AGENDA ITEM 5

BRISTOL CITY COUNCIL
CABINET
13 January 2015

REPORT TITLE: **2015/16 Budget and 2015/16 to 2017/18 Medium Term Financial Strategy**

Ward(s) affected by this report: All

Strategic Director: **Max Wide**

Report author: **Peter Gillett, Service Director Finance**

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Purpose of the report:

To consider the Mayor's budget proposals in the light of the decisions made by Council in respect of the Council Tax Base in December, the provisional Local Government Settlement and the results of the Budget Consultation in making recommendations for Council to approve at its meeting on 17 February 2015.

RECOMMENDATIONS for the Mayor's approval:

i. 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, will confirm 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 2015/16 are robust estimates that:

- Direct 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 will also confirm that the level of Council reserves are sufficient to meet the known financial risks facing the Council over the medium term.

ii. Mayor's budget Recommendations

That the Mayor's budget proposals in respect of the years 2015/16 to 2017/18 be approved as set out in the report to be submitted to Council for approval at its meeting on 17 February to :-

a. Agree the Council's net revenue budget (before the use of Council reserves) for the year 2015/16 as £360.1m and to set the cash-limited revenue budget for each of the Council's directorates for 2015/16.

b. Agree the Council's provisional revenue spending limit (before the use of Council reserves), for planning purposes, for the year 2016/17 is agreed as £344.6m and for the year 2017/18 is agreed as £338.4m;

c. Agree the Council's capital budget (including the Housing Programme) for the year 2015/16 is agreed as £208.8m and set the capital budget for each of the Council's directorates for 2015/16;

d. Agree the Council's provisional capital budget (including the Housing Programme) for the year 2016/17 is agreed as £173.6m and for the year 2017/18 is agreed as £63.5m;

e. Agree Council's Housing Revenue budget deficit for the year 2015/16 as £7.4m and for planning purposes, the buget deficit for the year 2016/17 is agreed as £2.5m and for the year 2017/18 is agreed as £1.2m.

iii. Council House Rents and Service Charges

That the proposed changes in Council house rents and Servcie Charges (see paragraphs 25 – 27), in respect of the years 2015/16, be approved as set out in the report to be submitted to Council for approval at its meeting on 17 February :-

a. Council house dwelling rents for 2015/16 increase by an average of £2.89 per week (3.74% average increase) with effect from Monday 6 April 2015.

b. No increase in Service Charges for 2015/16 with the exception of heating cost prepayments which increase by 9% in line with energy cost inflation. Increase to take effect from Monday 6 April 2015.

iv. **Use of Council Reserves**

That the use of Council reserves will be in accordance with the approved policy, i.e.

a. The purpose of the Council's Strategic Reserve is to cover emergency events 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 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
d. The timing and use of earmarked reserves requires the approval of the Chief Finance Officer.

v. Treasury Management

That the Council's Treasury Management Strategy, Minimum Revenue Provision Policy, Investment Strategy and Prudential Indicators included in the Medium Term Financial Strategy (Appendix 1D) be agreed.

vi. Calculation of the Council's Tax Base

That it be noted that at its meeting on 16 December 2014 the Council agreed Bristol City Council's Tax Base for the year 2015/16 as **119,115.6**

vii. Council Tax by Band

That the following amounts be agreed by the Council for the year 2015/16:-

a. **£169,022,000** being the sum to be met from council tax in 2015/16 for services provided by the Council;

b. Bristol City's Council's share of the council tax for the year 2015/16 for the services it provides for each category of dwelling shown as follows:-

2015/16 Council Tax	**Band A**	**Band B**	**Band C**	**Band D**	**Band E**	**Band F**	**Band G**	**Band H**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
2015/16 Council Tax	946.01	1,103.67	1,261.34	1,419.01	1,734.35	2,049.68	2,365.02	2,838.02
2014/15 Council Tax	927.91	1,082.57	1,237.22	1,391.87	1,701.17	2,010.48	2,319.78	2,783.74
Percentage increase	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**
Annual Increase	18.09	21.11	24.12	27.14	33.17	39.20	45.23	54.28
Weekly Increase	0.35	0.41	0.46	0.52	0.64	0.75	0.87	1.04

viii. Council Tax for services provided by the Council

That Cabinet delegate to the Chief Finance Officer to calculate (in accordance with the Local Government Finance Act 1992) the Council Tax amounts to be formally calculated for agreement by the Council for the year 2015/16 following agreement of the Local Government Settlement and the precepts for the fire and police authorities when received.

BACKGROUND

1. The Medium Term Financial Strategy (MTFS) sets out the Council's key financial management principles, budget assumptions and service issues. The MTFS is kept under constant review to ensure it continues to align with the Council Plan and that resources are directed to delivery of priorities.

2. The Council approved the 2014/15 Budget and the 2014/15 to 2016/17 medium term financial strategy in February 2014 as the three year financial framework. This included proposals to ensure a balanced budget requirement across all three financial years. Implementation is underway.

3. The 3-year proposals were consulted on widely with the people of Bristol; reaching significantly more people than any previous budget consultation. It is estimated that the promotional activity to raise awareness of the budget consultation reached an audience of over 50,000 people that in turn prompted approximately 10,000 views of web information and over 1,300 people to turn out in person to a public meeting. This led to a record response rate to the consultation (over 12 times the response in 2012) with nearly 3,900 people 'having a say' via paper and online surveys.

4. In addition to the measures to address the funding reductions, the approved 3-year financial framework included:

   – continued funding for the Council Tax Reduction Scheme at an estimated cost of £4m;
   – additional investment of £1.150m which is made up of: a hardship fund to help residents with the impact of welfare reform (£0.250m), investment in Parks and Play (£0.5m) and £0.4m to meet the cost of introducing the Living Wage for council employees (subsequently approved by Full Council in September 2014)
   – a Capital programme over the three years of £506m including provision for The Arena, Metrobus schemes and Schools investment

5. Members also approved, for one year only, further investments in sports development of £0.1m; maintaining previous levels of spending on parks to cover existing services while renegotiation for the contracts from 2015/16 was underway (£0.5m); pest control budgets of £0.2m; and transitional arrangements for children's centres of £0.5m. These additions were funded by one-off Icelandic Bank and VAT recoveries of £1.3m.

