSINESS RATES

3.12 The current year-end forecast is for the Council's overall share of Business Rate income relating to 2019/20 to be approximately £0.55m greater than estimated, creating a positive impact on the Collection Fund. The overall Collection Fund surplus position, including the element relating to the 2018/19 outturn, is forecast at £1.59m. As set out in the Budget Report, any surplus or deficit on the Business Rate Collection Fund and associated income will be transferred to or from the Business Rates Reserve for consideration as part of the Business Rates calculations for future years and this position will be reflected in the 2020/21 budget. Based on current forecasts, the projected balance on the Business Rate Reserve as at the end of 2019/20 is £2.76m, rising to £4.84m by the end of 2020/21, which represents c7.3% of annual business rates payable. The main in year factors impacting on Business

Rates are lower than forecast empty property and retail reliefs. This reflects the position based on current reliefs, and any further relief granted during the remainder of the financial year would reduce the projected surplus position.

3.13 The collection rate for Business Rates was 40.9% at the end of July 2019, compared to the previous year's figure of 39.6%.

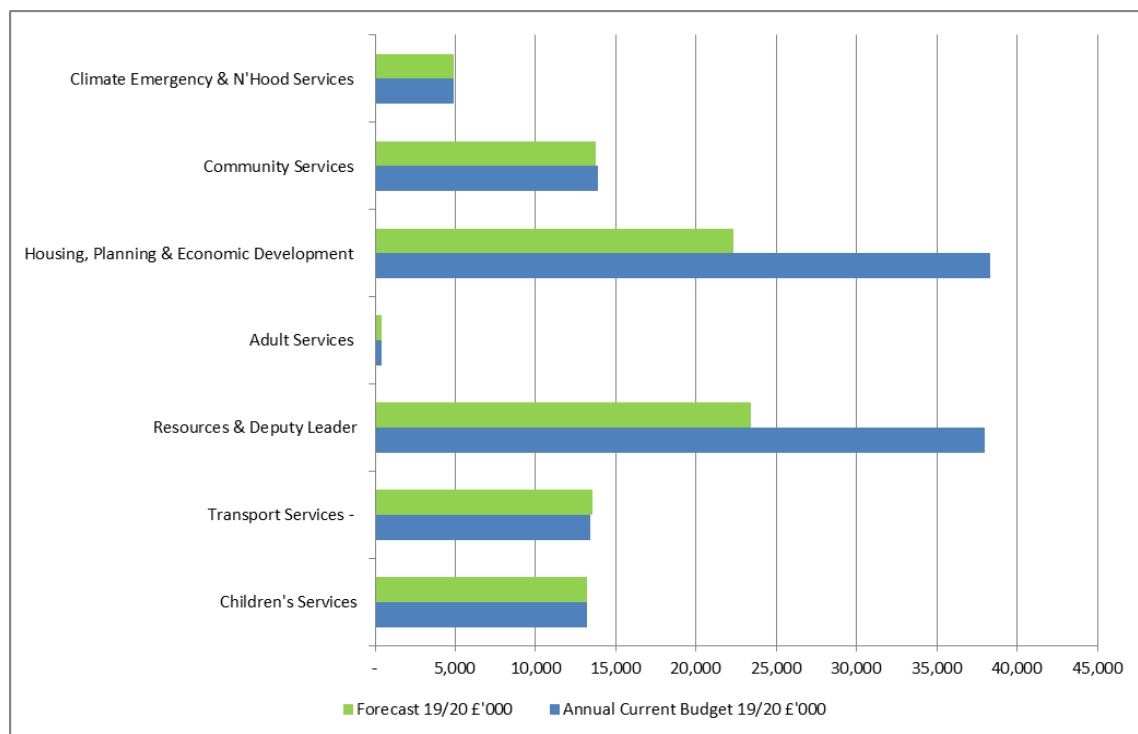
3.14 As previously highlighted, there continues to be a future risk relating to NHS Trusts claims that they are entitled to mandatory charitable relief from Business Rates. This claim will ultimately be subject to a legal ruling with a court hearing planned for November 2019, the Local Government Association is co-ordinating legal support on behalf of Local Authorities. Whilst the Council's view remains 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.

CAPITAL BUDGET

3.15 The current position for the fully approved schemes against the 2019/20 Capital budget of £122.1m is forecast at £91.6m, which is £30.5m less than the budget. The full breakdown of the Capital Programme by Portfolio can be found in Appendix 4(ii) with key scheme commentary in Appendix 2.

Portfolio Summary Monitor	Annual Current Budget 2019/20	Forecast 2019/20	In-Year Variance 2019/20	Forecast Re-phasing to 2020/21	Other Variance 2019/20
	£'000	£'000	£'000	£'000	£'000
Children's Services	13,205	13,205	-	-	-
Transport Services -	13,389	13,566	(177)	-	(177)
Resources & Deputy Leader	37,982	23,393	14,588	14,697	(109)
Adult Services	433	433	-	-	-
Housing, Planning & Economic Development	38,280	22,289	15,991	15,991	-
Community Services	13,883	13,776	107	-	107
Climate Emergency & Neighbourhood Services	4,899	4,899	-	-	-
Grand Total	122,070	91,561	30,509	30,687	(178)

The graph below illustrates the value and forecast against budget for all in year capital budgets by Cabinet Portfolio:



Capital Commentary

3.16 Key variances on the programme and updates on key project funding approvals by portfolio include:

- **Community Services** - £0.1m less than budget due to Bath Library works currently being on hold.
- **Resources and Deputy Leader** - £14.6m less than budget. The underspend reflects re-profiling of loan drawdowns predicted by Aequus (the Council's property development company). The current projected total of loan drawdowns in respect of the Riverside View and Sladebrook Road developments for 2019/20 is £5.1m with further loan drawdowns of £2.4m anticipated in respect of property transfers. The remaining balance of the approved loan facility is forecast to be carried forward into 2020/21.
- **Transport Services** - £0.2m more than budget. There is an overspend arising from the York Street Beam Remediation Phase 1 of £179k. This was mainly incurred in 18/19 and has been carried into this financial year for recovery. Funding options are being explored.

A further report is included on this Cabinet meetings agenda seeking approval for £18.0m capital budget for the Clean Air Zone project, of which £5.9m is for full approval and £12.1m for provisional approval, subject to confirmation of grant funding award.

- **Housing, Planning & Economic Development** - £16.0m less than budget. This is predominately due to programme re-phasing to reflect contract awards to Legal & General on Bath Quays North and BAM on Bath Quays South, which have re-profiled cash-flow expenditure. Delivery programmes have been re-based to reflect planning consents now granted for both projects.

A Single Member Decision is being progressed in relation to Bath Western Riverside land and Infrastructure investment, where an increase in the provisional capital programme item from £12.5m to £29.8m is requested to incorporate additional external funding allocations from WECA and Homes England.

BUDGET RISKS

3.17 The key risks to the budget were outlined in the Councils 2019/20 Budget Report, in compliance with the Council's decision making risk management guidance. These have been reviewed with current risks identified in the table below:

Risk	Likelihood	Impact	Risk Management Update
Further demands on service continue to escalate beyond current estimates	Possible	High	This is certainly a risk within Children's Services requiring ongoing monitoring of spend and controls. Ensure reserves are sufficient to manage in-year pressures.
Pay awards will be higher than estimated	Unlikely	Medium	Agreement in place for 2019/20.
Interest rates reduce further impacting on investment income	Unlikely	Low	Shorter term rates are predicted to remain at current low levels although the impact on interest rates post Brexit remains a risk. A prudent view has been taken within the MTFP and cash is being utilised for purchase of assets while rates are low.
Interest rates increase	Possible	Medium	A reserve is available for borrowing to manage market risk and long term borrowing costs have been factored into the longer-term MTFS
Volatility and uncertainty around business rates	Likely	High	Current monitoring shows that business rates income is expected to be £1.59m higher than budget. However, the retail sector may impact on income and we are closely monitoring any arrears, CVAs, and liquidations with a specific reserve held to manage in-year volatility.
The Business Rates 100% pilot ceases	Unlikely in 2019/20	High	It has been confirmed that Combined Authorities will retain 100% of business rates in

			2019/20. Although possible it is unlikely that this will continue in 2020/21 and an estimated £3.6m pressure has been added to the MTFS
Anticipated savings not delivered	Possible	High	Ensure delivery plans are monitored and continue to assess on a regular basis. Where the monitoring has identified savings are at risk of slipping the project governance will need to escalate and resolve issues through Directors Group. Ensure Budget Contingency Reserve sufficient to meet in-year issues.
Capital projects not delivered resulting in revenue reversion costs or liabilities from underwriting agreements	Likely	High	The Council has a number of projects within this category. These risks will continue to be monitored and reported. An assessment is made as part of the budget process to ensure that revenue reserves are sufficient to meet these risks. The capital programme methodology looks to de-risk projects wherever possible.
Changes to Government Policy that affects future funding	Likely	High	Need to monitor and continue to highlight impact
Economic downturn impacts on commercial income	Possible	High	Portfolio has been diversified to manage some of this risk especially within the retail sector. Where external factors cannot be mitigated the Council's future years budget will need to incorporate income pressures.
Brexit risks	Likely	Medium	With the likelihood of a no deal Brexit on the 31 st October there could be financial risks that will impact on the Council. A Council steering group has been set up to ensure the Council has taken all reasonable steps, in line with relevant guidance and messaging coming from Government and its agencies, to prepare for the exit from the EU on 31 October.
Funding pressures through WECA, CCG and other partners	Possible	Medium	Ensure good communication links with partner organisations.
The additional income from Heritage may not be sustained	Possible	Medium	Continue to monitor income levels and impact on business plan. Current performance has exceeded business plan targets; performance will be closely monitored for the rest of the financial year.
Capital receipts in the	Possible	Medium	Currently £1.1m receipts have

areas identified are insufficient to meet target			been received with a further £4.8m expected.
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4 STATUTORY CONSIDERATIONS

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 2019 through the Budget setting process.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

6 RISK MANAGEMENT

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

6.2 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.

7 CLIMATE CHANGE

7.1 With the exception of any virements for approval listed in Appendix 3(i), this is an information only report about the Council's financial performance against budgets set for April 2019 to July 2019, and therefore does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

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

9.2 Consultation was carried out at meetings and via e-mail.

Contact person	<i>Donna Parham - 01225 477468</i> Donna_Parham@bathnes.gov.uk
Background	<i>None</i>

papers	
Please contact the report author if you need to access this report in an alternative format	

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for the Leader									
P04	Leader	1112	Housing Delivery Vehicle	(730)	11	(924)	(194)	Aequus group Council returns are forecast to be £194k ahead of the Council target for 2019/20. ADL is ahead by £40k however this will depend on the actual transfers of residential properties for refurbishment being in-line with the current forecasted position. ACL is ahead by £154k primarily due to the interest for the approved Sladebrook Road Development Loan now being included.	
P04	Leader	1126	Visit Bath	366	367	516	150	This adverse variance is due slippage in delivering the destination management savings target which should be on target for delivery from 2020/21.	The Visit Bath Board is part way through implementing a cost recovery plan that is reducing operating costs whilst maintaining sales income which will improve the company's financial performance.
P04 Leader Total				(364)	377	(408)	(44)		
Detailed Analysis of Budgets for Resources and Deputy Leader									
P19	Resources and Deputy Leader	1032	Information Technology	4,789	2,283	4,710	(79)	Underspend is due to a number of unfilled staff vacancies due to difficulty in recruiting specialist or technical skills and additional contract savings which have been unexpectedly achieved in year	
P19	Resources and Deputy Leader	1037	Property Services	670	879	651	(19)	Underspend due to current staff vacancies. Plan to fill posts in October	
P19	Resources and Deputy Leader	1038	Corporate Estate Including R&M	3,562	2,961	3,851	289	This cash limit includes a corporate office accommodation savings target of £300k originally set for Lewis House rental of floors. An increased floor plate will be offered to the Police but this will not meet this savings target. The holding costs for the former BCA site are also unbudgeted.	Progress plans to rationalise and improve corporate office accommodation as part of the Improving How We Work programme. Guildhall retained as a seat of governance for elected members and ceremonial functions, St Martins will be programmed for closure and we will maximise Keynsham Civic centre as the main business base for the council and a fully flexible working environment for all staff and Lewis House, Hollies for staff delivering a service in that area
P19	Resources and Deputy Leader	1039	Traded Services	33	4	33	()	On Budget	
P19	Resources and Deputy Leader	1040	Finance	2,436	998	2,437		Forecast on budget	

