THE BUDGET PROPOSAL OF THE CABINET 2011/2012

Executive Summary

Budget Headlines

The proposed band D Council Tax for Bath & North East Somerset Council next year, 2011/12, is £1,201.85 which represents no change on the previous year (no increase).

The proposed net revenue budget for Bath & North East Somerset Council next year, 2011/12, is £121.742m, which represents an overall net reduction of 5.3%. This reflects the impact of significant cuts in government grant funding both in terms of general grant and specific grants supporting direct service areas totalling 16% for 2011/2012.

A capital budget over the next five years of £203.6m which will provide for:-

- **A significant commitment for the Keynsham Town Centre redevelopment including retail units, a library, a one stop shop, improved public space and new Council offices. This includes delivery of sustainable office accommodation with financial (10%) and carbon footprint (70%) savings in the medium term.**
- **Provision for new and improved leisure facilities within Bath.**
- **A significant contribution towards affordable homes particularly within the Bath Western Riverside Development.**
- **Improvements in the Public Realm.**
- **Continued additional investment in highways maintenance recognising the significant improvements made as a result of the additional £3m investment in 2010/11.**
- **Investment in transport infrastructure supported by government grant.**
- **Improvements to school buildings and facilities.**

The proposed budget builds on the prudent financial management of the Council and is designed to maintain front line services as far as possible whilst recognising the significant financial challenge facing the public sector. There is a focus on achieving a real reduction in our cost base by redesigning the shape and delivery of services together with considered and affordable capital investment to promote economic growth and future efficiency savings.

The Budget Context

The Council's Budget for 2011/12 has been developed against the backdrop of the UK's biggest public sector deficit since the Second World War following the deepest recession since the 1930's. In the 2009-10 financial year, the national budget deficit reached £157bn, meaning the Government had to borrow £1 in every £4 it spent.

Some immediate steps were taken by the Coalition Government in the June 2010 budget to reduce the deficit by some £6bn in 2010/11 with approximately 21% falling on local government. For B&NES this meant a cut of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and a £1.8m reduction in capital funding alongside notice that Coalition Government funding of other critical B&NES capital schemes was to be reviewed. The savings in 2010/11 have been taken by the Coalition Government but the costs of implementing the savings (including redundancies and meeting contractual commitments) have fallen to B&NES and has required additional efficiencies and / or cuts of over £800k beyond the headline figures quoted.

In terms of tackling the significant ongoing national budget deficit, the Chancellor set out the Coalition Government plans in the Spending Review on 20th October. This deficit reduction programme indicated 28% cuts to local authority spending over the Spending Review period from 2011/2012 to 2014/2015. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Council has for some time recognised the financial challenge facing the public sector and has made prudent provisions within its reserves to help enable and facilitate the changes and implications that will result. In recent years the Council has maintained a high degree of focus on sound financial management (including the delivery of balanced budgets and significant efficiency savings of £17.8m over last 4 years) and it is anticipated this will continue with a balanced budget delivered for the current financial year 2010/2011 notwithstanding absorbing the in-year budget cuts made by the Coalition Government.

The Local Government Finance Settlement

The headline from the local government financial settlement is a 13.5% reduction in the Council's formula grant funding from Government for 2011/2012. Within the settlement, the Coalition Government has given a greater level of protection to Councils they deem more dependent upon government grant notwithstanding that B&NES Council is one of the lowest funded unitary authorities. Furthermore, B&NES grant was 'damped' by an amount of £2.5m per annum by the previous Government so was receiving less than the Government's own assessment of B&NES needs requirement as protection was given to Councils receiving more than their needs entitlement.

The settlement represented a far more challenging position than had been expected based upon the earlier Comprehensive Spending Review (CSR) announcement, and the table below illustrates the scale to which the funding reductions have been front loaded for the Council.

Table 1: Reduction in Government Grant Funding

	2011/2012	2012/2013	2013/2014	2014/2015
CSR Indicative Funding Reduction	-10.7%	-6.4%	-0.9%	-5.6%
Actual B&NES Funding Reduction	-13.5%	-8.3%	TBC	TBC

The Settlement included provision of financial support from the government for councils who freeze their Council Tax for next year The financial support will be payable in the form of an un-ringfenced grant, Section 31 Grant, for a period of 4 years.

Further analysis shows that the numbers for 2011/12 and beyond have been complicated by the transfer of several specific and area based grants into the formula grant. Based on our analysis the actual reduction in total Government Grant (about a third of the Council's non-schools funding) is 16% for 2011/12.

The Medium Term Service and Resource Plans which have been prepared by Services have allowed for most of the implications of the financial settlement although up to £3M of grant funding could still be affected by grant funding details still to be announced or clarified by the Coalition Government. These particularly impact on Children's Services, Adult Services and Community Safety.

The financial settlement is only for 2 years, not 4 as had been indicated, and means that there remains a degree of uncertainty about these numbers in the medium term. This is compounded by a review of Local Government Finance which will affect 2013/14 onwards. Medium Term Service and Resource Plans will need to be revisited in the near future to see what adjustment to the year 2 (2012/13) figures are needed. This will include the need for further prioritisation in the allocation of resources in addition to further efficiencies to accommodate the impacts in future years.

Local Budget Impacts

The sound financial management of the Council over many years means we are in a better position to face the challenging financial climate than most other councils. Indeed the Council has correctly anticipated the main aspects of the financial settlement and has been planning for up to 30% reductions in funding over the next four years. This assumption appears reasonable in light of the actual 22% reductions announced for the next two years in the financial settlement which were always expected to be front loaded.