6. In September 2014, full council approved an amendment to the Council's pay policy to introduce the Living Wage for City Council staff. This has ensured that the budget commitment is fulfilled and that all employees, including casual workers, receive no less than the Living Wage as their pensionable pay for all hours worked.

MTFS THREE YEAR FINANCIAL FRAMEWORK 2014/15 – 2016/17: PROGRESS TO DATE

7. Regular budget monitoring reports throughout the financial year provide early warning of changes to the council's financial position. Directorates deal with a range of spending challenges throughout the year which they are expected to accommodate within their budgets. Where those pressures cannot be managed within approved budgets they are taken into account in updating the MTFS.

8. The most recent budget monitoring report highlights specific budget pressures within People directorate as well as early warnings of emerging pressures and issues in a number of other service areas. These demand led demographic pressures are most noticeable in Adult and Children's Social Care, Transport (e.g. concessionary fares), waste management and planning services. The financial impact of these pressures is currently being assessed in detail and management actions will be taken to manage and mitigate the costs.

9. The savings proposals contained within the MTFS include both the Mayoral saving proposals consulted on and agreed in February 2014, and the major transformational change programme, the Single Change Programme. Delivery of these programmes is closely monitored to ensure delivery remains on track.

10. With regard to the Mayoral Savings, these are built into directorate budgets. Progress with these is positive and we expect the overall target to be achieved.

11. The Single Change Programme was adopted by the Council in September 2013. The Programme set out a number of projects with target timescales for the delivery of savings and improvements and these were incorporated within the MTFS. The Programme as a whole is on track to deliver on the savings and improvements required.

MTFS 2015/16 – 2017/18 (Appendix 1)

<u>Spending Assumptions</u>

12. 2015/16 represents the second year of the agreed three-year financial framework. The report to Cabinet in November 2014 confirmed that overall the planning assumptions were sound, however there was a need to increase the amount set aside to fund emerging spending pressures within services, for example the increased pay award from January 2015, rising demand within social care and the financial implications of Government policy decisions (e.g. Social Care Act, Local Welfare Provision).

13. The table below summarises our revenue spending plans for 2015/16 and provisional spending plans for 2016/17 and 2017/18. For 2015/16 the Council's revenue budget is £360.1m.

Revenue Spending Forecast	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
Base Budget as MTFS approved February 2014	**350.2**	**338.5**	**319.9**
Proposed changes to MTFS:			
Pay and service pressures	4.1	4.2	16.6
Local Welfare Provision Grant (see below)	1.9	1.9	1.9
One-off investment	3.9	-	-
Revenue Spending Forecast	**360.1**	**344.6**	**338.4**

Funding

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

2014/15 £ 000	Revenue Funding Plan	2015/16 £m	2016/17 £m	2017/18 £m
160.1	Council Tax	169.0	173.6	178.3
92.5	Business Rates	95.0	97.5	99.5
110.4	Central Government Grant (RSG)	80.4	60.4	48.4
9.8	New Homes Bonus	11.8	13.1	12.2
4.1	Collection Fund Surplus	3.9	-	-
376.6	Total	**360.1**	**344.6**	**338.4**

15. The Provisional Local Government Settlement announced on 18 December confirmed a cash reduction of £30m (27%) in Central Government Grant from 2014/15. Whilst there was some additional funding through national data changes (£0.7m) and additional New Homes Bonus (£0.7m) this was more than offset by the Governments decision to axe Local Welfare Provision Grant.

16. Local Welfare Provision Grant provides emergency support for residents in crisis. Although the Government did not make any new funding available, they expect councils to continue to support this spending. In 2014/15 Bristol City Council received a grant of £1.9m.

17. The report to Cabinet in November 2014 updated the funding forecast to reflect an increase in the Council tax base and council tax yield of £4.6m in 2015/16 and a one-off collection fund surplus of £3.9m available in 2015/16.

18. The horizon beyond 2016/17 now comes into view as we look toward the next Spending Review. The Chancellors Autumn Statement clearly highlights that the period of austerity will continue until the end of the decade with some commentors indicating that the scale of the cuts to come will exceed those already experienced. Over the medium term the Council will face significant and increasing financial pressures. Early modelling based on HM Treasury forecasts and financial models from the Local Government Association indicate that the City Council could face an additional annual budget savings requirement of £48m by 2020 over and above existing forecasts.

BUDGET CONSULTATION

19. The Council undertook extensive consultation on the 2014/15 to 2016/17 budget and medium term financial strategy and also on the Local Council Tax Support Scheme. As a result of better than predicted council tax collection, £3.9m of one-off funding is available in 2015/16 for investment.

20. Budget Consultation for 2015-16 ran for 6 weeks from 17 November to 29 December 2014. Information explained the Mayor's new Budget proposals for 2015-16 at www.bristol.gov.uk/budget and in a booklet distributed to Libraries, Citizen Service points and on request. Feedback was collected via online and paper survey. Over 1800 responses were received with the majority of respondents generally supporting the Mayor's proposals. The outcome of the Budget Consultation is attached at Appendix 2.

21. In response to the consultation the Mayor's final proposals have redirected £0.6m to:

- implementing local transport schemes proposed by Bristol's Neighbourhood Partnerships - £0.5m

- joint working with Voscur, which represents the voluntary sector in the city, on improving Early Intervention in Bristol - £0.1m

22. Mayors final proposals are:

Allocation of the £3.9m as a result of the consultation	£m
Mayoral Commissions	1.0
Libraries of the Future	1.0
Local transport schemes delivered through Neighbourhood Partnerships	0.5
Bristol 2015 – Green Capital Legacy	0.5
City Region – closer joint working	0.3
Supporting better rail links	0.3
Early Intervention funding	
Bristol 800	0.1
Colston Hall	0.1
Total	**3.9**

HOUSING REVENUE ACCOUNT (HRA)

23. The overall position on the Housing Revenue Account (HRA) for the next three years is shown in the table below. The deficit forecast for 2015/16 will be funded from reserves.