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P19	Resources and Deputy Leader	1041	Revenues & Benefits	993	368	964	(29)	See Customer services and Libraries cashlimit commentary.	
P19	Resources and Deputy Leader	1042	Risk & Assurance Services	961	456	777	(184)	Underspend mainly from salary budgets.	
P19	Resources and Deputy Leader	1045	Strategy & Performance	2,476	658	3,155	679	£650k Digital Programme savings will not be delivered this financial year as originally planned due to slow pace of engagement and delivery of core capabilities for the organisation.	Now part of the Improving How We Work Programme which has not yet been fully engaged with or mobilised is being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader	1047	Human Resources	1,202	478	1,384	182	After training budgets were centralised and the savings of £350k deducted the balancing total was £5k. This is budget is required to fund mandatory and essential statutory training for 2,100 staff across the council. Based on April-July spend we are forecasting a total spend on training and development of around £180k, most of which will be an overspend due to the centralisation. There is a further forecast overspend of £20k on Occupational Health and EAP.	Now re-based as part of the Improving How We Work Programme which has not yet been fully engaged with or mobilised is being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader	1053	Council Solicitor & Democratic Services	2,686	1,272	2,936	250	The forecast reflects unachievement of historic savings and adjustments relating to unachievable external income targets (mainly s106 agreements). The increase in childcare cases have required further temporary legal capacity in the Legal Childcare Team.	Plans relating to the previous year's savings are being progressed, and as far as possible, the vacancy savings will be absorbed into the existing Budgets.
P19	Resources and Deputy Leader	1054	Hsg / Council Tax Benefits	(195)	2,097	(195)		Forecast on budget	
P19	Resources and Deputy Leader	1055	Capital Financing / Interest	6,718	2,520	6,718		Forecast on budget	
P19	Resources and Deputy Leader	1056	Unfunded Pensions	1,598	574	1,588	(10)	Small underspend forecast based on current spend to date.	

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P19	Resources and Deputy Leader	1057	Corporate Budgets including Capital, Audit and Bank Charges	(8,041)	(2,308)	(8,186)	(145)	There is a £100k underspend forecast on Pension Deficit Contributions, mainly due to reduced Council liabilities following transfer of staff to Academy Schools, and a £35k underspend on forecast on Apprenticeship Levy contributions as a result of a reduced Council pay bill. There are also some minor over and underspends forecast in external audit fees and bank & credit card transaction costs.	
P19	Resources and Deputy Leader	1058	Magistrates	12	5	12		Forecast on budget	
P19	Resources and Deputy Leader	1059	Coroners	335	(86)	335		Forecast on budget	
P19	Resources and Deputy Leader	1061	West of England Combined	4,259	2,130	4,104	(155)	One-off underspend in year due to overpayment of Levy in 2018/19. Proposed that this forecast underspend is vired to Concessionary Fares budget for 2019/20 only. This virement is included for approval by Cabinet in Appendix 3 (ref LOG19#01).	
P19	Resources and Deputy Leader	1081	Commercial Estate	(16,223)	(4,817)	(15,207)	1,016	Portfolio variances are mainly attributable to a £1m shortfall on Commercial Estate income; this is due to a slowing down of retail income resulting from a UK wide structural change in the retail economy that has impacted on the delivery of the annual savings target. This has been recognised as an ongoing risk and incorporated into the 2020/21 budget planning assumptions as an unavoidable pressure.	To off-set this, a re-balancing of the commercial estate is taking place into other sectors, capacity will be increased to more rapidly return voids to the market and the performance of commercial estate income will continue to be closely monitored.
P19	Resources and Deputy Leader	1118	Procurement & Commission	218	1,356	209	(9)		
P19	Resources and Deputy Leader	1125	Improving The Way we work	(460)		(260)	200	Programme not yet fully engaged with or mobilised so further resources will be required so position will change	Improving How We Work Programme has not yet been corporately engaged with or mobilised the savings not delivered are being mitigated through the planned use of smoothing reserves with savings to be realised from alternative ways such as centralisation of printing & postage budgets, further IT centralisation of budgets, centralisation of business support functions, harvesting of in year discretionary budgets, possible recruitment & training freezes in full towards the end of the financial year.
P19	Resources and Deputy Leader Total			8,028	11,826	10,015	1,987		

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for Adult Care Health and Wellbeing									
P20	Adult Services	1027	CRC & Community Equipment contracts	88	(18)	88			
P20	Adult Services	1036	Adults Substance Misuse (DAT)	514	879	514			
P20	Adult Services	1073	Adults & Older People- Mental Health Commissioning	10,256	4,243	10,256	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income and underspends in service areas outside the purchasing budgets.	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1086	Adult Care Commissioning	2,171	352	2,638	467	Variances are being seen in the non purchasing budgets.	Vacancy levels are to be reviewed against budgets to ensure the correct establishment is reflected. Recruitment is underway in the commissioning area and would hope to be appointed to in the second half of the year.
P20	Adult Services	1088	Older People & Physically Disabled Purchasing	12,931	3,958	12,931	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income.	
P20	Adult Services	1091	Learning Disabilities Commissioning	17,168	4,840	17,168	(0)	The forecast reflects changes to packages in the purchasing budgets which are across new clients, existing clients and transitional costs. These are being offset by increased contribution income and underspends in service areas outside the purchasing budgets.	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1093	Physical Disability, Hearing & Vision	4,293	1,272	4,293	(0)	Adverse Variances are being seen in the commissioned purchasing budgets reflecting increased placement costs for this area. These are being offset by increased contribution income .	The forecast overspend will be mitigated by the planned use of the Adult Social Care reserve.
P20	Adult Services	1094	Public Health	(175)	(1,203)	(175)			
P20	Adult Services	1110	Better Care Fund	15,012	36,197	15,012	(0)		

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P20	Adult Services	1113	CCG B&NES CHC and FNC Payments		1,599				
P20	Adult Services	1114	Community Equipment	203	425	203			
P20	Adult Services	1123	Safeguarding Adults	1,722	1,115	1,255	(467)		
P20	Adult Services	1124	Community Resource Centres & Extra Care Income	(1,733)	(293)	(1,733)		The current budget was maintained at the same level as the previous year and despite a forecast to exceed, the current occupancy levels are below expectations.	The forecast income collection will be used to offset the underlying overall budget position alongside the planned use of the Adult social Care reserve.
P20	Adult Services Total			62,449	53,366	62,449	()		
Detailed Analysis of Budgets for Childrens Services									
P21	Childrens Services	1076	Children, Young People & Families	15,574	11,479	16,608	1,034	Spend in JAP pooled budget vs last year (LY) up £524k. Due to 5 additional children, plus annualised costs of further 10 children who's packages started mid-way through 2018/19. These are our children with the highest need, who also require the most complex care packages of those that we support. Residential Placement spend up £400k vs LY due to increase in support packages needed to keep children safe. Permanence costs have increased vs LY by £44k. Unaccompanied Asylum Seeker Children costs exceed budget by £80k, this is due to the shortfall in funding from Central Government for these children.	Enhanced review of the 6 most recent complex cases at JAP completed July 2019. Review of all other placements due to be completed August 2019.
P21	Childrens Services	1077	Learning & Inclusion	5,930	167	3,580	(2,350)	The £2.35m under budget position shown offsets the £2.35m over budget position in the schools budget cash limit. The 19/20 budget allowed for a contingency reserve that may be utilised to fund any overspends at year end once all other options including underspends within other DSG Blocks and the contribution from schools have been utilised. The Council can therefore plan over time to reduce the contribution from its General Fund	

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P21	Childrens Services	1078	Health, Commissioning & Planning	6,356	2,497	6,356			
P21	Childrens Services	1079	Schools Budgets	(2,166)	(7,666)	184	2,350	SEND over budget position £4.6m, due to increased demand and lack of local provision, requiring independent specialist provision which is expensive. This is partially offset by £2.1m of one-off funding for 2019/20. The £2.35m under budget position in the Learning and Inclusion cash limit offsets this £2.35m pressure, via use of a contingency reserve created in the 19/20 budget which may be used for SEND pressures. There remains a pressure on the Dedicated School Grant of £117k.	Planned local provision expansion through a capital strategy and lobbying of government for additional resources for schools and high needs
P21	Childrens Services	1116	Integrated Commissioning - CYP	2,305	2,990	2,305			
P21	Childrens Services	1117	Safeguarding - CYP	708	206	708			
P21	Childrens Services Total			28,707	9,673	29,741	1,034		
Detailed Analysis of Budgets for Climate Emergency & Neighbourhood Services									
P22	Climate Emergency & Neighbourhood Services	1060	Environment Agency	236	117	236		Forecast on budget	
P22	Climate Emergency & Neighbourhood Services	1101	Neighbourhoods & Environment - Waste & Fleet Services	15,207	3,534	15,207		No material variances showing at this early stage of the year, but prices for recycled materials appear to be falling. Trends not likely to start showing till Aug-Sep.	
P22	Climate Emergency & Neighbourhood Services	1120	Sustainability	285	128	300	15		
P22	Climate Emergency & Neighbourhood Services	1127	Air Pollution	197	66	188	(9)	Minor variances on all types of expenditure including salaries.	
P22	Climate Emergency & Neighbourhood Services Total			15,925	3,845	15,931	6		
Detailed Analysis of Budgets for Housing, Planning & Economic Development									
P23	Housing, Planning & Economic Culture	1029	Housing	1,207	16	1,170	(36)	The majority of this underspend is due to staff members not being part of the B&NES Pension scheme. Budget is still needed in case of staff turnover.	

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
P23	Housing, Planning & Economic Culture	1052	Regeneration	289	342	242	(46)	Residual arts budget not yet aligned to forecast expenditure.	
P23	Housing, Planning & Economic Culture	1106	Development Management	1,295	(119)	1,298	4	£40k VAT historic adjustment needed re incorrect posting on receipt of Planning Income, £15k consultants fees and small shortfall on expected Planning income, predominantly being offset by staff budget savings, leaves small £3.8k adverse variance which is not considered material.	
P23	Housing, Planning & Economic Culture	1108	Economy and Culture	478	195	476	(1)	Small variance - not material	
P23	Housing, Planning & Economic Culture Total			3,268	434	3,187	(81)		
Detailed Analysis of Budgets for Community Services									
P24	Community Services	1005	Building Control & Land Charges	823	49	833	11	The Land Charges income - Housing market is still quiet and unlikely to change any time soon therefore lower than expected income	As far as is possible, these will be absorbed into the existing budgets of the service or offset with other portfolio underspend.
P24	Community Services	1018	Heritage	(8,782)	(4,287)	(9,127)	(345)	Strong visitor performance over Q1, particularly Easter. Admission income and retail both forecast to overachieve target. Due to delays in recruiting staff and the number of staff who have opted out of the pension scheme there is a forecast underspend of £90k (1.7%) on staff costs.	Resistance to price will be closely monitored through the June - August peak price period.
P24	Community Services	1019	Public Protection & Health Improvement - Leisure	689	51	689		On budget	
P24	Community Services	1089	Community Safety	41	36	41			
P24	Community Services	1102	Neighbourhoods & Environment - Parks & Bereavement Services	1,018	519	1,018		On budget	
P24	Community Services	1109	World Heritage	152	61	153	1	Small variance - not material	
P24	Community Services	1115	Registrars Service	(85)	(177)	(90)	(4)		
P24	Community Services	1121	Events & Active Lifestyles	271	56	271		On budget	
P24	Community Services	1122	Customer Services (Including Libraries)	2,000	882	1,926	(75)	£75k salary savings due to recruitment delay	
P24	Community Services Total			(3,874)	(2,811)	(4,286)	(412)		