The proposed Budget for 2011/12 recognises the need to prioritise resources and does this with regard to the following principles:

- Reflecting the Council's already agreed and established priorities and Corporate Plan.
- Seeking to prioritise vulnerable and disadvantaged communities and the development of localism.
- Maximising efficiency.
- Incorporating the ongoing change programme to redesign the shape and delivery of services as set out in the Future Council Report.
- Considering if services are necessary or are being provided at the right level.
- Working even more closely with partners including the NHS, the Police, and the voluntary and private sectors to minimise duplication and maximise efficiencies and effectiveness
- Maintaining capacity to manage the changes.
- Investing in capital schemes that support economic growth and deliver future efficiencies at a time when other Councils do not have the resources or prudent financial position that would enable such investment to be undertaken.

Taking account of the Spending Review, the Financial Settlement and the funding pressures facing the Council, it is estimated that £30m of service budget savings are required over the next four years.

The Council has planned for and recognised many of these pressures within the proposed Budget; the most significant of these include:

- Grant funding historically to the value of £2.5M pa below the Government's assessed level of need for B&NES.
- Continuing additional funding of £1m per annum for maintaining the condition of the highways, the results of which similar investment in 2010/11 are already helping to alleviate significant future costs.
- Allocation of an additional £1.6M per annum to recognise the increasing elderly population placing significant demands on Adult Social Care and Health services, together with similar funding of £1.9m from NHS Bath & NE Somerset (the Primary Care Trust).
- Increases in national taxation including employers' national insurance and landfill tax.
- Major changes affecting Health and Adult Social Care delivery including:
    - the establishment of GP Commissioning Consortia (and the withdrawal of Primary Care Trusts (PCTs) by April 2013)
    - the transfer of responsibility for Public Health to local authorities
    - the required transfer of the provider elements of PCTs to other organisations by April 2012 with substantive progress required by April 2011
- Reviewing the Council's role as a Local Education Authority due to impacts of the Coalition Government's Academy school initiatives.
- One-off funding of £336k to support disadvantaged communities, regeneration and localism projects.

The proposed Budget includes total savings of some £11.4m in 2011/2012 which can be summarised as follows:-

Table 2: 2011/12 Savings Analysis

Description	£'000
Change Programme Savings	1,672
Efficiency Savings	5,586
Increases in Income from fees, charges and other grants	1,399
Service Reductions	2,759
Total Savings	**11,416**

Service Reductions represent 2% of the Councils net revenue budget and 1% of the gross budget excluding Schools.

Full details of the savings and impact on service areas is included within individual Medium Term Service and Resource Plans.

In addition to these savings a further £2.5m of spending reductions have been required in 2011/12 due to reductions and withdrawal of specific grants that were supporting direct service areas. The Council had little choice but to see the cuts made by the Coalition Government lie where they fell and this has been the generally applied principle with some exceptions. It will be necessary to keep this position under review as clarification of further grant funding of approximately £3m is awaited. To reflect this risk, funding of £944k has been allocated to the revenue budget contingency to provide an element of cover for any such grant reduction.

The proposed Budget for 2011/2012 has been delivered with the significant majority (64%) of savings coming from efficiencies and the Council's change programme, with limited impact on frontline service delivery. However, the scale of the projected reduction in local government funding is such that it cannot be met by efficiencies alone. There will need to be even greater prioritisation of services in future years and this will lead to cuts in service areas which are considered lower priority. It is anticipated that over the next four years in excess of 300 posts overall will be lost starting in 2011/2012; however, compulsory redundancies have been and will be minimised by forward planning and close liaison with unions and staff..

The Council has anticipated for some time the scale of the financial challenge facing the public sector and has made prudent provisions in the form of Earmarked Reserves to help meet the associated costs, including the Council's change programme, severance costs, and other identified funding risks. These reserves are anticipated to be fully allocated over the next four years.

Council Tax

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 2011/12.

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 2011/12. Annex 1 provides the breakdown of the Budget for 2011/2012.

Section 2 sets out the position for future years 2012/13 and 2013/14 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 for the Future Council will contribute to meeting the financial challenge.

Section 3 sets out the recommended capital programme for 2011/12 including the indicative capital programme through to 2015/16. 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 20011/12.

Table 3: Summary Net Revenue Budget and Capital Programme 2011/12 – 2013/14

	2011/12	**2012/13**	**2013/14**
Revenue Budget Funding:	**£m**	**£m**	**£m**
Council Tax	£77.427	£79.442	£81.506
Government Grant*	£45.459	£41.458	£41.103
Reserves & Collection Fund Surplus	(£1.144)	£0	£0
Total Funding	**£121.742**	**£120.900**	**£122.609**
Net Revenue Budget Spend	**£121.742**	**£120.900**	**£122.609**
Capital Programme – for approval	**£34.108**		
Capital Programme - for information	**£16.538**	**£58.766**	**£55.367**

* Includes £1.9m Council Tax Freeze grant

Section 1 – The Revenue Budget for 2011/12

Introduction & Process

The proposed Budget for 2011/12 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 2011/12 to 2013/14 recognising the challenging financial position of the Council. 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 Overview and Scrutiny Panels. The O&S Panels were also given an update 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 ongoing work of Strategic Directors and the comments from Overview & Scrutiny. 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, the local business community and other partners / stakeholders.