2014/15 £m	HRA Revenue budget	2015/16 £m	2016/17 £m	2017/18 £m
125.8	Income	132.1	137.2	141.9
85.8	Expenditure	85.9	88.6	92.4
50.6	Capital Investment	53.6	51.1	50.7
(10.6)	**Surplus/(Deficit)**	**(7.4)**	**(2.5)**	**(1.2)**

24. The table below provides further details on the **HRA income** for 2015/16. Income projections for 2016/17 and 2017/18 are only provisional at this stage.

2014/15 £m	HRA Income budget	2015/16 £m	2016/17 £m	2017/18 £m
113.9	Rents	117.7	122.5	127.0
7.8	Service charges	7.9	8.2	8.4
(1.6)	Void Property Costs	(1.9)	(1.9)	(2.0)
4.5	Capital Receipts	6.9	6.9	6.9
1.2	Other	1.5	1.5	1.5
125.8	**Total**	**132.1**	**137.2**	**141.9**

Rents and Service Charges

25. The rent income figure has been based on following the government's 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.

26. 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 a compromise between government guidance using CPI+1% but continues with an element of rent restructuring to help bring equity to tenants and also to provide a higher rent base for future years and help safeguard future income and the viability of our business plan.

- Based on these increases 16,972 out of 27,709 tenants would be at Target rent.

- This would mean the average rent rise for 2015/16 would be **3.74% bringing average weekly rent to £81.95 (52 week basis).**

27. **Service Charges -** a review of individual service charges is required to ensure they accurately reflect the individual costs of services and are transparent. In light of this it is recommended that **for 2015/16 there should be no increase in service charges** (this would include caretaking, CCTV, digital TV, laundries and charges for warden services). The one exception to this is Communal Heating costs where we are simply passing on utility company heating costs to tenants. **It is proposed that heating costs prepayments should increase by 9% in line with energy cost inflation predictions**.

CAPITAL PROGRAMME

28. The Capital Programme approved in February 2014 has been updated to take account of curent progress, additional grant announcements and decisions confirmed by Cabinet.

29. The significant change is the elevation of Colston Hall from Tier 3 to Tier 2 and increasing the Councils contribution from £5m to £10m. This represents a clear commitment to continue to invest in and to support the ambitious £45m transformative programme at the Colston Hall. The scheme will move to the main Capital Programme when all funding has been raised by the Trust and all necessary approvals are in place.

30. The table below summarises our current year's capital spending plans and capital spending plans for the next three years that total £675.2m. 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.

Capital Programme	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**Total £m**
Capital programme for approval	155.2	122.5	12.8	290.5
Projects in development	12.1	68.0	52.1	132.2
Projects in early stage of development	16.1	40.1	40.9	97.1
Housing Revenue Account	53.6	51.1	50.7	155.4
Capital Spending Forecast	**237.0**	**281.7**	**156.5**	**675.2**

31. The above figures will be amended to take account of decisions made by Cabinet in respect of other Reports on the agenda, i.e. Ashton Vale to Temple Meads Metro bus additional risk contingency.

USE OF COUNCIL'S RESERVES

32. 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. The Council's reserves policy is described below:

    (a) the purpose of the Council's Strategic Reserve is to cover emergency events only such as unforeseen finanial liabilities or natural disasters. This reserve will be maintained at a minimum level of between 3% and 5% of the councils net revenue budget

    (b) the purpose of the councils General Reserve is to support one-off and limited on-going revenue spending

    (c) The purpose of the councils earmarked 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 reserves requires the approval of the Chief Finance Officer.

33. The combined balance on the Strategic and General Fund Reserve is £20.0m and it is planned that this level of reserve will be maintained throughout the MTFS period.

34. The opening balance on Earmarked Reserves at 1 April 2014 was £67.7m, it is planned to utilise £7.5m during 2014/15. In accordance with the policy on reserves all balances at 31 March 2015 will be reviewed for their continuing need and alignment with council priorities. Where these reserves are no longer required for the purpose they were earmarked for, they will be transferred to general reserves. All movements will be reported to Cabinet as part of the Outturn Report.

ROBUSTNESS OF ESTIMATES

35. The Service Director, Finance, as the Council's Chief Finance Officer, will confirm 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 2015/16 are robust estimates that:

- Direct 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 will also confirm that the level of Council reserves are sufficient to meet the known financial risks facing the Council over the medium term.

Consultation and scrutiny input:

Following the comprehensive consultation on the 3year financial framework and savings last year, The Mayor's initial budget proposals on key changes to that framework were published on 17 November 2014. The Public consultation period ended on 29th December 2015 and the results are summarised in an appendix to this report (Appendix 2)

The Initial Budget Proposals have been reviewed and challenged by the Council's Scrutiny Commissions during December and early January and their comments fed into the overall budget process. In addition, the Business Change and Resources Scrutiny Commission has examined the detailed budget assumptions, the initial budget proposals and the Capital Investment Programme in a series of meetings.

Risk management / assessment:

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 spending plans approved by Full Council in February 2014. This is the second year of the approved MTFS and the financial risks facing the Council have been reviewed and taken into account in this Budget Report.

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
Unexpected events or emergencies By its nature, the financial risk is uncertain	Medium	High	• Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes
Increasing demand for Adult Social Care Demand for services continue to increase as Bristol's population expands and people live longer.	High	Medium	• Demand led pressures provided for within our spending plans • Activity indicators are being developed and are detailed below. These will be reported monthly alongside budget monitoring in 2015/16
Potential Overspend and Council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.	Low	Low	• High risk budget areas have been identifed and financial support is targeted towards these areas • Regular progress reports on delivery of savings to Management Teams and Executive Board • Budget monitoring arrangements for forecasting year end position to be reviewed.
Potential delay in delivery of Capital Receipts	Medium	Low	• Potential new capital receipts may be available from further corporate property review. • Capital receipts received are monitored quarterly
Increase in Pension Liabilities Our contributions are influenced by market investment returns and increasing life expectancy.	High	Medium	• Our spending plans reflect the level of pension contribution required as identified by the Avon Pension Fund's Actuary in 2013 for the next three years
Non delivery of the Change Programme The Single Change Programme will transform the Council's internal managment structure	Low	High	• Substantial savings have ben identified and plans developed to ensure their delivery • Savings are removed from operating budgets to highlight overpsends early. • Project delivery costs are to be rigorously monitored and managed

These financial risks are reflected in the assessment of the adequacy of council reserves and the use of reserves over the next three years.