April 2019 - July 2019 Revenue Monitoring Portfolio by Cashlimit - Appendix 1

								Director Narrative	
Portfolio Number and Description		Cashlimit Number and Description		Current Budget £000	Actuals £000	Published Forecast £000	2019/20 Outturn Variance Over / (Under) £000	Outturn Narrative	Outturn Recovery Plan
Detailed Analysis of Budgets for Transport Services									
P25	Transport Services	1006	Highways & Traffic Management	7,188	1,604	7,188		Shown on budget at this early stage, review in progress to deliver existing savings targets	
P25	Transport Services	1103	Transport & Parking Services - Parking	(7,771)	(1,956)	(7,493)	278	Behaviour changes following the price increase is having a negative impact on income, it's also raising some uncertainty around future income, but reducing the number of car journeys into the car parks. Bus gate income lower than forecast, PCN income reduced but offset by CEO vacancies.	
P25	Transport Services	1104	Transport & Parking Services - Public & Passenger Transport	(250)	138	(95)	155	£155k adv bus support funded by correspnding underspend on WECA levy (cashlim 1061)	
P25	Transport Services	1119	Emergency Planning	258	136	414	157	CCTV income target not achieved	
P25	Transport Services Total			(575)	(78)	15	590		
			Financial Planning Reserve			(1,400)	(1,400)	Use of reserve for phased implementation of savings.	For information, revenue budget will be adjusted for reserve drawdown at year end.
	Council Total			113,564	76,632	115,244	1,680		

CAPITAL APPENDIX 2 - KEY SCHEME VARIANCE ANALYSIS

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
Children's Services						
Basic Needs - School Improvement / Expansion	Various schemes are moving forward, including: Whitchurch Primary expansion to a 315 place school. A new 4 classroom block to complete for 2019. Currently to budget and on target to complete for September 2019 occupation. St Nicholas Primary expansion to a 420 place school. A new 4 classroom block and internal remodelling to complete for September 2019. Currently to budget and on target to complete for the September 2019 intake. Longvernal Primary – Phase 2 of a remodelling scheme to accommodate a bulge class in 2017 (Phase 1) and address the issue of undersized classrooms. Complete. Peasedown St John Primary expansion to a 630 place school. A new 4 classroom block with small hall and internal remodelling to the kitchen in the existing school building. Currently to budget and on target to complete for December 2020 occupation.	9,173	9,173	-	-	-
Schools Capital Maintenance Schemes	Various schools capital maintenance schemes are moving forward, including: Swainswick Primary – Replace poor condition temporary buildings. Classrooms complete and occupied. External works to complete by September 2019. On target and within budget. Whitchurch Primary School - Boiler Replacement R&M. To complete by September 2019. On target and within budget. Newbridge Primary - Window Replacement. To complete by September 2019. On target and within budget.	2,505	2,505	-	-	-
Transport Services -						
GULW (OLEV)	Go Ultra Low West (GULW) - An Inter Authority agreement is being drafted which will set out the maintenance and revenue liabilities for the public charging points. This will be informed by a business case and needs to be approved before the installation of infrastructure. The other packages under the GULW project include fleet electrification, satellite charging hubs and electric cycle hire. These schemes are all being progressed as part of the wider project which runs into the next financial year.	485	485	-	-	-
Highways Maintenance Block	The 2019/20 Highways Structural Maintenance Capital Programme is progressing well as follows: Resurfacing 60% completed with sites at the Circus, Lansdown Road and various sites in and around Oldfield Park and Twerton successfully delivered. Surface Dressing 80% completed with only one site A36 Lower Bristol Road programmed for completion later in August 2019. Micro Asphalt site preparation works completed with full programme delivery scheduled for October 2019. Street Lighting Column replacement programme commencing delivery August 2019. Camden Crescent Arch Repairs progressing listed building consent for construction works to commence September/October 2019.	5,315	5,315	-	-	-
Transport Improvement Programme	The 2019/20 programme is progressing, which includes a new Zebra Crossing on the Wellsway Keynsham, pedestrian improvements in Withies Park Midsomer Norton and Winterfield Road Paulton plus improvements to a signalised crossing at Upper Bristol Road, Bath. As part of the safe routes to school programme a new bus stop will be constructed at the top of Brassknocker Hill assisting pupils to use public transport to access Ralph Allen School. Engagement regarding the Mulberry Park Cycle and Pedestrian improvements continue. The works programme is mainly delivered through the Term contract and the transition from Skansa to the new term contractor Volker during March 2019 onwards was well managed by both contractors.	2,986	2,986	-	-	-
York Street Infrastructure Works (This is the Beam Remediation.)	The project comprises the first phase of work required to remediate the beams that support the road structure. The present overspend of £179k was mainly incurred in 18/19 and has been carried into this financial year for recovery.	(107)	72	(179)	-	(179)
City Centre Security - Highways Scheme	This project meets the Council's priorities in supporting public protection in the city centre by securing areas of high footfall, where adults and children congregate. Work will include the provision of fixed and moveable physical measures placed at key access points around the city centre, which will restrict vehicular access (deliveries etc) to a certain period of the day. Investigative work is on-going to identify the most appropriate solutions to overcome various engineering constraints; specific updates on programme will emerge as we progress the project further.	674	674	-	-	-

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
Resources & Deputy Leader						
Cleveland Pools Grant	To support the Cleveland Pools Trust (CPT) £5.7 million project to bring the country's only surviving georgian lido back into use as a community pool. CPT have secured £4.7m funding from National Lottery Heritage Fund and appointed a full-time director (from June 2019) to manage and deliver the project, which is scheduled for completion in spring/summer 2021. The Council paid £50k grant in June with a further £125k grant due during the financial year.	180	180	-	-	-
Corporate Estate Planned Maintenance	The Project Delivery Team are recruiting to increase staffing and have set up frameworks for delivery of work. Many purchase orders already raised with resulting commitments. Works on the Guildhall are at pre-app stage. Expect to spend the 2019/20 budget.	4,587	4,587	-	-	-
Digital Programme	The Digital Programme is now part of the Improving How We Work Programme that is intended to improve the way we operate and bring about efficiencies by changing business processes and systems for priority areas that may give capacity gains from handling high volume contacts, high manual effort and which may also have a positive impact on office rationalisation & travel. This element of the programme will focus on the development of corporate digital tools and core technology/infrastructure that will be developed during specific service interventions or cross organisationally and reutilised internally across the whole organisation or externally for customers to self-serve. Key projects will be delivered in 2019/20 within or below budget including major changes to the Website and complimentary capability for online payments, booking and reporting as well as general online forms for requests and a new radical corporate way of printing and posting.	568	568	-	-	-
Housing Delivery Vehicle/ Schemes (Capital Disposals ADL)	Disposal of 117 Newbridge Hill is expected in 2019. Work continues in support of bringing forward the Englishcombe Lane and Argyle Works development sites for potential disposal to ADL as well as several smaller refurbishment projects to flats returned to the Council by Curo.	1,486	1,486	-	-	-
Property Company Investment - Council (Loan): Developments	The current projected total of loan drawdowns to ACL in respect of the Riverside View and Sladebrook Road developments for 2019/20 is £5.1m with further loan drawdowns of £2.4m to ADL anticipated in respect of property transfers. The remaining balance of the approved loan facility will be carried forward into 2020/21	22,131	7,500	14,631	14,631	-
Housing, Planning & Economic Development						
Radstock Healthy Living Centre	The NHS has approved the Outline Business Case in May 2019 for the project and work continues to Full Business case. A review of costs, funding and the scope of B&NES involvement is currently underway with project stakeholders ahead of finalising the Councils grant offer letter to the Clinical Commissioning Group.	1,905	1,905	(0)		(0)
Bath Quays Bridge	The contract for building Bath Quays Bridge is part of the Bath Quays South contract along with a contract with a Belgium company which is making the bridge itself. The works are now running to schedule with an estimated completion date is Q4 2020, with 19/20 slippage forecast. The project has secured full funding via external grant sources and to budget.	3,579	2,142	1,437	1,437	(0)
Bath Quays North	The OJEU (Official Journal of the European Union) procurement process selected Legal & General as the preferred partner to develop the Bath Quays North site. The procurement process finished in February 2019 and negotiations continued with the Development Agreement being signed in July 2019 causing slippage of 19/20 budgets from delayed timing of milestones including Planning Permission and contract award. The Council's total cost for the project remains unchanged.	13,820	2,125	11,695	11,695	-
Bath Quays South	Cash flow re-phasing to match contract award programme and final building envelope planning conditions re-profiles expenditure in line with planned completion in summer 2021.	10,738	9,277	1,461	1,461	(0)
Affordable Housing (AH)	The Registered Provider sector continues to explore new AH-led development opportunities that will require capital subsidy from the Council, which include rural and specialist development as well as bringing forward additionality on Council-owned sites being delivered by ADL and Council-led development. Slippage on the "Housing Options for the Disabled" (HOLD) programme and Hanover Extra Care unavoidable but all funding requirements remain as budgeted.	1,050	1,050	0		0
Community Services						
Modern Libraries & Workplaces	The proposals for the remodelling of Bath Central Library at the Podium are on hold by the Council leading to underspend in 2019/20 but with a risk of revenue reversion of £340K costs incurred in previous years. The opening of further new community run libraries are being supported and remaining branch libraries are being transferred to the community during 2019/20 and this should be complete by December 2019. A replacement mobile library vehicle with internet access entered service on 1 July.	349	248	101	-	101
Parks S106 Programme	The S106 schemes are not time limited and several will complete in 2019/2020, to include Brickfields Park ,Kensington Meadows and Innex Park. The forecast for the remainder will be ascertained September/ October 2019.	453	453	0	-	0
Roman Baths Archway Centre	Conservation works to the arch were delayed from March 2019 to April 2019. The main contract has now commenced and 59 week programme of work underway. The new facilities will open in 2020.	5,096	5,096	(0)		(0)

		19/20 BUDGET PER AGRESSO £'000	19/20 CURRENT MONTH FORECAST £'000	IN-YEAR VARIANCE FORECAST TO BUDGET Under/(Over) Spend £'000	TO BE REPHASED TO FUTURE YEARS. £'000	19/20 UNDER / (OVER) SPEND. £'000
Climate Emergency & Neighbourhood Services						
Waste Project	Final completion on land purchases at Pixash took place in July. A capital budget is in place to progress technical masterplanning, survey works to advance the project and planning applications in 2020. Member briefings will take place in due course.	2,864	2,864	-	-	-

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2019/20 Revenue Virements for Approval

Appendix 3 (i)

REF NO	REASON / EXPLANATION	CABINET MEMBER	TRANSFER FROM	Income	Expenditure	CABINET MEMBER	TRANSFER TO	Income	Expenditure	DESCRIPTION	ONGOING EFFECTS
			CASHLIM	(£'s)	(£'s)		CASHLIM	(£'s)	(£'s)		
The following virements are reported for approval under the Budget Management Scheme rules.											
LOG 19#01	Supported Buses Contract	Resources	West of England Combined Authority - Transport Levy		155,000	Transport Services	Transport & Parking Services - Public & Passenger Transport		155,000	Transfer of one-off saving on WECA Transport Levy payment to fund pressure on supported bus services contract.	Budget virement is one-off.
LOG 19#02	2018/19 Budget Rebasing	Resources	Strategy & Performance	903,000	Community Services	Customer Services (including Libraries)			320,000	The 2019/20 Budget provided £0.9m for budget rebasing to offset the 2018/19 staffing savings targets that were identified and reported in 2018/19 as not achievable. This allocation has been validated by finance and agreed through Directors Group.	Budget virement is on-going.
						Improving The Way We Work			100,000		
						Finance			143,000		
						Council Solicitor & Democratic Services			14,000		
						Children's Services	Learning & Inclusion		246,000		
						Transport Services	Highways & Traffic Management		80,000		
OVERALL TOTALS				0	1,058,000			0	1,058,000		
					1,058,000				1,058,000		