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 the next two years from 2011/12 with the potential for a small increase in respect of the lowest paid element of the workforce.
- An increase in employers' national insurance costs in 2011/2012 of 1%
- Continued low rates of interest from treasury management cash investments of 1% in 2011/2012 increasing thereafter as the bank base rate is expected to rise from the current level of 0.5%.
- No increase in cash terms to the overall level of the employers' contribution to the Local Government Pension Fund.
- Balanced budgets are achieved for 2010/2011.
- No general inflationary provision – specific inflation has been provided 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 2011/12 Budget proposal and related Medium Term Service and Resource Plans do not include any proposed changes in fees and charges greater than the above guideline would imply, except as set out below.

The Medium Term Service and Resource Plan for Service Delivery assumes that, income from parking charges will be reviewed during 2011/2012 and any increases will be the subject of a specific consultation process prior to implementation.

As part of the Change Programme, and in accordance with the principle of Fair Charging the Council will be taking forward options to further optimise its income. Specific proposals are set out within Medium Term Service and Resource Plans where they apply.

Government Grant

The budget for the current year 2010/2011 marked the end of the funding settlement made as part of the Comprehensive Spending Review in 2007 and with weak economic conditions and an increasing national budget deficit it was clear that the next Spending Review Period from 2010 would present a significant financial challenge to the public sector.

The scale of that challenge began to emerge when the new Coalition Government announced significant in year budget cuts as part of its emergency budget in June 2010, with the Council having to find savings of £1.8m per annum in revenue funding (equivalent to 2.5% on Council Tax) and £1.8m in capital funding within year. In addition the costs of implementing the savings (including redundancies and meeting contractual commitments) fell to the Council and required additional efficiencies and / or cuts of over £800k. These have all been met within the overall approved budget for 2010/2011.

In terms of tackling the significant ongoing budget deficit, the Chancellor set out the Coalition Government plans in the 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 10.7% in 2011/2012 and 6.4% in 2012/2013. In addition, funding for infrastructure such as school buildings, roads and transport was reduced by 45% on average.

The Local Government Finance Settlement was announced by the Coalition Government on 31st January 2011 and set out the specific level of national funding for the Council going forwards. The key elements of this announcement for the Council were:-

- Formula Grant reducing by 13.5% in 2011/2012 and then by a further 8.3% in 2012/2013.

- A new two level damping system was introduced with the Council first being placed into one of four groups based upon its reliance on government grant. The Council was deemed to be amongst the least reliant on government grant and so placed in the lowest group. All councils in this group faced larger grant reductions. The second historic damping system remained with the Council losing a further £1m compared to its assessed level of need.

- A financial settlement for only two years and not the full four years covered by the Comprehensive Spending Review. This will enable a wider review of Local Government Finance to be conducted by the Coalition Government during 2011.

- A number of grant funding streams and adjustments made to the Formula Grant Baseline which included:

    - A reduction of £475k as a result of the impact of Academies

    - A reduction of £300k for transport funding, including bus subsidies.

    - A reduction of £620k in the funding for concessionary fares

- Discontinued and reduced specific grants totalling £2.5m together with the future of a further £3m of specific grants yet to be announced.

- Capital grant reductions of 50% for the local transport plan, continued uncertainty over major capital scheme grants and the discontinuation of Private Sector Housing Renewal Capital Grant of approx £600k.

- Recycled funding within Formula Grant to provide funding for pressures facing Adult Social Care – estimated at £1.6m for the Council. Additional non-recurring funding to also be directed via NHS Primary Care Trusts for Health and Social Care estimated at £1.9m for 2011/2012.

- Reference to funding for a New Homes Bonus Scheme which will provide funding for new homes brought into use and included in the Council Tax Base. This funding has yet to be confirmed but provisional estimates for the Council indicate an amount of £600k for 2011/2012. This funding will not be allocated until a clear announcement is made by the Coalition Government confirming the payment and terms of this potential new funding. However, consideration as to how any funding from this Scheme may be applied will include support of affordable housing initiatives.

The Council has correctly anticipated the main aspects of the financial settlement and had been planning for up to 30% reductions in funding over the next four years. This assumption appears reasonable in light of the actual 22% reductions announced for the next two years in the financial settlement which were always expected to be front loaded. The Budget proposal therefore did not require further savings to be made by services to implement the funding reductions set out in the financial settlement and specific provisions have been made within the Budget to reflect a number of the specific elements set out above.

Resource Allocation, Use of Corporate Headroom and Collection Fund Surplus

The initial resource allocation parameters agreed in June 2010, required each service being asked to deliver a base savings level equivalent to approximately 5% of gross expenditure and a stretch savings level equivalent to 10%, excluding any impacts of specific grant changes. This approach, whilst somewhat direct, was felt to provide the likely level of flexibility required to mitigate the uncertainty surrounding the actual level of Government funding reductions which would not finally be known until the Provisional Financial Settlement (actually received on 13th December 2010).

The indicative service cash limits were also set to recognise previously identified growth/pressures with a 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 2010/2011 has then been built up with total growth and savings identifies by services and 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:-

- Reflecting the Council's already agreed and established priorities and Corporate Plan.
- Seeking to prioritise vulnerable and disadvantaged communities and the development of localism.
- Maximising efficiency.
- Incorporating the ongoing change programme to redesign the shape and delivery of services as set out in the Future Council Report.
- Considering if services are necessary or are being provided at the right level.

- Working even more closely with partners including the NHS, the Police, and the voluntary and private sectors to minimise duplication and maximise efficiencies and effectiveness
- Maintaining capacity to manage the changes.
- Investing in capital schemes that support economic growth and deliver future efficiencies at a time when other Councils do not have the resources or prudent financial position that would enable such investment to be undertaken.