Public sector equality assessment

A full Equalities Impact Assessment has been prepared for each of the savings proposals where necessary

Eco impact assessment

To be included in the final report to Council

Resource and legal implications:

Finance

The implications of the Mayor's budget proposals are fully set out within the Medium Term Financial Strategy appended to this report in respect of revenue and capital funding.

c. Legal implications:

To be included in the final report to Council.

d. Land / property implications:

To be included in the final report to Council.

e. Human resources implications:
To be included in the final report to Council.

Appendices:

Appendix 1 - Medium Term Financial Strategy
- Appendix A – Departmental Budgets
- Appendix B – Earmarked Reserves
- Appendix C – Capital Investment Programme
- Appendix D – Treasury Management Strategy

Appendix 2 – Budget Consultation Feedback Report

Focusing on the Mayor's priorities

Medium Term Financial Strategy 2015/16 to 2017/18

Our spending plans for 2015/16 to 2017/18

Mayor of Bristol

I want great things for Bristol.

I want to help create a city where citizens and the economy can thrive, with the council continuing 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.

Last year, my Cabinet, council officers and I looked at everything we spend and the way in which the council operates and I established a three year financial plan, unlike any Bristol had seen before. I prioritised spending money where it makes the most difference, whilst also facing up to the harsh economic realities of government cuts and an increasing demand for services. These pressures required me to make savings of some £83 million over the three year period.

To support this approach, the proposals were consulted on widely with the people of Bristol; reaching significantly more people than any previous budget consultation. This led to a record response rate to the consultation.

Together with my Vision for the city and the council's Corporate Plan, in spite of the inevitability of further cuts from central government, the budget provides a clear direction: refusing to be beaten by stringent austerity measures.

Each year, we look carefully at where we spend money, what pressures we have on our purse and what we are likely to have to spend in future. This helps us make sure our spending plans are affordable and match the money we expect to receive from government, council taxpayers and other sources such as fees and charges.

2015/16 is the second year of the agreed three year budget framework, and in the main, having reviewed progress against those plans, the proposals will continue as consulted on and established last year. I have also rolled forward the medium term financial strategy for an additional year into 2017/18. The council cannot afford to keep providing the same level of service with fewer funds at its disposal. The plans have included some inescapable pain in terms of loss of public jobs and some services, which I deeply regret. But I am adamant that we will not simply wring our hands and blame the government or the global financial climate. Instead, I am saying that we can continue to balance the books whilst still being ambitious and bold. And 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.

The council spends hundreds of millions of pounds investing in Bristol each year. With this we provide services, build new things and support essentials such as new homes and jobs. This is our Gross budget, basically the full whack before we take in to account those elements which are already spoken for and can only be used in particular ways.

Some of this is made up of grants such as Dedicated Schools Grant and Public Health Grant, which can only be spent in those specific areas.

The net budget is what's left aside from these specific grants. It is funded by general government grants which can be spent on perceived need, the biggest of which is called the Revenue Support Grant. This is what the government keeps on cutting which is one of the reasons we need to save money.

The rest of the net budget is made up of Council Tax collected from residents, along with money we make through fees and charges, such as charges for the use of off-street parks or for making planning applications.

We also collect taxes from businesses which are given to the Government and redistributed back to us in grants. I am campaigning to keep all of these Business Rates locally as part of a devolution deal.

My budget for 2015/16 is based on a 1.95% increase in Council Tax next year.

I have restricted the increase to this figure because it would entail the cost of a referendum to pitch it higher and because I recognise the difficult economic circumstances to be faced by Bristol's citizens our residents in the coming year. Together with the considerable efficiency savings that we are making, this increase will support the identified inflationary and demand led pressures on the council's current budget in order to maintain the current services you receive.

For a band D property this would mean an increase of around 52p per week (an annual increase of £27.12).

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 2015/16.

2014/15 Council Tax	**2015/16 Band D**	**2015/16 Increase**
Services provided by Bristol City Council	£1,419.01	+ 1.95%
Services provided by Avon Police Commissioner	£ TBC	
Services provided by Avon Fire and Rescue Authority	£ TBC	

Although I have followed the basis of the three-year budget framework upon which I consulted last year, as a result of better council tax collection in the current year, I have been able to consult on the use of some one-off funding of £3.9m for 2015/16, which can be used to fund one-off projects or spending. In November I launched a consultation to determine areas in which this could be spent.

I am grateful for the comprehensive response, with over 1,800 people giving their views. In addition to the proposals I put forward I have received strong representations from both the public and Cabinet colleagues to increase funding to enable the delivery of outstanding neighbourhood partnership local transport projects - and I have allocated £0.5m which should enable delivery of these schemes during 2015/16. My final proposed allocation of the funding is therefore as follows:

Allocation of the £3.9m as a result of the consultation	**£m**
Mayoral Commissions – funding to implement recommendations	1.0
Libraries for the Future investment	1.0
Local transport schemes delivered through Neighbourhood Partnerships	0.5
Bristol 2015 – European Green Capital Legacy	0.5
City Region – closer joint working	0.3
Supporting better rail links for the city	0.3
Early Intervention funding	0.1
Bristol 800 celebrations	0.1
Feasability study for the further development of Colston Hall	0.1
Total	**3.9**

Despite the ongoing financial challenges, let's continue to 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.

George Ferguson, Mayor of Bristol

Contents

Appendices

1. 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).

The Medium Term Financial Strategy sets out the Council's key financial management principles, budget assumptions and service issues. The MTFS is kept under constant review to ensure it continues to align with the Council Plan and that resources are directed to delivery of priorities

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 (currently being updated);
- **Asset Management Plan** – this plan details our asset investment and maintenance plans (currently being updated).

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.

2. 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 2015/16 and provisional spending plans for 2016/17 and 2017/18. Our revenue budgets are used to pay for the services we provide to our residents. For 2015/16 the Council's revenue budget is £360.1m.

