



## **APPENDIX 1**

# **Focusing on the Mayor's priorities**

## **Medium Term Financial Strategy 2014/15 to 2016/17**

## Our spending plans for 2014/15 to 2016/17



My only purpose is to help create a city where citizens and the economy can thrive and to put Bristol on a sound financial footing. The council continues to invest hundreds of millions of pounds in Bristol each year, from major building projects through to day-to-day services which so many people rely on.

.This year, my Cabinet, council officers, and I have looked at everything we spend and the way in which the council operates. I have prepared a three year budget, unlike any Bristol has seen before. It prioritises spending money where it can make the most difference, whilst also facing up to the harsh economic realities of government cuts and an increasing demand for services. These pressures have left me needing to make vast savings of up to £90 million over the next three years, even though the council has already saved that much over the past three years, on top of the savings already delivered. I have been determined that the bulk of these savings are focussed on improving the way we do things rather than cutting services.

In order to do this I am looking further ahead than the council has in the past, linking closely to my vision for the city, which you can read at [www.bristol.gov.uk/vision](http://www.bristol.gov.uk/vision). Together with this vision, the suggested budget provides a clear direction; in what are tough times.

However, the council cannot afford to fund the same level of service with so much less in the way of funds at its disposal. However, we can balance the books whilst still being ambitious and bold. We can do it whilst keeping Council Tax rises below current levels of inflation at 2% per year – about 50p per week for an average band D home. This remains subject to the Government's confirmation of their financial settlement which is expected on 30 January 2014, two weeks after the cabinet meeting to agree my proposals for submission to Council.

Our gross budget includes grants such as Dedicated Schools Grant (DSG) and Public Health Grant, but these can only be spent on those specific things.

The net budget is what's left aside from these specific grants and is largely dedicated to providing statutory and regulatory services. This is funded by a combination of Council Tax, Government Revenue support Grant (RSG) together with the money we make through fees and charges, such as charges for off-street parking or making planning applications.

We also collect taxes from businesses go to central government and redistributed back to us in grants.

My budget is based on an increase of just under 2% in Council Tax next year in order to minimise cuts to services. This has been backed by over two thirds of those responding to the consultation.

**For a band D property this would mean an increase of 50p per week.**

As the collection authority for fire and police precepts the Council does not set the level of increase in council tax for the services these authorities provide. The table below identifies the proposed overall increase in council tax for 2014/15.

<b>2014/15 Council Tax</b>	<b>2014/15 Band D</b>	<b>2014/15 Increase</b>
<b>Services provided by Bristol City Council</b>	<b>£1,391.87p</b>	<b>+ 1.95%</b>
<b>Services provided by Avon Police Commissioner</b>	<b>£ xx.xx</b>	<b>+ x.x%</b>
<b>Services provided by Avon Fire and Rescue Authority</b>	<b>£ xxx.xx</b>	<b>+ xx.x%</b>

Let's work together to make Bristol one of the best places to live and work in the UK where everyone enjoys an outstanding quality of life.

A handwritten signature in black ink, appearing to read 'George Ferguson', with a large, stylized flourish at the end.

**George Ferguson, Mayor of Bristol**

# Mayor's Budget Recommendations to Council

## TO BE CONFIRMED AFTER CABINET MEETING

### Budget Recommendation 1

That the following statement from the Council's Chief Finance Officer (section 151 officer) be noted:-

The Service Director, Finance, as the Council's Chief Finance Officer, confirms to Council (as required by the Local Government Act 2003) that the spending plans identified in this Medium Term Financial Strategy and the council tax calculation for 2014/15 are robust estimates that:

- Redirect resources towards the Mayor's ambitions in a way that is achievable
- Reflect the best estimate of pay and price increases available at this time
- Consider and recognise the major financial risks facing the Council over the next three years
- Contain proposals for increased income or reduced expenditure that are achievable over the medium term.

The Service Director, Finance, as the Council's Chief Finance Officer also confirms that the level of Council reserves are sufficient to meet the known financial risks facing the Council over the medium term.

### Budget Recommendation 2 – Mayor's budget Recommendations

That 2014/15/10 to 2016/17 be approved:-

- a. The Council's revenue budget (before the use of Council reserves) for the year 2014/15 is agreed as **£372.524m** and the **cash-limited revenue budget** for each of the Council's directorates for 2014/15 is set at:-

City Director	£ x.xxxm	Business Change	£ x.xxxm
People	£ xx.xxxm	Regeneration	£ xx.xxxm
Place	£ xx.xxxm	Corporate Financing	£ x.xxxm

- b. The Council's revenue spending limit (before the use of Council reserves), for planning purposes, for the year 2015/16 is agreed as **£344.539m** and for the year 2016/17 is agreed as **£320.175m**;

- c. The Council's capital budget (excluding the Housing Programme) for the year 2014/15 is agreed as **£190.91m** and the **capital budget** for each of the Council's directorates for 2014/15 is set at:-

City Director	£ 17.19m	Place	£ 68.79m
People	£ 85.39m	Neighbourhoods	£ 3.33m
Business Change	£ 16.21m		

- d. The Council's provisional capital budget (excluding the Housing Programme) for the year 2015/16 is agreed as **£159.35m** and for the year 2016/17 is agreed as **£155.84m**;

- e. The Council's housing revenue budget deficit for the year 2014/15 is agreed as **£10.6m** and for planning purposes, the budget surplus for the year 2015/16 is agreed as **£0.xxxm** and for the year 2016/17 is agreed as **£x.xxxm**.

### **Budget Recommendation 3 – Council House Rents and Service Charges**

That the following be approved:-

- a. Council house dwelling rents for 2014/15 increase by an **average of £4.58per week** (6.16% average increase) with effect from Monday 8<sup>th</sup> April 2014. This is in line with government guidelines on rent increases and restructuring.
- b. service charges for 2014/15 **increase by 3.7%** with effect from Monday 8<sup>th</sup> April 2014. This is in line with government guidelines on service charge increases.

### **Budget Recommendation 4 – Use of Council Reserves**

That the **use of Council reserves policy** as described below be approved.

- a. The purpose of the **Council's strategic reserve** is to cover emergency events only such as unforeseen financial liabilities or natural disasters. This reserve will be maintained at a **minimum level of between 3% and 5% of the Council's net revenue budget**.
- b. The purpose of the **Council's general reserves** is to support one-off and limited on-going revenue spending.
- c. The purpose of the **Council's priority revenue investment reserve** is to fund priority revenue investments agreed by Council.
- d. The purpose of the **Council's earmarked provisions and reserves** is to meet identified spending commitments. These reserves will only be used for the purpose for which they were created and will be reviewed annually. If they are no longer required they will be transferred to the general reserve.

The timing and use of earmarked reserves requires the approval of the Chief Finance Officer.

### **Budget Recommendation 5 – Treasury Management**

That the Council's Treasury Management Strategy (TMS), Investment Strategy and Prudential Indicators included in the Medium Term Financial Strategy (Appendix C) be recommended for adoption by Full Council

- The Annual Investment Strategy as set out in Section 8
- The Minimum Revenue Provision Policy Statement as set out in Section 9
- The Prudential Indicators for capital and treasury as set out in Annex 5
- The proposed Treasury Management Policy Statement for 2014/15 is attached at Annex 1.

Delegate to the Section 151 Officer authority to vary the figures in the TMSS to reflect any decisions made in relation to the MTFS and Capital Programme prior to submission to Budget Council.

### **Budget Recommendation 6 – Calculation of the Council's Tax Base**

That it be noted that at its meeting on 17<sup>th</sup> December 2013 the Council agreed the tax base subject to the final calculation being adjusted by the Section 151 Officer and now confirm **115,008** as Bristol City Council's Tax Base for the year 2014/15;

### **Budget Recommendation 7 – Council Tax by Band**

That the following amounts be agreed by the Council for the year 2014/15:-

- a. **£160,101,000** being the sum to be met from council tax in 2014/15 for services provided by the Council;
- b. Bristol City's Council's share of the council tax for the year 2009/10 for the services it provides for each category of dwelling shown as follows:-

2014/15 Council Tax	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
<b>2014/15 Council Tax</b>	<b>927.92</b>	<b>1082.57</b>	<b>1237.22</b>	<b>1391.87</b>	<b>1701.18</b>	<b>2010.48</b>	<b>2319.79</b>	<b>2783.74</b>
2013/14 Council Tax	910.17	1061.86	1213.56	1365.25	1668.64	1972.03	2275.42	2730.50
<b>Percentage increase</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>	<b>1.95%</b>
Annual Increase								
Weekly Increase								

### Budget Recommendation 8 – Council Tax for services provided by the Council

That the following amounts be formally calculated and agreed by the Council for the year 2014/15 (in accordance with the Local Government Finance Act 1992):-

- £xxx,xxx,xxx** being the Council's total revenue expenditure for 2014/15 for council tax setting purposes
- £xxx,xxx,xxx** being the Council's total revenue income (including the use of reserves) for 2014/15;
- £xxx,xxx,xxx** being the Council's revenue budget requirement for 2014/15 for council tax setting purposes (a-b);
- £xx,xxx,xxx** being the sum payable for 2014/15 by the Government to the Council in respect of redistributed non-domestic rates (**£xx,xxx,xxx**) and revenue support grant (**£x,xxx,xxx**);
- £x,xxx,xxx** being the Council's share of the surplus declared on the Collection Fund in 2014/15;
- £xx,xxx,xxx** being the sum to be met from council tax in 2014/15 for services provided by the Council (c-d-f);
- £x,xxx.xx** being the Band D council tax for 2014/15 for services provided by the Council;

### Budget Recommendation 9 – Council Tax for services provided by the Police Commissioner

That it be noted that the Police Commissioner:-

- has notified the Council that their precept for services they provide in 2014/15 is **£x,xxx,xxx**;
- has notified the Council of the following council tax amounts for 2014/15 for each category of dwelling in respect of services they provide:-

2014/15 Council Tax	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
<b>2014/15 Council Tax</b>								
2013/14 Council Tax								
<b>Percentage increase</b>								
Annual Increase								
Weekly Increase								

### Budget Recommendation 10 – Council Tax for services provided by the Fire Authority

That it be noted that the Fire Authority:-

- has notified the Council that their precept for services they provide in 2014/15 is **£x,xxx,xxx**;
- has notified the Council of the following council tax amounts for 2014/15 for each category of dwelling in respect of services they provide:-

<b>2014/15 Council Tax</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>2014/15 Council Tax</b>								
2013/14 Council Tax								
<b>Percentage increase</b>								
Annual Increase								
Weekly Increase								

## Budget Recommendation 10 – Overall Council Tax

That, having calculated the council tax requirement for services provided by Bristol City Council and having noted the council tax requirements notified by The Police Commissioner and the Fire Authority, the Council sets the following amounts as the amount of Council Tax for the year 2014/15 for each category of dwelling shown below:-

<b>2014/15 Council Tax</b>	<b>Band A</b>	<b>Band B</b>	<b>Band C</b>	<b>Band D</b>	<b>Band E</b>	<b>Band F</b>	<b>Band G</b>	<b>Band H</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>2014/15 Council Tax</b>								
2013/14 Council Tax								
<b>Percentage increase</b>								
Annual Increase								
Weekly Increase								



## Medium Term Financial Strategy

<b>Contents</b>	<b>Page</b>
<b>1</b> <u><b>Introduction to the Mayor's spending plans</b></u>	
<b>2</b> <u><b>What are the Mayor's Revenue spending plans?</b></u> Revenue Spending Pressures Revenue Savings Medium Term Financial Position	
<b>3</b> <u><b>How will the Mayor fund the revenue spending plans</b></u>	
<b>4</b> <u><b>The Mayor's Capital Investment Programme</b></u> Capital spending plans Use of capital receipts Use of capital grants	
<b>5</b> <u><b>Bristol City Council's Council Tax for 2014/15</b></u> Council Tax Base Bristol City Council Collection Fund Bristol City Council's Council Tax Requirement Police Commissioner's Council Tax Requirement Avon Fire Authority's Council Tax Requirement Bristol City's Overall Council Tax for 2014/15	
<b>6</b> <u><b>The Council's Housing Revenue Account spending plans</b></u> Housing Revenue Expenditure plans Housing Revenue Income plans Housing Revenue Account Reserves	
<b>7</b> <u><b>The Council's Treasury Management Plan</b></u> Our Cashflow Projections for 2014/15 Our Borrowing Plans 2014/15 to 2016/17 Our Investment Plans 2014/15 to 2016/17 12. Review of Treasury Management Activity	

## Appendices

Departmental Budgets – Appendix A - to be confirmed  
Capital Programme – Appendix B  
Treasury Management Strategy – Appendix C

## Introduction to our spending plans

Each year, we need to identify what we need to spend on Council services for the following year and also identify provisional spending plans for the following two years to ensure our spending plans are balanced and match the money we will receive from government and council tax payers. These plans form part of the Council's Medium Term Financial Strategy. (**MTFS**)

Our medium term financial plan is one of the following **four key strategic plans** of the Council:-

**A Vision for Bristol** – this plan identifies the Mayor's vision, ambitions and planned outcomes;

The Corporate Plan is supported by the following strategic resource plans that identify how we will use our resources to deliver the planned outcomes in our corporate plan.

**Medium Term Financial Strategy** – this plan details our spending plans;

**Workforce Development Plan** – this plan details our human resource plans;

**Asset Management Plan** – this plan details our asset investment and maintenance plans.

The following pages identify what extra money we will spend over the coming three years to continue delivering services, what priority investments we will make, and what current spending we will redirect to ensure our spending plans remain affordable.

## What are the Mayor's spending plans?

Each year, we have to work out what we need to spend on council services in the coming year. This is so that we can make sure our spending plans are affordable, and match the money we expect to receive from government and council taxpayers.

The table below summarises our revenue spending plans for 2014/15 and provisional spending plans for 2015/16 and 2016/17. Our revenue budgets are used to pay for the services we provide to our residents. For 2009/10 the Council's revenue budget is £350.0m.

