

THE BUDGET PROPOSAL OF THE CABINET 2012/2013

Executive Summary

Budget Headlines

The proposed band D Council Tax for Bath & North East Somerset Council next year, 2012/13, is £1,201.85 which represents no change on the previous year (no increase). This is the second year in which the Council Tax level has now been frozen recognising the on-going pressure on household incomes.

The proposed net revenue budget for Bath & North East Somerset Council next year, 2012/13, is £120.106m, a net cash reduction of £1.636m on the previous year. This reflects the impact of significant cuts in government grant funding amounting to 8.3% for 2012/2013.

The proposed revenue budget will:-

- Deliver £12m of savings primarily as a result of efficiency and the change programme.
- Protect frontline services with actual service cuts amounting to less than 0.5% of the Council's gross budget meaning that 90% of the overall savings are being found by methods other than service reductions
- Reduce the Council's planned borrowing levels from £206M to £172M.
- Fund capital investment amounting to £174.6m over the next five years.

A capital programme which will provide for:-

- A significant investment in growth and regeneration schemes including Keynsham Town Centre, Radstock, London Road – Bath, setting up of a Creative Hub and preparation to support investment in key Enterprise Areas within B&NES.
- Commitment to the Bath Transport Package following confirmation of Programme Entry and Grant Support from the Department of Transport.
- An increased contribution towards enablement of affordable housing across B&NES area, building on the on-going commitment to the Bath Western Riverside Development.
- Improvements in the Public Realm including the full cost to deliver the Rossiter Road scheme.
- Continued investment in highways maintenance with additional support for the provision of 20mph zones.
- Additional investment in transport infrastructure with particular focus on reducing carbon emissions, supporting economic growth, promoting accessibility, contributing to better safety, security and health, and improving the quality of life in a healthy natural environment.
- On-going Improvements to school buildings and facilities together with provision of additional capacity particularly for primary and nursery places.
- Investment in rural communities including improved Broadband connectivity, and improved library provision for Paulton

The proposed revenue budget and capital programme builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the financial challenge facing the public sector. There is a focus on achieving on-going reductions in the Council's cost base through our efficiency and change programme together with considered and affordable capital investment.

The Budget Context

The Budget for 2012/2013 has been developed within the context of the Government's deficit reduction programme as set out for the public sector in the Comprehensive Spending Review (CSR) announced in October 2010.

This CSR included reductions of 28% in local authority spending spread over the four year period from 2011/2012 to 2014/2015 with a significant element front loaded to the first two years. The Government's Autumn Statement in November 2011 confirmed the need for public sector spending deficit reduction measures to continue beyond the period of the current CSR into 2015/2016 and 2016/2017 with the potential for cuts equivalent to levels over the past two years continuing well into the medium term.

The specific financial implications for the Council are set out in the annual Local Government Finance Settlements in December which showed a 16% cash reduction in funding from Government in 2011/2012 and, an over 8% reduction in 2012/2013. The Settlements do not go beyond these two years as a result of the significant changes to the grant and business rates system from 2013/2014 although the direction of travel is clear from the CSR.

The Council recognises the financial challenge facing the public sector and provides for prudent provisions within its reserves to help enable and facilitate the changes and implications that will result. The Council maintains a high degree of focus on sound financial management (including the delivery of balanced budgets and significant efficiency savings) and it is anticipated this will continue with a balanced budget delivered for the current financial year 2011/2012.

The Local Government Finance Settlement

The headline from the local government financial settlement is an 8.3 % reduction in the Council's formula grant funding from Government for 2012/2013. Within the settlement, the Government continues to provide protection to councils they deem more dependent upon government grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. B&NES grant remains significantly 'damped' to the value of £2.3m for 2012/2013 and so continues to receive less than the Government's own assessment of B&NES needs requirement.

The table below illustrates the scale of the government formula grant funding reductions compared to the overall reductions indicated within the CSR 2010.

Table 1: Reduction in Government Grant Funding

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

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year – 2012/2013. Unlike the freeze grant for 2011/2012 which is provided for a period of 4 years, the grant for 2012/2013 is stated to be a one-off only and will therefore impact upon the budget considerations for 2013/2014 and beyond.

Within the Settlement it had been anticipated that following a consultation issued by the Department for Education over the summer of 2011, a further adjustment would be made from 2012/2013 to the level of funding being top sliced for academy schools. The financial planning model had assumed this would be up to an additional £1.5m however the Settlement cancels this and provides for a further consultation by the DoE. This creates potential one-off headroom within the financial planning model for 2012/2013.

The December 2011 Local Government Finance Settlement is the last under the current system of government funding for local authorities. It is the Government's stated intention to introduce a new funding system for 2013/2014 based on the principle of returning an element of the growth in business rates to local authorities. Further details are expected in the spring 2012 although this new system appears to make no allowance for specific funding needs for growth pressures like adult social care. Risks around actual growth and business rate collection levels are also likely to be transferred to the Council.

The Settlement announcement confirmed that as part of the new Localism provisions, Council tax referendums are required for any Council (excludes parishes in 2012/2013) increasing council tax by more than 3.5% (4% for police and fire). This is clearly irrelevant for councils accepting the council tax freeze grant.

The Budget Proposal

Each Directorate of the Council has prepared a Medium Term Service and Resource Plan (MTSRP), together with more detailed individual Service Action Plans (SAP) which have been considered by the relevant Policy and Development Scrutiny (PDS) Panels throughout November 2011 and January 2012. This consideration included detailed Equalities Impact Assessments for all the SAP's, copies of which can be accessed on the Council's website.

The MTSRP's and SAP's set out the specific service and resource requirements for 2012/2013 and beyond, including growth requirements and savings proposals, and allowing for the anticipated financial implications of the grant settlement. Feedback from the individual PDS panels has been considered in arriving at the proposed Budget.

The proposed Budget for 2012/2013 recognises the very difficult financial challenge now facing the whole of the public sector and the continuing need to prioritise resources. Against this backdrop the proposed Budget has taken into account a number of key principles, particularly

- Fiscal restraint including a frozen council tax level, reduced planned borrowing and no increases to car parking and park and ride fees.
- Protecting priority front line services especially where these support the most vulnerable
- Maximising efficiency savings and using the Change Programme and invest to save as a means to achieve this.
- Passporting additional Government funding for Schools, Early Intervention (including additional funding for child care for qualifying 2 year olds) and Community Health and Social Care.

There will be increasingly limited resources available to deliver the full range of services that have been provided in the past. New legislation and demographic changes similarly demand clear prioritisation and new approaches. This has and will mean difficult choices both for the next financial year 2012/2013, and beyond.

The developing new visions and values of the Council will help to prioritise resources going forwards

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

Full details of the proposed Vision and Values are set out in a separate report to the Cabinet on 8th February 2012 and will support the development of the Corporate Plan for future consideration by the Council.

The proposed Budget recognises service specific growth pressures and Council priorities that need to be addressed including impacts of national policy changes totalling some £9.3m. The most significant of these include:

- £2.5m for Rising elderly population placing significant demands on Adult Social Care and Health services.
- £0.5m for Increased demand from adults with learning difficulties.
- £0.2m for Increased demand for Children's care services.
- £2.8m for Inflationary costs particularly for care placements and external service contracts.
- £0.3m to meet a national increase in the rate of the landfill tax.
- £0.5m to reflect the local impacts of the economic downturn and increasing competition.
- £0.1m for green initiatives
- £1.3m for other priority improvements including support for key capital projects, street cleaning and the listening approach of the Council.

Taking account of the reductions in government grant funding and the pressures outlined above, requires the identification £12m of budget savings in 2012/2013 as part of the proposed Budget. These are set out in full at Annex 5 and can be summarised as follows:-

Table 2: 2012/13 Savings Analysis

Description	£'000
Change Programme & Efficiency Savings	8,551
Increases in Income from fees, charges and other grants	2,439
Service Reductions	1,062
Total Savings	12,052

The majority of savings are being delivered from efficiencies through service review and the Council's change programme. This has enabled service reductions to be kept to an absolute minimum. Indeed the reductions to services represent less than 10% of the total savings and only 0.5% of the gross Council budget excluding Schools. Details of the specific savings items and the impact on service areas are included within individual MTSRP's and SAP's.