Revenue Spending Forecast	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
Base Budget as per MTFS approved February 2014	**350.2**	**338.5**	**319.9**
Proposed changes to MTFS:			
Pay and Service Pressures	4.1	4.2	16.6
Local Welfare Provision Grant	1.9	1.9	1.9
One-off investment	3.9	-	-
Revenue Spending Forecast	**360.1**	**344.6**	**338.4**

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**.

Directorate Spending Limits	**Responsible Officer**	**2015/16 £m**
City Director	Nicola Yates	3.3
People	John Readman	209.2
Place	Barra Mac Ruairí	21.8
Neighbourhoods	Alison Comley	46.9
Business Change (including Corporate Finance)	Max Wide	78.9
Council Budget Requirement		**360.1**

Appendix A details the 2015/16 revenue budgets for each service.

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.

2015/16 is the second year of the MTFS approved in February 2014. The planning assumptions made when the budget was originally set have been revised in line with latest information, announcements and intelligence.

The principal spending assumptions applied include:

- All existing approved savings plans are delivered
- 2.2% annual pay award in 2015/16 and 2% per annum thereafter (an increase from the 1% per annum previously assumed at a cost of £2.2m in 2015/16)
- 2.5% general contract inflation each year (unchanged)
- Annual pension increases in line with the 2013 revaluation (unchanged)

We will need to spend an extra £6.0m in 2015/16 due to a higher than forecast pay award and the pressure of increased demand for some of the services we deliver.

The following table summarises the additional pressures recognised in the 2015/16 – 2017/18 MTFS

Pay and Inflation Pressures	2015/16 £m	2016/17 £m	2017/18 £m
Pay Inflation – 2.2% pay award from January 2015	2.2	4.0	7.6
Employers Pension costs – Actuarial Valuation 2016	-	-	1.8
Contract Inflation	-	-	3.4
Total	**2.2**	**4.0**	**12.8**

In addition to the inflationary cost pressures above, the Council faces some considerable risks from unavoidable increases in cost primarily due to increased demand for services, changes in government funding and new statutory requirements placed upon the Council:

Other cost Pressures	2015/16 £m	2016/17 £m	2017/18 £m
Welfare Support Funding	1.9	1.9	1.9
Health and Social Care – Adult Purchasing	1.9	1.9	1.9
Health and Social Care – Home Care	0.8	0.8	0.8
Deprivation of Liberty	1.0	1.0	1.0
Homelessness (Bed & Breakfast)	0.8	0.8	0.8
Asylum Seekers	0.3	0.3	0.3
Children's Services Placements	0.5	0.5	0.5
Care Act	0.5	0.5	0.5
Emerging Pressures	-	1.6	4.1
Less – Existing budgetary provision	(3.9)	(7.2)	(6.1)
Service and demand pressures	**3.8**	**2.1**	**5.7**

Revenue Savings

The Council has been responding to the reductions in Central Government Funding since 2008 and has alredy deliverd significant savings through reducing costs and improving efficiency. 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 have reduce spending by £46.3m in 2014/15, with a further £31.0m in 2015/16 and £45.4m in 2016/17 as summarised in the table below.

2014/15 £m	Savings in Delivery	2015/16 £m	2016/17 £m	2017/18 £m
16.1	Mayoral savings	27.9	39.5	39.5
4.9	Previous change programmes	6.9	9.1	9.1
25.3	Single Change Programme	42.5	64.0	64.0
46.3	**Total**	**77.3**	**112.6**	**112.6**

The savings proposals contained within the MTFS include the Mayoral saving proposals consulted on and agreed in February 2014, ongoing efficiency programmes (primarily in People and Health and Social Care) together and the major transformational change programme, the Single Change Programme. Delivery of all these programmes are closely monitored to ensure delivery remains on track.

The Single Change Programme was adopted by the Council in September 2013. The Programme set out a number of projects with target timescales for the delivery of savings and improvements and these were incorporated within the MTFS.

The Council's Financial Position over the Medium Term

The horizon beyond 2016/17 now comes into view as we look toward the next Spending Review. The Chancellors Autumn Statement clearly highlights that the period of austerity will continue until the end of the decade with some commentors indicating that the scale of the cuts to come will exceed those already experienced. Over the medium term the Council will face significant and increasing financial pressures.

Inevitably there will come a time when efficiency programmes run out of track, where it will no longer be possible to reduce costs by reducing the cost of supply. In this case, we will need to look more ambitiously at the benefits to be gained through working more closely with our partners, sharing services and trying to find ways to reduce demand. .

The following table identifies the 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
Unexpected events or emergencies By its nature, the financial risk is uncertain			• Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes
Increasing demand for Adult Social Care Demand for services continue to increase as Bristol's population gets older			• Demand led pressures provided for within our spending plans • Activity indicators are being developed and are detailed below. These will be reported monthly alongside budget monitoring in 2015/16
Potential Overspend and Council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.			• High risk budget areas have been identifed and financial support is targeted towards these areas • Regular progress reports on delivery of savings to Management Teams and Executive Board • Budget monitoring arrangements for forecasting year end position to be reviewed.
Potential delay in delivery of Capital Receipts			• Potential new capital receipts may be available from further corporate property review.

			• Capital receipts received to be monitored quarterly during 2015/16
Increase in Pension Liabilities Our contributions are influenced by market investment returns and increasing life expectancy.	**Low**	**Low**	• Our spending plans reflect the level of pension contribution required as identified by the Avon Pension Fund's Actuary. •
Non delivery of the Change Programme The Single Change Programme will transform the Council's internal managment structure			• Substantial savings have ben identified and plans developed to ensure their delivery • Savings are removed from operating budgets to highlight overpsends early. • Project delivery costs are to be rigorously monitored and managed

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:-

During 2015/16 a reange 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.

3. How the Council will fund Revenue Spending Plans

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

2014/15 £ 000	Revenue Funding Plan	2015/16 £m	2016/17 £m	2017/18 £m
160.1	Council Tax	169.0	173.6	178.3
92.5	Business Rates	95.0	97.5	99.5
110.4	Central Government Grant (RSG)	80.4	60.4	48.4
9.5	New Homes Bonus	11.8	13.1	12.2
4.1	Collection Fund Surplus	3.9	-	-
376.6	Total	**360.1**	**344.6**	**338.4**

In 2015/16 we will receive 25% of our income from central government (32% in 2014/15), and 75% collected locally (68% in 2014/15) from Council Tax and Business Rates, without any requirement to draw on the Council's reserves.