In most service areas savings have been assumed at the base level, however a stretch level of savings has been applied to the Resources and Development and Major Projects directorates - overall savings of some £11.4m have been made within services.

In addition to these savings a further £2.5m of spending reductions have been required in 2011/12 due to reductions and withdrawal of specific grants that were supporting direct service areas. The Council had little choice but to see the cuts made by the Coalition Government lie where they fell and this has been the generally applied principle. It will be necessary to keep this position under review as clarification of further grant funding of approximately £3m is awaited and funding has been allocated to the revenue budget contingency to provide a degree of cover in relation to this risk.

Each year the Council calculates an overall collection rate for council tax, based upon a number of assumptions. The actual rate of collection will vary each year and, based on current collection levels, it is expected that actual rates this year will exceed the base assumption. This represents an excellent performance by the Revenues team given the difficult economic environment. The Council's share of this surplus is estimated at £591,000 and this therefore provides additional "one-off" funding that can be applied as part of the 2011/2012 budget.

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

<u>Transfers to Revenue Budget Contingency - £1,736k</u>

- £944k to reflect the ongoing risk surrounding approximately £3m of specific grants which are still subject to further announcements from the Coalition Government. These include significant grants in areas such as drug action and youth justice.

- £792k to be held within the reserve to reflect the potential further risk relating to outstanding grants, the actual delivery of savings identified within service areas for 2011/2012, and emerging priorities.

The consideration for allocation of this funding will be subject to further review by Cabinet once further information is available.

<u>Ongoing Headroom Allocations - £2,340k</u>

- £1,600k to Adult Social Care and Health. This funding together with a further £1,900k to be allocated via the Primary Care Trust on a non-recurring basis will be used to support fundamental change to secure long term sustainability in the face of demographic growth and changed expectations. A key element of delivery will be through support for a viable Social Enterprise for integrated community health and social care services.

- £400k to support capital financing costs as part of the overall funding of the capital programme as set out in Section 3.

- £300k to cover the estimated impacts of the government's carbon trading scheme. As announced in the Comprehensive Spending Review, this funding will now be retained by the Treasury rather than recycled into the scheme.

- £40k to cover the cost of the Council's contribution to the Business Improvement District Levy. The BID Levy and contributions will raise £680k which will be used to support City Centre initiatives under the direction of the contributing businesses.

One-off Headroom Allocations - £591k

- £150k to support the development and negotiation of potential new leisure facilities within Bath. (See also Capital Programme – Section 3)

- £105k to introduce a community enablement programme to support provision of Youth Services. This resource is to specifically support community groups and voluntary organisations (including Parish Councils) to develop volunteer-led positive activities for young people.

- £336k towards a fund to support disadvantaged communities, regeneration and localism projects.

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.

Governance

The Council is requested to approve that the specific arrangements for the governance and release of corporate headroom and one-off funding together with invest to save proposals provided within the Budget, be delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Resources and the Chief Executive.

Local Area Agreement – Performance Reward Grant

The Local Area Agreement 1 covering 2007- 2010 has now concluded with organisations within the Local Strategic Partnership successfully achieving £1.3m worth of reward. This reward, which is split 50% revenue and 50% capital, is due to be paid to the Council (as the accountable body) by the end of the financial year 2010/11. The Local Strategic Partnership has agreed that this reward will be spent on building capacity in the community through a bidding process that will be managed by the Council. To facilitate this process the reward grant will be transferred to an Earmarked Reserve when received.

Summary of the Revenue Budget Proposal

The proposed revenue budget for 2011/12 represents:

- A net £6.9m or 5.3% decrease in the non-schools budget
- A £14.7m increase in Dedicated School Grant (DSG) to £113.8m, which includes the transfer of specific grant funding for schools and early years which did not form part of DSG in 2010/11. On a like for like basis when compared to 2010/11 funding this represents a cash freeze (0% change)
- 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 2011/12 of £121.742m. Table 4 below, and Annex 1 to this Appendix, show the build-up of the recommended 2011/12 revenue budget, compared to the rolled forward base budget from the current year.

Table 4: High Level Build-up of the 2011/12 Budget (detail in Annex 1)

Description	£'000
Total Base Budget rolled forward – 2011/12 (after removal of one-off items in 2010/11 Budget)	**128,638**
Contractual and Unavoidable Inflation	2,610
New Legislation / Government Initiatives	908
Increased Service Volumes	1,746
Other / Technical	(744)
Total including Growth	**133,158**
Change Programme Savings	1,672
Efficiency Savings	5,586
Increases in Income from fees, charges and other grants	1,399
Service Reduction	2,759
Total Savings	**11,416**
Recommended Net Revenue Budget 2011/12	**121,742**

In recommending the overall revenue budget to the Council, this also includes the individual service cash limits for 2011/12. 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 2011/12 – 2013/14 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 2011/2012, further work will be required in relation to 2012/13 and 2013/14. 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 although there is a possibility that any return of business rates to local control may benefit the Council - at the present time the Council collects £50m pa of business rates for Government and only gets back £34m.

Given the scale of efficiency savings already achieved and those planned for 2011/2012 it is increasingly likely that future savings will require some reductions in Council services. A rigorous process will therefore need to be considered for the 2012/2013 budget and medium term financial planning process to enable resources to be prioritised between service areas.