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

2019/20 Revenue Virements for Information

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

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 19#01	Revenue Grants Unapplied	Resources	Balances & Reserves		462,583	Resources	Corporate Budgets incl. Capital, Audit & Bank Charges		462,583	Technical accounting adjustment to fully recognise unconditional revenue grants fully in year of receipt. Reversal of INFO 18#84 (July'19 Cabinet)	Budget virement is one off.
INFO 19#02	Waste Service Redesign	Resources	Corporate Budgets incl. Capital, Audit & Bank Charges		608,241	Climate Emergency & Environmental Services	Neighbourhoods & Environment - Waste & Fleet Services		608,241	Transfer of corporately held budget for Waste Service Redesign to match 2018/19 spend in service.	Budget virement is on-going.
INFO 19#03	Children's Services Budget Savings	Children's Services	Inclusion & Prevention	40,000	Children's Services	Education Transformation			31,310	Realignment of Children's Services savings target budgets following 2018/19 achieved savings.	Budget virement is on-going.
					Resources	Corporate Budgets incl. Capital, Audit & Bank Charges			8,690		
INFO 19#04	Home Improvement Agency	Adult Services	Adult Services		89,930	Housing, Planning & Economic Development	Housing		89,930	Re-alignment of budget following transfer of responsibility of some aspects of HIA care & repair from Adult Services to Housing - full year effect.	Budget virement is on-going.
INFO 19#05	Apprenticeship Levy	Resources	Human Resources		25,000	Resources	Strategy & Performance		25,000	Transfer of Apprenticeship Levy savings target from Strategy & Performance to Human Resources, to align to where the Apprenticeship Levy income is received & managed.	Budget virement is on-going.
INFO 19#06	Adult Social Care Training	Adult Services	Adult Services	27,000	Resources	Strategy & Performance			22,000	Establishment of funding stream within Business Intelligence relating to specific Adult Social Care training resource.	Budget virement is on-going.
					Children's Services	Safeguarding - CYP			5,000		
INFO 19#07	Public Arts Maintenance	Community Services	Arts		7,483	Housing, Planning & Economic Development	Regeneration		7,483	Transfer of budget for maintenance & cleaning of public arts assets following the cessation of Arts Development.	Budget virement is on-going.

<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>
INFO 19#08	Adult Social Care Management Savings	Adult Services	Adult Substance Misuse (Drug Action Team)		21,800	Adult Services	Adult Services		21,800	Distribution of Adult Social Care management savings target to individual Adult Social Care Cash Limits.	Budget virement is ongoing.
INFO 19#09	Catering & Print Services Internal Recharge Budgets	Resources	Traded Services		176,676	Resources	Finance Risk & Assurance Information Technology Human Resources Property Services Corporate Estate Including R&M	38,978 11,393 20,615 45,471 60,079 140		Removal of internal income budgets within support services, along with the corresponding internal expenditure budgets in Traded Services, following the cessation of Catering & Print Services.	Budget virement is ongoing.
INFO 19#10	Corporate Complaints Team Centralisation to One West.	Children's Services	Safeguarding - CYP		35,338	Resources	Risk & Assurance Services		35,338	Transfer of budgets for posts in Corporate Complaints Team to the One West budget. Part of this was transferred in 2018/19 and this is to make up the full year budget.	Budget virement is ongoing.
INFO 19#11	One-off Funding for Avon Street Public Conveniences	Resources	Corporate Budgets incl. Capital, Audit & Bank Charges		25,000	Climate Emergency & Environmental Services	Neighbourhoods & Environment - Waste & Fleet Services		25,000	Allocation from the 2019/20 one-off funding budget for the BID to operate the Avon Street Toilets under an SLA for a specified period of time. £20K will go to the BID and £5K will cover Council costs. Agreed with former Cabinet Member for Finance & Efficiency and Director of Finance (2nd April 2019).	Budget virement is one-off.
INFO 19#12	Centralisation of Training Budgets	Resources	Various		92,111	Resources	Human Resources		379,032	Transfer of individual service budgets for training to create a central training budget held by Human Resources.	Budget virement is ongoing.
		Adult Services	Adult Services		25,000						
		Children's Services	Various		41,683						
		Climate Emergency & Environmental Services	Various		44,844						
		Transport Services	Various		74,100						
		Housing, Planning & Economic Development	Various		42,436						

REF NO	REASON / EXPLANATION	CABINET MEMBER	TRANSFER FROM	Income	Expenditure	CABINET MEMBER	TRANSFER TO	Income	Expenditure	DESCRIPTION	ONGOING EFFECTS
		Community Services	<u>CASHLIM</u> Various	(£'s)	(£'s)		<u>CASHLIM</u>	(£'s)	(£'s)		
					58,858						
INFO 19#13	Centralisation of Fleet Management Recharges	Resources	Various		8,353	Climate Emergency & Environmental Services	Neighbourhoods & Environment - Waste & Fleet Services		142,610	Centralisation of Fleet Management budget. Removal of internal income budgets within Fleet Services, along with the corresponding internal expenditure budgets across Council Services, following the cessation of internally recharging these Services for Fleet Management costs.	Budget virement is on-going.
		Housing, Planning & Economic Development	Various		52,576						
		Community Services	Various		81,681						
INFO 19#14	Staff Vacancy Savings	Resources	Various		202,950	Resources	Strategy & Performance		500,000	Distribution of staff vacancy savings target across individual Council Services.	Budget virement is on-going.
		Adult Services	Various		44,784						
		Children's Services	Various		59,410						
		Climate Emergency & Environmental Services	Various		9,317						
		Transport Services	Various		41,056						
		Housing, Planning & Economic Development	Various		60,191						
		Community Services	Various		82,292						
INFO 19#15	Visit Bath Savings	Leader	Visit Bath		150,000	Housing, Planning & Economic Development	Regeneration		150,000	Allocation of part of Economy & Growth MTFP 2019/20 savings to Visit Bath contract.	Budget virement is on-going.
INFO 19#16	Business Intelligence Centralisation	Children's Services	Integrated Commissioning - CYP		46,817	Resources	Strategy & Performance		209,977	Transfer of individual posts and budgets for Business Intelligence from within service teams to create one central Business Intelligence Team.	Budget virement is on-going.
			Education Transformation		115,546						
		Housing, Planning & Economic Development	Regeneration		21,714						
		Resources	Human Resources		25,900						

REF NO	REASON / EXPLANATION	CABINET MEMBER	TRANSFER FROM	Income	Expenditure	CABINET MEMBER	TRANSFER TO	Income	Expenditure	DESCRIPTION	ONGOING EFFECTS
			CASHLIM	(£'s)	(£'s)		CASHLIM	(£'s)	(£'s)		
INFO 19#17	Arts Realignment	Housing, Planning & Economic Development	Economy & Culture		44,145	Housing, Planning & Economic Development	Regeneration		55,879	Realignment of residual budgets within Economy & Growth following the cessation of Arts Services.	Budget virement is on- going.
		Community Services	Arts		13,406	Leader	Visit Bath		1,672		
INFO 19#18	Asbestos Database	Resources	Commercial Estate		7,000	Resources	Property Services		7,000	Transfer of budget following the change of responsibility of Asbestos Database from Commercial Estate to Property Services.	Budget virement is on- going.
INFO 19#19	Project Officer Salary	Community Services	Events & Active Lifestyles		25,000	Resources	Human Resources		25,000	Transfer of management of Wellbeing Project Officer post between departments.	Budget virement is on- going.
INFO 19#20	Wansdyke Business Centre Recharge	Housing, Planning & Economic Development	Economy & Culture		30,000	Resources	Commercial Estate		30,000	Removal of internal recharge budgets & charges between Economy & Culture & Commercial Estate relating to Wansdyke Business Centre.	Budget virement is on- going.
INFO 19#21	Bikeability	Community Services	Events & Active Lifestyles		35,954	Climate Emergency & Environmental Services	Air Pollution		35,954	Transfer of management of Project Officer post between departments.	Budget virement is on- going.
INFO 19#22	Training & Development Manager Centralisation	Community Services	Events & Active Lifestyles		2,190	Community Services	Neighbourhoods & Environment - Parks & Bereavement Services		45,574	Centralisation of budgets for Neighbourhood Services' Training & Development Manager.	Budget virement is on- going.
			Building Control & Land Charges		2,565						
		Climate Emergency & Environmental Services	Air Pollution		365						
			Neighbourhoods & Environment - Waste & Fleet Services		22,200						
		Transport Services	Highways & Traffic Management		9,127						
			Transport & Parking Services - Parking		9,127						
INFO 19#23	Corporate Travel Savings	Resources	Improving The Way We Work		150,000	Resources	Strategy & Performance		150,000	Transfer of savings requirement from Corporate Travel to create new centralised Improving The Way We Work cash limit.	Budget virement is on- going.

REF NO	REASON / EXPLANATION	CABINET MEMBER	TRANSFER FROM	Income	Expenditure	CABINET MEMBER	TRANSFER TO	Income	Expenditure	DESCRIPTION	ONGOING EFFECTS
			CASHLIM	(£'s)	(£'s)		CASHLIM	(£'s)	(£'s)		
INFO 19#24	Park & Ride Site Cleansing	Transport Services	Transport & Parking Services - Public & Passenger Transport		118,100	Transport Services	Transport & Parking Services - Parking		118,100	Transfer of responsibility and corresponding budget for Park & Ride cleansing from Public Transport to Parking.	Budget virement is ongoing.
INFO 19#25	Locksbrook Depot Property Costs	Climate Emergency & Environmental Services	Neighbourhoods & Environment - Waste & Fleet Services		32,979	Transport Services	Transport & Parking Services - Public & Passenger Transport		32,979	Budget adjustment following a review of the split between Waste and Passenger Transport of the costs associated with Locksbrook Depot premises costs.	Budget virement is ongoing.
INFO 19#26	GIS Team	Community Services	Building Control & Land Charges		108,980	Resources	Strategy & Performance		108,980	Transfer of management and budget for Graphic Information System Team from Building Control to Strategy & Performance.	Budget virement is ongoing.
INFO 19#27	Development Savings Allocation	Community Services	Building Control & Land Charges		6,810	Climate Emergency & Environmental Services	Air Pollution		6,810	Distribution of savings target following the deletion of Principal Building Control Surveyor post.	Budget virement is ongoing.
INFO 19#28	IT Centralisation	Community Services	Building Control & Land Charges		19,001	Resources	Information Technology		20,703	Transfer of service IT budgets in line with IT Services centralisation.	Budget virement is ongoing.
			Events & Active Lifestyles		300						
		Climate Emergency & Environmental Services	Neighbourhoods & Environment - Waste & Fleet Services		1,402						
INFO 19#29	Hospital Discharge Scheme	Adult Services	Adult Services		16,245	Housing, Planning & Economic Development	Housing		16,245	Transfer of management and budget responsibility of Hospital Discharge Scheme to Housing Services.	Budget virement is ongoing.
INFO 19#30	Homefinders Scheme	Adult Services	Adult Services		7,000	Housing, Planning & Economic Development	Housing		7,000	Transfer of management and budget responsibility of Homefinders Scheme to Housing Services.	Budget virement is ongoing.
INFO 19#31	Communications & Marketing	Resources	Improving The Way We Work		60,000	Resources	Strategy & Performance		60,000	Transfer of savings requirement from Communications & Marketing to create new centralised Improving The Way We Work cash limit.	Budget virement is ongoing.
INFO 19#32	Performance Intelligence	Resources	Improving The Way We Work		250,000	Resources	Strategy & Performance		250,000	Transfer of savings requirement from Performance Intelligence to create new centralised Improving The Way We Work cash limit.	Budget virement is ongoing.