Council Tax Income

The table below identifies £169.0m of income we will raise from council tax in 2015/16 and £3.9m surplus from the collection fund. The table also identifies, for planning purposes only, what income we may need in 2016/17 and 2017/18 to balance our spending plans.

2014/15 £m	Council Tax budget/Forecast	2015/16 £m	2016/17 £m	2017/18 £m
160.1	Council Tax	169.0	173.6	178.3
4.1	Collection Fund	3.9	-	-
164.2		**172.9**	**173.6**	**178.3**

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.

Business Rates

Final figures for 2015/16 to be confirmed mid January 2015 (NNDR1)

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 and 1% to the Fire Authority. 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 £193.9m in business rates from local businesses and pay 50% of this to central government. We will retain £95.0m and pay £1.9m (1%) to the Avon Fire and Rescue Service.

Revenue Support Grant (Central Government Grant)

In December 2014 the Government announced the provisional funding settlement for 2015/16 for the Council. Anything extra we spend will need to be funded from council tax increases, business rate growth, the use of limited council reserves or reduced spending (savings).

The Revenue Support Grant (RSG) reduceded by £30.0m or 27% between 2014/15 and 2015/16 and it has been assumed that RSG will continual to reduce on the same trajectory over the MTFS period.

Public Health

The Public Health budget will be provided via a ring-fenced grant and will carry conditions on how it can be used. The grant for 2015/16 £29.1m, unchanged from 2014/15. Whilst the grant is ring-fenced it does not prevent the budget being used in an integrated way with other local authority budgets to improve health outcomes.

Better Care Funding

The settlement included some details in relation to this pooled funding for Health and Social Care. This fund brings together existing funding and additional health resources into one pooled fund to drive the integration of health and social care to support adult social care services in providing better health outcomes for service users and delivery of benefits to the health service provision.

Better Care funding is £27.9m for 2015/16 an increase of £14.1m from 2014/15. The commitment of this fund must be agreed between the Council and the Clinical Commissioning Group via the Health and Wellbeing Board. A significant proportion of the funding will be performance related.

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 servcies provided by the Council in support of schools. Local authorities are responsible for determining the split of the grant between central expenditure and the Individual Schools Budget (ISB) in conjunction with local schools forums.

Dedicated Schools Grant	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**
	302.9	308.9	315.1
	Provisional	estimated	estimated

In 2015/16 we will provisonally receive £302.9m Dedicated Schools Grant (the underlying school's budget will be kept flat cash per pupil for 2015/16) before deductions for Academies and recoupment; future years are estimated to increase by 2% per annum. The indicative cash increase is 5.7% 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.

The government is also paying a Pupil Premium to schools with pupils eligible for free school meals and other specified categories. The rate has increased by 1.5% in 2015/16 to £1,320 per eligible primary school pupil and unchanged at £935 per eligible secondary school pupil.

Use of Council Reserves

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. The Council's reserves policy is described below:

(a) the purpose of the Council's trategic Reserve is to cover emergency events only such as unforeseen finanial liabilities or natural disasters. This reserve will be maintained at a minimum level of between 3% and 5% of the councils net revenue budget

(b) the purpose of the councils General Reserve is to support one-off and limited on-going revenue spending

(c) The purpose of the councils earmarked 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 reserves requires the approval of the Chief Finance Officer.

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 combined balance on the Strategic and General Fund Reserve is £20.0m and it is planned that this level of reserve will be maintained throughout the MTFS period.

The opening balance on Earmarked Reserves at 1 April 2014 was £67.7m, it is planned to utilise £7.5m during 2015/16 (see **Appendix B**). In accordance with the policy on reserves referenced above, all balances at 31 March 2015 will be reviewed for their continuing need and alignment with council priorities. Where these reserves are no longer required for the purpose they were earmarked for, they will be transferred to general reserves. All movements will be reported to Cabinet as part of the Outturn Report.

4. 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 £678.0m. 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.

Capital Programme	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Capital programme for approval	155.2	122.5	12.8	290.5
Projects in development	12.1	68.0	52.1	132.2
Projects in early stage of development	16.1	40.1	40.9	97.1
Housing Revenue Account	53.6	51.1	50.7	155.4
Capital Spending Forecast	**237.0**	**281.7**	**156.5**	**675.2**

The table below details the 2015/16 capital budget for each of the council's directorates.

Directorate Spending Limits	Responsible Officer	2015/16 £m
City Director	Nicola Yates	-
People	John Readman	33.3
Place	Barra Mac Ruairí	102.9
Neighbourhoods (including HRA)	Alison Comley	54.1
Business Change	Max Wide	18.5
Capital Spending Limit		**208.8**

Capital Investments

In the Mayor's Vision for Bristol, launched in November 2013, in which the Mayor set out his three long-term ambitions and medium-term improvements. These are reflected in the Council Plan approved by Full Council in March 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 C**

The table below shows that we intend to spend a total of £293.3m on capital Investments to deliver the Mayor's ambitions over the next three years.

Capital Programme	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Healthy and Caring Bristol (including HRA)	56.5	54.9	51.8	163.2
Keeping Bristol working and learning	32.9	25.0	3.8	61.7
Keep Bristol moving	61.0	18.5	6.9	86.4
Building successful places	2.9	3.1	-	6.0
Global Green City	12.2	-	-	12.2
Vibrant Bristol	25.0	65.0	-	90.0
Efficient Council	18.3	7.1	1.0	26.4
Capital Spending Forecast	**208.8**	**173.6**	**63.5**	**445.9**

The details of the planned investments in the above areas are set out in full in Appendix C. In addition to the Council's confirmed investment plans, other capital projects have been identified which continue to be subject to review. As funding or need arise, capital projects may be allocated to the following categories:

Capital Programme (Tier 1) – these are projects that are actively progressing; they are fully approved and have full funding in place.

Projects in Development (Tier 2) – 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 (Tier 3) – 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 the Projects in Development category or the Capital Programme, depending on what decisions have been made and funding in place.