Table 5: Resource Allocation 2011/12 to 2013/14

SERVICE AREA	2011/2012			2012/13	2013/14
	GROWTH (£M)	SAVINGS (£M)	CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)	INDICATIVE CASH LIMIT (£M)
Adult Social Care & Housing	2.018	3.228	**51.598**	**50.649**	**50.805**
Children's Services	0.457	1.441	**21.180**	**20.226**	**20.048**
Service Delivery	2.201	3.729	**27.870**	**26.418**	**26.096**
Development & Major Projects	0.330	0.580	**1.635**	**1.510**	**1.415**
Resources & Support Services	0.321	2.438	**5.885**	**4.690**	**4.032**
Corporate, Agency & Headroom	0.363	0.000	**13.574**	**17.407**	**20.213**
Totals	**5.690**	**11.416**	**121.742**	**120.900**	**122.609**

The Cash limits for 2012/13 and 2013/14 are at this stage indicative and will be reviewed as part of the Medium Term Service & Resource Planning process for 2012/13 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 Council Change Programme will move the organisation from the existing Council to a future organisation, ready to meet the challenges ahead. This means both the services we provide and the way we do things will be different.

The Change Programme has been refocused to take account of changes since July 2010 which include the Coalition Government's austerity measures, the Academies Act, new requirements on the NHS, which affect our Health and Wellbeing Partnership and the new Economic Growth White Paper.

The programme has been extended to:

- Create an organisation (Core Council) that understands local needs and commissions the right service from the right provider.
- Reshape Customer Services to be the public face of the Council, where 80% of questions are dealt with at the first point of contact.
- Bring together Support Services to deliver more effective and efficient services.
- Make better use of the Council's property assets by partnering the Commercial Estate to generate up to £100m to be used to help generate economic prosperity in the future.
- Meet the Government's requirements for Children's Services, Academies, Health and Social Care.
- Make further efficiency savings of £8m on top of other savings from the re-prioritisation of services and which by 2014 will contribute to ongoing savings of £30m pa.

The Change Programme is making a significant contribution to both the future delivery of Council Services and helping to meet the overall financial challenge set out in this Budget. Full details of the Council Change Programme and how it is delivering real benefits can be seen on the Council's website at:

http://wwwi/SiteCollectionDocuments/Press%20Office/Change%20Programme%20Dec%202010.pdf

Section 3 – The Capital Budget for 2011/12

Introduction

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

- An ambitious capital programme over a relatively short period of time.
- The inclusion of indications of significant government funding streams in relation to transport and schools which, while supporting the Council's strategic priorities, add to the Council's delivery risk and require match funding and/or pre funding in some cases.
- A trend towards government funding for large projects being awarded on a partnership basis (e.g. West of England) which further increases the complexity and hence potential risk of delivery arrangements, along with continued uncertainty around grant funding of such projects.
- The prospective development of various city centre sites and which are in emerging forms at present.
- The need to resolve matters relating to the Recreation Ground (including Bath Rugby's stadium and the Leisure Centre) which will require the provision of new leisure facilities.
- The future financial challenge in particular lack of clarity over future capital grant awards
- The Council's Prudential Indicators, and increasing pressures on the revenue budget

The approach to the capital programme remains as set out in the approved Capital Strategy including considered and affordable capital investment to promote economic growth and future efficiency savings.

This Budget proposal:

- Limits new commitments to items which are in line with Council objectives and are funded either from external sources, from rationalisation of existing assets, or where the costs of borrowing can clearly be met from within medium term service and resource plans.
- 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 is also developing other capital funding sources, such as its ability to generate capital receipts (without significant loss of income), grants and further Section 106 monies and is considering other sources of financing, including bonds.

The capital receipts targets for 2011/12 onwards are shaped by the Property Review, and the strategy of ear-marking non-scheme specific receipts for investment in the public realm; the assumption of receipts of £2.757m during 2011/12 takes account of current market conditions. 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.

The Council will be developing the potential to make better use of the Council's property assets by partnering the Commercial Estate to provide up to £100m to be used to help generate economic prosperity in the future, including public realm, infrastructure, World Heritage Site management, and leisure and cultural facilities.

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

As in last year's capital budget, a number of items in 2011/12 and future years are shown in 'italics'. The process grades schemes on a Red/Amber/Green basis, with 'Reds' not being included, and the 'Ambers' shown in 'italics'. Where an item is in italics it requires further Officer and/or Member scrutiny and decision making before it is formally included. The numbers are therefore shown here on an indicative basis, and as an aid to planning, and the resolutions recognise the distinction between what is being authorised at this stage, and where future decisions are required.

B) Recommended Programme for 2011/12

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 2011/12, comprising both the programme for approval of £34.108m and indicative programme in italics of £16.538m, as shown in Table 6 below. Table 6 also shows the indicative capital programme and funding at summary level for 2012/13 to 2015/16. **Annex 3** shows the total capital programme for 2011/12 to 2015/16 in more detail.

Table 6: Summary Capital Programme and Financing 2011/12-2015/16.