Guidance from Government is being followed to ensure cuts to the voluntary sector are not disproportionate and avoided where possible. Where cuts are unavoidable, the Council will reflect the appropriate guidance for consultation and engagement.

In the medium term the need to strike an appropriate balance between the diminishing resources available to the Council and the demands placed on all its services will require a greater prioritisation of services.

Schools Funding

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

The Dedicated Schools Grant (DSG) increase compared to 2011/12 is complicated by the conversion of several schools to academies. The overall increase in the DSG is estimated for 2012/2013 at £300k with total funding of £114.1m. This additional funding actually relates to increased demand due to a rise in the number of pupils in our schools and early year's providers. Taking account of this, the overall total represents a similar level of cash grant compared to the previous year.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £24.6m in 2012/13 leaving £89.5m payable to the Council.

This recoupment by the DFE is based on 7 secondary, 1 special and 1 primary academies in 2012/13. It is difficult to assess whether there will be more schools converting to academies over the next year.

Council Tax

The local government financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). This financial support (in the form of a grant) for 2012/2013 is stated to be a one-off only and will therefore impact upon the budget considerations for 2013/2014 and beyond.

The proposed Budget utilises this grant and provides for a zero increase in Council Tax for 2012/2013.

Business Rates

Whilst the Council is responsible locally for the Collection of Business Rates (National Non Domestic Rates), these are remitted in full to national Government. At a national level business rates are currently pooled and redistributed to local authorities based on a needs assessment. Under this system this Council currently collects £55m in business rates but only receives back £33m.

The uplift in the level of Business Rates is set each year by the Government by reference to the annual inflation figure measured at September each year. The uplift to be applied for 2012/2013 will be 5.6% based on this approach.

Changes to this system are proposed from 1 April 2013 although this will only provide local authorities with an element of any future growth (or reduction) in business rates with the annual uplift continuing to be set by the Government.

Reserves

The Council is maintaining its un-earmarked reserves at the appropriate risk assessed level. Some of these reserves (above a minimum level) will continue to be utilised on an Invest to Save basis. The assessed risk which has been reviewed as part of the Budget process, suggests reserves of £10.5M for 2012/2013 with a minimum level of £6M. These are deemed appropriate based on current financial planning assumptions.

Earmarked reserves are set aside to fund specific future commitments and have been fully reviewed as part of the budget process. The most significant of these are:-

- Revenue Budget Contingency - £1.4m (to meet in year budget variations)
- Medium Term Financial Challenge Reserve - £2.2m (for Change Programme)
- Restructuring Reserve - £4.1m (to meet future severance costs)
- Affordable Housing Reserve - £3m (to fund affordable housing contribution for Bath Western Riverside)
- Capital to Revenue Reversion Reserve - £2.8M (to meet revenue reversion costs of discontinued capital schemes)

The balances shown are for 2012/2013 and these reserves are anticipated to be fully committed over the medium term.

The Medium Term

The Government's Autumn Statement in November 2011 confirmed the need for public sector spending deficit reduction measures to continue beyond the period of the current CSR into 2015/2016 and 2016/2017. This indicates the need for local authority expenditure to continue to fall with the potential for government funding cuts continuing in line with the current CSR period which already amounts to over 28% in total.

During this period of deficit reduction, the Council will also be required to deal with an unprecedented level of change in its role, services and funding. These include changes to the benefits system particularly council tax and housing benefits, the on-going impacts of Academy Schools, a new duty for Public Health and the changes to the grant and Business Rates system.

The Council approach to these medium term challenges will be driven by the new Vision and Values which will support the development of a new Corporate Plan. These will be used to help prioritise services and resources going forwards to minimise the impact of unavoidable service cuts in future years. The Council will continue to focus on the delivery of efficiency savings, supported by its Change Programme.

Structure of the Budget Proposal

Section 1 sets out the approach to the revenue and capital budget and the build-up of the recommended revenue budget for 2012/2013. Annex 1 provides the breakdown of the Budget for 2012/2013.

Section 2 sets out the position for future years 2013/2014 and 2014/2015 taking account of proposals developed in the medium term service and resource plans, in light of known pressures and assumptions about levels of funding. It also includes details of how the Council Change Programme will contribute to meeting the financial challenge.

Section 3 sets out the recommended capital programme for 2012/2013 including the indicative capital programme through to 2016/2017. Annex 3 provides more detail.

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

Section 5 sets out the implications of the revenue budget for Council Tax levels for 2012/2013.

Table 3: Summary Net Revenue Budget and Capital Programme 2012/13 – 2014/15

	2012/13	2013/14	2014/15
Revenue Budget Funding:	£m	£m	£m
Council Tax	£77.447	£79.463	£81.531
Council Tax Freeze Grant	£3.872	£1.936	£1.936
Government Formula Grant	£39.545	£39.189	£36.995
Reserves & Collection Fund Surplus	(£0.759)	£0	£0
Total Funding	£120.106	£120.588	£120.461
Net Revenue Budget Spend	£120.106	£120.588	£120.461
Capital Programme – for approval	£37.471	£24.260	£12.470
Capital Programme - for provisional approval (subject to)	£27.191	£26.657	£21.608

Note: The figures in this table are affected by rounding – Revenue Budget figures beyond 2012/2013 are indicative only.

Section 1 – The Revenue Budget for 2012/2013

Introduction & Process

The proposed Budget for 2012/2013 has been prepared using the Council's medium term service and resource planning process.

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

Strategic Directors, in consultation with their Cabinet Members, have developed Medium Term Service and Resource Plans covering the years 2012/2013 to 2014/2015 albeit the latter years will remain indicative as financial planning information becomes less certain. These Medium Term Service and Resource Plans supported by specific Service Plans set out the savings and efficiency proposals that each service will be taking forwards to meet their specific financial targets and available resourcing. This includes outlining the impacts of each of the proposals both in terms of service delivery and on staff.

The Medium Term Service and Resource Plans together with the individual Service Plans, have been reviewed by the relevant Policy Development and Scrutiny Panels. The PD&S Panels were also provided with information on the Council's overall financial position. These plans are available as background documents.

The Cabinet have now had the opportunity to further consider proposals from officers which develop the medium term financial planning and take account of the on-going work of Strategic Directors and the comments from PD&S panels. In that context the Cabinet has developed the Budget proposal to reflect this position. The Cabinet has also considered feedback from consultation with the Trade Unions, and a range of other partners / stakeholders, particularly from the Council's Annual Budget Fair held on 31 October 2011.

Approach to the Budget

Corporate Assumptions

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

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

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

- A pay freeze for 2012/2013 with increases of no more than 1% in each of the subsequent two years.
- Continued low rates of interest from treasury management cash investments of 1% in 2012/2013 increasing thereafter as the bank base rate is expected to rise in the latter part of 2012 from the current level of 0.5%.
- Stable cash increases linked to an inflationary provision for the overall level of the employers' contribution to the Local Government Pension Fund.
- Balanced budgets are achieved for 2011/2012.
- No general inflationary provision – specific inflation has been provided and identified as growth within service areas based on specific service circumstances and contractual commitments.
- The ability of the Council to generate capital receipts at acceptable values will continue to depend upon the extent of the wider economic recovery. The Council will maintain the policy of not committing capital receipts until they are realised.

Fees and Charges

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

The 2012/2013 Budget proposal and related Medium Term Service and Resource Plans assumes any proposed changes in fees and charges will be in accordance with this policy with the following key exceptions:-

- **Car Parking Charges** – no increase is proposed in the rates for car parking charges during 2012/2013.
- **Park and Ride Charges**– no increase is proposed in the rates for park and ride fares during 2012/2013.
- **Planning Fees** – new legislation is currently progressing through Parliament to provide for local charging in respect of planning applications based on full cost recovery. The full year impact is estimated to produce approximately £800K in additional fees to fully cover costs for the Council. The proposed Budget now anticipates an effective date of 1 October 2012.