<b>Revenue Spending Forecast</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Base Budget	<b>383.679</b>	<b>372.524</b>	<b>344.539</b>
Inflation and cost Pressures	7.300	11.900	10.800
Unavoidable Growth	2.000	5.400	0.200
Savings in Delivery	(4.900)	(2.000)	(2.200)
Savings Proposals	(20,255)	(11,085)	(11,664)
Single Change Programme	4.700	(32.200)	(21.500)
<b>Revenue Spending Forecast</b>	<b>372.524</b>	<b>344.539</b>	<b>320.175</b>

The table below details the cash-limited revenue budget for each service directorate. This gives directorates permission to **spend up to but not exceed their cash limit**. (to be confirmed)

<b>Directorate Spending Limits</b>	<b>Responsible Officer</b>	<b>2014/15 £m</b>
City Director	Nicola Yates	tbc
People	John Redman	tbc
Place	Barra Mac Ruairi	tbc
Neighbourhoods	Alison Comley	tbc
Business Change	Max Wide	tbc
Corporate Finance	Section 151 Officer	tbc
<b>Council Budget Requirement</b>		

**Appendix A** details the 2014/15 revenue budgets for each service and names the budget holder responsible for managing the budget.

The following pages provide more detail on our spending plans.

## **Revenue Spending Pressures**

The Council needs to spend money to keep services at their current level and maintain quality. Just to stand still and continue to deliver our current services in the way that we do now, we will need to spend an extra £xx.xm in 2014/15. This is mainly due to the pressure of pay and price increases and increased demand for some of the services we deliver.

The payroll cost inflation pressures facing the Council in 2014/15 are summarised below.

The largest pressure we face over the three year plan is the increasing cost of pay arising from:

<b>Pay Pressures</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Pay Inflation – 1% pay award from 2014/15	1.800	1.800	1.800
Employers Pension costs – Actuarial Valuation	2.400	1.300	1.600
Pension Deficit arising from Corporate Restructure	1.100	0.400	0.500
Additional Employers National Insurance costs	-	-	3.500
<b>Total</b>	<b>5.300</b>	<b>3.500</b>	<b>7.400</b>

The above table shows that we will spend an additional £xx.xm in 2014/15 to meet our pay pressures. However, the following table identifies increases in other cost pressure pressures over the next three years highlighting a £x.xm increase in 2014/15.

<b>Other cost Pressures</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Capital financing costs	1.200	-	-
Cost inflation arising on contracted services	3.400	3.400	3.400
Removal of one-off funding items	(2.600)	-	-
Additional revenue costs of Capital Investment		5.000	-
<b>Total</b>	<b>2.000</b>	<b>8.400</b>	<b>3.400</b>

In addition to the inflationary and unavoidable cost pressures, the Councils faces some unavoidable increases in cost as set out below;

<b>Unavoidable Cost Pressures</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Raising Participation Age	0.100	-	-
Waste Collection and disposal services	0.100	0.200	0.100
ICT Licencing	0.800	-	-
Reduction in Central Services Grant	-	0.800	-
Impact of PFI funding deficit	-	3.500	-
Increase in "risk" contingency	1.000	0.900	0.200
<b>Total</b>	<b>2.000</b>	<b>5.400</b>	<b>0.300</b>

These pressures are primarily the result of changes in government funding, new statutory requirements placed upon the Council and the removal of one-off funding included in the budget.

## Revenue Saving Proposals

The council has been responding to the reductions in Central Government Funding since 2008 and has already delivered significant savings through reducing costs and improving efficiency. In the Medium Term financial Plan the funding gap requires an additional **£82.7m** of savings which are planned to be delivered from savings already in delivery, new budget savings proposals and the Council's Single Change Programme.

### Savings in Delivery

In addition to the savings proposals set out below, the council has already taken decisions which will generate savings in the years to come. These programmes are set out in the following table and further demonstrate the Council's commitment to reduce costs and improve efficiencies without reducing service delivery:

2013/14 £m	Savings in Delivery	2014/15 £m	2015/16 £m	2016/18 £m
(4.7)	CYPS - Children's First	(3.0)	(3.1)	(3.1)
(1.0)	Finance Change Programme	(0.5)	(0.7)	(0.7)
(11.9)	HSC Transformation - TBC	(0.9)	(1.6)	(1.7)
1.0	ICT sourcing (net)	-	(0.3)	(1.6)
(0.5)	Trading With Schools (net)	(0.5)	(1.2)	(1.6)
-	People (net)	-	-	(0.4)
(4.7)	CYPS - Children's First	(3.0)	(3.1)	(3.1)
<b>(17.1)</b>	<b>Total</b>	<b>(4.9)</b>	<b>(6.9)</b>	<b>(9.1)</b>

To make sure we can continue to focus our spending on our priorities, we have identified plans to reduce spending across all of the Council's services to keep council tax increases as low as possible. A full list of the new savings proposals is set out in **Appendix C** and a summary of savings by type provided below:-

Our approach has been simple but thorough:

Firstly, we expect all services to be efficient but there is always room for **improving business efficiency**, ensuring we find the **best ways to fund or provide services** and get good value for money by making sure obtain the goods and services we need through **buying better** to achieve the best value for money.

Secondly, we actively seek ways of securing **increased external income** to reduce the cost of council services which involves difficult decisions about whether to increase charges for services to those who can afford to pay. We also review the costs of delivering our capital investment plans and ensuring we **charge relevant costs to the capital programme**.

Finally, recognising that demand for our services outstrips the funding we have available, we have to **reduce or stop services**. In some cases, we can find ways to make savings through **invest to save** projects which make savings above the cost of investment.

This approach has involved tough decisions and our plans minimise the impact on front-line service delivery. We will reduce spending by £20.255m in 2014/15, a further £11.085m in 2015/16 and £11.664m in 2016/17 as summarised in the table below.

Savings Proposals	2014/15 £m	2015/16 £m	2016/18 £m
Improving business efficiency	(11,501)	(5,317)	(8,324)
Changing how we fund and provide services	(3,111)	(3,445)	(2,068)
Better buying	(1,378)	(1,350)	(750)
Increasing our income	(590)	-	-
Charging relevant costs to capital the programme	(962)	-	-

Reducing or stopping services	(2,243)	(503)	(52)
Invest to Save	(470)	(470)	(470)
<b>Total</b>	<b>(20,255)</b>	<b>(11,085)</b>	<b>(11,664)</b>

### Improving business efficiency

By joining up services or removing duplication - doing things once and doing them together - without reducing the service we can improve the efficiency of the Council's activities and reduce costs. The table below provides a brief summary of the savings proposals in this area:

<b>Improving business efficiency</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
We have set up spending review panels to ensure all non-essential spending is rigorously challenged and savings opportunities identified	(3,500)	(500)	(500)
Reduce support service costs to a level equivalent or below that in similar sized councils. Ensuring charges are fair across the Council and charged to the right place.	(3,400)	(400)	(200)
Reduce the running costs of the council's buildings by selling surplus buildings, increasing energy efficiency and reviewing rents charged to third parties.	(600)	(2,900)	(6,500)
Reduction of £340k of pump priming funding for preventative initiatives. As this is one off money there is no impact on services or organisations.	(340)	-	-
Encouraging greater take up of Direct Payments to give service users needing care services greater choice, control & flexibility at reduced cost to the council	(250)	-	-
Reduced operating costs will be identified within the Youth Offending team when it transfers over to Children's Services in 2014/15.	(174)	(200)	-
Housing related support is delivered through a variety of service providers at an average cost of £16 per hour. Where services are more expensive we will look to deliver better value at a reduced cost to the council	(80)	-	-
Reduce administrative support for bookings, finance administration and general administration	(50)	-	-
Improving administration in the housing registration process	-	(75)	-
Conversion of street lights to white light and LED fittings will reduce energy costs.	(50)	(50)	(100)
Review and eliminate some non-essential enforcement and investigative work. Instead there will be more signposting to consumer advice services.	-	-	(24)
Review of charging for pest control services. The charging review will be sympathetic to residents on benefits. Review of internal trading arrangements.	(200)	-	-
A more efficient back office Business Support Team dealing with correspondence, consultation, administration and finance support.	(40)	-	-
Reduced policy development support for licensing and regulatory functions, such as taxis, pubs and	(11)	(11)	-

clubs.			
Better training for council staff and manager on equalities, meaning we can fulfil our responsibilities with a smaller specialist team.	-	(181)	-
To identify services provided by the Council and other ring-fenced funds (Housing Revenue Account and Public Health) are not duplicated and relevant costs are appropriately charged)	(2,806)	(1,000)	(1,000)
<b>Total</b>	<b>(11,501)</b>	<b>(5,317)</b>	<b>(8,324)</b>

## Changing how we fund and provide services

The table identifies how we change the way we fund and provide services such as ensuring that we deliver services in a different way through small changes which save money:

<b>Changing how we fund and provide services</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Changing the way we fund and provide Children Centres and Early Years services to ensure that funding is targeted on families with the greatest need. Services will be reshaped to avoid gaps and duplication and make best use of reduced resources.	(760)	(450)	(318)
The Council will reduce funding for some community groups. A full review will take into account criteria such as council priorities, the resilience of groups/organisations in terms of their reliance on BCC funding and their ability to deliver key and measurable impacts within the communities they serve and the areas of work they deliver.	(300)	-	-
A review of provision in order to reduce spending from £611k to £311k in respect of PSI accommodation support. Services would be retained at Buckley Court (directly managed Accommodation) and the Council's Deaf/Blind floating support service. Housing support to The Bristol would end.	(300)	-	-
Review the use of School Road, a respite facility for seven people with learning difficulties, with a view to commissioning more flexible respite in other places e.g. Shared Lives	(290)	-	-
Funding for additional services on Severn Beach line would be picked up by new franchise, meaning the council will no longer need to fund the service.	(250)	-	-
Following First Buses decision to offer a one third fare reduction to 16 - 21 year olds from November 2013, the pilot concessionary travel scheme is no longer required saving £200k. A further £180k saving will be achieved from 2015/16 by stopping the extension of the Diamond Travelcard scheme to community transport groups	(200)	(180)	-
Development of a new service for 0-25 year olds for those under 18 who are disabled, have a physical impairment and/or Learning Difficulty	(200)	(143)	-



(excluding those placed in care) and all of those between the ages of 18 and 25. Better planning will means that the right package can be identified for their transition into adulthood in the most cost effective way.			
All future tree planting will be absorbed into the PIPs tree planting scheme (involving primary school children) which will introduce 36,000 new trees to the city over 3 years.	(200)	(100)	-
Ensuring those who really need home to school transport are the ones who get the support and making sure we get good value for money from commissioning the contractors. In the future we will make sure educational places are closer to where they live	(181)	(600)	(500)
Cease funding for daily warden service but continue to provide floating support to respond to emergencies	(145)	-	-
Stop the delivery of Prisons Services and School library service. The At Home service is non-statutory but it serves a vulnerable client group who cannot access the static libraries - but in small numbers (about 350 people). We do not intend for this group of customers to be excluded from receiving a book service, however we will design an alternative way to deliver this. We are currently working with colleagues in Health & Social Care to design an appropriate joint approach to embedding the access to a books service, either directly into other home delivered services within BCC (internal or contracted) or via partners in other settings. We are aiming to have an approach in place for these customers by April 2014.	(125)	-	-
Saving from reshaping Domestic and Sexual Violence Services (new contracts will start April 2015), gaining efficiencies from other service agreements and reducing the projects team.	(100)	-	(150)
A proposed 10% reduction in Voluntary and Community Sector budget within Health and Social Care budgets, targeting resources on the most vulnerable	(60)	-	-
Review spend of all teams that provide advice, welfare support, commissioned services, and sourcing tenancies.	-	(700)	-
A reduction of 33% in the level of subsidy given to bus companies to run services that they otherwise wouldn't operate. This will mean a reduction in some under used evening and Sunday services, unless private companies picked up the services.	-	(700)	-
A thorough review of the grant funding allocated to community transport providers, in order to reduce funding by £410k from the current budget of £910k. There will be more detailed proposals once the review is complete	-	(410)	-
Review alternative funding models to eliminate cost to Bristol City Council.	-	(162)	-

There are 1.7 million visits to Bristol Libraries each year and we will work directly with casual visitors, the 15% of people who have a library card and the wider population whom we would want to use the service in order to jointly design the future shape for Bristol's library service within the changed financial limit. This reshaped service will be designed to better meet the needs of our communities in the 21st century. Further consultation will be undertaken in due course.	-	-	(1,100)
<b>Total</b>	<b>(760)</b>	<b>(450)</b>	<b>(318)</b>

## Better buying

By buying the goods and services we need in a smarter way to ensure we get great value from our suppliers and only buying what we absolutely need we can make savings of £3.5m over three years:

<b>Better buying</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
To re-negotiate / re-tender sports contracts with a reduction in future subsidy. This will affect 6 Leisure facility which is currently subsidised by £1.1m.	(500)	(600)	-
Reduction in the cost of placements for older people by negotiating better prices.	(754)	-	-
Deliver better value for money and cost reductions from all new residential and nursing placements by introducing a framework approach to provide services at the right price to the right standard.	(124)	-	-
Commissioning Home Care against reablement outcomes so that people are supported to maximise their independence and their care journey is slowed down. Savings will be generated by reducing the average weekly package for home care as individuals maintain their independence	-	(750)	(750)
<b>Total</b>	<b>(1,378)</b>	<b>(1,350)</b>	<b>(750)</b>

## Increasing our income

We plan to raise an additional £0.6m by raising our charges in a small number of areas. We recognise that times are hard and many of our citizens cannot afford additional fees for some of our services:

<b>Increasing our income</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Renegotiate contracts and generate new business to ensure the Emergency Control Centre is a self-funded unit by charging for its services. It will continue with its community safety function and contracts with other councils and private healthcare providers.	(220)	-	-
This is low level support which in many, if not all cases could be managed through better use of assistive technology (e.g. Care Line). To do this	(172)	-	-



alarm services would be required and would be charged to residents.			
Introduce charging for older people's sheltered housing alarms. These alarm services could still be provided to the current 790 tenants but would be a chargeable service.	(168)	-	-
Increase fees to vessel owners by 6%.	(30)	-	-
<b>Total</b>	<b>(590)</b>	<b>-</b>	<b>-</b>

### Charging relevant costs to capital the programme

Some of the Council's staff work on major capital programmes and these costs, where appropriate and relevant, can be charged to the capital part of the budget

<b>Charging relevant costs to capital the programme</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
To ensure the cost of staff involved in delivering capital projects is included within the funding of the projects they support, replacing costs to revenue budget.	(230)	-	-
To charge the full staff and other costs of development and design work to the capital projects they support, replacing costs to the revenue budget.	(200)	-	-
To charge the full staff and other costs of development and design work to the capital projects they support, replacing costs to the revenue budget.	(137)	-	-
This team works with the Park groups and Environmental sub groups in delivering improvements and schemes that maintain and improve parks. This proposal will offset costs within the revenue budget and recharge them to capital schemes or development projects.	(278)	-	-
To ensure the the cost of staff involved in delivering capital projects is included within the funding of the projects they support.	(117)	-	-
<b>Total</b>	<b>(962)</b>	<b>-</b>	<b>-</b>