REF NO	REASON / EXPLANATION	CABINET MEMBER	TRANSFER FROM	Income	Expenditure	CABINET MEMBER	TRANSFER TO	Income	Expenditure	DESCRIPTION	ONGOING EFFECTS
			CASHLIM	(£'s)	(£'s)		CASHLIM	(£'s)	(£'s)		
INFO 19#33	Service Design Team	Community Services	Customer Services (including Libraries)		139,695	Resources	Information Technology		139,695	Transfer of salary budgets for Service Design Team, which are now managed within the Information Technology Service. Virement approved by Director of Partnerships & Corporate Services.	Budget virement is on-going.
INFO 19#34	Separation of Revenues & Benefits Service	Community Services	Customer Services (including Libraries)		1,087,247	Resources	Revenues & Benefits		1,087,247	Separation of Revenues & Benefits Service from Customer Services, following the service restructure and the new Cabinet Portfolio responsibilities.	Budget virement is on-going.
INFO 19#35	Employment & Training Mentor	Housing, Planning & Economic Development	Economy & Culture		34,864	Children's Services	Children, Young People & Families		34,864	The Employment & Training Mentor post has permanently moved line management to the Children In Care and Moving On Team to better fit with the service provided.	Budget virement is on-going.
INFO 19#36	Children's Workforce	Adult Services	Public Health		715	Children's Services	Safeguarding - CYP		715	One-off contribution from Public Health budget towards Children's Workforce Development team for administering Public Health courses.	Budget virement is one-off.
INFO 19#37	Children's Service Cash Limit Realignment	Children's Services	Children, Young People & Families		59,491	Children's Services	Inclusion & Prevention		60,895	Realignment of services between Cash Limits within Children's Services to match the budget responsibility of the management structure.	Budget virement is on-going.
			Education Transformation		1,404						
OVERALL TOTALS				0	5,195,982			176,676	5,019,306		
					5,195,982				5,195,982		

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Portfolio Cash Limits 2019/20 - Revenue Budget

Appendix 3(ii)

CABINET PORTFOLIO	Service	2019/20 Approved Budget £'000	May 2019 Local Election: Portfolio & Cash Limit Rebasing £'000	2019/20 Approved Budget - Rebased to New Portfolios £'000	Technical Adjustments, below BMS limits or already agreed - shown for information £'000	Total Virements for Approval £'000	Sep'19 Revised Cash Limits £'000
Leader	Council Solicitor & Democratic Services	2,718	(2,718)				
	Housing Delivery Vehicle		(730)	(730)			(730)
	Visit Bath		515	515	(148)		367
	PORTFOLIO SUB TOTAL	2,718	(2,932)	(215)	(148)		(363)
Resources	Finance	2,144	315	2,460	(23)	143	2,579
	People Services	315	(315)				
	Risk & Assurance Services	1,170	(223)	947	14		961
	Procurement & Commissioning		223	223	(5)		218
	Revenues & Benefits		(92)	(92)	1,085		993
	Council Solicitor & Democratic Services		2,718	2,718	(31)	14	2,700
	Information Technology	4,661		4,661	128		4,789
	Strategy & Performance		1,179	1,179	1,297	(903)	1,573
	Human Resources	819		819	383		1,202
	Improving The Way We Work				(460)	100	(360)
	Property Services	2,117	(1,482)	634	36		670
	Corporate Estate Including R&M	2,287	1,304	3,591	(30)		3,562
	Commercial Estate	(16,413)	175	(16,238)	14		(16,223)
	Housing Delivery Vehicle	(730)	730				
	Traded Services	216	3	219	(185)		33
	Corporate Director	434	(434)				
	Corporate items (incl Council Restructuring saving)	(725)	725				
	Hsg / Council Tax Benefits Subsidy	(195)		(195)			(195)
	Capital Financing / Interest	6,718		6,718			6,718
	Unfunded Pensions	1,589		1,589	9		1,598
	Corporate Budgets incl. Capital, Audit & Bank Charges	(2,740)		(2,740)	(162)		(2,902)
	New Homes Bonus Grant	(5,139)		(5,139)			(5,139)
	Magistrates	12		12			12
	Coroners	335		335			335
	Environment Agency	236		236			236
	West of England Combined Authority Levy	4,259		4,259		(155)	4,104
	PORTFOLIO SUB TOTAL	1,370	4,825	6,195	2,069	(801)	7,463
Transformation & Customer Services (Deleted)	Libraries & Information	1,110	(1,110)				
	Customer Services	2,338	(2,338)				
	Registrars Service	(79)	79				
	Strategy & Performance	1,613	(1,613)				
	PORTFOLIO SUB TOTAL	4,982	(4,982)				

CABINET PORTFOLIO	Service	2019/20 Approved Budget	May 2019 Local Election: Portfolio & Cash Limit Rebasing	2019/20 Approved Budget - Rebased to New Portfolios	Technical Adjustments, below BMS limits or already agreed - shown for information	Total Virements for Approval	Sep'19 Revised Cash Limits
		£'000		£'000	£'000		£'000
Adult Services	Adult Services	62,298		62,298	(187)		62,110
	Adult Substance Misuse (Drug Action Team)	536		536	(23)		514
	Public Health	(175)		(175)	(1)		(175)
	PORTFOLIO SUB TOTAL	62,659		62,659	(211)		62,449
Children's Services	Children, Young People & Families	16,150	(498)	15,652	(43)		15,609
	Integrated Commissioning - CYP	2,347	15	2,361	(56)		2,305
	Safeguarding - CYP	738		738	(30)		708
	Inclusion & Prevention	12,535	339	12,874	(24)	246	13,096
	Education Transformation	(106,114)		(106,114)	(114)		(106,228)
	Schools Budget	103,498		103,498			103,498
	PORTFOLIO SUB TOTAL	29,153	(144)	29,009	(267)	246	28,988
Development & Neighbourhoods (Deleted)	Development Management	1,346	(1,346)				
	Building Control & Land Charges	78	(78)				
	Public Protection & Health Improvement - Regulatory & Active Lifestyles	1,417	(1,417)				
	Public Protection & Health Improvement - Leisure	689	(689)				
	Neighbourhoods & Environment - Waste & Fleet Services	14,538	(14,538)				
	Neighbourhoods & Environment - Parks & Bereavement Services	1,097	(1,097)				
	Community Safety	41	(41)				
	PORTFOLIO SUB TOTAL	19,205	(19,205)				
Climate Emergency & Environmental Services (New)	Neighbourhoods & Environment - Waste & Fleet Services		14,538	14,538	669		15,207
	Sustainability		287	287	(2)		285
	Air Pollution		159	159	38		197
	PORTFOLIO SUB TOTAL		14,984	14,984	705		15,689
Economic & Community Regeneration (Deleted)	Economy & Culture	1,094	(1,094)				
	World Heritage	153	(153)				
	Heritage	(8,782)	8,782				
	Housing	1,121	(1,121)				
	Regeneration	115	(115)				
	PORTFOLIO SUB TOTAL	(6,300)	6,300				
Transport Services	Highways & Traffic Management	7,286		7,286	(97)	80	7,268
	Transport & Parking Services - Parking	(7,838)		(7,838)	67		(7,771)
	Transport & Parking Services - Public & Passenger Transport	(131)		(131)	(118)	155	(95)
	Emergency Planning		262	262	(5)		258
	PORTFOLIO SUB TOTAL	(684)	262	(422)	(153)	235	(340)

CABINET PORTFOLIO	Service	2019/20 Approved Budget	May 2019 Local Election: Portfolio & Cash Limit Rebasing	2019/20 Approved Budget - Rebased to New Portfolios	Technical Adjustments, below BMS limits or already agreed - shown for information	Total Virements for Approval	Sep'19 Revised Cash Limits
		£'000	£'000	£'000	£'000	£'000	£'000
Housing, Planning & Economic Development (New)	Housing		1,121	1,121	86		1,207
	Regeneration		115	115	174		289
	Development Management		1,346	1,346	(51)		1,295
	Economy & Culture		558	558	(116)		442
	PORTFOLIO SUB TOTAL		3,139	3,139	93		3,232
Community Services (New)	Building Control & Land Charges		997	997	(174)		823
	Arts		21	21	(21)		
	Heritage		(8,782)	(8,782)			(8,782)
	Health Improvement - Leisure		689	689			689
	Community Safety		41	41	()		41
	Neighbourhoods & Environment - Parks & Bereavement Services		1,097	1,097	(79)		1,018
	World Heritage		153	153	(1)		152
	Registrars Service		(79)	(79)	(6)		(85)
	Events & Active Lifestyles		339	339	(68)		271
	Customer Services (including Libraries)		3,278	3,278	(1,278)	320	2,320
	PORTFOLIO SUB TOTAL		(2,248)	(2,248)	(1,626)	320	(3,554)
	NET BUDGET	113,101		113,101	463		113,564
Sources of Funding							
Council Tax		92,036		92,036			92,036
Retained Business Rates*		22,547		22,547			22,547
Collection Fund Deficit (-) or Surplus (+)		439		439			439
Balances		(1,921)		(1,921)	463		(1,458)
Total		113,101		113,101	463		113,564

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Capital Virements - Additions & Reductions 2019/2020
Appendix 4 (i)

REF NO	REASON / EXPLANATION	TRANSFER / FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP19#001-2019	Parks & Bereavement Services Infrastructure	Corporate Supported Borrowing	50,000		Community Services		50,000	ODD 1232 - to refurbish end of life leaf composting bays and improve access at three allotment sites
CAP19#002-2019	Parks S106 Projects	S106	75,000		Community Services		75,000	ODD 1233 - to refurbish the play area at Shakespeare Road, Westfield
CAP19#003-2019	Parks Play Equipment	Corporate Supported Borrowing	115,000		Community Services		115,000	ODD 1234 - to invest in replacing end of life play equipment at Royal Victoria Park and Alexandra Park, Bath and to decommission end of life play equipment at Burchill Close Clutton
CAP19#004-2019	Digital by Choice	Capital Receipts	500,000		Resources and Deputy Leader		500,000	ODD 1241 - Digital Programme - Funding Draw Down
CAP19#005-2019	IT Asset Refresh	Corporate Supported Borrowing	750,000		Resources and Deputy Leader		750,000	ODD 1237 - IT Asset & Licence Refresh Programme 2019/20
CAP19#006-2019	Marksbury Primary	Grant	500		Children's Services		500	Technical Adjustment - agreed by Director of Finance. Re-alignment of completed Schools' Capital project
CAP19#007-2019	Highways Maintenance	Grant	-79,392		Transport Services		-79,392	Technical Adjustment - agreed by Director of Finance. Re-alignment of budget to match Pot Hole Action Fund grant
CAP19#008-2019	North Keynsham SDL	Corporate Supported Borrowing	5,000		Housing, Planning and Economic Development		5,000	Technical Adjustment - agreed by Director of Finance. ODD 1252 to progress land assembly in North Keynsham in order to facilitate strategic growth
CAP19#009-2019	Bath Streetspace	CIL and Corporate Supported Borrowing	450,000		Housing, Planning and Economic Development		450,000	ODD 1250 - Bath City Centre Public Space Projects
CAP19#010-2019	Provision of Additional Placements for Children with SEND Needs	Grant and Service Supported Borrowing	577,000		Children's Services		577,000	ODD 1248 - SEND Capital
CAP19#011-2019	Broadlands Primary	Revenue	933		Children's Services		933	Technical Adjustment - agreed by Director of Finance. Re-alignment of completed Schools' Capital project.
CAP19#012-2019	Customer Payments Security	Corporate Supported Borrowing	83,000		Resources and Deputy Leader		83,000	ODD 1259 - Customer Payments & Security
CAP19#013-2019	Waste Project	Service Supported Borrowing	350,000		Climate Emergency and Neighbourhood Services		350,000	ODD 1240 - Procurement of waste baler and associated sort line improvements
CAP19#014-2019	Cleveland Pools	Corporate Supported Borrowing	125,000		Resources and Deputy Leader		125,000	ODD 1258 - Cleveland Pools - Capital Funding
CAP19#015-2019	Heritage Services Energy Capture	Service Supported Borrowing	350,000		Community Services		350,000	ODD 1251 - Heritage Services Energy Capture
CAP19#016-2019	Victoria Art Gallery Air Conditioning	Service Supported Borrowing	89,000		Community Services		89,000	ODD 1261 - Victoria Art Gallery Air Conditioning
CAP19#017-2019	Keynsham High Street Public Realm Improvements	Grant and S106 and CIL	1,743,000		Housing, Planning and Economic Development		1,743,000	ODD 1269 - Keynsham High Street Public Realm Improvements
CAP19#018-2019	St Nicholas Primary	S106	174,000		Children's Services		174,000	Technical Adjustment - agreed by Director of Finance. Provision of footbridge at St Nicholas Primary
CAP19#019-2019	Environmental Protection Vehicles	Grant and Service Supported Borrowing	16,134		Climate Emergency and Neighbourhood Services		16,134	Technical Adjustment - agreed by Director of Finance. Provision of an electric vehicle for Environmental Services
CAP19#020-2019	Transport Improvement Programme	S106	201,097		Transport Services		201,097	Technical Adjustment - agreed by Director of Finance. Enhancements to Transport Improvement Programme schemes
CAP19#021-2019	Bath Cycle Action Plan	Grant	9,000		Transport Services		9,000	Technical Adjustment - agreed by Director of Finance. Bath Action Cycle Plan scheme
CAP19#023-2019	Transport Improvement Programme	Third Party Contribution	6,730		Transport Services		6,730	Technical Adjustment - agreed by Director of Finance. Bus stop improvements at the Somerdale Development