Government Grant

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

The subsequent Local Government Finance Settlement announced in December 2010 showed the Council's Formula Grant reducing by 13.5% in 2011/2012 and then by a further 8.3% in 2012/2013.

The Government's Autumn Statement on 29th November 2011 reflected the on-going market concerns surrounding the national debt positions of a number of Eurozone countries. In particular the statement confirmed the need for public sector spending deficit reduction measures to continue beyond the period of the current CSR into 2015/2016 and 2016/2017. The Statement also confirmed a ceiling on public sector pay of 1% per annum in the two years following the current pay freeze period.

The provisional Local Government Financial Settlement for 2012/2013 was announced on 8th December 2011 and confirmed the previously signalled 8.3 % reduction in the Council's formula grant funding from Government for 2012/2013.

As part of the settlement, the Government continues to provide protection to Councils they deem more dependent upon government grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. B&NES grant remains significantly 'damped' to the value of £2.3m for 2012/2013. The Council therefore continues to receive significantly less funding than the Government's own assessment of B&NES needs requirement.

The Formula Grant Baseline included a previously announced reduction of £335k as a result of the impact of Academies taking the total reduction of the over the two years 2011/2012 and 2012/2013 to £760k. It had also been anticipated that following a consultation issued by the Department for Education over the Summer of 2011, a further adjustment would be made from 2012/2013 to the level of funding being top sliced for academy schools. The financial planning model had assumed this would be up to an additional £1.5m however the Settlement cancelled this pending further analysis and consultation by the DoE. This creates potential one-off headroom within the financial planning model for 2012/2013.

The New Homes Bonus Scheme which provides funding for new homes brought into use and included in the Council Tax Base, was confirmed at £1.218m for 2012/2013 (which includes the second year of funding from 2011/2012). Funding provided from the New Homes Bonus scheme runs for 6 years from the year of initial allocation. This funding is un-ring-fenced and available for allocation as part of the overall revenue budget.

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year – 2012/2013. Unlike the freeze grant for 2011/2012 which is provided for a period of 4 years, the grant for 2012/2013 is stated to be a one off only and will therefore impact upon the budget considerations for 2013/2014 and beyond.

The December 2011 Local Government Finance Settlement is potentially the last under the current system of government funding for local authorities. It is the Government's stated intention to introduce a new funding system for 2013/2014 based on the principle of returning an element of the growth in business rates to local authorities – further details are expected in the spring.

The Settlement announcement confirmed that as part of the new Localism provisions, Council tax referendums are required for any Council (excludes parishes in 2012/2013) increasing council tax by more than 3.5% (4% for police and fire). This is clearly irrelevant for councils accepting the council tax freeze grant.

Schools Funding

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

The Dedicated Schools Grant (DSG) increase compared to 2011/12 is complicated by the conversion of several schools to academies. The overall increase in the DSG is estimated for 2012/2013 at £300k with total funding of £114.1m. This additional funding actually relates to increased demand due to a rise in the number of pupils in our schools and early year's providers. Taking account of this, the overall total represents a cash freeze compared to the previous year.

As schools convert to academies the DFE take back the element of DSG payable to the local authority in order to make payments direct to the academies. The DFE estimate of this will be £24.6m in 2012/13 leaving £89.5m payable to the Council.

This recoupment by the DFE is based on 7 secondary, 1 special and 1 primary academies in 2012/13. It is difficult to assess whether there will be more schools converting to academies over the next year.

Resource Allocation including Use of Recurring and One-Off Funding Headroom

The initial resource allocation parameters originally set out in June 2010 required each service being asked to deliver a base savings level equivalent to approximately 5% per annum of gross expenditure, excluding any impacts of specific grant changes. This approach was felt to provide the likely level of flexibility required to meet the outcomes of the Comprehensive Spending Review in October 2010.

These savings levels were reviewed in July 2011 as part of the development of the 2012/2013 budget and were felt to reasonably reflect the direction of travel outlined in the CSR 2010 and the indicative Local Government Finance Settlement for 2012/2013.

The indicative service cash limits were also set to recognise the general principle that any growth provision needed to be met with equivalent savings.

Table 4 in this report shows how the budget rolled forward from 2011/2012 has then been built up with total growth and savings identified by services as set out in Medium Term Service and Resource Plans.

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

- Fiscal restraint including a frozen council tax level, reduced planned borrowing and no increases to car parking and park and ride fees.

- Protecting priority front line services especially where these support the most vulnerable
- Maximising efficiency savings and using invest to save as a means to achieve this.
- Passporting additional Government funding for Schools, Early Intervention (including additional funding for child care for qualifying 2 year olds) and Community Health and Social Care.

The following new visions and values of the Council have also be used to help to prioritise resources:

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

Overall savings of some £12m have been made with service specific savings identified in the individual Medium Term Service and Resource Plans.

Headroom

Each year the Council considers how any available headroom within the budget should be allocated. This headroom, which may be recurring or one-off in nature, is created from a number of sources and can only be finalised once all assumptions and calculations are completed for the proposed Budget. These sources include:-

- Changes in financial planning assumptions
- Variations in grant settlement
- Full year effect of prior year savings
- Adjustments to corporate finance items
- One-off funding provisions and variations, for example the council tax collection rate.

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

On-going Headroom Allocations - £350k

- £250k to support the capital financing costs for the provision of a Gypsy and Travellers site, replacement Paulton Library and capital contribution to Superfast Broadband Delivery as set out in the Capital Programme.
- £40k to reduce the Community Safety Saving and provide some flexibility in related external commissions.
- £22k for the provision of extra street cleaning on a demand basis across the Council area.
- £38k for activities and funding in support of the Listening Council including further work with families with complex needs.

One-off Headroom Allocations - £1,922k

- £400k to recognise that new legislation in respect of local charging of planning applications based on full cost recovery is unlikely to become effective until 1st October 2012 (the proposed Budget includes £800k for a full year).
- £500k to establish a revolving development revenue fund to enable preparatory work to be undertaken in respect of potential property developments prior to the point that these costs can be prudently classified as capital.
- £300k in respect of potential future claims for Council funding in relation to school redundancies.
- £100k to provide additional resource required to prepare for Community Infrastructure Levy (CIL) and S106 scheme developments.
- £80k to cover potential legal costs associated with protecting the areas spring water supply from the “fracking” process in nearby areas.
- £61k to cover the part year impacts of implementing savings in the Tourism, Leisure & Culture service area.
- £100k to develop and deliver green initiatives.
- £381k to be transferred to Revenue Budget Contingency to provide for emerging priorities in the year ahead.

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

Robust and credible ‘invest to avoid’ proposals (where investment can avoid future costs), can also be considered, but in addition there needs to be specific provision within business cases to replenish the reserves over a 3 year period.

Local Area Agreement – Performance Reward Grant

As a result of the Council and partners delivering the Local Area Agreement, the Partnership received £1.3m of “Performance Reward Grant”. The Council budget report in February 2011 noted that the Local Strategic Partnership would manage this funding which would be invested in building capacity in the community.

The £1.3m was divided into two funds: £300,000 of small grants aimed at local projects (with a maximum grant per project of £5000) to be available as soon as possible and £1m for longer term investment (the “Main Fund”).

The Cabinet has agreed the bid process for the fund and this has now been launched.

Summary of the Revenue Budget Proposal

The proposed revenue budget for 2012/2013 represents:

- A net £2.8m or 2.3% decrease in the non-schools budget
- The Dedicated Schools Grant (DSG) increase compared to 2011/2012 is complicated by the conversion of several schools to academies. The overall increase in the DSG is estimated at £300k with a total funding of £114.1m. This increase is related to an increase in the number of pupils in our schools. The overall total represents a cash freeze compared to 2011/2012. However as schools convert to academies the Department for Education (DFE) recoup the DSG payable to the Local Authority in order to make payments direct to the academies. The DFE estimate the recoupment will be £24.6m in 2012/2013 leaving £89.5m payable to the Local Authority.
- A freeze in the Council's level of Council Tax, which excludes Police, Fire and Parish precepts.