### Reducing or stopping services

The savings in the table below are in respect of real cuts or reductions in services, they are difficult decisions and are taken only when there is a real need to do so:

<b>Reducing or stopping services</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
To review supervision of Hengrove Play Area and increase income generation	(200)	(100)	-
Reduction in warden service in Older People Extra Care Housing as there are care services based on site.	(70)	-	-
To review non-statutory transport functions carried out by the Highway Services teams.	(100)	-	-
Focus pollution investigation on businesses that are high risk to public health and the environment. Obligations to advise on planning applications and responding to major incidents.	-	(116)	-

Proposal to eliminate subsidy to St Paul's Learning Centre and explore other options. This service suffers from a lack of use, options to be explored include it being managed by community groups or similar. The Library will be considered within the wider review of Library service.	(162)	-	-
Re-letting contract in 2015 and reducing the specification of works in parks. This will enable essential functions such as, but not limited to, litter picking and grass cutting to take place in all parks and green spaces.	(500)	-	-
Reduce direct delivery and have a greater role in supporting partners to deliver more	(200)	(100)	-
Increasing the threshold for eligibility to home improvements in order to make savings.	(100)	-	-
Reduce the level of enforcement and awareness raising work, such as illegal dumping of business waste.	-	(86)	-
Review of archives public engagement services and remodel to include greater use of digital sources.	-	(50)	-
Closure of 22 of the 23 public toilets across the city, except the weekend temporary toilets in the city centre and keeping one city centre toilet open. Increased promotion of the toilet scheme where cafes and other business allow customers to use their toilets and use of other public buildings in those areas.	(500)	-	-
Reviewing and reducing the out of hours and general noise nuisance response service. Look at opportunities for greater prioritisation of cases, closer joint working with the police and other agencies to resolve cases and greater use of restorative approaches.	-	(51)	(52)
Current preventative service provided to older people irrespective of where they live. Where needs are identified these could be met through the generic floating support service which would continue to be funded.	(411)	-	-
<b>Total</b>	<b>(2,243)</b>	<b>(503)</b>	<b>(52)</b>

### Invest to Save

Sometimes it is necessary to spend money to make money and the proposals below are areas where we will incur some additional costs which will be less than the savings we can make:

<b>Invest to save</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>
Provision of appropriate equipment, so that individuals require one carer rather than two. This is better for the individual and a saving is made in the cost of the second carer.	(300)	-	-
Expand Community Supported Accommodation as an alternative to residential and nursing home placements, improving outcomes for individuals and reducing our spend on residential care.	(170)	(170)	(170)
Expand the Shared Lives programme by 30 extra placements to offer more placements for people	-	(300)	(300)

within a family home as an alternative to placing people in residential and nursing home placements. By doing this we will deliver better outcomes for individuals and reduce our spend on residential care.			
<b>Total</b>	<b>(470)</b>	<b>(470)</b>	<b>(470)</b>

## The Single Change Programme

The Single change Programme is designed to restructure the current organisation to reduce management levels, improve buying strategies and reduce the operational cost of running the council.

The detailed shape of the programme continues to be developed with a target savings total of £49m over the three years of the plan.

**More detailed information to be provided for Council report**

## The Council's Financial Position over the Medium Term

Over the medium term the Council faces continuing increasing financial pressures and has identified challenging saving proposals within the above spending plans for 2014/15, 2015/16 and 2016/17 to ensure they remain affordable. Financial risks facing the Council have increased over the past financial year resulting in the current budget strategy of removing reliance on general reserves to fund ongoing revenue spending.

The following table identifies the 6 key financial risks to the Council's financial position over the medium term, the mitigating actions in place and planned to reduce the impact of these risks on the Council's future financial position.

Key Financial Risks	Likelihood	Impact	Mitigating Actions
<b>Unexpected events or emergencies</b> By its nature, the financial risk is uncertain	Low	High	<ul style="list-style-type: none"> <li>Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes</li> <li>Level of reserve is currently £6.0m (1.5% of budget)</li> </ul>
<b>Increasing demand for Adult Social Care</b> Demand for services continue to increase as Bristol's population gets older	High	Medium	<ul style="list-style-type: none"> <li>Demand led pressures provided for within our spending plans</li> <li>Activity indicators are being developed and are detailed below. These will be reported monthly alongside budget monitoring in 2014/15</li> </ul>
<b>Potential Overspend and Council does not deliver required level of savings to balance spending plans</b> Challenging savings have been identified within our spending plans.	Medium	Medium	<ul style="list-style-type: none"> <li>High risk budget areas have been identified and financial support is targeted towards these areas</li> <li>Regular progress reports on delivery of savings to Management Teams and Executive Board</li> <li>Budget monitoring arrangements for forecasting year end position to be reviewed.</li> <li>Plan to increase level of cover available from General reserves in place</li> </ul>
<b>Potential delay in delivery of Capital Receipts</b>	Medium	Low	<ul style="list-style-type: none"> <li>Potential new capital receipts may be available from further corporate property review.</li> <li>Capital receipts received to be monitored quarterly from 2014/15</li> </ul>
<b>Increase in Pension Liabilities</b>	Medium	Low	<ul style="list-style-type: none"> <li>Our spending plans reflect the level of pension contribution required as identified</li> </ul>

	Our contributions are influenced by market investment returns and increasing life expectancy.			by the Avon Pension Fund's Actuary in 2013 for the next three years <ul style="list-style-type: none"> <li>New pension regulations changing scheme benefits to be implemented from 2014</li> </ul>
	<b>Non delivery of the Change Programme</b> The Single Change Programme will transform the Council's internal management structure	Medium	High	<ul style="list-style-type: none"> <li>Substantial savings have been identified and plans developed to ensure their delivery</li> <li>Savings are removed from operating budgets to highlight overspends early.</li> <li>Project delivery costs are to be rigorously monitored and managed</li> </ul>
	<b>Failure to provide safeguarding and placements for children</b> There is an increasing requirement to provide sufficient school places There is a rising number of children requiring specific support	Medium	High	<ul style="list-style-type: none"> <li>Provision has been made in the capital programme to increase school places</li> <li></li> </ul>

These financial risks are reflected in the assessment of the adequacy of council reserves and the use of reserves over the next three years. It is also intended to strengthen financial decision-making and financial control over the coming year through the following actions:-

### Monitoring Performance

A range of new financial health indicators will be developed and be subject regular performance monitoring;

Financial and contract regulations will be reviewed to reflect the revised operating and organisational structure of the Council;

Budget monitoring arrangements will be enhanced to strengthen in year forecasting of year-end spending. A series of finance training and development programmes for budget holders and elected members will be developed to support this change.

During 2014/15 a range of activity indicators for high risk, demand led budget areas will be introduced. These indicators will be reported to management each month alongside budget monitoring reports to SLT and the Executive Board will review these indicators on a quarterly basis.

To be completed

	Activity Driver	Key Performance Indicators 2014/15
	Safeguarding	Number of Looked after children in the City
	Efficiency	Number of staff employed by directorate

## How will the Council fund Revenue Spending Plans

The table below summarises how we will fund revenue spending over the next three years.

2013/14 £ 000	Revenue Funding Plan	2014/15 £000	2015/16 £000	2017/18 £000
133,937	Central Government Grant (RSG)	110,476	80,539	60,017
87,900	Business Rates	91,369	93,883	96,496
154,408	Council Tax	160,101	164,473	168,864
-	Business Rates Retention	964	964	964

800	CTSS Grant	-	-	-
7,290	New Homes Bonus	9,390	10,328	12,128
(656)	Collection Fund	4,078	-	-
4,400	Use of Council Reserves	-	-	-
<b>388,079</b>	<b>Total</b>	<b>376,378</b>	<b>350,187</b>	<b>338,469</b>

In 2014/15 we will receive 29.4% of our income from central government, 24.3% from Business Rates, 42.5%, from council tax, 2.4% from New Homes Bonus and 6.9% from other sources without any requirement to draw on the Council's reserves.

## Revenue Support Grant (Central Government Grant)

The government confirmed in December 2013 the funding settlement for 2014/15 and 2015/16 for the Council. Anything extra we spend will need to be funded from council tax increases, the use of limited council reserves or reduced spending (savings).

The revenue support grant reduced by £23.461m or 17.5% in 2014/15, £29.937m or 27.1% in 2015/16 and it has been assumed for 2016/17 that the reduction will be £20.522m or 25.5%.

This reduction in government grant in 2015/16 and 2016/17 is partly offset by the government allowing the New Homes Bonus reward grant to be retained in full by the Council. As our spending plans show we face significant spending pressures and increases in the demand for the services we provide and to support the Council's continued investment in the City..

The Council is also responsible for the collection of national non-domestic rates from local businesses and we are required to pay 50% to central government. As part of the finance settlement each year government tells us how much Business Rates will rise with inflation and this money is used to fund council services.

Next year we estimate we will collect £186.5m in business rates from local businesses and pay 50% of this to central government. We will retain £91.369m and pay £1.865m (1%) to the Avon Fire and Rescue Service.

## School Funding (Dedicated Schools Grant - DSG)

The following provisional DSG allocations for the next three years have been assumed within the overall Council Budget. This is ringfenced to fund schools and the services provided by the Council in support of schools.

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2017/18 £000</b>
<b>Dedicated Schools Grant</b>	284.697	290.391	296.199
	confirmed	estimated	estimated

In 2014/15 we will provisionally receive £284.697m Dedicated Schools Grant (the underlying school's budget will be kept flat cash per pupil for 2014/15); future years are estimated to increase by 2% per annum. The indicative cash increase is x.x% as a consequence of changing pupil numbers.

The final DSG allocations will be based on January pupil counts and this will not be known until May 2014. Currently, we estimate that the minimum final DSG for 2014/15 will be £xxx.xxxm based on the initial returns of January pupil counts and have included this within our budget estimates. This estimate may be revised upwards towards the provisional figure provided by the DCSF depending upon the final pupil counts.

Once the final DSG is announced this will be reported to SLT.

## Use of Council Reserves

The Council has four types of cash reserves:-

**Strategic Reserve** - to cover emergency events such as unforeseen financial liabilities or natural disasters. This revenue reserve is currently £6.0m (1.5% of the Council's net revenue budget) and below the level of reserves assumed to be a reasonable level (3% to 5% of net revenue budget) subject to the agreement of Council;

No use of this reserve is built into our spending plans

**General Reserves** – this revenue reserve is available to support future spending plans;

**Capital Investment Reserve** – this reserve is available to fund investments;

**Earmarked Provisions and Reserves** – these revenue and capital reserves are held for specific commitments and principally include cash balances held on behalf of schools and provisions for insurance liabilities.

In deciding how these reserves should be used in future years the Council has a responsibility to consider the financial pressures it faces over the medium term and must have a policy for the use of reserves and all usage of reserves needs to be approved by the Chief Finance Officer. The Council must also clearly identify and understand what its reserves policy will be. This is a formal requirement of the Local Government Act 2003.

The Council's reserves policy is described below and reflects the guidance provided by the Audit Commission in respect of the appropriate level of strategic reserves:-

### Bristol City Council - Use of Council Reserves Policy

#### 1. Use of Council Reserves

That the **use of Council reserves policy** as described below be approved:

- The purpose of the **Council's Strategic Reserve** is to cover emergency events such as unforeseen financial liabilities or natural disasters. This reserve should be maintained at a **minimum level of between 3% and 5% of the Council's net revenue budget**.
- The purpose of the **Council's general reserves** is to support one-off and limited on-going revenue spending
- The purpose of the **Council's earmarked provisions and reserves** is to meet identified spending commitments. These reserves will only be used for the purpose for which they were created and will be reviewed annually. If they are no longer required they will be transferred to the general reserve

The timing and use of earmarked reserves requires the approval of the Chief Finance Officer

The table below shows the the useable revenue reserves forecast for the next three years.

2012/13 £000	2013/14 £000	Reserves	2014/15 £000	2015/16 £000	2017/18 £000
		General Reserves			

In addition to these revenue reserves directorates hold a number of earmarked capital and revenue reserves. These reserves are currently being reviewed in preparation for the closure of accounts for 2013/14 and a full report on these reserves will be provided to Cabinet and Audit Committee as part of the 2013/14 Statement of Accounts.



Where these reserves are no longer required for the purpose they were earmarked for, they will be transferred to general reserves.

## Increased Council Tax Income

The table below identifies £160.161m of income we will raise from council tax in 2014/15 and £4.078m surplus from the collection fund. The table also identifies, for planning purposes only, what income we may need in 2015/16 and 2016/17 to balance our spending plans.

2013/14 £000	Council Tax budget/Forecast	2014/15 £000	2015/16 £000	2017/18 £000
154,408	Council Tax	160,101	164,473	168,864
(656)	Collection Fund	4,078	-	-
<b>153,752</b>		<b>164,179</b>	<b>164,473</b>	<b>168,864</b>

The actual increases in council tax income in future years will depend on circumstances at the time, including the level of funding received from government and the spending pressures faced by the Council. This may be higher or lower than these planning assumptions and as such do not represent commitments by the Council at this time.

## 5. What is the City's Council Tax for 2014/15

The Borough's Council Tax pays for services provided by Bristol City Council, Avon Fire Authority and Avon Police Commissioner.

### Council Tax Base

The Council Tax for each property band is based on a proportion of the band D council tax. The band D council tax is calculated by dividing the amount of income required by the Council Tax Base. The Council Tax Base of xx,xxx for 2014/15 was agreed by the Council at its meeting on xxth December 2013 (an increase of x,xxx on the previous year).

The table below identifies the number of properties in each council tax band, the number of properties in receipt of council tax benefit and the Band D proportion of council tax each band pays.

### Bristol City Council Collection Fund

Each year the Council sets the Borough's Council Tax and collects the money due from council tax payers. The money we receive is paid into a separate 'Collection Fund'. Payments are made from this fund to Bristol City Council, , Avon Fire and Rescue Authority and Avon Police Commissioner.

As the billing authority we are required to keep this fund in balance. By 31st March 2014 we have forecast and declared a surplus on the Collection Fund of £4.1m. The main reason for this surplus is due to a lower take up of Council Tax benefit than planned in last year's budget \_RW repoert to add

The following collection fund surplus amounts will be paid to precepting authorities in 2014/15.

Bristol City Council	£ x,xxx,xxx
Avon Police Commissioner	£ xxx,xxx
Avon Fire and Rescue Authority	£ xxx,xxx

Precepting authorities have been notified on their surplus amount in January 2014 and the timing of the payment.