Capital Grants

The Council receives a number of capital grants from central government to fund the Council's capital programme, the most significatnt 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 2015/16.

The table below identifies the capital grant notifications we have received and forecast over the three year plan.

Capital Grant	2015/16 £m	2016/17 £m	2017/18 £m
Schools	3.4	3.6	3.8
Local Transport Plan	6.9	6.9	6.9
Adult Personal Services	1.1	1.1	1.1
Disabled Facilities Grant	1.1	1.1	1.1
Total	**12.5**	**12.7**	**12.9**

Capital receipts

The Council's capital receipts policy ensures that any capital receipts received are available to support the overall capital programme and are not ringfenced for specific schemes, unless there are conditions on their use or are specifically ring-fenced by a decision of Council.

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.

5. 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.

2014/15 £m	HRA Revenue budget	2015/16 £m	2016/17 £m	2017/18 £m
125.8	Income	132.1	137.2	141.9
85.8	Expenditure	85.9	88.6	92.4
50.6	Capital Investment	53.6	51.1	50.7
(10.6)	Surplus/(Deficit)	**(7.4)**	**(2.5)**	**(1.2)**

Housing Revenue Income Plans for 2015/16

The table below details the **HRA income** for 2015/16. Income projections for 2016/17 and 2017/18 are only provisional at this stage.

2014/15 £m	HRA Income budget	2015/16 £m	2016/17 £m	2017/18 £m
113.9	Rents	117.7	122.5	127.0
7.8	Service charges	7.9	8.2	8.4
(1.6)	Void Property Costs	(1.9)	(1.9)	(2.0)
4.5	Capital Receipts	6.9	6.9	6.9
1.2	Other	1.5	1.5	1.5
125.8	**Total**	**132.1**	**137.2**	**141.9**

- **Gross rent**: The rent income figure has been based on following the government's 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 a compromise between government guidance using CPI+1% but continues with an element of rent restructuring to help bring equity to tenants and also to provide a higher rent base for future years and help safeguard future income and the viability of our business plan.

  Based on these increases 16,972 out of 27,709 tenants would be at Target rent.

  This would mean the average rent rise for 2015/16 would be **3.74% bringing average weekly rent to £81.95 (52 week basis).**

- **Gross service charges –** a review of individual service charges is required to ensure they accurately reflect the individual costs of services and are transparent. In light of this it is recommended that **for 2015/16 there should be no increase in service charges** (this would include caretaking, CCTV, digital TV, laundries and charges for warden services).

  The one exception to this is Communal Heating costs where we are simply passing on utility company heating costs to tenants. **It is proposed that heating costs prepayments should increase by 9% in line with energy cost inflation predictions**.

- **Voids** – the loss of rents and service charge income due to voids (i.e. periods when homes are empty between tenancies) is based on 1.6% 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 sale proceeds (average sale price after discount is around £61k). However, if receipts are re-invested to build new council homes then a larger proportion can be retained. The forecast for usable receipts for 2015/16 is therefore £6.9m

- **Other revenue income –** 'rent' from other assets including garages and shops and interest on balances. It is proposed to increase garage rents by 10% and bring them to the nearest whole pound.

Housing Revenue Expenditure Plans for 2015/16

The table below details the **HRA planned expenditure** for 2015/16. Spending plans for 2016/17 and 2017/18 are only provisional at this stage.

2014/15 £m	HRA Expenditure Budget	2015/16 £m	2016/17 £m	2017/18 £m
33.6	Reveue Repairs	34.2	35.3	36.5
27.6	Management	27.3	28.2	29.1
8.2	Service Costs	8.3	8.6	8.9
2.9	Bad Debt Costs	2.9	2.9	3.8
1.3	Other costs	1.4	1.4	1.5
12.2	Interest	11.8	12.2	12.6
85.8	**Total Revenue Costs**	**85.9**	**88.6**	**92.4**
50.6	**Capital Investment (ex cap receipts)**	**53.6**	**51.1**	**50.7**

The key changes to our housing spending plans for 2015/16 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 2014/15 plus an increase of 2.2% on staff costs.

- **Service costs** – as above but the costs for the provision of specific services to tenants and leaseholders.

- **Debts costs** – these are the cost of interest payments on the £245m debt on the HRA. We intend to borrow an additional £12m to invest in new build and take us up to our debt cap but this wll not be required in 2015/16.

- **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 receipts 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 (£42.8m) and investment in new homes (£10.8m). The budget forecasts in the 2015/16 plan are more robust than previous year being based on sound project methodology and planning consent either received, in place or due to be granted imminently on our new build programme.

Housing Revenue Account Reserves

The table below shows the forecast level of housing reserves at the 31 March:.

2013/14 £m	HRA Reserves	2014/15 £m	2015/16 £m
4.3	HRA Balances	4.3	4.3
45.3	General Reserves	52.1	46.7
5.3	Major Repairs/Capital reserve	5.3	5.3
54.9	**Total Reserves**	**61.7**	**56.3**

Housing general reserves are forecast to be £56.3m at the end of 2015/16. Financial risks facing the account over the coming year include:-

- Continued impact of Welfare Reform on tenants incomes and ability to pay rents and service charges
- Improving customer satisfaction within contained expenditure plans for day to day repairs and major investment programmes