We are recommending a net revenue budget for 2012/2013 of £120.106m. Table 4 below, and Annex 1 to this Appendix, show the build-up of the recommended 2012/2013 revenue budget, compared to the rolled forward base budget from the current year.

Table 4: High Level Build-up of the 2012/13 Budget (detail in Annex 1)

Description	£'000
Total Base Budget rolled forward – 2012/13 (after removal of one-off items in 2011/12 Budget)	122,886
Contractual and Unavoidable Inflation	2,833
New Legislation / Government Initiatives	357
Increased Service Volumes	3,250
Improvement Priorities	1,306
Other / Technical	1,526
Total including Growth	132,158
Change Programme & Efficiency Savings	8,551
Increases in Income from fees, charges and other grants	2,439
Service Reduction	1,062
Total Savings	12,052
Recommended Net Revenue Budget 2012/13	120,106

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2012/13. These are shown in **Annex 1** to this Appendix.

Section 2 - Future Years

The medium term service and resource plans were constructed to cover the 3 years 2012/13 – 2014/15 with proposals that meet corporate and service objectives, with budgets which are being capable of being balanced over each of the next 3 years, but with regard also being given to the longer term.

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

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

Whilst the medium term service and resource plans will ensure financial balance for 2012/2013, further work will be required in relation to 2013/14 and 2014/15. It is also the case, at this stage, that there is insufficient information available to fully identify future funding pressures including new government requirements, future demand changes and emerging issues. It is therefore expected that the requirements for savings in future years may increase.

Given the scale of efficiency savings already achieved and those planned for 2012/2013 it is likely that future savings will require reductions in Council services. A rigorous process will therefore continue to be applied to the 2013/2014 budget and medium term financial planning process to enable resources to be prioritised between service areas.

Table 5: Resource Allocation 2012/13 to 2014/15

SERVICE AREA	2012/2013			2013/14	2014/15
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)
Adult Social Care & Housing	4.168	3.588	53.619	53.975	53.396
Children's Services	0.460	0.588	21.094	20.916	20.334
Service Delivery	2.725	2.499	27.633	26.670	25.784
Development & Major Projects	0.093	0.215	1.488	1.393	1.317
Resources & Support Services	0.727	1.796	4.874	4.216	3.487
Corporate, Agency & Headroom	1.099	3.366	11.398	13.419	16.144
Totals	9.272	12.052	120.106	120.588	120.461

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

The Cash limits for 2013/14 and 2014/15 are at this stage indicative and will be reviewed as part of the Medium Term Service & Resource Planning process for 2013/14 onwards.

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

Council Change Programme

The Change Programme was re-launched in 2010 and has delivered substantial results in 2011/12 and 2012/13. It takes account of the Coalition Government's austerity measures, the Academies Act, new requirements on the NHS, which affect our Health and Wellbeing Partnership and the various measures to promote Economic Growth.

The programme includes:

- Community Led Commissioning - where there is a clear understanding of the needs of local communities and how these may best be met either by the Council, one of its partners or increasingly from within the community itself.
- Reshape Customer Services - to be the public face of the Council, where 80% of questions are dealt with at the first point of contact, multi-agency one stop shops for face to face contact, plus improved web and self service
- Bring together Support Services - to deliver more effective and efficient services plus implement a new IT strategy with less systems, better support for flexible working, elected members and customer access
- Meet the Government's requirements for Children's Services, Academies, Health and Social Care.
- Make further annual efficiency savings of £8m on top of other savings from the re-prioritisation of services
- Make good use of Council assets – rationalisation of office space, excellent sustainability standards in offices, encouragement of regeneration

There has been substantial progress over the last 2 years with more to come over the next 2 years. The recent activity and achievement includes:

- Creation of a new social enterprise (Sirona) to run community health and social care – Council and PCT staff transferred in from October 2011 and the new organisation is operating successfully plus has a strong savings and improvement programme
- Customer Services improvements in many services such as highways, housing benefits, council tax, aspects of refuse collection, Bath one stop shop (an interim measure) and registrars. The Councils Web is also being improved.
- Support services savings from simplification and standardisation of processes whilst also absorbing the effect of the creation of Sirona (which has mainly its own support services and some on-going support from the Council notably for property and IT – the property assets and networks having been retained by the Council)

- Changes in health and social care are being supported with the creation of a Health and Wellbeing board, a project with the PCT looking at commissioning arrangements, plus arrangements to transfer public health to the Council.
- Academies have been supported to help their successful creation and a review of the LEA role is underway.
- Savings worth over £3M annually have already been directly achieved within the programme and the other efficiencies (£8M in total as shown in the budget) have been enabled by the programme.
- Council offices at Trimbridge House and Plymouth House in Bath have been closed (with the buildings returned to their owner) saving over £1M, flexible working has been rolled out.
- The Keynsham Regeneration project has been launched for completion in 2014 (with the delivery partner has just been appointed), and records that took up valuable office space are now controlled through an efficient offsite archive and retrieval system.
- Lewis House in Bath has been modernised, as has the Hollies in Midsomer Norton. A new multi-agency one stop shop in Bath will open in May 2012.
- Capital receipts from property reviews continue to be delivered (£56M over the last 6 years) and a joint project between major projects and property will deliver new commercial sites in response to the financial incentives from Government to support growth (retention of business rates growth, new homes bonus and community infrastructure levy). This links to the Bath Enterprise Area (supported by the WoE Local Enterprise Partnership), the Keynsham regeneration project, and regeneration planned for Radstock and elsewhere.

Section 3 – The Capital Budget for 2012/13

Introduction

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

- An ambitious yet prudent capital programme over a five year period.
- A desire to reduce the planned levels of external borrowing albeit recognising the overall need to deliver value for money from the Council's external funding and treasury management decisions.
- The inclusion of significant government capital grant funding streams in relation to transport and schools which, while supporting the Council's strategic priorities, add to the Council's delivery risk and which require matched funding in some cases.
- The prospective development and regeneration of various city centre and Employment Area sites across the Council area.
- The future financial challenge and the potential impact on future capital grant awards
- The increasing pressures on the revenue budget

This Budget proposal:

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

Given that pressures on the revenue budget will increase over time, the Council continues to develop a more fundamental and medium term approach to revenue resource planning through the medium term service and resource plans which take into account any revenue costs of capital. The Council considers other capital funding sources, such as its ability to generate capital receipts (without significant loss of income), grants, Section 106 and future Community Infrastructure Levy. The Council also regularly reviews other sources of capital financing/re-financing.

The capital receipts targets for 2012/13 onwards are shaped by the Property Review, and the strategy of ear-marking non-scheme specific receipts for investment in capital property maintenance and the public realm. The need to ensure that receipts are actually confirmed before expenditure can be authorised remains, and this process will take account of receipts generated since 1 April 2008. The level of receipts will be kept under review and the Council retains the flexibility to bring forward expenditure to the extent that receipts are higher than planned and plans for such expenditure have been developed.

In addition to the strategy of 'ear-marking' non scheme specific receipts in relation to capital property maintenance and the public realm, any receipts from the school estate are 'earmarked' to fund the schools investment programme. This approach will be reviewed during 2012/2013 in light of the impact of the introduction of academies and will be discussed with the schools forum as appropriate.

In a change to the presentation of last year's capital budget the use of 'italics' has been replaced with a clearly identified separation of schemes for **Full Approval** and those which are for **Provisional Approval**.

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

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

B) Recommended Programme for 2012/13

On this basis the Cabinet is recommending the Capital Programme as attached in **Annex 3** and summarised in the table below.

The proposed programme assumes total capital payments and funding in 2012/13, comprising both the programme for Full Approval of £37.471m and a programme for Provisional Approval (subject to) of £27.191m, as shown in Table 6 below. Table 6 also shows the indicative capital programme and funding at summary level for 2013/14 to 2016/17. **Annex 3** shows the total capital programme for 2012/13 to 2016/17 in more detail.