## **Bristol City Council's Council Tax Requirement**

To fund our spending plans, we propose to increase our proportion of the City's Council Tax by 2% in 2014/15 to raise £xx.xxxm. The table below identifies the effect of this 2% increase in council tax for each property band.

**Import table Budget Model Precepts**

## **Avon Fire Authority's Council Tax Requirement**

The table below identifies the 2014/15 precept notified to the Council for Avon Fire Authority.

**Import table Budget Model Precepts**

The Fire Authority Band D precept for 2014/15 has increased by x.x%. The total precept notified by the Fire Authority for 2014/15 is £x,xxx,xxx.

## **Avon Police Commissioner's Council Tax Requirement**

The table below identifies the 2014/15 precept notified to the Council for Avon Police Authority.

**Import table Budget Model Precepts**

The Police Commissioner Band D precept for 2014/15 has increased by x.x%. The total precept notified by the Fire Authority for 2014/15 is £xxxxxxx.

## **Bristol's Overall Council Tax for 2014/15**

After taking account of the council tax requirements of Bristol City Council and Fire and Police Authorities, the table below shows the City's Council Tax for 2014/15 for each band of property.

**Import table Budget Model Precepts**



## **Capital Investment Programme**

In addition to our revenue spending plans we spend money each year to purchase, build, improve and maintain assets – this is known as capital spending. The table below summarises our current year's capital spending plans and capital spending plans for the next three years that total £1,119.81m. The Council will only seek to have sufficient funding to meet the requirements of Tier 1 projects within its Treasury Management Strategy which will be updated to reflect any additional projects as they are refined or become ready for delivery.

<b>Capital Programme</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>	<b>Total £m</b>
<b>Capital programme for approval</b>	190.91	159.35	155.84	506.10
<b>Projects in development</b>	5.56	67.26	41.37	114.19
<b>Projects in early stage development</b>	22.63	40.11	45.88	108.62
<b>Housing Revenue Account projects</b>	57.05	52.24	54.54	163.83
<b>Capital Spending Forecast</b>	<b>276.15</b>	<b>318.96</b>	<b>297.63</b>	<b>892.74</b>

The table below details the 2014/15 capital budget for each of the council's directorates.

<b>Directorate Spending Limits</b>	<b>Responsible Officer</b>	<b>2014/15 £m</b>
City Director	Nicola Yates	17.19
People	John Redman	85.39
Place	Barra Mac Ruairi	68.79
Nieghbourhoods	Alison Comley	3.33
Business Change	Max Wide	16.21
<b>Council Budget Requirement</b>		<b>506.10</b>

## **Capital Investments**

In the Mayor's Vision for Bristol, was launched in Nov 2013, in which the Mayor sets out his three long-term ambitions and medium-term improvements. These are reflected in the Corporate Plan to be discussed at Council in February 2014. These ambitions and outcomes reflect community views, inspection recommendations and performance results and are detailed below:-

**Healthy and Caring Bristol**  
**Keeping Bristol working and learning**  
**Keep Bristol moving**  
**Building successful places**  
**Global Green City**  
**Vibrant Bristol**  
**Efficient Council**

The Council also needs to spend money to maintain its assets, buildings, houses and roads and the full details of the Capital Programme are provided in **Appendix B**

The table below shows that we intend to spend a total of **£506.10m** on capital Investments to deliver the Mayor's ambitions over the next three years.

<b>Capital Programme</b>	<b>2014/15 £m</b>	<b>2015/16 £m</b>	<b>2016/18 £m</b>	<b>Total £m</b>
<b>Healthy and Caring Bristol</b>	5.04	1.00	3.85	9.89
<b>Keeping Bristol working and learning</b>	100.42	29.29	3.59	133.3
<b>Keep Bristol moving</b>	54.51	83.46	78.28	216.25
<b>Building successful places</b>	3.73	2.40	3.05	9.18

<b>Global Green City</b>	8.92	0.22	-	9.14
<b>Vibrant Bristol</b>	1.75	25.00	65.00	91.75
<b>Efficient Council</b>	16.54	17.98	2.07	36.59
<b>Capital Spending Forecast</b>	<b>190.91</b>	<b>159.35</b>	<b>155.84</b>	<b>506.10</b>

The following sections investments in the above areas and explain why we believe we need to spend more money on some of these actions.

**Draft Capital programme for approval** - These are projects that are actively progressing, they are fully approved and have full funding in place. We are seeking to add a further three projects to the Capital Programme this year; these are major projects where work is underway and are close to securing approval and identifying sources of funding.

**Projects in development** – these are projects that are currently being developed, they may or may not be formally approved, but have a business case and clear funding potential. Depending on the outcome of this work, the council could in future choose to fund the project and it would then move to the main Capital Programme for progressing.

**Projects in early stage development** – These are projects that we would like to deliver but don't currently have the funding or approval. As and when there is more progress with a project it would be moved to the Projects in Development category or the Capital Programme, depending on what decisions have been made and funding in place.

## How will the Council fund Capital Spending Plans

The table below identifies how we will fund the capital programme over the next three years;

2013/14 £ 000	Council Capital Funding Plan	2014/15 £000	2015/16 £000	2017/18 £000	Total £000
	Prudential Borrowing ( <b>PB</b> )				
	Capital Grants and Reserves ( <b>GR</b> )				
	Capital Receipts ( <b>CR</b> )				
	Revenue Funding ( <b>RF</b> )				
	External Funding ( <b>EF</b> ) (eg LEP)				
	Total				

## Use of capital receipts

The Council's current capital receipts policy ensures that any capital receipts received are available to support the overall capital programme and are not ringfenced for specific schemes.

The following table identifies the forecast capital receipts position over the next three years. Given the nature of capital receipts and that slippage can occur we monitor receipts on a quarterly basis

	2013/14	2014/15	2015/16	2016/17	Future
2013/14 Disposals					
2014/15 Disposals					
2015/16 Disposals					
2016/17 Disposals					
Future Disposals					
<b>Total Capital Receipts</b>					
Use of Capital Receipts					
<b>Total use of Capital Receipts</b>					

The table reflects a degree of over-programming and is within reasonable boundaries given that capital schemes do get delayed. The council's property portfolio is under review and it is expected that further capital receipts can be generated from the sale of surplus assets over the next three years and beyond. Options for property disposals will be monitored by the Director of Property Services and reported to SLT and Cabinet each quarter.

In advance of potential receipts it is important to ensure that capital reserves are available to fund any shortfall in any one year. The Chief Finance Officer will maintain control over the timing and use of capital reserves and determine when these reserves can be released to ensure that each year's capital spending can be fully funded.

## Capital Grants

The Council receives a number of capital grants from central government to fund the Council's capital programme, the most significant amounts relate to developing and expanding the School estate.. These grants are either ringfenced (must be used for the purpose they are given) or unringfenced (available to fund the overall capital programme).

The use of un-ringfenced capital grants during the coming years will be controlled by the Chief finance Officer to ensure that the use of these unringfenced grants is targeted towards the Mayor's key ambitions and priority outcomes. This review may result in changes to the use of unringfenced capital grants from 2014/15.

The table below identifies the capital grant notifications we have received. **Appendix x** provides more details about each of these grants.

Capital Grant Notifications (by grant type)	2013/14	2014/15	2015/16	2016/17

## 6. What are the Council's Housing Revenue Spending Plans

The table below summarises the overall position on the Housing Revenue Account (HRA) for the next three years. A deficit is forecast for 2014/15 and this will be funded from reserves. Provisional **surpluses** are forecast for the following two years.

2013/14 £000	HRA Revenue budget	2014/15 £m	2015/16 £m	2017/18 £m
	Income	125.8		
	Expenditure	85.8		
	Capital Investment	50.6		
	Surplus/(Deficit)	<b>(10.6)</b>		

### Housing Revenue Income Plans for 2014/15

The table below details the **HRA income** for 2014/15. Income projections for 2015/16 and 2016/17 are only provisional at this stage.

2013/14 £000	Income Budget	2014/15 £m	2015/16 £m	2017/18 £m
	Rents	113.9		
	Service charges	7.8		
	Void Property Costs	(1.6)		
	Capital Receipts	4.5		
	Other	1.2		
		<b>125.8</b>		

- Gross rent:** The rent income figure is based on following the government's current rent restructuring policy – meaning rents are increased each year to try to bring them to their Target rent.  
 Target rents for each home are calculated using a government formula that takes into account number of factors including the size and relative value of the property. The annual increase for Target rents is set by government and has been Retail Price Index (RPI) + 0.5% per annum. When rent restructuring was introduced in 2000, actual rents were significantly below Target rents therefore over the last decade rents have risen not only by RPI plus 0.5% but also by a further amount each year to bring them a step closer to their Target rent.  
 Convergence has been delayed for many properties as government also set an annual maximum increase any individual tenant could receive – which is RPI+0.5%+£2. This means that even now, around 20% of our rents are at below 90% of their target rent. The figures in the table above assume we continue to follow rent restructuring policy for 2014/15, meaning the average rent rise would be **6.16% bringing average weekly rent to £78.95 (52 week basis)**. This is based on September RPI of 3.2%  
 Based on these increases 5,410 out of 27,891 tenants would be at Target rent.
- Gross service charges** – government policy has also largely dictated service charges. Service charges are levied for specific services that are received by some but not all tenants (and some leaseholders). These charges include caretaking, laundries, CCTV. The government allows social landlords to increase service charges annually by RPI plus 0.5%. Service charge income is only able to cover the cost of the service for which it is levied, and a service charge amount cannot be raised (by more than RPI +0.5%) unless the charge is for a new or 'an extension of an existing service'.

Therefore our proposal is to increase the majority of service charges by RPI + 0.5% providing this does not result in the charge being higher than service costs.

- **Voids** – the loss of rents and service charge income due to voids (i.e. periods when homes are empty between tenancies) is based on 1.4% of potential income.
- **Capital receipts** – These are largely from the sale of council homes under the Right To Buy to sitting tenants at a discount. Normally we are only able to keep 25% of these (and the average sale price after discount is around £50K), however, if receipts are re-invested to build new council homes then a larger proportion can be retained.
- **Other revenue income** – 'rent' from other assets including garages and shops and interest on balances.

Council house dwelling rents for 2014/15 increase by an **average of £4.58per week** (6.16% average increase) to **£78.95p** with effect from Monday 8<sup>th</sup> April 2014. This is in line with government guidelines on rent increases and restructuring. The table below shows the average rent increases for 2014/15 for different sized dwellings:

Accommodation Type	2013/14	2014/15	% increase
Flats			
2 bedroom house			
3 bedroom house			
4 bedroom house			
5 bedroom house			

Service charges for 2014/15 **increase by 3.2%+0.5%** with effect from Monday 8<sup>th</sup> April 2014. This is in line with government guidelines on service charge increases.

## Housing Revenue Expenditure Plans for 2014/15

The table below details the **HRA planned expenditure** for 2014/15. Spending plans for 2015/16 and 2016/17 are only provisional at this stage.

2013/14 £000	Expenditure Budget	2014/15 £000	2015/16 £000	2017/18 £000
	Revuee Repairs	33.6		
	Management	27.6		
	Service Costs	8.2		
	Bad Debt Costs	2.9		
	Other costs	1.3		
	Interest	12.2		
	<b>Total Revenue Costs</b>	<b>85.8</b>		
	Operating Surplus/(Deficit)	<b>40.0</b>		
	<b>Capital Investment (ex cap receipts)</b>	50.6		

The key changes to our housing spending plans for 2014/15 are:

- **Revenue repairs** – for response repairs, cyclical maintenance, servicing and reletting homes. Based on last year's expenditure but includes an uplift for starting to improve the relet standard.
- **Management costs** – direct staffing, overheads and support services costs for the services to manage and maintain homes. Based on 2013/14 budget but includes an

increase for additional resources for the introduction of Flexible Tenancies and providing a service to help tenants to move (especially those tenants affected by the under occupation charge). These services are provisional and will be confirmed following cabinet decisions.

The budget also makes provision for higher (£3.7m) GF recharges and specific service charges (e.g. Grounds Maintenance) which are in addition to the £11m charges for 2013/14.

- **Service costs** – as above but the costs for the provision of specific services to tenants and leaseholders.
- **Debts costs** – interest payments on the £245m debt on the HRA.
- **Bad debts** – the figure of £2.9m represents 2.5% of gross rent and is higher than performance in previous years. This reflects the likely impact of welfare benefit reforms – as c.70% of tenants are in receipt of housing benefit. This figure is a high risk factor and will need to be monitored closely.
- **Other** – includes council tax payments on void properties and other rents and rates.
- **Capital** – consists of investment in existing homes to ensure they meet Bristol Homes Standards (£33.2m), investment in new homes (£7.4m) and other investment largely in ICT to modernise Landlord Services and put in place building blocks for council wide change (£10m).

## **Housing Revenue Account Reserves**

The table below shows the forecast level of housing reserves at the end of March 2014.

2012/13	HRA Reserves	2013/14	2014/15
	<b>Total Reserves</b>		

Housing general reserves are forecast to be £x.xxm at the end of 2014/15. Financial risks facing the account over the coming year include:-

- The continuing trend in Right To Buy (RTB) sales and resultant loss of rent income to the Housing Revenue Account and capital programme.

Obtain additional risk view from Mary Ryan



## 7. The Council's Borrowing and Investment Plans

Treasury management is an integral part of the Council's finances providing for cash flow management (i.e. ensuring cash is available when needed and that surplus monies are invested securely) and funding of the Council's capital plans and longer term cash flow requirements.

The Council is required by legislation and guidance to produce three strategy statements in relation to treasury management arrangements:

- A Treasury Management Strategy which sets out the Council's proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities
- An Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security over liquidity and yield
- A Policy statement on the basis on which provision is made in the revenue accounts for the repayment of borrowing – the Minimum Revenue Provision Policy Statement

The Council is also required to have regard to the CIPFA Code of Practice on Treasury Management which requires:

- A Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities
- Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Clear delegated responsibility for overseeing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions

The TMSS Report also deals with the setting of Prudential Indicators which ensure that the Council's capital investment decisions remain affordable, sustainable and prudent. With the introduction of the government's self-financing arrangements for the Housing Revenue account (HRA) there are now specific indicators relating to HRA capital investment.

Capital spending is essential to Bristol's future reflecting how the council will evolve in the coming years. Any Council spending on capital projects that is not financed from grants and capital receipts is paid for with money the Council borrows.

Every year a portion of the Council's revenue budget must be used to fund debt service, i.e. the payment of interest and principal on debt outstanding. The more the Council spends on servicing debt, the less funds are available for the day to day running costs of services.