Capital Scheme	Net Planned spend 2011/12 £'000	2012/13 Indicative budget £'000	2013/14 indicative budget £'000	2014/15 indicative budget £'000	2015/16 indicative budget £'000	Total £'000
Service Delivery	19,675	22,693	17,615	11,891	5,273	**77,147**
Children's Services	10,364	6,356	600	600	600	**18,520**
Adult Care & Health	2,207	1,000	1,000	1,000	1,000	**6,207**
Support Services	3,512	2,355	1,983	1,391	1,391	**10,632**
Development & Major Projects	4,827	5,800	4,975	3,851	3,412	**22,865**
Corporate	9,561	20,062	29,194	7,157	1,238	**67,212**
Sub Total	**50,146**	**58,266**	**55,367**	**25,890**	**12,914**	**202,583**
Contingency	500	500	0	0	0	**1,000**
Total	**50,646**	**58,766**	**55,367**	**25,890**	**12,914**	**203,583**

Financing	Net Planned spend 2011/12 £'000	2012/13 Indicative budget £'000	2013/14 indicative budget £'000	2014/15 indicative budget £'000	2015/16 indicative budget £'000	Total £'000
Grant	12,926	19,298	14,614	10,933	6,045	63,816
Capital Receipts/RTB	4,277	7,448	6,945	5,442	4,903	29,015
Revenue	1,418	1,542	1,170	2,356	1,397	7,883
Service Supported Borrowing	9,839	22,177	29,783	6,103	254	68,156
Unsupported Borrowing	21,810	7,924	2,775	-248	-919	31,342
3rd Party	376	377	80	1,304	1,234	3,371
Total	**50,646**	**58,766**	**55,367**	**25,890**	**12,914**	**203,583**

Funding

The revenue budget for 2011/12 and the Medium Term Service and Resource Plans for 2012/13 and 2013/14 provide fully for the revenue consequences of the Council-supported expenditure. The level of unsupported borrowing required over the period is nonetheless relatively high, and will put some pressure on the revenue budget in future years. 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. The practice of using grant or other income as soon as it is received to finance capital expenditure wherever possible in order to delay 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; this catch up is anticipated to start in 2011/12.

There is £400k included within ongoing headroom which is to be used to support capital financing (service supported borrowing costs) of particular projects. It is anticipated that this will finance the borrowing costs of Bath Transport Package, which includes the CPO Public Inquiry and property purchase costs.

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

The capital budget for 2011/12 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 in future years. The original assumption of a level of receipts of £1m per annum will not be achieved; the shortfall in funding is in part being met through the £3m set aside in the one off earmarked revenue reserve for affordable housing as above.
- no service specific receipts (excluding any not achieved and slipped from 2010/11 to 2011/12)
- £3.9m of general receipts as part of the Property Review. It is currently forecast that £0.5m of general receipts will actually be achieved during the year ending 31 March 2011, with much of the £3.9m having been received in previous years. Given the uncertainty over the generation of capital receipts in the very short term this approach is considered prudent.

Significant Elements of the Capital Programme

Bath Transportation Package

An expression of interest for Government funding for transport infrastructure has been submitted by Bath & North East Somerset Council that would support existing financial commitments to unlock economic growth potentially resulting in an extra £700 million going into the local economy annually, significantly improving the public realm, reducing reliance on cars, and improving air quality.

Underlining its case for Government investment, the Council has released a map of key development sites, including Bath Western Riverside, running along Bath City Riverside that will be supported by the proposed Bath Transportation Package (BTP) and Bus Rapid Transit route. The BTP also has a crucial role in the delivery of the public realm improvements to create a world-class city centre.

The BTP will help unlock the sustainable development of these sites to support an increase in the amount of modern, flexible office accommodation required to broaden the economy beyond tourism, retail and a public sector which is going into decline. The proposed transport infrastructure will make a contribution towards unlocking:

- An extra £700 million going into the local economy every year once sites are developed to their potential;
- An extra 5,600 jobs;
- An £8.1m business rate gain per year part of which, subject to Government legislation, could be reinvested into supporting further economic growth in the area.
- Potentially 3,000 new homes; relieving pressure on a currently constrained supply.

The Bath Transportation Package scheme is at a key stage. As a result of the comprehensive spending review and public expenditure cuts, and along with other schemes around the country, the project has been required to re-bid for funding. The Council has subsequently issued an Expression of Interest to the Department for Transport (DfT) with a full bid submission planned for later in the year. The DfT have indicated that the Public Inquiry into the Compulsory Purchase Orders (CPOs) to acquire the necessary land, which was postponed last year, can now take place and this is planned for 2011/12.

Confirmation of government funding is dependent on securing the land, and the CPO process is being pursued to enable this.

The Council will continue to secure land in advance of the CPO Inquiry. The remainder of the land will be secured after the Inquiry. The £400k revenue funding headroom to support specific capital projects, as referred to earlier, will be used to fund land acquisitions prior to confirmation of government funding.

The Council continues in discussions with the DfT to ensure necessary approvals remain on track and to emphasise the key elements of importance of the scheme. These include doubling the number of Park & Ride spaces, providing an off-road Bus Rapid Transit to support Bath Western Riverside, improving the city centre environment, improving traffic flows through real time traffic signs and improvements to 10 showcase bus routes. This will reduce CO2 emissions, improve air quality, improve access to the city and support the development of the local economy, as part of the economic strategy recently agreed.

Re-provision of Leisure Centre in Bath
A commitment of £10m by the Council (in its corporate capacity) is provided for under the capital programme towards the provision of a new Leisure Centre in Bath. It is currently anticipated that the proposals for the resolution of matters relating to the Recreation Ground (including Bath Rugby's stadium and the current Leisure Centre) will require the provision of new leisure facilities. The Council is in detailed and constructive discussions with Bath Rugby with a view to finding an overall solution to the Recreation Ground that meets the requirements of Bath Rugby, the Recreation Ground Trust, the Charity Commission, the Council (in its corporate capacity) and most importantly the beneficiaries of the Recreation Ground Trust, being the residents of Bath and its environs.