Table 6: Summary Capital Programme and Financing 2012/13 - 2016/17

For Approval

Capital Scheme	Budget 2012/13 £'000	Budget 2013/14 £'000	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Total £'000
Service Delivery	6,921	0	0	0	0	6,921
Children's Services	9,057	1,102	0	0	0	10,159
Adult Social Services & Housing Resources & Support Services	1,000	0	0	0	0	1,000
Development & Major Projects	12,405	19,614	8,414	4	0	40,437
	5,509	3,544	4,056	1,154	450	14,713
Sub Total	34,892	24,260	12,470	1,158	450	73,230
Contingency	2,579	0	0	0	0	2,579
Total	37,471	24,260	12,470	1,158	450	75,809

For Provisional Approval (Subject to)

Capital Scheme	Budget 2012/13 £'000	Budget 2013/14 £'000	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Total £'000
Service Delivery	15,433	19,021	12,733	5,510	5,339	58,036
Children's Services	7,473	1,000	1,000	1,000	1,000	11,473
Adult Social Services & Housing Resources & Support Services	1,516	2,475	2,475	1,700	1,700	9,866
Development & Major Projects	240	1,457	1,457	1,457	1,457	6,068
	2,529	2,704	3,943	2,039	2,114	13,329
Total	27,191	26,657	21,608	11,706	11,610	98,772

Total	62,083	50,917	34,078	12,864	12,060	172,002
Contingency	2,579	0	0	0	0	2,579
Grand Total	64,662	50,917	34,078	12,864	12,060	174,581

Funded By

Financing	Budget 2012/13 £'000	Budget 2013/14 £'000	Budget 2014/15 £'000	Budget 2015/16 £'000	Budget 2016/17 £'000	Total £'000
Grant	18,287	11,008	9,231	6,672	6,445	51,643
Capital Receipts/RTB	4,967	5,149	5,450	3,596	3,571	22,733
Revenue	886	478	2,256	1,297	563	5,480
Borrowing	38,110	33,202	14,737	964	1,066	88,079
3rd Party (inc S106)	2,412	1,080	2,404	335	415	6,646
Total	64,662	50,917	34,078	12,864	12,060	174,581

Funding

The revenue budget for 2012/13 and the Medium Term Service and Resource Plans for 2013/14 and 2014/15 provide fully for the revenue consequences of the Council borrowing in support of capital expenditure.

In line with previous years, borrowing costs for new capital projects are charged to individual services through Service Supported Borrowing and included in those services' revenue budgets, unless otherwise stated.

A desire to reduce the planned levels of external borrowing has been recognised within the funding arrangements for the Capital Programme, particularly in respect of the Keynsham Regeneration Scheme. This project will seek to utilise the Council's longer term cash flow balances to "internally" meet the cash flow funding requirements of this project. This approach will be regularly reviewed to recognise the overall need to deliver value for money from the Council's external funding and treasury management decisions.

The practice of using grant or other income as soon as it is received to cash flow finance capital expenditure wherever possible in order to delay, where appropriate, the requirement for borrowing has a catch up point, at which time borrowing is required to 'repay' those projects for which the grant was originally intended.

There is £400k corporate funding included within the proposed Budget for 2012/2013 which is to be used to support capital financing (service supported borrowing costs) of particular projects identified as a priority including:

- London Road Regeneration Scheme (£0.7m capital spend)
- Affordable Housing (£0.5m capital spend)
- Beechen Cliff Capital and related open spaces improvements (£0.5m capital spend)
- Radstock Regeneration Scheme (£0.5m capital spend)
- Creative Hub Project (£0.5m capital spend)
- 20mph Road Safety Schemes (£0.5m capital spend)
- Rossiter Road Scheme (additional £0.5m capital spend)

- River Safety (£0.1m capital spend)
- Victoria Bridge (up to £1.9m subject to a specific funding model)

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

The capital budget for 2012/13 assumes the following achievement of capital receipts:

- £0.3m of Housing Right to Buy (RTB) Receipts. These receipts are set aside to fund affordable housing within the Bath Western Riverside development.
- General receipts of £2.6m to be achieved during the year ending 31 March 2012. Given the uncertainty over the generation of capital receipts in the very short term the achievement of this will need to be reviewed early in the 2012/2013 financial year.

Significant Elements of the Capital Programme

Highways Structural Maintenance

The Highways Structural Maintenance budget is included for **Full Approval** at £3.821m funded wholly from direct government grant.

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

The additional £3million of capital investment by the Council between 2010/11 & 2011/12 over and above the annual Local Transport Plan Formula based grant settlement has helped prevent deterioration of the network.

There is also budget of £1m included for **Provisional Approval** subject to the submission and approval of a detailed project plan. This is funded from service supported borrowing and will provide for continued additional investment in addressing priority works across all asset groups but with particular emphasis on replacing columns at or near the end of their planned life to support the conversion of street lighting stock in order to achieve revenue and carbon savings.

Local Transport Improvement Schemes

The Local Transport Improvement Schemes budget is included at £1.373m funded from government grant and section 106 contributions. It is included for **Provisional Approval** and is the subject of a separate report on the Agenda for the Council meeting on February 14th 2012, providing further details of the individual schemes for full approval.

The 2012/13 schemes will initially be subject to agreement with the Cabinet Member for Transport and will focus on supporting the Joint Local Transport Plan approved with our WoE authorities.

The focus is around 5 key transport goals of Reducing Carbon Emissions, supporting Economic Growth, Promoting Accessibility, contributing to better safety, security and health and finally improve quality of life & a healthy natural environment.

20 MPH Schemes

A budget of £500k is included for **Provisional Approval** subject to approval of a detailed project plan and specific proposals. The borrowing costs will be funded from corporate headroom included as part of the proposed Revenue Budget. The funding will provide for the establishment of extensive area wide 20 mph Speed Limits on appropriate streets across the District over the next three years.

Rossiter Road

The Rossiter Road capital budget is included at £1.8m for **Provisional Approval** subject to the outcome of current scheme redesign work and the granting of any necessary planning consent. The borrowing costs will be funded from corporate headroom included as part of the proposed Revenue Budget.

The scheme will remove the majority of through traffic, including HGVs from Widcombe parade by allowing Rossiter Road to take 2 way traffic. This is achieved by reversing the direction of traffic along Claverton Street. The scheme is currently being reviewed by Halcrow and once fully approved could be implemented over 2012/13 – 2013/14.

Bath Transportation Package

The Scheme received Programme Entry Level Approval from Department of Transport on 16th December 2011.

The scheme will expand all three of the Council's existing P&R sites, improve variable message signs, environmental improvements in the city centre and improve the majority of the bus routes into the city with new bus stops with real time information.

Total budgeted costs are £32.5M (£1.676m held under Public Realm), funded by £11.7m from DfT the remainder by the Council and other local contributions. The Main Scheme is included for **Provisional Approval** subject to Final DoT Approval in Summer/Autumn 2012 with the remainder of the budget included for **Full Approval**.

Victoria Bridge

Capital funding for emergency works to secure the structure was approved by Cabinet under Rule 16 Exemption from Standing Orders on Emergency grounds on 23rd December 2011. The emergency works comprise the insertion of a box girder bridge to provide full support to the listed structure with the addition of ramps to afford public access across the river. Structural works to allow the river and towpath to re-open completed on 17th January 2012. Ramp installation is programmed to coincide with re-opening of Victoria Bridge Rd (part of BWR infrastructure works) in spring 2012.

An indicative budget for a permanent solution is included at £2.440m for **Provisional Approval** subject to a full project plan, revised costing's and a detailed funding model. The aim of this will be to reduce the net cost to the Council by maximising external funding.

Options for full refurbishment and/or replacement of the historic structure are being developed ranging from historical refurbishment or authentic replica through to removal and replacement with a new structure.

A paper will be prepared for consideration of the options and will be presented to the cabinet in spring 2012. Subject to full approval to proceed, works to the structure are programmed to commence autumn 2012 for completion in 2013.

This is in line with the BWR programme to enable access and site areas for the bridge work before housing development restricts/complicates access

LED Street Lighting Programme

An indicative budget for LED Street Lighting Replacement of £2m across 2012/13 and 2013/14 financial years is included for **Provisional Approval** subject to a robust business case. This would include details of financial savings to be made to fully cover the service supported borrowing costs for this scheme.