The capital programme is primarily financed by long-term debt for two main reasons:

- (i) Equity – it is fair that current taxpayers should help pay for the facilities that they use even though they were funded in previous periods, and that future taxpayers contribute to assets currently being brought into use
- (ii) Stability – because capital projects vary considerably in size, complexity and cost the stream of expenditure can be considerably lumpier than the revenue budget. To pay for the entire capital programme as part of the general revenue budget would require erratic changes in council tax from year to year.

The proposed prudential indicators set out in the TMS are based on the capital programme proposals detailed in this report. These indicators may need to be revisited subject to capital funding announcements and decisions relating to the capital programme, and if necessary revised.

Key points to note with regard to the Treasury Management Strategy:

- Overall the Council has a borrowing requirement of £273m by 2016/17. £141m of this is currently temporarily funded from internal sources (balances and reserves). Based on current plans and forecasts, the Council will have to externally borrow a minimum of £140m by 2016/17.
- Consideration will be given to all forms of borrowing/financing at the most advantageous time, as set out in the Strategy. This will include the PWLB, markets, Bond issues etc.
- The use of internal resources in lieu of borrowing is likely to be the most cost effective means of financing capital expenditure in 2014/15. However, subject to the future use of reserves, this will only defer rather avoid the need for long-term borrowing at some point over the MTFS period and,
- The proportion of the revenue budget servicing debt is currently around 9%. This is forecast to increase to around 12% by 2016/17 and to 14% by 2018/19.
- The Annual Investment Strategy sets out the minimum acceptable credit quality of counterparties for inclusion on the lending list. There are no significant changes to the investment strategy in 2014/15
- The Chief Financial Officer is authorised to limit, but not extend, the criteria for investment set out in the Treasury Management Strategy

**The Council's Treasury Management Strategy is set out in full in Appendix C**



## Appendix A

### 2014/15 Directorate Revenue Budgets

2013/14 £000	2013/14 Gross £000	2013/14 Revised £000	SUMMARY	2014/15 £000	2015/16 £000	2016/17 £000
(100,765)	(33,172)	(133,937)	<b>FUNDING</b>			
(87,900)	0	(87,900)	Formula Grant	(110,476)	(80,539)	(60,017)
(154,408)	0	(154,408)	Business Rates Retention	(91,369)	(93,883)	(96,496)
0	0	0	Council Tax Income	(160,101)	(164,473)	(168,864)
0	0	0	Council Tax Income	0	0	0
0	0	0	Council Tax Freeze Grant			
0	(800)	(800)	Business Rates Retention - compensation grant	(964)	(964)	(964)
656	0	656	Council Tax Income	0	0	0
(5,700)	(1,590)	(7,290)	CTSS - Transition grant	(4,078)	0	0
(348,117)	(35,562)	(383,679)	Collection Fund (Surplus)/Deficit	(9,390)	(10,328)	(12,128)
			New Homes Bonus			
			<b>TOTAL FUNDING</b>	<b>(376,378)</b>	<b>(350,187)</b>	<b>(338,469)</b>
			<b>SERVICE BUDGETS (Including Capital Charges)</b>			
81,033	15,054	96,087	Children & Young People	96,087	96,087	96,087
18,935	0	18,935	Organisational Development	18,935	18,935	18,935
121,302	17,980	139,282	Health & Social Care	139,282	139,282	139,282
118,864	1,616	120,480	Neighbourhoods and City Deal	120,480	120,480	120,480
(1,350)	800	(550)	Corporate one-off savings	(550)	(550)	(550)
			<b>2014/15 Assumptions</b>			
0	0	0	Inflation on contracts	3,400	6,800	10,200
			<b>2014/15 Budget Proposals</b>			
0	0	0	Unavoidable Growth	1,000	2,000	2,100
0	0	0	Savings in delivery	(4,900)	(6,900)	(9,100)
0	0	0	Mayor's savings	(20,255)	(31,340)	(43,004)
0	0	0	Corporate Initiatives	0	0	0
0	0	0	One Change Programme - savings	(15,300)	(32,500)	(54,000)

0	0	0	One Change Programme - investment	20,000	5,000	5,000
<b>338,784</b>	<b>35,450</b>	<b>374,234</b>		<b>358,179</b>	<b>317,294</b>	<b>285,430</b>
			<b>OTHER BUDGETS</b>			
(23,682)	0	(23,682)	<b>Capital Charges</b>	(23,682)	(23,682)	(23,682)
			<b>Provisions</b>			
3,527	112	3,639	Corporate Contingency	4,673	5,544	5,750
1,900	0	1,900	Pay Contingency	3,700	5,500	7,300
4,410	0	4,410	Discretionary Pensions	4,410	4,410	4,410
			Borrowing Net of Investment			
15,279	0	15,279	Income	16,479	24,979	24,979
1,119	0	1,119	Levies	1,119	1,119	1,119
			Revenue Support for Capital			
4,180	0	4,180	Programme	4,180	4,180	4,180
0	0	0	2013 Pension Revaluation	3,466	5,198	7,292
0	0	0	Pensions - single tier pension			
0	0	0	changes	0	0	3,500
7,000	0	7,000	Change Programme costs	0	0	0
<b>13,733</b>	<b>112</b>	<b>13,845</b>	<b>TOTAL OTHER BUDGETS</b>	<b>14,345</b>	<b>27,248</b>	<b>34,848</b>
<b>352,517</b>	<b>35,562</b>	<b>388,079</b>	<b>TOTAL REVENUE SPEND</b>	<b>372,524</b>	<b>344,542</b>	<b>320,278</b>
<b>4,400</b>	<b>0</b>	<b>4,400</b>	<b>(Funding available)/Savings Required prior to reserve movements</b>	<b>(3,854)</b>	<b>(5,646)</b>	<b>(18,191)</b>
			<b>Contributions</b>			
(4,400)	0	(4,400)	Contribution to (+) / from (-) Earmarked Reserves (note 1)	0	0	0
0	0	0	Contribution to (+) / from (-) MTFP Reserve	0	0	0
0	0	0	Contribution to (+) / from (-) General Reserve	0	0	13,600
<b>(4,400)</b>	<b>0</b>	<b>(4,400)</b>	<b>Net contributions from Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>13,600</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Balance of (funding available)/Savings Required</b>	<b>(3,854)</b>	<b>(5,646)</b>	<b>(4,591)</b>

**Appendix B**

**Capital Programme**

DRAFT

# Building a better Bristol:

The Draft Capital Programme 2014/15 – 2016/17



8 January 2014

# Building a better Bristol: The Draft Capital Programme 2014/15 – 2016/17

## A city with a vision

This is a city with a clear vision for the future. It's one which prioritises opportunities for education, training and jobs; improved transport; a vibrant city; a healthy and caring city, and a place with better connected neighbourhoods with suitable housing options. It's also as truly green city, living up to the promise of our status as European Green Capital for 2015.

## Introducing the Capital Programme

This draft Capital Programme sets out plans for our capital budget, which pays for major projects or the purchasing, building and improving of council assets. Put simply, it's how we hope to invest several hundred million pounds alongside our partners to build a better Bristol over the next three years.

It is funded through various sources including council funds, government grants, private investment, affordable borrowing or a mixture of these methods. Whilst the Capital Programme is part of the council's overall budget, it is not (and cannot be) used for providing day-to-day services, which are paid for from the revenue budget.



**George Ferguson**  
Mayor of Bristol

# Understanding the Capital Programme

This document is divided into four categories:

**Draft Capital programme for approval** – These are projects that are actively progressing, they are fully approved and have full funding in place. We are seeking to add a further four projects to the Capital Programme this year (Identified by\*), these are major projects where work is underway and are close to securing approval and identifying sources of funding.

**Projects in development** – These are projects that are currently being developed, they may or may not be formally approved, but have a business case and clear funding potential. Depending on the outcome of this work, the council could in future choose to fund the project and it would then move to the main Capital Programme for progressing. These projects are listed in *Appendix A*.

**Projects in earlier stages of development** – These are projects that we would like to deliver but don't currently have the funding or approval. Some of them may not be currently being worked on. As and when there is more progress with a project it would be moved to the Projects In Development category or the Capital Programme, depending on what decisions have been made and if funding is in place. These projects are listed in *Appendix B*.

**Housing Revenue Account Projects** – Some housing-specific projects are paid for using funds from the council's Housing Revenue Account, money gained through management of our housing stock which is ploughed back in to maintenance and improvement. These projects are listed in *Appendix C*.

**A note on the categories:** These are indicative and are based on the current state of play. It is completely normal for proposals to move between the categories as work continues. In some cases projects appear in multiple categories at once if the project has several phases.

As you read the proposals, you will see that they are grouped by which part of the Vision for Bristol they serve, so you can also see the outcomes they contribute towards. [www.bristol.gov.uk/vision](http://www.bristol.gov.uk/vision)

You'll also see where the funding is coming from – the council's contribution and what is coming from other sources.

**A note on the ratio of internal and external funding:** Most external funding comes from central government or European Union departments and some funding comes from other sources such as trusts. Typically external funding awards are based on an application and business case submission, so a project needs to be well developed before an award is possible. The result is that external funding awards tend to precede the delivery of the project by about 12 months.

A conventional one year Capital Programme will show the council and external funding for the projects that will be delivered in that year and this is clear from the current Capital Programme proposal for 2014/15. The challenge with a three year budget proposal is that the external funding element is not clear for years two and three. The Capital Programme figures for the second and third years must therefore be regarded as 'live' and will be updated as external funding awards are received. Some projects, substantially those listed in appendices A and B will only be able to proceed with external funding.

## What next?

The draft Capital Programme is due to be discussed at Cabinet on 16 January 2014 and then debated at Full Council at 18 February 2014. Full Council will decide whether to approve the Capital Programme as part of its debate on the entire council budget.



# Draft Capital Programme 2014/15–2016/17

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Healthy and caring Bristol	C-PL-023	Delivering aids and adaptations for disabled people	Delivering aids and adaptations for disabled people in private homes, helping them live more independently.	BCC				
				External	1.08	1.00	1.00	3.08
				<b>Total</b>	<b>1.08</b>	<b>1.00</b>	<b>1.00</b>	<b>3.08</b>
	C-PL-024	New 'Extra Care' housing for older people	Extra Care housing provides accommodation for older people with some care services on site. This proposal is to provide 40 new 'extra care' housing spaces at Cold Harbour Lane as part of a 261 unit development. It will also contribute towards an extra 222 units for rent and 764 units for sale or shared ownership at other sites. A business case is being developed to look at further funding options for these.	BCC			2.85	2.85
				External				
				<b>Total</b>			2.85	2.85
	C-PP-013	ICT - Children First	To make Children First service more efficient by replacing existing case management systems with two connecting systems.	BCC	2.30			2.30
				External				
				<b>Total</b>	<b>2.30</b>			<b>2.30</b>
	C-PP-012	ICT - Health & Social Care transformation	To make Health and Social Care service more efficient by replacing current systems with a new case management system that will mean staff can work more flexibly and collect better data about our service users.	BCC	0.96			0.96
				External				
				<b>Total</b>	<b>0.96</b>			<b>0.96</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Healthy and caring Bristol	C-PP-005	Westleigh Resource Centre	Expansion of Westleigh Resource Centre to increase the number of Reablement beds. Increased Reablement facilities mean that service users have the support they need between leaving hospital and returning home without requiring residential care.	BCC	0.67			0.67
				External				
				<b>Total</b>	<b>0.67</b>			<b>0.67</b>
	C-PP-007	New Dementia Service	The service is currently based at Beam Street which is due to be developed as a school site. The community based Dementia Service will move to Westleigh Resource Centre, where it will be in the same place as other Reablement Services (as above). This proposal also ensures that computer systems are compatible with and can access NHS data systems.	BCC	0.03			0.03
				External				
				<b>Total</b>	<b>0.03</b>			<b>0.03</b>
Keeping Bristol working and learning	C-PP-010	School Organisation/ CYPs Capital Programme	To provide enough suitable school/education places to meet the growing demand. This will involve building new schools and providing new spaces in existing facilities.	BCC		20.00		20.00
				External	80.00	8.52	3.59	92.11
				<b>Total</b>	<b>80.00</b>	<b>28.52</b>	<b>3.59</b>	<b>112.11</b>
	C-BC-002	Gigabit Bristol	A contribution towards the infrastructure for businesses to access superfast broadband in the Bristol Temple Quarter Enterprise Zone and across the city.	BCC				
				External	11.30			11.30
				<b>Total</b>	<b>11.30</b>			<b>11.30</b>



Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keeping Bristol working and learning	C-PL-043	Filwood Green Business Park	Development of a brand new eco-friendly business park with high quality, sustainable employment space as part of our efforts to regenerate Knowle West.	BCC	0.18	0.77		0.95
				External	8.59			8.59
				<b>Total</b>	<b>8.77</b>	<b>0.77</b>		<b>9.54</b>
	C-PP-011	The Station*	To provide 'Creative Youth Network' (CYN) with a contribution to enable them to purchase premises adjoining 'The Station'. This would allow CYN to expand their offerings and include more teaching and learning facilities for young people with Special Educational Needs.	BCC	0.35			0.35
				External				
				<b>Total</b>	<b>0.35</b>			<b>0.35</b>
Keep Bristol moving	C-PL-052	Metrobus*	Providing the three proposed Metrobus schemes (totalling £200m) to improve public transport and reduce congestion. Delivered in partnership through the West of England Local Enterprise Partnership with North Somerset and South Gloucestershire councils. Expenditure shows the future spending profile of the programme.	BCC	7.27	2.66	17.75	27.68
				External	27.65	69.82	50.02	147.49
				<b>Total</b>	<b>34.92</b>	<b>72.48</b>	<b>67.77</b>	<b>175.17</b>
	C-PL-029	Enterprise Zone transport Improvements (Revolving Infrastructure Fund)	Transport infrastructure schemes such as roads, bus stops etc. to help deliver the 17,000 new jobs in the Bristol Temple Quarter Enterprise Zone.	BCC				
				External	5.00	7.00	7.00	19.00
				<b>Total</b>	<b>5.00</b>	<b>7.00</b>	<b>7.00</b>	<b>19.00</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keep Bristol moving	C-PL-031	Transport Asset Maintenance and Improvement (TAM&I)	Our regular works to keep improving and updating our transport and parking infrastructure such as roads and car parks.	BCC				
				External	2.98	3.00	3.00	8.98
				<b>Total</b>	<b>2.98</b>	<b>3.00</b>	<b>3.00</b>	<b>8.98</b>
	C-PL-032	Cycle Ambition Fund	Improving cycling infrastructure like bridges and cycle lanes to improve cycling and help increase the number of cyclists.	BCC	1.02	0.04		1.06
				External	3.82			3.82
				<b>Total</b>	<b>4.84</b>	<b>0.04</b>		<b>4.88</b>
	C-PL-040	Residents' Parking Schemes	The introduction of Residents' Parking Schemes across inner Bristol between 2012–2015.	BCC	3.00			3.00
				External				
				<b>Total</b>	<b>3.00</b>			<b>3.00</b>
	C-PL-039	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	BCC				
				External	2.30			2.30
				<b>Total</b>	<b>2.30</b>			<b>2.30</b>
	C-PL-030	MetroWest Development Fund	Development work towards the introduction of 30 minute frequency local rail services from suburban rail stations in Bristol and the wider city region.	BCC				
				External	0.41	0.73	0.25	1.39
				<b>Total</b>	<b>0.41</b>	<b>0.73</b>	<b>0.25</b>	<b>1.39</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keep Bristol moving	C-PL-033	20 mph scheme	To introduce new 20mph speed limits across the city, making streets safer and helping traffic flow.	BCC				
				External	0.85			0.85
				<b>Total</b>	<b>0.85</b>			<b>0.85</b>
	C-PL-038	Rail Stations Improvement Programme	Project to identify where stations can be improved to promote rail accessibility and security. This will focus on CCTV placement, stairway repair and ramp maintenance.	BCC				
				External	0.15	0.15	0.20	0.50
				<b>Total</b>	<b>0.15</b>	<b>0.15</b>	<b>0.20</b>	<b>0.50</b>
	C-PL-034	Public Rights of Way	Improvements to footpaths and bridleways in the city, with work such as new signage, surface improvements, new steps, handrails etc. This work is part of the Local Transport Plan	BCC				
				External	0.06	0.06	0.06	0.18
				<b>Total</b>	<b>0.06</b>	<b>0.06</b>	<b>0.06</b>	<b>0.18</b>
Building successful places	C-PL-045	Capitalised Repair and Maintenance	Funding to maintain the structural fabric of existing properties and will reduce as the number of premises providing accommodation falls as part of Bristol Workplace Project	BCC	1.00	1.00	1.00	3.00
				External				
				<b>Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>3.00</b>
	C-PL-022	Investment in parks and green spaces	Improvement of parks and green spaces across the city.	BCC	2.19			2.19
				External	0.56			0.56
				<b>Total</b>	<b>2.75</b>			<b>2.75</b>
	C-PL-026	Carriageworks and Westmoreland House	This derelict property blights Stokes Croft. Working with the Homes and Communities Agency we will redevelop the site for homes and jobs, purchasing the land either by agreement with the owner or by a Compulsory Purchase Order.	BCC			0.60	0.60
				External	0.25	0.25	0.40	0.90
				<b>Total</b>	<b>0.25</b>	<b>0.25</b>	<b>1.00</b>	<b>1.50</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Building successful places	C-PL-042	Filwood Broadway	Regeneration of district centre – part of Knowle West Regeneration Framework.	BCC		0.70	0.70	1.40
				External				
				<b>Total</b>		<b>0.70</b>	<b>0.70</b>	<b>1.40</b>
	C-PL-011	Devolved Neighbourhood Partnerships spend (minor traffic schemes programme)	Providing funding to Neighbourhood Partnerships for minor traffic schemes which make a positive difference locally. These might include things like pedestrian crossings and other safety measures. A new way of delivering local schemes will need to be developed with the Neighbourhood Partnerships before the start of 14/15 to ensure all schemes are delivered.	BCC				
				External	0.35	0.35	0.35	1.05
				<b>Total</b>	<b>0.35</b>	<b>0.35</b>	<b>0.35</b>	<b>1.05</b>
	C-PL-013	Gainsborough Square Regeneration	Improvements to Gainsborough Square and site preparation for adjoining sites.	BCC	0.62			0.62
				External	0.37			0.37
				<b>Total</b>	<b>0.99</b>			<b>0.99</b>
	C-PL-041	Kingswear and Torpoint	Housing development and open space improvements – part of Knowle West Regeneration Framework.	BCC	0.81			0.81
				External				
				<b>Total</b>	<b>0.81</b>			<b>0.81</b>
	C-PL-042A	Knowle West Regeneration framework delivery programme	Delivery of a number of projects currently including: Design Codes, Newquay Road Playground, Inns Court Play area. Main delivery plan is under development and will include further public realm improvements and preparing sites for housing development.	BCC	0.23			0.23
				External				
				<b>Total</b>	<b>0.23</b>			<b>0.23</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Building successful places	C-PL-028	The Park Community Asset Transfer (CAT)	When ownership of The Park in Knowle was transferred to a community group we agreed five years of funding towards outstanding repairs. This is for the final two instalments.	BCC	0.10	0.10		0.20
				External				
				<b>Total</b>	<b>0.10</b>	<b>0.10</b>		<b>0.20</b>
Global Green City	C-PL-004	Energy Programme Workstream 3 – Investments	A project to install solar panels on some council housing and other buildings as part of our renewable energy investment.	BCC	3.00			3.00
				External				
				<b>Total</b>	<b>3.00</b>			<b>3.00</b>
	C-PL-051	ELENA (European energy efficiency and renewable energy programme)	Seed money to kickstart wider investment in environmental projects in partnership with other sectors.	BCC	0.08	0.01		0.09
				External	1.26	0.21		1.47
				<b>Total</b>	<b>1.34</b>	<b>0.22</b>		<b>1.56</b>
	C-PL-044	Bio-mass programme	Support our existing 'bio-mass' programme of work which creates sustainable energy from household waste.	BCC	1.55			1.55
				External				
				<b>Total</b>	<b>1.55</b>			<b>1.55</b>
	C-PL-007	Environmental Improvement Programme	City centre projects that bring significant benefits to the walking, cycling, public transport and historic environments.	BCC	0.28			0.28
				External				
				<b>Total</b>	<b>0.28</b>			<b>0.28</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Vibrant Bristol	C-PL-014	Bristol Arena*	£91m indoor entertainment venue with 12,000 capacity located on the former Diesel Depot adjacent to Temple Meads station. To be opened in 2017. The council is heading up the development and the revenue from the lease will fund part of the capital cost. The remainder to be funded through the City Deal growth incentive and other related revenues.	BCC	1.00	25.00	65.00	91.00
				External				
				<b>Total</b>	<b>1.00</b>	<b>25.00</b>	<b>65.00</b>	<b>91.00</b>
	C-PL-050	Bristol Old Vic*	Contribution towards improvements at Bristol Old Vic.	BCC	0.50			0.50
				External				
				<b>Total</b>	<b>0.50</b>			<b>0.50</b>
	C-PL-016	Kingsweston Sports and Social Club	Rebuild the Sports and Social club which burnt down.	BCC	0.06			0.06
				External	0.19			0.19
				<b>Total</b>	<b>0.25</b>			<b>0.25</b>
Council efficiency (underpinning Mayoral Vision)	C-BC-005	Bristol Workplace	Reduce the number of offices we work in and invest in the remaining buildings to make them modern, efficient and flexible workplaces, including all the necessary ICT.	BCC	15.91	17.98	2.07	35.96
				External				
				<b>Total</b>	<b>15.91</b>	<b>17.98</b>	<b>2.07</b>	<b>35.96</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)	
Council efficiency (underpinning Mayoral Vision)	C-PL-015	Eastville Depot	To refurbish the Eastville depot to accommodate Pest Control and Parks Grounds Maintenance East and Central teams.	BCC	0.33			0.33	
				External					
				Total	0.33			0.33	
	C-BC-004	Contact Centre Technology	Improve the technology and software used in our Customer Contact Centre so we have a single complete picture of our dealings with customers and their details.	BCC	0.30			0.30	
				External					
				Total	0.30			0.30	
					BCC:	43.74	68.26	89.97	201.97
					External:	147.17	91.09	65.87	304.13
					Total:	190.91	159.35	155.84	506.10

\* These projects are included in the Capital Programme subject to approval of this document by Full Council on 18 February 2014.



## Appendix A: Projects in development

These are projects that are currently being developed, they may or may not be formally approved, but have a business case and clear funding potential. Depending on the outcome of this work, the council could in future choose to fund the project and it would then move to the main Capital Programme for progressing.

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Healthy and caring Bristol	C-PP-009	PWD Partnership – new homes for people with dementia.	A partnership working on the development of three state of the art homes providing services for many more people with dementia. These will be built on the site of previous residential homes.	BCC	0.31	7.50		7.81
				External				
				<b>Total</b>	<b>0.31</b>	<b>7.50</b>		<b>7.81</b>
	C-PL-024	New 'Extra Care' housing for older people	Extra Care' housing provides accommodation for older people with some care services on site. This proposal is to provide 40 new 'extra care' housing spaces at Cold Harbour Lane as part of a 261 unit development. It will also contribute towards an extra 222 units for rent and 764 units for sale or shared ownership at other sites. A business case is being developed to look at further funding options for these.	BCC			2.68	2.68
				External				
				<b>Total</b>			<b>2.68</b>	<b>2.68</b>
Keeping Bristol working and learning	C-PP-010	School Organisation/ CYPS Capital Programme – SHORTFALL	To provide enough suitable school/education places to meet the growing demand. This will involve building new schools and providing new spaces in existing facilities.	BCC		47.48	26.41	73.89
				External				
				<b>Total</b>		<b>47.48</b>	<b>26.41</b>	<b>73.89</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keeping Bristol working and learning	C-BC-001	Software development for early payment discount scheme for businesses. Invest to save.	Establish an electronic system that will let us introduce an early payment discount scheme, so we negotiate discounts with businesses in return for paying them more quickly.	BCC	0.50			0.50
				External				
				<b>Total</b>	<b>0.50</b>			<b>0.50</b>
Building successful places	C-PL-046	Hengrove Park and land at Hartcliffe Campus	Funding provided by the Homes and Communities Agency to develop a master plan and planning brief for the delivery of approx 1200 new homes, park land and play areas on the Hengrove Park site.	BCC				
				External	0.75			0.75
				<b>Total</b>	<b>0.75</b>			<b>0.75</b>
	C-PL-007	Environmental Improvement Programme: Central Area and Public Realm and Conservation Projects: Old City, Lower Lodge, Ashton Court	City centre projects that bring significant benefits to the walking, cycling, public transport and historic environments.	BCC		0.28	0.28	0.56
				External				
				<b>Total</b>		<b>0.28</b>	<b>0.28</b>	<b>0.56</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)	
Global Green City	C-PL-002	Energy Programme Workstream 2 – Infrastructure	Project 1: Investment in infrastructure such as district heating networks, electrical networks and electrical storage systems. This would be an investment which offers savings over the long term.	BCC	2.00	6.00	6.00	14.00	
				External					
				Total	2.00	6.00	6.00	14.00	
	C-PL-003		OR Project 2, an enhanced version which has additional costs above those given for Project 1.	BCC	2.00	6.00	6.00	14.00	
				External					
				Total	2.00	6.00	6.00	14.00	
					BCC:	4.81	67.26	41.37	113.44
					External:	0.75			0.75
					Total:	5.56	67.26	41.37	114.19

## Appendix B: Projects in earlier stages of development

These are projects that we would like to deliver but don't currently have the funding or approval. Some of them may not be currently being worked on. As and when there is more progress with a project it would be moved to the Projects In Development category or the Capital Programme, depending on what decisions have been made and if funding is in place.

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Healthy and caring Bristol	C-PL-023	Delivering aids and adaptations for disabled people	Delivering aids and adaptations for disabled people in private homes, helping them live more independently. This project also appears in the Draft Capital Programme. This part is a shortfall in funding which was previously provided by the Housing Revenue Account. If no replacement is identified for this funding then this portion of the work would stop.	BCC	0.73	0.73	0.73	2.19
				External				
				<b>Total</b>	<b>0.73</b>	<b>0.73</b>	<b>0.73</b>	<b>2.19</b>
	C-PP-004	Integrated Health & Social Care	National policy says that health services will become more closely linked with social care provided by councils. This may involve costs but more detail is needed before we will know.	BCC				tbc
				External				tbc
				<b>Total</b>				tbc
Keep Bristol moving	C-PL-036	M32 Park and Ride	A new Park and Ride service located at the M32.	BCC				
				External	2.00	4.00	4.00	10.00
				<b>Total</b>	<b>2.00</b>	<b>4.00</b>	<b>4.00</b>	<b>10.00</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keep Bristol moving	C-PL-035	Ashley Down Rail Station	Project to deliver a main line rail station on the Filton Bank at the previous location of the Ashley Hill Rail Station.	BCC	0.75	2.12	2.13	5.00
				External	0.75	2.13	2.12	5.00
				<b>Total</b>	<b>1.50</b>	<b>4.25</b>	<b>4.25</b>	<b>10.00</b>
	C-PL-009	Central Bristol Traffic reduction and Public Realm Improvements	Various schemes to reduce the amount of traffic in central Bristol, enhance the pedestrian and cycling experience and invest in high quality public realm improvements.	BCC	0.50	3.00	5.00	8.50
				External				
				<b>Total</b>	<b>0.50</b>	<b>3.00</b>	<b>5.00</b>	<b>8.50</b>
	C-PL-032	Cycle Ambition Fund: Future rounds	Improving cycling infrastructure like bridges and cycle lanes to improve cycling and help increase the number of cyclists.	BCC		3.50	3.50	7.00
				External				
				<b>Total</b>		<b>3.50</b>	<b>3.50</b>	<b>7.00</b>
	C-PL-039	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	BCC		3.00	3.00	6.00
				External				
				<b>Total</b>		<b>3.00</b>	<b>3.00</b>	<b>6.00</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Keep Bristol moving	C-PL-008	Smart Ticketing	Working with partners to introduce Oyster-style smart ticketing for public transport across Bristol and the wider region.	BCC	1.50	1.50	1.50	4.50
				External				
				<b>Total</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>	<b>4.50</b>
	C-PL-010	Road Safety	New road safety measures in line with our plans to reduce the number and severity of collisions and injuries on Bristol's roads.	BCC		2.00	2.00	4.00
				External				
				<b>Total</b>		<b>2.00</b>	<b>2.00</b>	<b>4.00</b>
	C-PL-040	Residents' Parking Schemes	The introduction of Residents' Parking Schemes across Bristol between 2012–2015. This is for the 'outer ring' of zones.	BCC		2.78		2.78
				External				
				<b>Total</b>		<b>2.78</b>		<b>2.78</b>
	C-PL-037	Portway Park and Ride Rail Platform	Funding to develop a new platform on the Bristol to Severn Beach rail line between Shirehampton and Avonmouth to serve the existing council operated Park and Ride site.	BCC	1.10			1.10
				External				
				<b>Total</b>	<b>1.10</b>			<b>1.10</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Building successful places	C-PL-025	Affordable Housing Enabling Budget	Provide funding to make sure new affordable homes are built by Housing Associations and other providers.  This is a shortfall in funding which was previously provided by the Housing Revenue Account. If no replacement is identified for this funding then this work would stop.	BCC				tbc
				External				tbc
				<b>Total</b>				<b>tbc</b>
Global Green City	C-PL-004	Energy Programme Workstream 3 – Investments	Renewable energy projects such as solar, wind and hydro-electric. These would be on big and small scales, and agreed based on clear criteria set by the council and the community.	BCC	3.30	9.20	9.00	21.50
				External	0.40	0.40	0.40	1.20
				<b>Total</b>	<b>3.70</b>	<b>9.60</b>	<b>9.40</b>	<b>22.70</b>
	C-PL-001	Energy Programme Workstream 1 – Housing	Potential development of an energy efficiency household loan scheme, should private sector finance solutions not be forthcoming.	BCC	1.00	1.00	1.00	3.00
				External				
				<b>Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>3.00</b>
	C-PL-019	Third Household Waste Recycling Centre	Building a third Household Waste Recycling Centre at Hartcliffe Way Depot.	BCC	2.00			2.00
				External				
				<b>Total</b>	<b>2.00</b>			<b>2.00</b>



Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Vibrant Bristol	C-PL-049	The Old Bottle Yard	Initiative aimed at increasing the amount of Film and TV production in the region by improving facilities at Bottle Yard Studios and the service offered by the Film Office. Investment from outside the council will be sought before resorting to a request for council funding.	BCC	1.60	3.00	3.00	7.60
				External				
				<b>Total</b>	<b>1.60</b>	<b>3.00</b>	<b>3.00</b>	<b>7.60</b>
	C-PL-021	Bristol Museums Futures	Various works to ensure a a high quality, sustainable and commercially successful service. This includes development of Bristol Museum & Art Gallery, creating a new object and archive storage and research facility.	BCC				
				External	0.50	1.50	3.50	5.50
				<b>Total</b>	<b>0.50</b>	<b>1.50</b>	<b>3.50</b>	<b>5.50</b>
	C-PL-048	Colston Hall	Contribution towards the refurbishment of Colston Hall.	BCC			5.00	5.00
				External				
				<b>Total</b>			<b>5.00</b>	<b>5.00</b>
	C-PL-018	New Bristol East Pool	Build of new swimming pool at Bristol Brunel Academy site.	BCC	4.50			4.50
				External				
				<b>Total</b>	<b>4.50</b>			<b>4.50</b>

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Vibrant Bristol	C-PL-020	Bristol South Community Sports Loan	Loan to Bristol South Community Sports to improve sports pitches.	BCC	0.25			0.25
				External				
				Total	0.25			0.25
	C-BC-006	ICT developments	New back-office computer systems to make the service more efficient, linking up HR, Payroll and Finance information and improving the Intranet.	BCC	1.75	0.25		2.00
				External				
				Total	1.75	0.25		2.00
				BCC:	18.98	32.08	35.86	86.92
				External:	3.65	8.03	10.02	21.70
				Total:	22.63	40.11	45.88	108.62

## Appendix C: Housing Revenue Account Projects

These projects are paid for using funds from the council's Housing Revenue Account, this is money gained through management of our housing stock which is ploughed back into maintenance and improvement.

Mayoral Vision	Ref	Project	Description	Funding source	2014/15 (£million)	2015/16 (£million)	2016/17 (£million)	Total (£million)
Building successful places	C-HRA-002	Maintaining and improving existing council homes	Maintaining and investing in our existing stock of 28,000 homes. Funded by rental income with 30 year business plan. Ensuring our homes meet Decent Homes Standards: this includes new kitchens, roof replacements, internal and external insulation (including cladding of blocks of flats), new heating systems, rewires, replacement of lifts/laundries in blocks and disabled adaptations.	BCC (HRA)	38.80	43.30	44.60	126.70
				External				
				Total	38.80	43.30	44.60	126.70
	C-HRA-001	Building new council homes	Development of 34 new council homes by March 2015, followed by around 70 each year to reach a total of around 1,000 by 2029.	BCC (HRA)	8.25	8.65	9.45	26.35
				External				
				Total	8.25	8.65	9.45	26.35
	C-HRA-003	Housing back office ICT investment	Modernise our Landlord Services by investing in a variety of computer systems to help us work more effectively.	BCC (HRA)	10.00	0.29	0.49	10.78
				External				
				Total	10.00	0.29	0.49	10.78
				BCC (HRA):	57.05	52.24	54.54	163.83
				External:				
				Total:	57.05	52.24	54.54	163.83

# APPENDIX C

## Treasury Management Strategy Statement

### BACKGROUND

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Chartered Institute of Public Finance Accountants (CIPFA) defines treasury management as:

*"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

The Council is also required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (revised November 2009) which requires the following:

- (i) A Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management arrangements (Annex 1)
- (ii) Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- (iii) Approval by Full Council of an annual Treasury Management Statement
- (iv) A Mid-year Treasury Management Report – this will update the Council with the progress of the capital position, amending prudential

indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision.

- (v) An Annual Treasury Report – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The Resources Scrutiny Commission is charged with reviewing and monitoring the Councils treasury management arrangements. Training for Resources Scrutiny has been undertaken during the year and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed and encouraged to further their skills with further relevant qualifications.

The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors. The advisors provide support to the internal treasury function under current market rules and the CIPFA code of practice. The final decision on treasury matters remains with the Council.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Treasury Management Strategy for 2014/15 covers the following main areas:

- Prudential Indicators and Treasury Limits for 2014/15 – 2016/17
- The current and projected treasury position
- Economic Forecast and prospects for interest rates
- Borrowing Strategy
- Policy on borrowing in advance of need;
- Debt rescheduling;
- Annual Investment Strategy;
- Minimum Revenue Provision (MRP) Policy Statement
- Icelandic Bank Investments

## **PRUDENTIAL INDICATORS AND TREASURY LIMITS FOR 2014/15 – 2016/17**

The Prudential Code requires that the Council set a series of indicators on a three year time frame. The Prudential Indicators are there to demonstrate that the Council can afford the proposed capital programme and that such expenditure is sustainable and prudent.

The Council has set the following prudential indicators as prescribed by the Code and these are set out below and detailed in Appendix 1:

- **Capital Expenditure** – the amount the Council plans to spend
- **Capital Financing Requirement (CFR)** – overall capital financing required for all capital expenditure
- **Ratio of Financing Costs to Net Revenue Stream** – financing cost as a percentage of revenue budget to ensure that borrowing does not overwhelm the capacity for other expenditure
- **Incremental impact of Financing costs** – indicates the impact of capital financing costs on council tax and housing rents
- **HRA Ratios**

Treasury indicators set parameters within which officers can take treasury management decisions. Council is asked to approve the following treasury indicators as prescribed by the Code and as detailed in Appendix 1.

- **Operational Boundary for External Debt** – this is the most likely and prudent view on the level of gross external debt required
- **Authorised Limit for External Debt** – the upper limit on the level of gross external debt permitted. The limit must not be breached without Full Council approval
- **HRA Debt Limit** – the HRA self-financing regime imposes a maximum HRA CFR on the Council.
- **Limits on Interest Rate Exposure** – sets the limit on the proportion of overall debt that can be fixed/variable.
- **Maturity Structure of Borrowings** – profile of when loans in the Council's portfolio are expected to mature
- **Upper Limit on Borrowings over 364 days**

## CURRENT AND PROJECTED TREASURY POSITION

The Councils currently has external borrowings of £415m and investments of £150m. Fuller details are included in Annex 2.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR together with usable balances and reserves are the core drivers of treasury management activity. The CFR is simply the total historic capital expenditure which has not yet been paid for from either revenue or capital resources.

Any future capital expenditure which is not immediately paid for from grants, capital receipts or revenue contributions will increase the CFR. The CFR is reduced each year by the annual revenue charge for the repayment of debt.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

The forecast movement in the CFR in coming years is one of the Prudential Indicators (PI's), which can be found in Annex A. The movement in actual external debt and usable reserves and balances combine to identify the Authority's borrowing requirement in the current and future years:

**Table 1: Balance Sheet Summary Analysis**

	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £</b>
CFR	724	745	788	850
Less Existing Borrowing	(415)	(415)	(415)	(415)
Less Other long-term liabilities	(168)	(162)	(155)	(148)
<b>Maximum external borrowing requirement</b>	<b>141</b>	<b>168</b>	<b>218</b>	<b>287</b>
Usable balances, reserves and working capital	(282)	(232)	(192)	(162)
<b>Minimum Borrowing Requirement</b>	<b>(141)</b>	<b>(64)</b>	<b>26</b>	<b>125</b>



## ECONOMIC FORECAST AND PROSPECTS FOR INTEREST RATES

The Council has appointed a treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their view.

Period	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2013	0.50	2.50	4.40	4.40
Mar 2014	0.50	2.50	4.40	4.40
Jun 2014	0.50	2.60	4.40	4.40
Sep 2014	0.50	2.70	4.50	4.50
Dec 2014	0.50	2.70	4.50	4.60
Mar 2015	0.50	2.80	4.60	4.70
Jun 2015	0.50	2.80	4.70	4.80
Sep 2015	0.50	2.90	4.80	4.90
Dec 2015	0.50	3.00	4.90	5.00
Mar 2016	0.50	3.20	5.00	5.10
Jun 2016	0.50	3.30	5.10	5.20
Sep 2016	0.75	3.50	5.10	5.20
Dec 2016	1.00	3.60	5.10	5.20
Mar 2017	1.25	3.70	5.20	5.30

The economic recovery in the UK since 2008 had been the slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.

A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks

therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

## **BORROWING STRATEGY**

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Service Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast* then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

- Long-term and short term fixed interest rates are expected to rise modestly over the medium term. The Service Director-Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.
- The option of postponing borrowing and running down investment balances strategy has been applied throughout 2013/14, and this approach will continue to be applied in future years until balances are reduced to adequate liquidity requirements. It is anticipated that funding from the PWLB will be in the form of short-term loans (1-10 years) that coincide with the Council's current debt maturity profile. Nonetheless, alternative maturity durations in excess of ten years will also be considered where there is value to the Council. In the event that investment balances rise in the future due to, for example, unforeseen grants then borrowing may be postponed. This would reduce counterparty risk and mitigate against cost of carry
- The Councils borrowing strategy will give consideration to new borrowing in the following ways:
  - The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years;
  - PWLB loans for up to 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing, which will spread debt maturities away from a concentration in longer dated debt;
  - PWLB loans in excess of 10 years where rates are considered to be low and offer the Council the opportunity to lock into low value long-term finance;
  - Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio;
  - Rates are expected to increase marginally during the year so the timing of new borrowing will be considered with the appropriate treasury management risks;

The authority is not planning to borrow in 2014/15, using investment balances to finance the expected Prudential Borrowing requirement (£39m) as set out in the Capital programme. This will minimise the increase in net debt financing costs and reduce counterparty risk. Should the financial environment change and borrowing is deemed advantageous the Council will seek to borrow long-term loans below a target rate of 4.5% and short-term medium term loans below a target rate of 3.00%.

The Council will seek to undertake temporary borrowing (less than one year) loans to cover day-to-day cashflow requirements as and when required. Such a decision will be based on the availability of and access to cash in deposit accounts and money market funds to cover the cashflow requirement, whilst also considering the most efficient method for the authority.

Temporary borrowing will also be considered when the draw down deadline for a deposit account for same day transfer has passed, thus resulting in borrowing cash from the money markets.

The Service Director Finance will be kept informed of the temporary loans outstanding at the monthly Treasury Management Group meeting.

## **POLICY ON BORROWING IN ADVANCE OF NEED**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- Consider the merits and demerits of alternative forms of funding;
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use;
- Consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk,

and other risks, and the level of such risks given the controls in place to minimise them.

Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

## **DEBT RESCHEDULING**

The widening of the difference between new borrowing and repayment rates has meant that PWLB to PWLB debt restructuring is now much less attractive than it was historically.

In particular, consideration would have to be given to the large premiums\* that would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. \*(£116m as at November 2013)

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Mayor and Assistant Cabinet Member for Resources, Resources Scrutiny Committee, and Cabinet at the earliest meeting following its action.

## **ANNUAL INVESTMENT STRATEGY**

## **Investment policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies.

Furthermore, assessment will also take account of information that reflects the opinion of the markets such as "credit default swaps" and other information sources including the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix B1 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

## **Creditworthiness policy**

The primary principle governing the Council's investment criteria is the security of its investments, whilst liquidity and the yield on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may

prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Service Director - Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are considered before making investment decisions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- **Banks 1** - good credit quality – the Council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAand have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
  - i. Short term – F1 (or equivalent)
  - ii. Long term – A- (or equivalent)
  - iii. Viability / Financial strength – B (or equivalent)
  - iv. Support – 1/2/3 (Fitch only)
- **Banks 2** – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- **Banks 3** – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- **Bank subsidiary and treasury operation** - the Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.

- **Building societies** - the Council will use all societies which meet the ratings for banks outlined above and have assets in excess of £250m;
- **Money market funds** – AAA rated (sterling)
- **UK Government** (including gilts and the DMADF)
- **Local authorities, parish councils etc**
- **Supranational institutions**
- **Local Authority Mortgage Scheme.** Under this scheme the Council is required to place funds of £3m, with Lloyds Bank Plc (£2m) and Leeds Building Society (£1m) for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified categories.

A limit of £30m will be applied to the use of non-specified investments

### **Country and sector considerations**

Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch (or equivalent). In addition:

- no more than 25% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

### **Use of additional information other than credit ratings.**

Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision. This additional market information (for example Credit Default Swaps (CDS), negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

CDS prices will be monitored and taken into consideration when placing deposits. Any counterparty whose CDS price has exceeded 100 points will be reviewed and advice will be sought from the Council's treasury management advisors. CDS price movement can be influenced by



market supply and demand since CDS are tradeable instruments. However, CDS prices are also a measure of the market's risk perception associated with a financial institution. Where findings suggest that the increase in the CDS price is a direct result of financial difficulty associated with the institution, then the Council will remove the counterparty from its lending list. The Council will also seek to recall any deposits invested, subject to full cost appraisal of terminating any agreements with the counterparty.