REF NO	REASON / EXPLANATION	TRANSFER / FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP19#024-2019	Schools' Capital Maintenance Schemes	Grant	100,000		Children's Services		100,000	Technical Adjustment - agreed by Director of Finance. Fire safety improvements at St Mary's Timsbury and Newbridge Primary schools
OVERALL TOTALS			5,691,002	0		0	5,691,002	
				5,691,002			5,691,002	

Capital Virements - Additions & Reductions Future Years

Appendix 4 (i)

REF NO	REASON / EXPLANATION	TRANSFER / FUNDING FROM	Income (£'s)	Expenditure (£'s)	TRANSFER TO	Income (£'s)	Expenditure (£'s)	Notes
CAP19#001-FY	IT Asset Refresh	Corporate Supported Borrowing	955,000		Resources and Deputy Leader		955,000	ODD 1237 - IT Asset & Licence Refresh Programme 2019/20
CAP19#002-FY	Customer Payments Security	Corporate Supported Borrowing	121,000		Resources and Deputy Leader		121,000	ODD 1259 - Customer Payments & Security
OVERALL TOTALS			1,076,000	0		0	1,076,000	
				1,076,000			1,076,000	

Capital Scheme	Cap Prog Number	Total Approved Budget 2019/2020	Approvals to July 2019 Cabinet	Re-phasing Request at July 2019 Cabinet	Approvals to September 2019 Cabinet	Budget at September 2019 Cabinet
		£'000	£'000	£'000	£'000	£'000
Climate Emergency and Neighbourhood Services						
Environmental Protection Vehicles	Cap1516028	0	0	10	24	34
Neighbourhood Services Vehicle Replacement Programme	Cap1718036	146	0	1,343	0	1,489
Neighbourhoods Bin & Bench Replacement	Cap1415029	0	0	34	0	34
Waste Baler	Cap1920024	0	0	0	350	350
Waste Project	Cap1617032	0	1,550	1,314	0	2,864
Waste Project - Relocation of Cleansing	Cap1617040	157	0	-96	0	61
Waste Re-provision Feasibility Work	Cap1516011	0	0	18	0	18
Waste Vehicles	Cap1516030	48	0	0	0	48
		351	1,550	2,623	374	4,899
Community Services						
Alice Park - Skate Park	Cap1415035	0	0	125	0	125
Bath Leisure Centre Refurbishment	Cap1516006	0	0	645	0	645
Bath Recreation Ground Trust - Leisure	Cap1516050	0	0	466	0	466
Bath Spa Water Monitoring - CIP (Cleaning in Place) Hub	Cap1920023	77	0	0	0	77
Beechen Cliff Woodland & Other Open Spaces Improvements	Cap1415017	25	0	40	0	65
Leisure - Council Client / Contingency	Cap1516049	551	0	-22	0	529
Leisure Bath - Car Park	Cap1718043	8	0	60	0	68
Leisure Facility Modernisation - Keynsham Sports Centre	Cap1516051	6,809	0	-2,519	0	4,290
Neighbourhoods CCTV	Cap1819034	0	0	38	0	38
Parade Gardens Café Acquisition	Cap1819085	0	0	10	0	10
Parade Gardens Infrastructure for Business Development	Cap1617015	0	0	10	0	10
Parks Action Response Work	Cap1718028	50	0	0	0	50
Parks and Bereavement Infrastructure	Cap1819051	0	0	59	50	109
Parks Equipment	Cap1718029	41	0	8	0	49
Parks Play Area Refurbishment (Was Parks Play Equipment) (*)	Cap1415039	0	0	78	115	193
Parks S106 Projects	Cap1718037	151	0	227	75	453
Sydney Gardens	Cap1415030	0	652	35	0	687
Heritage Services Energy Capture Scheme	Cap1819030	0	0	0	350	350
Victoria Art Gallery Air Conditioning	Cap1617038	0	0	136	89	225
Roman Baths Archway Centre	Cap1617021	5,030	0	66	0	5,096
Modern Libraries & Workplaces	Cap1718058	87	0	262	0	349
		12,829	652	-276	679	13,883
Housing, Planning and Economic Development						
Affordable Housing	Cap1415091	752	0	298	0	1,050
Bath Quays Bridge & Linking Infrastructure	Cap1617037	2,250	1,002	327	0	3,579
Bath Quays North	Cap1415114	11,538	0	2,282	0	13,820
Bath Quays South	Cap1415138	7,087	0	3,651	0	10,738
Bath Streetspace	Cap1920026	0	0	77	516	593
BWR - Council Project Team	Cap1415057	0	0	75	0	75
BWR - Infrastructure	Cap1415059	0	0	-151	0	-151
BWR - Relocation of Gas Holders	Cap1415065	0	0	1,706	0	1,706
City Centre Security	Cap1819018	0	0	0	0	0
Digital B&NES	Cap1415069	0	0	221	0	221
Disabled Facility Grant	Cap1415089	1,150	0	0	0	1,150
Innovation Quay - Strategic Flooding Solution	Cap1415064	0	0	337	0	337
Keynsham High Street Public Realm	Cap1819076	50	0	-43	1,743	1,750
Midsomer Norton Public Realm	Cap1819050	165	0	29	0	194
New Enterprise Zone – Infrastructure Plan	Cap1718067	0	0	216	0	216
North Keynsham SDL	Cap1819091	0	0	30	5	35
NRR Infrastructure	Cap1415062	0	0	115	0	115
Pioneer Office Investment Block (Quays)	Cap1718073	0	0	398	0	398
Public Realm - City Information Scheme	Cap1415153	20	0	0	-20	0
Public Realm - Pattern Book	Cap1415150	46	0	0	-46	0
Radstock & Westfield Implementation Plan	Cap1516014	0	0	40	0	40
Radstock Healthy Living Centre	Cap1718061	0	0	1,905	0	1,905
Saw Close Works	Cap1516008	323	0	0	0	323
Waterspace (Was Bath River Corridor Fund) *	Cap1920029	171	0	14	0	185
		23,552	1,002	11,528	2,198	38,280
Transport Services						
A37 to A362 Improvements to Access Somer Valley Enterprise Zone	Cap1718084	0	0	175	0	175
Bath Cycle Action Plan - Bath Quays Scheme	Cap1617048	0	0	3	9	12
Bath Transport Package Main Scheme	Cap1415001	0	0	1,760	0	1,760
CCAF2 Cycle Parking	Cap1516055	0	0	1	0	1
City Centre Security	Cap1920027	0	0	0	674	674
Dorchester Street, Traffic Review	Cap1718023	24	0	54	0	78
Hicks Gate Roundabout Improvement	Cap1718085	258	0	143	0	401
Highways & Traffic Fleet Vehicle Renewal	Cap1920015	1,025	0	0	0	1,025
Highways Maintenance Programme	Cap1415184	5,338	0	56	-79	5,315
London Road Modification	Cap1718022	123	0	-61	0	62
Office for Low Emission Vehicles (OLEV) Bid	Cap1617008	423	0	70	-8	485
Parking Vehicle Replacement Programme	Cap1415023	60	0	24	0	84
Passenger Transport Vehicles	Cap1516007	6	0	40	0	46
Replacement Mopeds for Outer Area Parking Enforcement	Cap1718032	0	0	0	0	0
Somerdale Bridge, Keynsham – Initial Options Study	Cap1718016	0	0	11	0	11
Street Lighting LED Replacement Programme	Cap1617011	380	0	-0	0	380
Transport Improvement Programme	Cap1415009	2,615	0	164	208	2,986
York Street Infrastructure Works	Cap1718075	0	0	-107	0	-107
		10,252	0	2,334	803	13,389
Children's Services						
Alternative Education - Refurbishment & Equipment	Cap1819016	0	0	16	1	16
Basic Needs - School Improvement / Expansion	Cap1415135	1,537	5,051	2,457	174	9,219
Building Adaptations to Provide Short Breaks for Disabled Children	Cap1415078	20	0	0	0	20
Children's Education Management System	Cap1516009	0	0	209	0	209
Children's Centre Capital Schemes	Cap1415196	567	0	20	0	587
Schools' Capital Maintenance Schemes	Cap1415073	500	467	1,313	101	2,381

Capital Scheme	Cap Prog Number	Total Approved Budget 2019/2020	Approvals to July 2019 Cabinet	Re-phasing Request at July 2019 Cabinet	Approvals to September 2019 Cabinet	Budget at September 2019 Cabinet
		£'000	£'000	£'000	£'000	£'000
Schools Devolved Capital	Cap1920028	28	0	0	0	28
Special Education Needs & Disability (SEND) Education Provision Loan	Cap1718071	0	0	111	577	688
Youth Service Capital Schemes	Cap1415167	40	0	16	0	56
		2,692	5,518	4,142	852	13,205
Adult Services						
Adult Social Care Database Replacement	Cap1516005	0	0	183	0	183
Community Resource Centre Capital Investment	Cap1718076	0	0	250	0	250
		0	0	433	0	433
Resources and Deputy Leader						
City Centre Protection Measures	Cap1718066	141	0	38	-179	0
City Centre Security	Cap1819070	495	0	0	-495	0
Cleveland Pools	Cap1415130	0	0	55	125	180
Commercial Estate Investment Fund	Cap1415100	127	0	310	0	437
Corporate Estate Planned Maintenance	Cap1415097	3,989	0	598	0	4,587
Equality Act Works	Cap1415104	0	0	224	0	224
Grand Parade & Undercroft	Cap1415103	0	0	138	0	138
Housing Delivery Vehicle	Cap1516042	300	0	1,181	0	1,481
Keynsham Regeneration & New Build	Cap1415094	0	0	75	0	75
Property Disposals	Cap1415098	0	0	-109	0	-109
Workplaces Programme Delivery	Cap1415093	0	0	225	0	225
Agresso System Development & Upgrade	Cap1415125	78	0	17	0	95
Capital Contingency	Cap1415131	5	0	1,906	0	1,911
Flexible Use of Capital Receipts	Cap1819080	3,000	0	1,923	0	4,923
BTP Transitional Funding	Cap1718083	0	0	150	0	150
Property Company Investment	Cap1617027	20,780	0	1,351	0	22,131
Communications Hub (Microwave Link)	Cap1617029	0	0	17	0	17
Customer Payments Security and Channel Shift	Cap1920021	0	0	0	83	83
Digital Programme	Cap1718059	0	0	68	500	568
IT Asset Refresh	Cap1819061	0	24	93	750	867
		28,915	24	8,259	784	37,982
TOTAL CAPITAL SCHEME BUDGET		78,591	8,746	29,042	5,691	122,070

Sources of Funding	£'000	£'000	£'000	£'000	£'000
EU/Government Grant	26,276	6,344	8,693	1,682	42,995
Revenue	0	0	109	1	110
Other Council Support including Borrowing and Capital Receipts	51,741	1,550	19,641	3,018	75,950
S106 Contribution	217	241	236	683	1,376
CIL Contribution	207	588	182	300	1,277
Other Third Party	150	24	180	7	360
Total Sources of Funding	78,591	8,746	29,042	5,691	122,070

Bath & North East Somerset Council		
MEETING	Cabinet	
MEETING DATE:	12 September 2019	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3155
TITLE:	Treasury Management 2019-20 Quarter 1 Performance	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Performance Against Prudential Indicators		
Appendix 2 – The Council’s Investment Position at 30 th June 2019		
Appendix 3 – Average monthly rate of return for 2019/20		
Appendix 4 – The Council’s External Borrowing Position at 30 th June 2019		
Appendix 5 – Arlingclose’s Economic & Market Review Q1 of 2019/20		
Appendix 6 – Interest & Capital Financing Budget Monitoring 2019/20		
Appendix 7 – Summary Guide to Credit Ratings		

1 THE ISSUE

- 1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan for 2019/20.