The proposal is likely to focus on converting all street lights on main roads to LED technology in order to reduce energy consumption and costs and make a significant contribution to meeting the authority's carbon reduction targets. Energy consumed through street lighting currently accounts for 13% of the authority's total consumption. Proposals will seek to achieve the budgeted saving on street lighting revenue costs, mitigate the impact of predicted increases in energy costs and minimise the financial exposure to future carbon tax liabilities and cover borrowing costs. The plan will propose delivery of the conversions and related lighting column replacements over the course of the two financial years.

River Safety

An indicative budget of £100k is included for **Provisional Approval** to respond to recommendations from RoSPA regarding improving safety along the River Avon in Bath. This funding allocation will be supported by a robust business case and subject to consultation with relevant stakeholders i.e. the Environment Agency.

Beechen Cliff Woodland & Other Open Spaces Improvements

An indicative budget of £500k for securing the future of Beechen Cliff Woodland is included for **Provisional Approval** subject to third party negotiations and a detailed project proposal. The associated revenue borrowing costs are included within the proposed Revenue Budget.

The project will seek to restore the woodland above the cliff and maintain it to a suitable standard working in partnership with experts from the National Trust. Any balance will be reserved for open spaces improvements across Bath & North East Somerset.

Odd Down Playing Field

Odd Down Playing Field is included at £1.598m. The cycle track scheme is included at £366k for **Full Approval** funded with a grant from British Cycling with £1.232m for **Provisional Approval** from S106 developer contributions.

The scheme will provide a 3G synthetic pitch, changing rooms, stores for grounds maintenance, improvements to the playing surfaces and a

racing/training circuit for bicycles (in addition to the existing off road & BMX circuits and will be completed by around September 2012.

Paulton Library Relocation

The Paulton Library Relocation project is included at £0.172m for **Full Approval**. Associated revenue borrowing costs are included within the proposed Revenue Budget.

The scheme will provide for the relocation of Paulton Library to new premises within Paulton village (& surrounding communities) and in doing so extend the offer available to local residents. Key roles for the building are envisaged to be a community place, a library, an 'Internet' café and a place for development opportunities with partner agencies for targeted interventions. There will be a particular focus upon building links into those groups and individuals in society who are 'excluded' or 'vulnerable'. The use of volunteers to sustain community aspirations, extend and improve services will be encouraged.

Completion is expected by around September 2012.

Schools Capital Investment

Schools capital grant funding has been confirmed by DfE for 2012/13 and includes £1.564m for Basic Need to support provision of additional pupil places where there is population growth, £2.403m for Capital Maintenance & an estimated £0.402m of Devolved Capital to schools. This is further increased by unallocated balances of grant brought forward from previous years of c£3.156m.

This balance of unallocated grant funding is the result of adopting a prudent approach to capital spending in 2011/12 as the Government was considering the outcome of the Sebastian James Review of schools capital funding and this together with potential impact of schools transferring to academy status, was likely to have implications on levels of capital funding for 2012/13. DfE allocations for 2012/13 have recently been announced and there has been a reduction in Capital Maintenance funding of £900k approximately, with Basic Need funding slightly increased. Levels of funding for future years remains unclear.

Officers are drawing up proposals for both Basic Need and Capital Maintenance projects against the unallocated funding for initial consideration by the Cabinet Member for Early Years, Children and Youth.

The Schools Capital Maintenance Programme is included for **Full Approval** at £1m to address the most pressing condition items in schools. This follows an assessment by Property Services ensuring that the Council's schools are maintained in appropriate condition.

In addition to this there are also several larger scale projects underway across primary and secondary schools to improve condition, increase capacity and expand their use. These include;

- Major remodelling of Weston All Saints Primary, Midsomer Norton All Primary, and Batheaston Primary to address significant condition and suitability issues. All now nearing completion. Funded through DfE Primary Capital Programme -£8.4m
- Wellsway Sports Hall – New 6 court sports hall with fitness suite and sports science area. Funding from several sources including DfE grants, school funds, Hayesfield capital receipt and Tourism Leisure, Culture - £3.1m
- Ralph Allen Applied Learning Centre - Applied Learning Centre focussing on science with a learning environment to provide students with access to high technology equipment and practices mirroring those available in professional laboratories and industrial settings - Funded primarily from DfE Targeted Capital grant - £2.4m
- Oldfield School – Adaptations to enable the school to become co-educational and admit boys from 2012 Funding from DfE Modernisation Grant, Basic Need and Hayesfield capital receipt - £2.005m
- St Gregory's /St Mark's Post 16 Block - New Joint 6th form block on site adjacent to St Gregory's which will admit pupils from both St Gregory's and St Mark's from September 2013 - £2.8m.

Gypsy and Travellers Site

A capital budget provision has been made for up to £1.8m across 2012/13 – 2014/15 to provide a 15 pitch transit site for Gypsy & Travellers. This scheme is included in the capital programme for **Provisional Approval** subject to detailed project plans being submitted once appropriate sites are located through the planning process. Appropriate revenue funding for the associated borrowing costs have been included within the proposed Revenue Budget.

The Gypsy & Traveller Accommodation Assessment 2007, which covers the period up to 2016, identified a need for 22 residential pitches & 20 transit pitches. The provision of a 15 pitch transit site will substantially meet the identified transit need. The residential site provision will be met by encouraging private sector development aided by the adoption of appropriate planning policies.

Affordable Housing

Investment of £500k 2012/13, and £700k per annum from 2013/14 is included for **Provisional Approval** subject to the provision of detailed project plan and business case. Appropriate revenue funding for the associated borrowing costs have been included within the proposed Revenue Budget.

This provision is for supporting work on tackling empty homes, increasing the delivery of affordable housing and associated costs. Such provision will contribute towards attracting inward investment through the New Homes Bonus and help achieve aims within the Council's Core Strategy and the Housing and Well-being Strategy. Political and Corporate approval will be sought for each spending proposal to ensure value for money and purpose of outcome.

Workplaces Programme including Keynsham Regeneration

The workplaces programme was reported in detail to Cabinet on 7 December 2011 and approved for delivery subject to inclusion of the specified capital budgets in the capital programme.

The workplaces programme incorporates the entirety of the Council's office accommodation and rationalisation, better customer access, flexible working, carbon savings, supporting joining up public services including shared front office with key partners, substantial efficiencies (both cashable and non-cashable) and acts as a catalyst for regeneration.

The scheme includes:

- Delivery of the new one stop shop and communications hub in the refurbished Lewis House Bath – May 2012 – the main Lewis House refurbishment is complete (and 2 major offices in Bath have been handed back at the expiry of their leases).
- Completion of the Hollies office refurbishment in Midsomser Norton, including one stop shop – already complete January 2012 – residual payments only in 2012/13
- Keynsham offices, retail, one stop shop, library and related regeneration activity – due for completion in August 2014 and delivery partner already engaged using a two stage contract.

The scheme is funded internally using cash balances generated by capital receipts and recurring cash balances, albeit this will be kept under review in line with the Council's Treasury management policy.

The Keynsham scheme is now moving towards a planning submission in the next few weeks.

The workplaces programme is set to achieve a return of over 10% (after capital financing costs) and involves a total capital cost of £37M in future years (2012/13 onwards) of which £33M relates to Keynsham. The detail together with the amount spend to date is shown in the capital programme appendix and is as reported in December.

The capital budget is now ready for **Full Approval** with all the detailed project planning, feasibility and budgeting work having been completed and reported.

Customer Services System

The Customer Services System is included at an estimated cost of £1.075m for **Full Approval** to be funded from service supported borrowing. Resourcing savings from across the Council generated as a result of the system implementation and roll out will be used to meet these costs.

The Change programme includes a work stream to improve customer services including through one stop shops (linked to workplaces), to give better web

access to services 24/7, and to improve customer service and information generally (with key partners involved) but also saving over £1m annually when complete.