Heads of Terms relating to commercial arrangements as between the Council (in its corporate capacity) and Bath Rugby are well advanced and the Council has indicated its willingness to fund up to £10m towards the provision of a new Leisure Centre for local residents as part of these negotiations. Appropriate provision in the capital programme is therefore being made for the proposed investment.

Keynsham Town Centre Redevelopment (including Office new build)
As part of the Workplaces programme, a £33 million commitment for the Keynsham Town Centre redevelopment, which will support the future prosperity of the town. The development will include retail units, a library, a one-stop shop for the Council and other local public sector services, improved public space, and new Council office space.

The regeneration is part of the Council’s plans to reduce the amount of office space it uses resulting in reduced running costs that will deliver an overall forecast saving of over 10% to the Council as a result of the programme; in addition to this there are significant carbon savings (around 70%) as a result of new/improved and more efficient office space. Other benefits include potential business rate income as a result of office space freed up in the district.

Rossiter Road
The Rossiter Road Scheme is included in italics in the capital programme at £1.3m, some of which will be spent in 2010/11. The scheme will significantly reduce the amount of general traffic travelling through Widcombe Parade and will remove almost all HGVs. These lower levels of traffic will allow significant environmental improvements to this important shopping/community centre.

Highways Capital Maintenance
The Highways Capital Maintenance is now funded through Government Grant (previously through Government Supported Borrowing), in 2011/12 this amounts to £4m. In addition the Council has made provision within the capital programme for an additional £1m investment. This will build upon last year's additional investment by the Council of £3m and help prevent the deterioration of the network and avoid significant future cost of more major and extensive repairs.

Homeless Hostel
The financial provision for a Homeless Hostel remains, although this is subject to overall funding viability.

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 2008/09 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	**2009/10 Actual**	**2010/11 Probable Outturn**	**2011/12**	**2012/13**	**2013/14**
Current Financial Plan Data	£'000	£'000	£'000	£'000	£'000
Estimate of Capital Expenditure					
Actual/estimates of capital expenditure	73,907	66,135	50,646	58,766	55,367
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			£3.02	£5.43	£-0.01
Cumulative totals:			£3.02	£8.45	£8.44
Capital Financing as % of Net Revenue Stream					
Actual/estimates of the ratio of financing costs to net revenue stream			7.49%	9.26%	12.38%
Memo: estimates of the ratio of financing cost to gross revenue stream			*2.67%*	*3.23%*	*4.37%*
Capital Financing Requirement (as at 31 March)					
Actual/estimate of capital financing requirement	93,612	124,482	151,427	180,018	207,197

Section 4 – Revenue & Capital Reserves and Contingencies

A) Earmarked Reserves

As part of the Budget for 2010/2011 a number of earmarked reserves were established to support the Council through the range of changes required in light of significant future financial challenge. This included specific provisions for the costs of the change programme (delivering the Future Council report) together with a contribution towards restructuring and severance costs. A reserve was also established to support spending on Affordable Housing

The Budget for 2011/2012 will consolidate and utilise these reserves to meet these objectives over the next four years in support of the future direction of the Council. The consequence of this reserves strategy is:

- redundancy and other severance costs as a result of the prospective loss of around 300 posts will be funded,
- the Future Council change programme is funded,
- £3m is allocated in support of affordable housing,
- the potential further loss of, or reduction in, specific grants is mitigated,
- the potential further risk relating to outstanding grants, the actual delivery of savings identified within service areas for 2011/2012, and emerging priorities.

The 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 funding to recognise the risk around the outstanding £3m of specific grants ,the increased risks around in-year delivery of the required service financial savings and emerging priorities. The balance of this reserve arising from allocations as part of the 2009/2010 outturn position will be transferred to meet commitments from the Medium Term Financial Challenge Reserve and the Restructuring Reserves.

The Pensions Reserve – this reserve consists of funding set aside to meet potential increases in employer pension contributions following the Actuarial Valuation in 2010. Due to statutory changes in the level of inflation impacting on pension costs (CPI to be used going forward instead of RPI), together with the excellent performance of the fund, this reserve is no longer required and will be transferred to meet commitments from the Restructuring Reserve.

The Medium Term Financial Challenge Reserve – the Council is currently undertaking 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 Coalition Government including the transformation of community health and social care services, responsibilities for public health, and the move to academy schools.

All these changes will require significant investment in terms of financial and human resources to develop, implement and embed them within the future 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 2013/2014.

The Restructuring Reserve – the significant financial challenge facing the Council will inevitably lead to job losses as savings and efficiencies are delivered. The Council has estimated around 300 posts (possibly more) will be lost as a result including through redundancy. The associated severance costs will be significant and the proposed Budget recognises the impact this may have on future savings requirements. It is proposed that this reserve will be available to meet an average of 50% of severance costs with the balance being met by services using an invest to save approach from Unearmarked Reserves. The reserve is fully committed and it is anticipated to be fully utilised by the end of 2014/2015. Use of this reserve is subject to detailed business case review and the percentage of central funding may vary depending upon other factors.

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

Table 8 below sets out the projected level of earmarked reserves taking account of anticipated commitments over the next 4 years to 2014/2015. This reflects that Earmarked Reserves are fully committed but with the likely allocation of the Revenue Budget Contingency remaining uncertain pending clarification of outstanding specific grants and delivery of future savings.