2 RECOMMENDATION

The Cabinet agrees that;

- 2.1 The Treasury Management Report to 30th June 2019, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.
- 2.2 The Treasury Management Indicators to 30th June 2019 are noted.

3 THE REPORT

Summary

- 3.1 The average rate of investment return for the 2019/20 is 0.95%, which is 0.33% above the benchmark rate.
- 3.2 The Council's Prudential Indicators for 2019/20 were agreed by Council in February 2019 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

- 3.3 The Council's investment position as at 30th June 2019 is given in **Appendix 2**. The balance of deposits as at 30th June 2019 and 31st March 2019 are also set out in the pie charts in this appendix.
- 3.4 Gross interest earned on investments totalled £123k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.95%, which was 0.33% above the benchmark rate of average 7 day LIBID +0.05% (0.62%), mainly due to the placement of a £3m investment in the CCLA Local Authority's Property Fund which is a long term strategic investment earning a higher rate of interest.

Summary of Borrowings

- 3.5 The Council's external borrowing as at 30th June 2019 totalled £225.1 million and is detailed in Appendix 4..
- 3.6 The Council's Capital Financing Requirement (CFR) as at 31st March 2019 was £300.7 million. 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.
- 3.7 The CFR represents the underlying need to borrow and the difference from the current borrowing of £225.1 million, represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.8 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2019 apportioned to Bath & North East Somerset Council is £11.9m. 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 3.5.
- 3.9 The borrowing portfolio as at 30th June 2019 is shown in **Appendix 4**.

Strategic & Tactical Decisions

- 3.10 The Council's 2019/20 savings and income generation proposals included an item for generating additional investment income through taking a longer term investment approach to £10 million of core investment balances. During the

quarter a £3 million investment was placed with the CCLA Local Authority's Property Fund as part of this investment approach which also provides further diversification of the Council's commercial property investment portfolio as set out in the approved Treasury Management Strategy for 2019/20.

- 3.11 As shown in the charts at **Appendix 2**, the investment portfolio is diversified across Money Market Funds, Local Authorities, the CCLA Property Fund, highly rated UK and Foreign Banks and a UK Building Society. The Council uses AAA rated Money Market funds to maintain very short term liquidity and had overall investments of £48.6m invested as at 30th June 2019.
- 3.12 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.
- 3.13 The Council has reviewed its current investment holdings with its Treasury Management advisors to assess whether any of the investments placed are directly related to companies involved in fossil fuel companies. It was confirmed that the Council does not currently invest directly in equities or certificates of deposits that were not issued by banks or building societies and does not have any investments in fossil fuel companies. The main area where there is a potential for this type of investment is in the strategic diversified income funds which the Council is considering as part of its longer term investment approach, as these funds invest part of their portfolio in equities. A review into the two funds the council is considering using has shown that direct investment in fossil fuel companies forms a low proportion of the overall fund's investments (between 4% and 8%). If these investments are not undertaken it is estimated that there will be a reduction in the forecast investment income of between £100k-£150k in 2019/20.
- 3.14 The Council's average investment return is currently slightly below the budgeted level of 1.20%, although the rate of return would increase if further longer term strategic investments are made during the remainder of the year.

Future Strategic & Tactical Issues

- 3.15 Our treasury management advisors economic and market review for the first quarter 2019/20 is included in Appendix 5.
- 3.16 There was a rise in quarterly GDP growth in the first calendar quarter for 2019 to 0.5%, from 0.2% in Q4 2018 with stockpiling ahead of the (now delayed) 29th March Brexit distorting data. Production and construction registered positive output and growth, however at the end of June 2019, the seasonally adjusted Markit UK Construction PMI (Purchasing Manager's Index) logged a record-low figure of 43.1, suggesting that construction has suffered a largest contraction in output since April 2009. GDP growth was 1.8% year/year, however with the service sector slowing and a weaker global backdrop, the outlook is for subdued growth.
- 3.17 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are

forecast to rise in future years. The focus remains on the rate of increase and the medium-term peak.

- 3.18 The borrowing to take place in 2019/20 will therefore driven by a need to maintain an appropriate working cash balance rather than any immediate changes to interest rates.

Budget Implications

- 3.19 A breakdown of the revenue budget showing interest and capital financing and the forecast year end position based on the period April to June is included in Appendix 6. This is forecast to budget at this stage of the financial year.

4 STATUTORY CONSIDERATIONS

- 4.1 This report is for information only.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 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 and Borrowing advice is provided by our Treasury Management consultants Arlingclose.
- 6.3 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.
- 6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 CLIMATE CHANGE

- 7.1 A review of the Council's current investment holdings to assess any direct investment holdings in fossil fuel companies has been undertaken as set out in paragraph 3.13 of the report.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

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

Contact person	<i>Donna Parham- 01225 477468; Giles Oliver- 01225 477022 Donna_Parham@bathnes.gov.uk ; Giles_Oliver@bathnes.gov.uk</i>
Background papers	<i>2019/20 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

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.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	£'000	£'000
Borrowing	440,000	225,087
Other long term liabilities	2,000	0
Cumulative Total	442,000	225,087

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.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	£'000	£'000
Borrowing	409,000	225,087
Other long term liabilities	2,000	0
Cumulative Total	411,000	225,087

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.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	£'000	£'000
Fixed interest rate exposure	409,000	205,807*

* 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.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	£'000	£'000
Variable interest rate exposure	222,000	20,000

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.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	£'000	£'000
Investments over 364 days	50,000	0

6. Maturity Structure of borrowing

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

	Upper Limit	Lower Limit	Actual as at 30th June 2019
	%	%	%
Under 12 months	50	Nil	13.3*
12 months and within 24 months	75	Nil	0
24 months and within 5 years	75	Nil	0
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	86.7

* 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**.

	2019/20 Prudential Indicator	Actual as at 30th June 2019
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA

** The calculation excludes the strategic investment in the CCLA Local Authority's Property Fund which is unrated.*

APPENDIX 2

March

The Council's Investment position at 30th June 2019

The term of investments is as follows:

Term Remaining as at 30 th June 2019	Balance at 30 th June 2019
	£'000's
Notice (instant access funds)	15,620
Up to 1 month	10,000
3 month to 6 months	20,000
CCLA Property Fund (Strategic)	3,000
Total	48,620

The investment figure is made up as follows:

	Balance at 30 th June 2019
	£'000's
B&NES Council	45,958
Schools	2,662
Total	48,620

The Council had a total average net positive balance of £51.9m during the period April 2019 to June 2019.

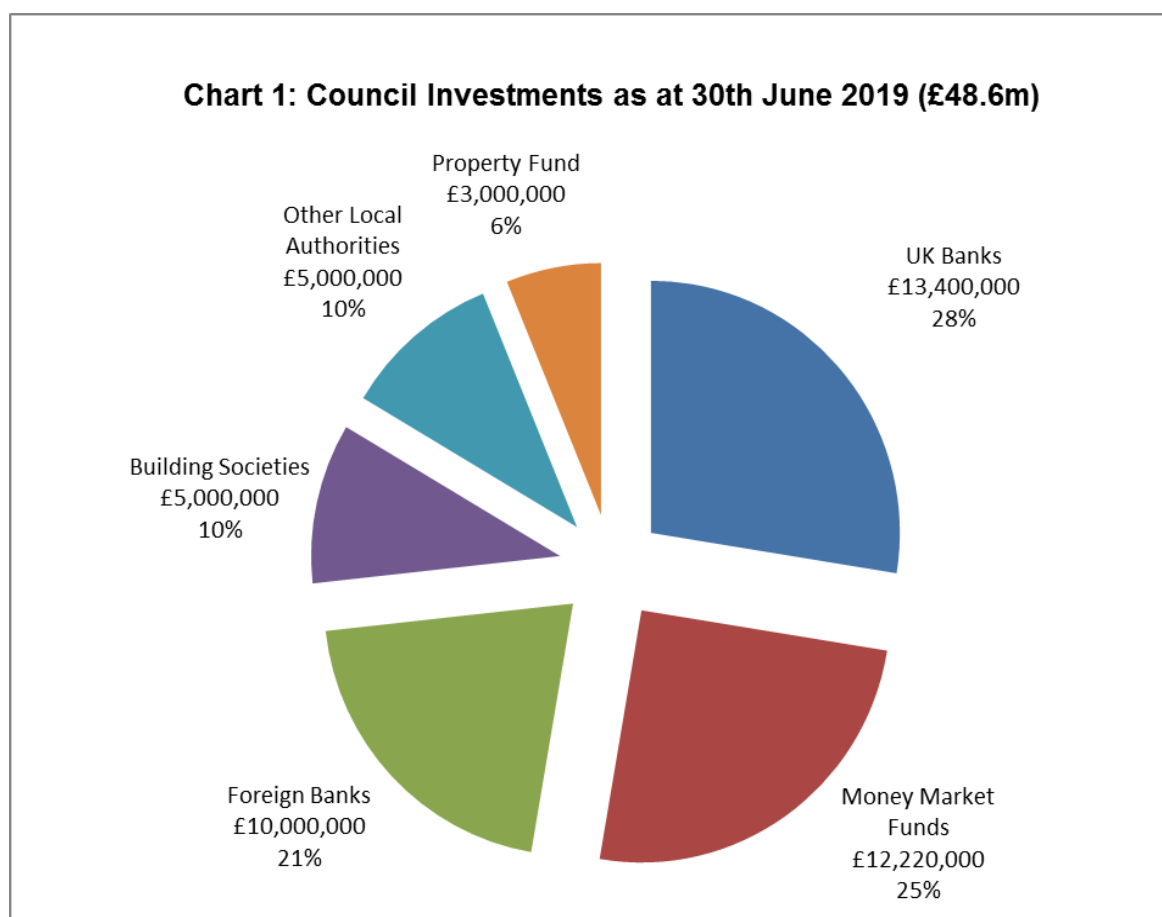


Chart 2: Council Investments as at 31st March 2019 (£39.7m)

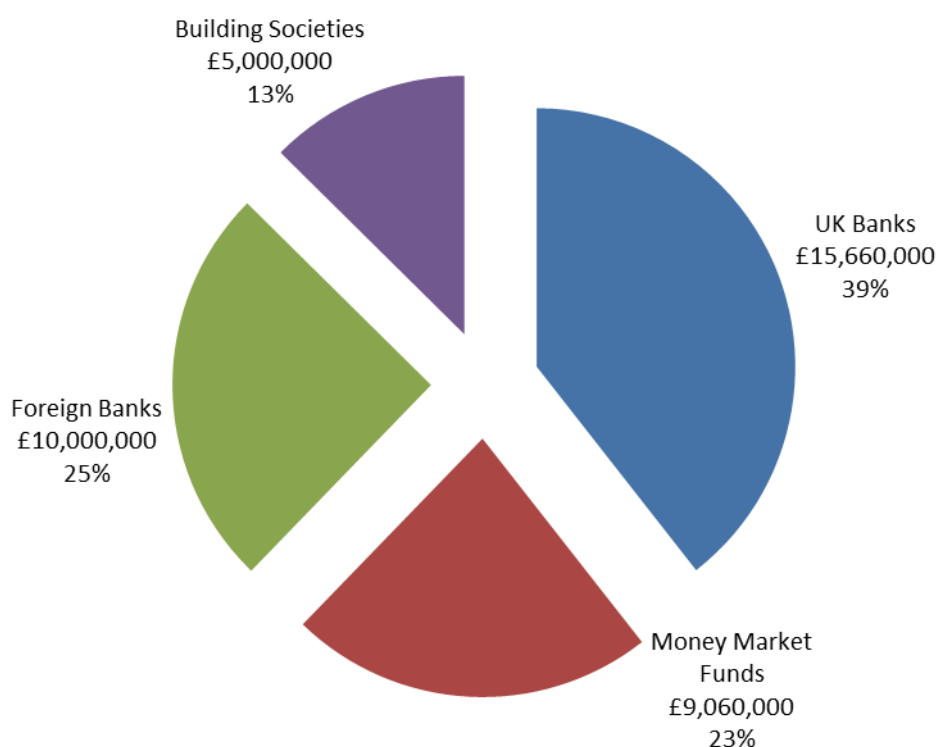


Chart 3: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th June 2019 (£48.6m)