The programme is now well developed and requires an investment in supporting information technology which will also save costs by replacing the technology that exists now with simpler and better integrated systems. This investment will pay for itself.

This approach will underpin the whole range of customer work streams in the Councils Change Programme including the development of integrated One Stop Shops in Bath, Midsomer Norton & Keynsham, Rural and community based localities, Mobile/Visiting working, Telephony & Communications Hub, Self Service/Web, New ways of working etc.

Public Realm

The Public Realm projects are committed under three project work streams:

- Wayfinding; £0.146m for completion of the city information system project is included for **Full Approval**
- High Street; £1.676m comprising upgrading of the public realm in the High Street as an integral element of the BTP is included for **Full Approval**.
- Preparatory Project; £0.310m, comprising street furniture design and continuation of the public realm design and specification toolkit (including landscape, lighting & public art plans) for the future delivery of street & spaces is included for **Full Approval**

These budgets reflect the position as approved previously, taking into account any subsequent changes in the phasing of expenditure and delivery objectives.

- Other Projects; £0.604m, comprising of completion of the public realm design and specification toolkit, detailed design of spaces and lighting and environmental projects. These projects are included for **Provisional Approval** subject to the availability of capital receipts and detailed projects plans and approvals.

Bath Western Riverside

BWR is included for **Full Approval** at £10.070m which includes £1.124m for the Project Team costs, £4.900m for Affordable Housing and £4.046m for Infrastructure. These budgets reflect the position as approved in 2011/12 taking into account any subsequent changes in the phasing of the expenditure.

London Road Regeneration

London Road Regeneration is included at £0.750m for **Provisional Approval** subject to approval of a detailed project plan. Appropriate revenue funding for the associated borrowing costs have been included within the proposed Revenue Budget.

The overall objective of the London Road Project was defined through consultation with the community and local members. This is to arrest the environmental decline of a major gateway route into Bath through initiatives to improve the street scene, encourage property regeneration, improve air quality, promote community cohesion and capacity building and attract private sector investment.

A PID will be prepared at the end of the scoping phase prior to implementation.

Norton Radstock Regeneration

Norton Radstock Regeneration is included at £0.500m for **Provisional Approval** subject to approval of a detailed project plan. Appropriate revenue funding for the associated borrowing costs have been included within the proposed Revenue Budget.

The overall objective of the project will be defined through consultation with the community and local members. The aim is to improve the street scene, encourage property regeneration, and attract private sector investment.

Creative Hub

Creative Hub is included at £0.500m for **Provisional Approval** subject to approval of a detailed project plan. Appropriate revenue funding for the associated borrowing costs have been included within the proposed Revenue Budget.

This will facilitate enabling works on the Guildhall tech hub pilot, to be situated in the Council One Stop Shop, which will be vacant from early May. The Guildhall project is a 2500 ft² space for individual tech professionals providing hot desks, on-site support and networking using a gym style membership forming a technical hub supporting creative industries.

Capital expenditure will be for fit out costs to make the space suitable for the above usage with a planned completion in September 2012.

Broadband Development UK (BDUK)

BDUK is included at £0.475m spread across 3 years for **Provisional Approval** subject to approval of a detailed project plan and signing the programme agreement.

This will cover the Council contribution to the joint costs of project management, procurement and capital works, in partnership with Somerset County Council, Devon County Council, North Somerset District Council, Plymouth and Torbay Councils. The anticipated profile of this capital expenditure is £175k (2012-13), £150k (2013-14) and £150k (2014-15).

The BDUK project has the potential to deliver infrastructure that will enable delivery of 100% broadband coverage of at least 2 Mbps & superfast speeds of up to 20 Mbps to at least nine out of ten homes and businesses in the district.

The project is planned to be rolled out between autumn 2013 and spring 2015.

Enterprise Area Enabling

For **Provisional Approval** subject to scheme specific individual business cases coming through including detailed funding proposals.

The coalition Government introduced Local Enterprise Partnerships (LEP's) in 2010/2011. Interpreting the Governments focus on business growth and development the West of England LEP announced the creation of Enterprise Zone in Bristol together with an Enterprise Area in Bath.

Although not sharing the same status as a 'Zone', Bath's 'Area' status is seen as capturing some of the Zone's trickle down benefits, whilst enabling the Area to contribute to the B&NES economy. Therefore enabling the Enterprise Area to develop is critical. An example of how this may be achieved is reviewing the development opportunities of the area against existing demand, potential growth and funding opportunities.

Funding is seen as a particular priority and therefore the Council has embarked on a pilot study called 'Planning and Funding the Future' to examine the interaction between Council funds and Government funding such as Community Infrastructure Levy (CiL) and New Homes Bonus (NHB) and potential benefits of development such as S106 contributions. The result of that study will inform the costs and funding profile required and be the subject of a future Cabinet decision.

Minimum Revenue Provision (MRP) & Depreciation Policy

The Council is required to make revenue provision to repay capital spend that is financed by borrowing (either supported or unsupported). This is called the Minimum Revenue Provision (MRP). The Department of Communities & Local Government has issued regulations that require full Council to approve a MRP & Depreciation Policy in advance each year. The Council is recommended to approve the statement in Annex 4 which is unchanged from that agreed in 2008/2009 and defines how the Council will make a prudent minimum revenue provision for all new unsupported borrowing from 1st April 2008.

Prudential Indicators

The Capital Prudential Indicators are shown in table 7 below.

Table 7: Capital Prudential Indicators.

PRUDENTIAL INDICATOR	2010/11 Actual	2011/12 Probable Outturn	2012/13	2013/14	2014/15
Current Financial Plan Data					
Estimate of Capital Expenditure (£'000s)					
Actual/estimates of capital expenditure	51,526	58,012	64,662	50,917	34,078
Net Increase in council tax (band D per annum) Figures in £'s (not £'000's)					
The estimate of incremental impact of the new capital investment decisions on the council tax			£2.62	£5.62	£4.00
Cumulative totals:			£2.62	£8.25	£12.25
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			9.52%	10.85%	12.23%
<i>Memo: estimates of the ratio of financing cost to gross revenue stream</i>			3.54%	4.02%	4.52%
Borrowing Limits (£m)					
Operational boundary – borrowing			£161m	£167m	£170m
Operational boundary – other long-term liabilities			£2m	£2m	£2m
Operational boundary - total			£163m	£169m	£172m
Authorised limit - borrowing			£171m	£197m	£205m
Authorised limit – other long-term liabilities			£2m	£2m	£2m
Authorised limit - total			£173m	£199m	£207m
Capital Financing Requirement (£'000s) (as at 31 March)					
Actual/estimate of capital financing requirement	112,659	142,071	170,159	195,877	204,022

Borrowing limits

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

The Operational boundary for external debt (or planned borrowing level) is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed use of the Council's longer term cash flow balances to "internally" meet the financing requirements for the Keynsham Town Centre Regeneration project, subject to overall treasury management decisions.

Section 4 – Revenue & Capital Reserves and Contingencies

A) Significant Earmarked Reserves

As part of the Budget for 2011/2012 the Council's earmarked reserves were consolidated to support the Council through the range of changes required in light of the significant future financial challenge. This included specific provisions for the costs of the change programme together with a contribution towards restructuring and severance costs. A reserve was also maintained to support spending on Affordable Housing

In developing the proposed Budget for 2012/2013 all the earmarked reserves have been reviewed and the related potential liabilities re-assessed. The proposed Budget for 2012/2013 will continue to utilise these reserves over the medium term financial planning period.

The review of reserves has also recognised the need to provide appropriate funding to meet the potential revenue reversion costs of discontinued capital schemes

The significant earmarked reserves will therefore be utilised as follows:-

The Revenue Budget Contingency – the reserve will be maintained at the level of £1m to recognise the potential for in-year budget overspending. This will be supplemented with unallocated one-off funding of £381k to provide for emerging priorities during the year ahead.

The Medium Term Financial Challenge Reserve – the Council continues to develop and progress a significant change programme both to redesign and reshape a range of services to recognise the future shape of the Council. A number of the specific changes are also required to respond to the initiatives imposed by the Government including the responsibilities for public health, changes in health and social care commissioning and the impacts of academy schools.