Table 8: Projected Earmarked Reserves

	Revenue Budget Contingency £000	Pensions Reserve £000	MTFC Reserve £000	Restructuring Reserve £000	Affordable Housing Reserve £000
Current Balance	**4,054**	**3,082**	**3,607**	**2,000**	**3,000**
Consolidation of Reserves	-3,054	-3,082	2,538	3,598	
Allocation in 2010/2011	-	-	-1,180	-500	-
Estimated Reserves @ 1st April 2011	**1,000**	**Nil**	**4,965**	**5,098**	**3,000**
Allocation in 2011/2012	1,736*	-	-3.515	-1,080	-
Balance C/F	**2,736**	**Nil**	**1,450**	**4,018**	**3,000**
Allocation in 2012/2013	-	-	-1,400	-1,700	-
Balance C/F	**2,736**	**Nil**	**50**	**2,318**	**3,000**
Allocation in 2013/2014	-	-	50	-1,150	-
Balance C/F	**2,736**	**Nil**	**Nil**	**1,168**	**3,000**
Allocation in 2014/2015	-	-	-	-1,150	-3,000
Balance C/F	**2,736**	**Nil**	**Nil**	**18**	**Nil**

***Note** – this figure reflects the specific allocations into Revenue Budget Contingency on the basis that future Cabinet Decisions will be required to support any allocation of the Revenue Budget Contingency pending clarification of outstanding specific grants and actual delivery of future savings.

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.

Table 9 below details the proposed movement in the level of unearmarked reserves over the period of the medium term service and resource plans. In particular 2011/2012 includes analysis of proposed use of reserves to support invest to save proposals included within the Budget, specifically:

- The Workplaces Project – requires investment of £2.1m over the period to 31 March 2015 with reserves fully repaid by 2016/2017 and ongoing revenue savings thereafter of over 10%.
- Restructuring costs – the Budget includes provision from within Earmarked Reserves to meet 50% of anticipated restructuring costs. The remaining 50% will be initially funded from the Unearmarked Revenue Reserves to be repaid by services over a period of up to two years commencing from 2012/2013.

This actual level of unearmarked reserves will also depend on the Outturn position for 2010/2011 and on future decisions by the Cabinet about any overspends. For financial planning purposes the December 2010 Outturn estimate has been used based on guidance from Cabinet to Strategic Directors. The figures are therefore only an estimate at this stage and are without prejudice to future Cabinet decisions.

C) Adequacy of reserves

We recommend the s151 officer’s report on the adequacy of reserves which 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

	2011/12 £'000	2012/13 £'000	2013/14 £'000
Estimated Reserves @ 1st April each year	**10,480**	**9,631**	**7,738**
2010/2011 Invest to Save Funding	-196	-	-
2010/2011 Projected Outturn Underspending	269	-	-
Invest to Save Funding	-1,080	-2,433	-1,965
Invest to Save Repayments	158	540	1,390
Estimated Reserves @ 31st March each year	**9,631**	**7,738**	**7,163**

Based on anticipated invest to save commitments to the Workplaces Project and Restructuring Costs, the Non-Earmarked Reserves will be repaid in full by 2016/2017 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 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 of £1m over the 5 year period 2011/12-2015/16 of which £0.5m is assumed in 2011/12. This will be increased at outturn by any unused contingency from 2010/11 (currently forecast to be £1.4m).

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 2011/12 also provide additional short term flexibility in future years (2012/2013 onwards), pending their being required to fund any planned expenditure on items such as public realm and/or school investment.

The capital programme does not rely upon the potential to make better use of the Council’s property assets by partnering the Commercial Estate to generate up to £100m in capital receipts although this represents a significant opportunity to help generate economic prosperity in the future.

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

Section 5 – Council Tax

This section shows the implications of the recommended revenue budget for Council Tax levels for 2011/12.

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 2011/12. **Table 10** explains the calculation of this figure:

Table 10: Council Tax 2011/12 for Bath & North East Somerset Council Services

Description	Amount	Comments
Recommended Net Revenue Budget	£121,742k	See Annex 1
Less Grant, reserves and estimate of Collection Fund surplus £k	£44,315k	See Annex 1 Sources of Funding
To be funded by Council Tax	**£77,427k**	
Tax base (Band D properties equivalent)	64,422.90	Approved by the Section 151 Officer in January 2011
Recommended Council Tax at Band D for 2011/12	**£1,201.85**	
2010/11 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 25th January to consider a precept level for recommendation to the full Police Authority on 9th February 2011. The report includes two options of either a freeze in Council Tax or a "to be" determined increase in Council Tax.

At its meeting on 5th January 2011 Avon Fire Authority agreed to consult on the following four budget options:

- Option A – No Council Tax Increase
- Option B – 5% Council Tax Increase
- Option C – Zero Budget Increase (10.68% Council Tax Increase)
- Option D – No Savings (14.33% Council Tax Increase)

The Fire Authority will meet again on 11th February 2011 to finalise its budget and set its Council Tax and precepts for 2011/12.

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 2011/12 (Band D)

Council Tax charges (Band D) made by	**Charge made now 2010/11 £**	**Proposed Charge 2011/12 £**	**% 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 9th February 2011.
Avon Fire & Rescue	60.38	TBC	Final decision to be taken on 11th February 2011
Total excluding parishes	**1,430.26**	**TBC**	
Parishes (average)	31.07	TBC	Not known at time of writing
Total	**1,461.33**	**TBC**	**The 2011/12 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 15th February, and so the necessary updated information will be set out in the report.

Special Expenses

As part of the 2010/11 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 2011/2012 budget.