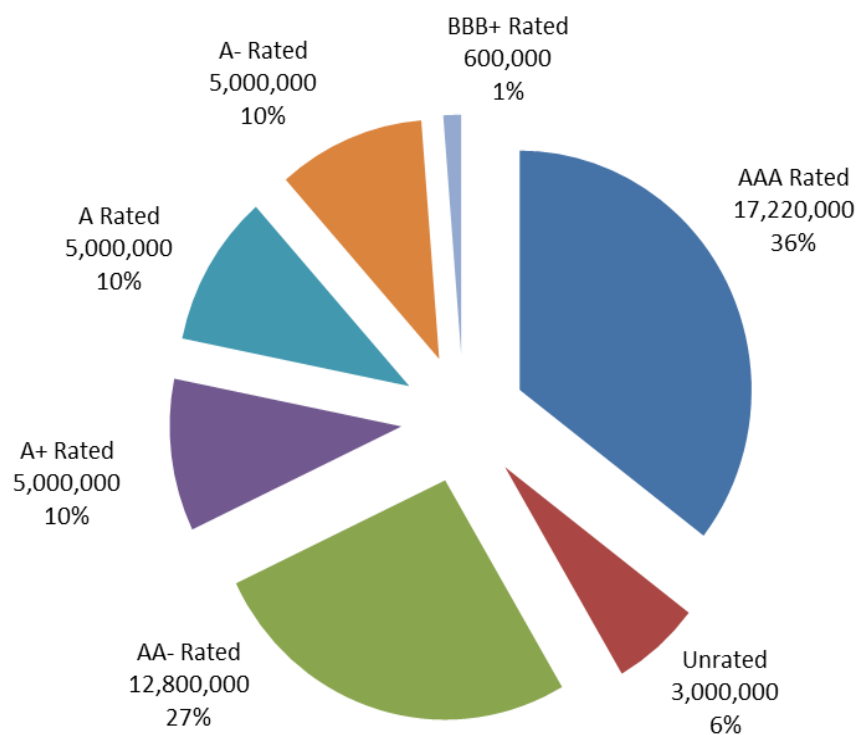
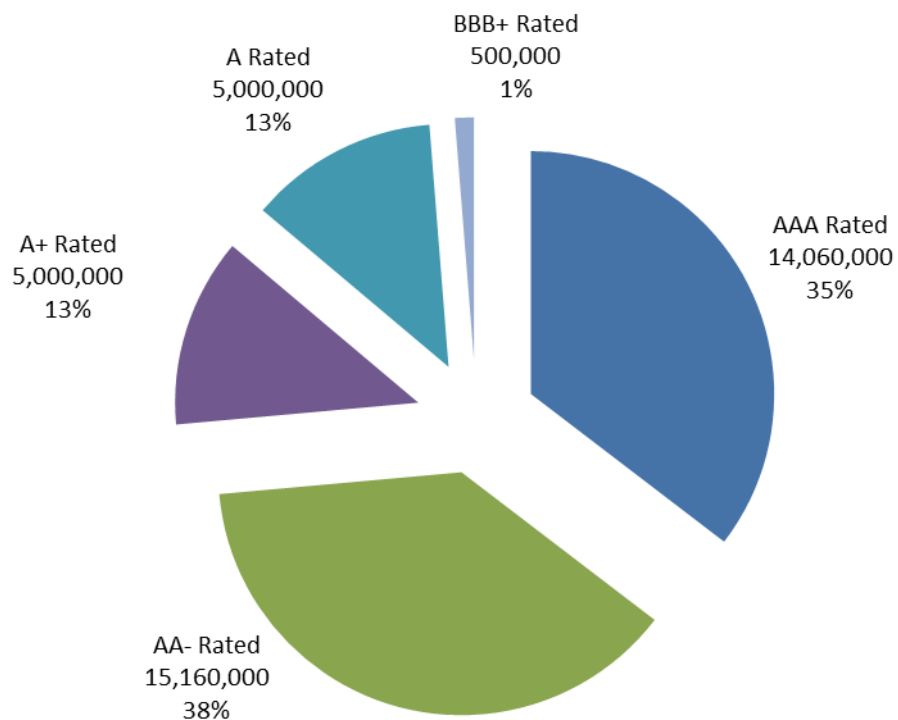


Chart 4: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 31st March 2019 (£39.7m)



APPENDIX 3

Average rate of return on investments for 2019/20

	April %	May %	June %	Average for Period
Average rate of interest earned	0.83%	1.01%	1.01%	0.95%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.62%	0.62%	0.62%	0.62%
Performance against Benchmark %	+0.21%	+0.39%	+0.39%	+0.33%

APPENDIX 4

Council's External Borrowing at 30th June 2019

BORROWING	Amount (£)	Start	Maturity Date	Interest Rate
LONG TERM				
PWLB	10,000,000	15/10/04	15/10/34	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/02/60	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	08/04/34	2.62%
PWLB	5,000,000	29/01/15	08/10/64	2.92%
PWLB	18,171,857	20/06/16	20/06/41	2.36%
PWLB	9,302,947	24/02/17	16/02/40	2.28%
PWLB	9,390,197	04/04/17	16/02/43	2.26%
PWLB	7,981,019	08/05/17	15/02/42	2.25%
PWLB	6,860,955	10/08/17	10/04/67	2.64%
PWLB	9,550,430	13/12/17	10/10/42	2.35%
PWLB	9,560,139	06/03/18	10/10/42	2.52%
PWLB	9,853,265	10/09/18	20/07/43	2.42%
PWLB	9,663,545	06/03/18	10/10/47	2.62%
PWLB	9,703,206	06/12/18	20/06/43	2.38%
PWLB	9,900,534	12/12/18	20/06/68	2.59%
PWLB	4,849,066	13/12/18	20/06/43	2.25%
PWLB	20,000,000	11/02/19	20/07/68	2.52%
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%
Sub Total - Long Term	215,087,159			
SHORT TERM				
Gloucestershire C C	5,000,000	25/11/14	19/12/19	2.05%
Gloucestershire C C	5,000,000	19/12/14	19/12/19	2.05%
Sub Total - Short Term	10,000,000			
Overall Total	225,087,159			

*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 April to June 2019

Economic background: UK Consumer Price Inflation (CPI) for June 2019 was 2.0% year/year, coming in at consensus and meeting the Bank of England's inflation target. The most recent labour market data for the three months to May 2019 showed the unemployment rate remain at a low of 3.8% while the employment rate of 76.0% dipped by 0.1%, the first quarterly decrease since June to August 2018. The 3-month average annual growth rate for pay excluding bonuses was 3.6% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.7%.

There was a rise in quarterly GDP growth in the first calendar quarter for 2019 to 0.5%, from 0.2% in Q4 2018 with stockpiling ahead of the (now delayed) 29th March Brexit distorting data. Production and construction registered positive output and growth, however at the end of June 2019, seasonally adjusted Markit UK Construction PMI (Purchasing Manager's Index) logged a record-low figure of 43.1, suggesting that construction has suffered a largest contraction in output since April 2009. GDP growth was 1.8% year/year, however with the service sector slowing and a weaker global backdrop the outlook was for subdued growth.

Politics has been a big driver over the last quarter. The 29th March Brexit deadline was extended to 12th April and then to 31st October 2019: there is still no clear consensus as to the terms on which the UK will leave the EU. Theresa May announced her resignation as Prime Minister and leader of the Conservative Party in May and the leadership contest for her successor is ongoing with Boris Johnson the current favourite.

The struggling British high street has continued to dominate headlines with the Arcadia group being saved from collapse in June following an agreement for rent reductions from landlords. The car industry has also struggled in the UK and beyond with announcements of cuts to 12,000 jobs across Europe by Ford.

With the deterioration in the wider economic environment, compounded by Brexit-related uncertainty and the risk of a no-deal Brexit still alive, the speech by Bank of England Governor Mark Carney in early July signalled a major shift to the Bank's rhetoric and increased the possibility of interest rate cuts, rather the Bank's erstwhile 'gradual and limited' rate hike guidance.

Globally, tensions between the US and China became progressively more fraught with US President Donald Trump threatening to more than double tariffs on some Chinese goods. There were also moves in both the US and UK to block or restrict access to markets by Chinese telecoms giant Huawei. Amid low inflation and a weak economy in the Eurozone Mario Draghi signalled in late June that another round of stimulus (QE) may be likely. The US and EU have also carved the path for interest rates to be cut in the future.

Financial markets: 2018 was a year to forget in terms of performance of riskier asset classes, most notably equities. However, since the beginning of 2019 markets have rallied, and the FTSE 100 is up over 10% in pure price terms for the first 6 months of the calendar year. Nearly all of these gains were realised in the last quarter of FY 2018/19, as Q1 2019/20 has only seen a modest increase of around 2%.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. Gilt yields fell - the 5-year benchmark gilt yield falling to 0.63% at the end of June from 0.75% at the start of April.

There were falls in the 10-year and 20-year gilts over the same period dropping from 1.00% to 0.83% and from 1.47% to 1.35% respectively. Money markets rates stabilised with 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.60%, 0.68% and 0.92% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. The US yield curve inverted (10-year Treasury yields were lower than US 3-month money market rates) in March 2019 and this relationship remained and broadened throughout the period. History has shown that a recession hasn't been far behind a yield curve inversion. Germany sold 10-year Bunds at -0.24% in June, the lowest yield on record. Bund yields had been trading at record lows in the secondary market for some time, however the negative yield in the primary market suggests that if investors were to hold until maturity, they are guaranteed to sustain a loss - highlighting the uncertain outlook for Europe's economy.

Credit background: Credit Default Swap (CDS) spreads fell slightly across the board during the quarter, continuing to remain low in historical terms. After hitting around 97bps at the start of the period, the spread on non-ringfenced bank NatWest Markets plc fell back to around 82bps at the end of June, while for the ringfenced entity, National Westminster Bank plc, the spread fell from 67bps to 58bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 28 and 59bps at the end of the period.

S&P upgraded RBS Group and its subsidiaries, including National Westminster Bank PLC, Natwest Markets PLC, The Royal Bank of Scotland and Ulster Bank Ltd. S&P raised the long-term issuer ratings by one notch due to RBS Group's strengthened credit fundamentals following a long period of restructuring. S&P believes the group and its subsidiaries have enhanced their capacity to manage the current UK political and economic uncertainties.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Barclays Bank PLC to positive from stable to reflect the bank's progress in its restructuring plans, including de-risking the balance sheet, improving its risk profile and profitability and resolving litigation issues in the US. Moody's also revised the outlook to stable from negative for Goldman Sachs International Bank, reflecting a slowdown in loan growth as well as a stronger revenue growth for sales and trading.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2019/20 (April to June 2019)

April 2019 to March 2020	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	9,106	9,106	0	
- Internal Repayment of Loan Charges	(11,271)	(11,271)	0	
- Ex Avon Debt Costs	1,100	1,100	0	
- Minimum Revenue Provision (MRP)	8,403	8,403	0	
- Interest on Balances	(620)	(620)	0	
Total	6,718	6,718	0	

APPENDIX 7

Summary Guide to Credit Ratings

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

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