All these changes will require on-going investment in terms of financial and human resources to develop, implement and embed them within the organisation. This reserve will meet the costs associated with these changes and is fully committed. Based on current estimates, the reserve will be fully utilised by the end of 2014/2015.

The Restructuring Reserve – the significant financial challenge facing the Council has and will continue to lead to job losses as savings and efficiencies are delivered. The Council has estimated around 400 posts (possibly more) will be lost as a result including through redundancy. The associated severance costs will be significant, and based upon experience to date, it is proposed that this reserve will be available to meet these costs in full, avoiding the need for subsequent additional service savings purely to pay such severance costs. This approach will be regularly reviewed to ensure it is being applied appropriately. The reserve is projected to be fully utilised by the end of 2014/2015.

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

Capital to Revenue Reversion Reserve – this reserve has been established to recognise the potential for capital costs in respect of significant capital schemes reverting to revenue in the event the scheme is aborted or discontinued for any reason, prior to creation of a new capital asset. This may apply for example to elements of the Bath Transport Package following changes to the approved scheme.

Table 8 below sets out the projected level of earmarked reserves taking account of anticipated commitments over the next 3 years to 2014/2015. This reflects that Earmarked Reserves are fully committed but with the likely allocation of available Revenue Budget Contingency subject to new and emerging priorities.

Table 8: Projected Significant Earmarked Reserves

	Revenue Budget Contingency £000	MTFC Reserve £000	Restructuring Reserve £000	Affordable Housing Reserve £000
Currently Available	2,368	3,855	5,406	3,000
Consolidation of Reserves	-1,368*	-967*	0	
Estimated Reserves @ 1st April 2012	1,000	2,888	5,406	3,000
Allocation in 2012/2013	381**	-675	-1,271	-
Balance C/F	1,381	2,213	4,135	3,000
Allocation in 2013/2014	-	-1,213	-2,115	-
Balance C/F	1,381	1,000	2,020	3,000
Allocation in 2014/2015	-	-1,000	-2,020	-1,778
Balance C/F	1,381	Nil	Nil	1,222

***Note** – these amounts are transferred to create the Capital to Revenue Reversion Reserve. These transfers plus a further transfer of £0.420m from other smaller earmarked reserves will create a total reserve of £2.755m which is anticipated to be fully utilised by 2012/2013.

****Note** – this figure reflects the specific allocations into Revenue Budget Contingency on the basis that appropriate approvals will be required to support any allocation of the Revenue Budget Contingency.

B) Unearmarked Revenue Reserves -

The Local Government Act 2003 contains a duty on the statutory finance officer (s151 Officer) to report to the Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves. The report of the s151 Officer on this subject is included as **Annex 2** to this report and is recommended to the Council. The conditions of the report by the Divisional Director - Finance are an integral part of our budget recommendations. This sets an unearmarked reserves target of £10.5 million based on the thorough risk assessment and in the context of the "one-off" funding proposals contained within this Budget proposal.

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

- The Workplaces Project – requires total cumulative revenue investment of £2.9m over the period to 31 March 2015 with reserves fully repaid by 2021/2022 and on-going revenue savings thereafter of over 10%.

This actual level of unearmarked reserves will also depend on the Outturn position for 2011/2012 and on future decisions by the Cabinet about any overspends. For financial planning purposes the Outturn estimate for 2011/2012 is assumed to be a balanced position. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

C) Adequacy of reserves

The s151 officer's report on the robustness of estimates and adequacy of reserves is set out at Annex 2. This provides a reserves strategy to maintain non-earmarked General Fund reserves at £10.5m based on a thorough risk assessment. The projected reserve levels are set out in Table 9 below.

Table 9: Projected Non-Earmarked Revenue Reserves

	2012/13 £'000	2013/14 £'000	2014/15 £'000
Estimated Reserves @ 1st April each year	10,480	9,420	8,372
2011/2012 Invest to Save Funding (cumulative)	-680	-	-
2011/2012 Projected Outturn Underspending	-	-	-
Projected Invest to Save Movements	-380	-1,048	-878
Estimated Reserves @ 31st March each year	9,420	8,372	7,494

Based on anticipated invest to save commitments mainly associated with the Workplaces project, the Non-Earmarked Reserves will be repaid in full by 2021/2022 and at no point will reduce below the risk assessed minimum level of £6M.

Under the Council's Invest to Save Scheme, the Section 151 Officer in consultation with the Cabinet Member for Community Resources, can authorise funding from within the non-earmarked reserve for robust and credible invest to save proposals (i.e. in the short term creating a 'negative ear-marked reserve' which is then repaid over time, usually 3 years, from the related savings). This is subject to the overall level of non-earmarked reserves being maintained above the risk assessed minimum level of £6M.

D) Capital Risk Contingency

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

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

Secondly, the capital programme includes a funded corporate risk contingency currently forecast to be £2.579m. This includes the last year of a £0.5m top up. The level of this contingency will be reviewed during 2012/2013.

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

Finally, while the generation of capital receipts cannot be relied on in the current economic environment, the capital programme does not rely in year on funding from capital receipts, so any receipts generated in 2012/2013 also provide additional short term flexibility in future years (2013/2014 onwards), pending their being required to fund any planned expenditure on items such as property capital maintenance and public realm.

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

E) Governance

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

Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2012/2013.

The financial settlement included an announcement of financial support for councils who freeze their Council Tax for next year at the current level (i.e. a zero increase). The proposed Budget provides for a zero increase in Council Tax for 2012/2013. **Table 10** explains the calculation of this figure:

Table 10: Council Tax 2012/13 for Bath & North East Somerset Council Services

Description	Amount	Comments
Recommended Net Revenue Budget	£120,106k	See Annex 1
Less Grant, reserves and estimate of Collection Fund surplus	£42,659k	See Annex 1 Sources of Funding
To be funded by Council Tax	£77,447k	
Tax base (Band D properties equivalent)	64,440.11	Approved by the Section 151 Officer in December 2011
Recommended Council Tax at Band D for 2012/13	£1,201.85	
2011/12 Council Tax Band D	£1,201.85	
Recommended Increase	£0.00	0% increase

The figures above exclude parish, fire and police precepts.

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

The Finance Committee of Avon and Somerset Police Authority will be meeting on 24th January to consider a precept level for recommendation to the full Police Authority on 8th February 2012. The report includes four medium term scenarios all of which start with a Council Tax freeze for 2012/2013.

The Avon Fire Authority at its meeting on 16th December 2011 agreed to consult on the following four budget options:

- Option A – No Council Tax Increase
- Option B – 3% Council Tax Increase
- Option C – 1.8% Council Tax Increase
- Option D – 4% Council Tax Increase

The Fire Authority will meet on 10th February 2012 to finalise its budget and set its Council Tax and precepts for 2012/2013.

The headline increase will be affected by the final decisions of the parishes, Fire and Police Authorities, and any decision made concerning special expenses

(see below). Final figures will not be available until after Fire and Police meetings highlighted above.

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

Table 11: Potential Total Council Tax 2012/13 (Band D)

Council Tax charges (Band D) made by	Charge made now 2011/12 £	Proposed Charge 2012/13 £	% Change
Bath and North East Somerset Council	1,201.85	1,201.85	0% (£0.00 at Band D)
Avon and Somerset Police	168.03	TBC	Final Decision to be taken on 8 th February 2012.
Avon Fire & Rescue	60.38	TBC	Final decision to be taken on 10 th February 2012
Total excluding parishes	1,430.26	TBC	
Parishes (average)	31.37	TBC	Not known at time of writing
Total	1,461.63	TBC	The 2012/13 figure will depend on decisions taken by the Police, Fire and Parish/Town Councils

The precepts required by Parishes, Fire and Police will form part of the Council Tax setting resolution at Council on 14th February 2012, and so the necessary updated information will be set out in the report.

Special Expenses

As part of the 2011/2012 Budget preparation process no special expenses were declared (with the exception of Parish and Town Council precepts). It is proposed that this policy remains unchanged for the 2012/2013 budget.