### **Time and monetary limits applying to investments.**

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 higher quality	AAA	£40m	5 Years
Banks 1 medium quality	AA-	£20m	3 Years
Banks 1 lower quality	A-	£10m	1 Year
Banks 2 – part nationalised	N/A	£50m	1 Year
Limit 3 category – Council's banker (not meeting Banks 1/2)	-	£100k	Liquid
Other institutions limit*	-	£30m	1 Year
DMADF	AAA	unlimited	1 Year
Local authorities	-	£40m	5years
Money market funds	AAA	£40m	liquid

*\*The Other Institution Limit will be for Gilt and Supranational investments*

The proposed criteria for specified and non-specified investments are shown in Appendix B1 for approval.

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The Council will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by this council.

The suggested budget for investment returns on investments placed for up to three months during each financial year is as follows:

- 2013/14 0.50%
- 2014/15 0.50%
- 2015/16 0.75%
- 2016/17 1.50%

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, Notice accounts, money market funds and short-dated fixed term deposits in order to benefit from the compounding of interest

### **Sensitivity to Interest Rate Movements**

The authority's accounts are required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

### **MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT**

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge, the minimum revenue provision (MRP).

The Department of Communities and Local Government (DCLG) have issued Regulations which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

*For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on CFR;*

*This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.*

*From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction);*

*This option provides for a reduction in the borrowing need over approximately the asset's life.*

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual PFI or finance leases are applied as MRP.

Bristol City Council participates in the Local Authority Mortgage Scheme using the cash backed option. The mortgage lenders require a five year cash advance from the local authority to match the five year life of the indemnity. The cash advance placed with the mortgage lender provides an integral part of the mortgage lending, and is treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the amount of the total indemnity. The cash advance is due to be returned in full at maturity, with interest paid annually. Once the cash advance matures and funds are returned to the local authority, the returned funds are classed as a capital receipt, and the CFR will reduce accordingly. As this is a temporary (five years) arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The position is reviewed on an annual basis.

## **ICELANDIC BANK INVESTMENTS**

No significant change has arisen since the last update provided within Treasury Management report presented to Cabinet on 5th of December 2013. A further distribution payment has been received from Landsbanki taking the distribution payments received to 54% of the outstanding investment.

In terms of Glitnir no further update. For information, the administrator paid out 100% of the outstanding monies, 79% being received by the Council, whilst the remainder (in Icelandic Kroner-ISK) is being held in an escrow account with a high credit quality Scandinavian bank and is accruing interest at a market rate

## **Annexes**

Annex 1 - Treasury Management Policy Statement

Annex 2 – Current Portfolio Position

Annex 3 - TMP 1 Credit and Counterparty risk management

Annex 4 – Investment Risk Benchmarking

Annex 5- Prudential and Treasury Indicators

Annex 6 – Summary of Prudential Indicators

## **Treasury Management Policy Statement**

In accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management, this Council defines the policies and objectives of its treasury management activities as follows:

The management of the organisation's investments and cash flows, its financing, banking, money market, capital market and derivative transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

The organisation also acknowledges that effective treasury management will provide support towards the achievement of its Medium Term Financial Strategy. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, always in the context of effective risk management.

The organisation will invest its cash balances in accordance with the Code and with regard to Guidance on Local Government Investments (DCLG Guidance), which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity. The authority will manage its borrowing in a manner which combines flexibility, security of access to funds, diversity of funding sources and value for money.

### Current portfolio position

The Council's projected treasury portfolio position at 31 March 2014, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
<b>External Debt</b>				
Debt at 1 April	425	415	415	485
Debt Maturing	(10)	0	0	0
New Long-term debt	0	0	70	80
<b>Gross Debt at 31 March</b>	<b>415</b>	<b>415</b>	<b>485</b>	<b>565</b>
Other Long-term Liabilities	168	162	155	148
<b>Total Debt</b>	<b>583</b>	<b>577</b>	<b>640</b>	<b>713</b>
<b>The Capital Financing Requirement</b>	<b>724</b>	<b>745</b>	<b>788</b>	<b>850</b>
<b>(Under) / over borrowing</b>	<b>(141)</b>	<b>(168)</b>	<b>(148)</b>	<b>(137)</b>

Investments at 31 March	(150)	(75)	(55)	(35)
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<b>Net Debt</b>	<b>433</b>	<b>502</b>	<b>585</b>	<b>678</b>
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Future years borrowing requirements have been built into the forecast. The related impact of the above movements on the revenue budget are:

	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
<b>Revenue Budgets</b>				
Interest on Borrowing	20	20	21	23
Related HRA Charge	(11)	(11)	(11)	(11)
Other Activities*	6	7	8	10
<b>Net General Fund Borrowing Cost</b>	<b>15</b>	<b>16</b>	<b>18</b>	<b>22</b>
Investment income	(3)	(2)	(1)	(2)
<b>Net Forecast Position</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>20</b>

\*Other Activities include Minimum Revenue Provision (+£11m 14/15), contributions from the three Local Authorities (South Gloucestershire, BANES and North Somerset) for their share of the Ex Avon debt costs administered by the Authority (-£5m 14/15), and other non-material debt financing costs

### **Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Council has adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Service Director of Finance has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement (Appendix B).

**Specified investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.

3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society). For this category this covers bodies with a minimum short term rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is set out below:-

	Fitch Long term Rating (or equivalent)	Money Limit	Time Limit
Banks 1 higher quality	AAA	£40m	5 Years
Banks 1 medium quality	AA-	£20m	3 Years
Banks 1 lower quality	A-	£10m	1 Year
Banks 2 – part nationalised	N/A	£50m	1 Year
Limit 3 category – Council's banker (not meeting Banks 1/2)	-	£100k	Liquid
Other institutions limit*	-	£30m	1 Year
DMADF	AAA	unlimited	5 Years
Local authorities	-	£40m	5 Years
Money market funds	AAA	£40m	liquid

*\*The Other Institution Limit will be for Gilt and Supranational investments*

**Non-specified investments** –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	<p><b>Supranational bonds greater than 1 year to maturity</b></p> <p><b>(a) Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p><b>(b) A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export</p>	<p>AAA long term ratings</p> <p>£30m</p>



	<p>Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	
b.	<p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p>	£30m
c.	<p><b>The Council's own banker</b> if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.</p>	
d.	<p><b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £250m, but will restrict these type of investments to £5m for a maximum duration of 3 months</p>	
e.	<p>Any <b>bank or building society</b> that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	
f.	<p>Any <b>non rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to:</p> <ul style="list-style-type: none"> <li>• Parent company guarantee</li> <li>• Parent company to be a UK institution.</li> </ul>	
g.	<p><b>Share capital or Loan Capital</b> in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.</p>	
h.	<p><b>Bond funds</b> – There is a high risk of loss with this type of instrument.</p>	
i.	<p><b>Pooled property funds</b> – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key exception to this is an investment in the CCLA Local</p>	

	Authorities Property Fund.	
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Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies.

In respect of category g, these will only be considered after obtaining external advice and subsequent member approval.

Local Authority Mortgage Scheme. Under this scheme the Council is required to place funds with Lloyds Bank Plc (£2m) and Leeds Building Society (£1m) for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified categories.

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Service Director - Finance, and if required new counterparties which meet the criteria will be added to the list.

## Investment Risk Benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.00% (AAA rated) to 0.09% (A rated) historic risk of default when compared to the whole portfolio.**

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £1m
- Liquid short term deposits of at least £40m available with a week's notice.
- Weighted average life benchmark is expected to be a minimum of a day with a maximum of 1 year.

Yield - local measures of yield benchmarks are:

- Investments – internal returns above the 7 day LIBID rate.
- Debt Borrowing – average rate of interest compared to 25 year PWLB rate.
- Debt – Average rate movement year on year.

And in addition that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
<b>Maximum</b>	<b>0.09</b>	<b>0.25</b>	<b>0.44</b>	<b>0.62</b>	<b>0.83</b>

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

## Prudential and Treasury Indicators

### 1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the CIPFA Prudential Code) when setting and reviewing their Prudential Indicators

### 2. Gross Debt and the Capital Financing Requirement

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3. Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, those agreed previously, and those forming part of this budget cycle. The table below also summarises how these plans are being financed by capital or revenue resources with the remaining representing the borrowing need.

	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>
Non-HRA	157	191	159	156
HRA	32	57	52	55
<b>Total</b>	<b>189</b>	<b>248</b>	<b>211</b>	<b>211</b>
<b>Financed by:</b>				
Capital receipts	12	10	10	7
Capital grants	94	147	91	68
HRA Self Financing	30	33	31	31
Revenue	14	19	16	22
<b>Borrowing need for the year</b>	<b>39</b>	<b>39</b>	<b>63</b>	<b>83</b>

#### 4. Capital Financing Requirement

The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
CFR – non housing	311	343	398	457
CFR – PFI/Lease schemes	168	162	155	148
CFR – housing	245	245	245	245
<b>Total CFR</b>	<b>724</b>	<b>745</b>	<b>788</b>	<b>850</b>
<b>Movement in CFR</b>	<b>23</b>	<b>21</b>	<b>43</b>	<b>62</b>

Net financing need for the year	39	39	63	83
Less MRP and other financing	(16)	(18)	(20)	(21)
<b>Movement in CFR</b>	<b>23</b>	<b>21</b>	<b>43</b>	<b>62</b>

#### 5. Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
General Fund	9.02	10.28	10.99	11.76
HRA	9.72	9.33	8.97	8.50

The estimates of financing costs include current commitments and the proposals in this budget report.

#### 6. Incremental impact of capital investment decisions on council tax.

This indicator identifies the debt revenue costs associated with proposed changes to the three year capital programme recommended in this budget report

compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates over a three year period.

	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Council tax – Band D	0.00	0.16	3.18	4.08

## 7. Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Weekly housing rent	0.00	0.00	0.00	0.00

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

## 8. HRA ratios (NEW)

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt - £'m	245	245	245	245
HRA revenues - £'m	112	117	122	126
Ratio of debt to revenues	2.2 : 1	2.1 : 1	2.0 : 1	1.9 : 1

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA debt - £'m	245	245	245	245
Number of HRA dwellings - £'000	27.8	27.7	27.6	27.5
Debt per dwelling - £'000	8.8	8.8	8.9	8.9

## 9. The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

	<b>2013/14 Estimate £'m</b>	<b>2014/15 Estimate £'m</b>	<b>2015/16 Estimate £'m</b>	<b>2016/17 Estimate £'m</b>
Debt	415	415	485	575
Other long-term liabilities	173	168	162	155
<b>Total</b>	<b>588</b>	<b>583</b>	<b>647</b>	<b>720</b>

## 10. The Authorised limit for external debt

A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

	<b>2013/14 Estimate £'m</b>	<b>2014/15 Estimate £'m</b>	<b>2015/16 Estimate £'m</b>	<b>2016/17 Estimate £'m</b>
<b>Total</b>	<b>760</b>	<b>780</b>	<b>830</b>	<b>890</b>

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

	<b>2013/14 Estimate £'m</b>	<b>2014/15 Estimate £'m</b>	<b>2015/16 Estimate £'m</b>	<b>2016/17 Estimate £'m</b>
HRA debt cap	256	256	256	256
HRA CFR	245	245	245	245
<b>HRA Headroom</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>

## 11. Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

	2014/15	2015/16	2016/17
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
<b>Maturity structure of fixed interest rate borrowing 2014/154</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	30%
12 months to 2 years		0%	30%
2 years to 5 years		0%	40%
5 years to 10 years		0%	40%
10 years and above		25%	100%
<b>Maturity structure of variable interest rate borrowing 2014/15</b>			



## 12. Investment treasury indicator and limit

Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Maximum principal sums invested > 364 days			
£m	2014/15	2015/16	2016/17
Principal sums invested > 364 days	£30m	£30m	£30m

# ANNEX 6

	<b>Prudential Indicators</b>	<b>2013/14 Estimate</b>	<b>2014/15 Estimate</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>
1	<b>Planned capital expenditure (£m)</b>				
1.1	General	£157m	£191m	£159m	£156m
1.2	HRA	£32m	£57m	£52m	£55m
		£189m	£248m	£211m	£211m
2	<b>Capital financing requirement (£m)(taking account of new capital expenditure and repayment of debt)</b>				
2.1	General	£311m	£338m	£388m	£457m
2.2	PFI	£168m	£162m	£155m	£148m
	HRA	£245m	£245m	£245m	£245m
		£724m	£745m	£788m	£850m
	<i>Note that the general fund figure includes ex-Avon debt managed on behalf of other authorities (£54m as at 31/3/13)</i>				
2.3	<b>Confirmation that total borrowing net of investments, does not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current year and next two financial years.</b>	Confirmed	Confirmed	Confirmed	Confirmed
3	<b>Authorised limit for external debt (£m) (the maximum that the authority will borrow)</b>				
3.1	Borrowing	£760m	£780m	£830m	£890m
4	<b>Operational boundary for external debt (£m) (the anticipated level of borrowing)</b>				
4.1	Borrowing	£588m	£583m	£647m	£720m
5	<b>Financing costs as a percentage of net revenue stream %)</b>				
5.1	General	9.02%	10.28%	10.99%	11.76%
5.3	HRA	9.72%	9.33%	8.97%	8.50%
6	<b>Incremental Impact of Capital Investment Decisions</b>				
6.1	Impact on the council tax	Nil	£0.16	£3.18	£4.08
6.1	Impact on HRA rent	Nil	Nil	Nil	Nil
7	<b>Exposure to changes in interest rates (%)</b>				
7.1	Upper limit on (net) variable rate debt	30%	30%	30%	30%
7.2	Lower limit on (net) variable rate debt	0%	0%	0%	0%
7.3	Upper limit on (net) fixed rate debt	100%	100%	100%	100%
7.4	Lower limit on (net) fixed rate debt	70%	70%	70%	70%
8	<b>Maturity structure of borrowing (% Range)</b>				
8.1	Less than 12 months	0-20%	0-20%	0-20%	0-20%
8.2	1-2 years	0-20%	0-20%	0-20%	0-20%
8.3	2-5 years	0-40%	0-40%	0-40%	0-40%
8.4	5-10 years	0-40%	0-40%	0-40%	0-40%
8.5	Over 10 years	25-100%	25-100%	25-100%	25-100%
9	<b>Maximum principal sums invested &gt; 364 days</b>	£30.0m	£30.0m	£30.0m	£30.0m
10	<b>The Local Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services</b>	YES	YES	YES	YES

To create a local indicator for DSG as it includes PFI