2015/16 Budget setting - Full Council Summary by Division & Service

Service Description	2014/15: 2014.15 Approved Budget	2014/15: 2014.15 Revised Base Budget	2015/16: Growth	2015/16: Savings	2015/16: Budget	2016/17: Growth	2016/17: Savings	2016/17: Budget	2017/18: Growth	2017/18: Savings	2017/18: Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
People											
Strategic Commissioning											
Joint Commissioning (Adults)	12,220	11,276		(300)	10,976			10,976			10,976
Joint Commissioning (Children)	2,828	2,174	21		2,195	21		2,216			2,216
Commissioning (Targeted Support)	2,113	5,526	100		5,626	100		5,726			5,726
Business Support	4,592	4,534			4,534			4,534			4,534
Strategic Commissioning	**21,754**	**23,511**	**121**	**(300)**	**23,332**	**121**	**0**	**23,453**	**0**	**0**	**23,453**
Care Provision											
IMCS & Reablement	9,134	9,050			9,050			9,050			9,050
Residential Services	9,639	9,494		(990)	8,504		(100)	8,404		0	8,404
Care Provision	**18,774**	**18,544**	**0**	**(990)**	**17,554**	**0**	**(100)**	**17,454**	**0**	**0**	**17,454**
Housing Solutions											
Housing Options	11,943	11,448		(775)	10,673	0	0	10,673			10,673
Private Housing & Accessible Homes	1,984	1,573			1,572	0	0	1,572			1,572
Crime & Substance Misuse	4,829	4,332		(200)	4,131	0	0	4,131			4,131
Housing Solutions	**18,756**	**17,352**	**0**	**(975)**	**16,376**	**0**	**0**	**16,376**	**0**	**0**	**16,376**
Social Care Adults											
Complex Case/Transitions/AMHP	25,524	30,978	1,106	(1,220)	30,864	1,106	(1,220)	30,750			30,750
Front Door Services / Hospitals	26,769	29,986			29,986			29,986			29,986
Strategic Safeguarding	672	671			671			671			671
Area Community Teams/Care Brokerage/SI	38,971	29,920			29,920			29,920			29,920
Social Care Adults	**91,935**	**91,555**	**1,106**	**(1,220)**	**91,441**	**1,106**	**(1,220)**	**91,327**	**0**	**0**	**91,327**
Children & Family Support											
Early Help & First Response	3,049	2,026			2,026			2,026			2,026
0-25 Integrated Service	9,289	10,038	100	(600)	9,538	100	(500)	9,138			9,138
Safeguarding	1,435	1,368		(30)	1,338			1,338			1,338
Area Social Work (North)	3,396	3,000			3,000			3,000			3,000
Area Social Work (East/Central)	3,171	3,087			3,087			3,087			3,087
Area Social Work (South)	2,891	2,652			2,652			2,652			2,652
Fostering & Adoption	7,728	7,862	8		7,870	8		7,878			7,878
Looked After Children & Aftercare	23,704	23,517	560	(143)	23,934	560		24,494			24,494
Children & Family Support - Management	863	946	13		959	13		972			972
Children & Family Support	**55,527**	**54,496**	**681**	**(773)**	**54,404**	**681**	**(500)**	**54,585**	**0**	**0**	**54,585**
Education & Skills											
Early Years Learning	7,595	7,558		(950)	6,608		(318)	6,290			6,290
Primary Learning	638	639			639			639			639
Secondary Learning	3,512	425			425			425			425
Additional Learning Needs	2,674	1,071			1,071			1,071			1,071
Employment & Skills	1,051	686			686			686			686
Trading with Schools	(473)	(473)		(700)	(1,173)		(400)	(1,573)			(1,573)
Education & Skills	**14,997**	**9,906**	**0**	**(1,650)**	**8,256**	**0**	**(718)**	**7,538**	**0**	**0**	**7,538**
Dedicated Schools Grant											
Dedicated Schools Grant	566	1,134			1,134			1,134			1,134

APPENDIX A

Primary Learning - DSG	1,027	1,007			1,007			1,007			1,007
Management - DSG	(9,496)	(9,543)			(9,543)			(9,543)			(9,543)
Finance - DSG	(67,522)	(67,182)			(67,182)			(67,182)			(67,182)
Early Years Learning - DSG	31,805	32,359			32,359			32,359			32,359
Additional Learning Needs - DSG	41,850	41,678			41,678			41,678			41,678
Secondary Learning - DSG	697	518			518			518			518
Area Social Work Team (North) - DSG	30	29			29			29			29
Dedicated Schools Grant	**(1,043)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Management - People											
Management - People	(2,937)	(2,413)			(2,413)			(2,413)			(2,413)
Management - People	**(2,937)**	**(2,413)**	**0**	**0**	**(2,413)**	**0**	**0**	**(2,413)**	**0**	**0**	**(2,413)**
Project Management & Support											
Project Management & Support	69	284		(70)	214			214			214
Project Management & Support	**69**	**284**	**0**	**(70)**	**214**	**0**	**0**	**214**	**0**	**0**	**214**
People	**217,832**	**213,235**	**1,908**	**(5,978)**	**209,164**	**1,908**	**(2,538)**	**208,534**	**0**	**0**	**208,534**

Business Change											
ICT											
ICT Delivery	9,869	9,230	104	(329)	9,005	104	(1,300)	7,809			7,809
Architecture & Design	565	497			497			497			497
Business Process Management	253	136			136			136			136
Digital Services & Customer Insight	155	307			307			307			307
Business Change & I1CT	164	164			164			164			164
ICT	**11,007**	**10,334**	**104**	**(329)**	**10,109**	**104**	**(1,300)**	**8,913**	**0**	**0**	**8,913**
Legal Services											
Legal - Place	583	472			472			472			472
Statutory & Democratic Services	2,521	1,759			1,759			1,759			1,759
Strategic Commissioning & Procurement	442	358			358			358			358
Legal - People	1,781	2,037			2,037			2,037			2,037
Legal Services	**5,326**	**4,626**	**0**	**0**	**4,626**	**0**	**0**	**4,626**	**0**	**0**	**4,626**
Integrated Customer Services											
Revenue, Benefits & Rent	5,325	4,970			4,970			4,970			4,970
Customer Service Operations	5,472	5,553	2		5,555	2		5,557			5,557
Integrated Customer Services	**10,796**	**10,523**	**2**	**0**	**10,525**	**2**	**0**	**10,527**	**0**	**0**	**10,527**
Finance											
Corporate Finance	14,666	11,325		(200)	11,125			11,125			11,125
Chief Internal Auditor	495	460			460			460			460
Finance	**15,161**	**11,786**	**0**	**(200)**	**11,586**	**0**	**0**	**11,586**	**0**	**0**	**11,586**
Human Resources (HR)											
People Operations	5,554	4,667			4,667			4,667			4,667
Change & Performance	867	865			865			865			865
Human Resources (HR)	**6,421**	**5,532**	**0**	**0**	**5,532**	**0**	**0**	**5,532**	**0**	**0**	**5,532**
Change Programme											
Programme Management Office	(76)	279			279			279			279
Change Programme Workstreams	0	83			83			83			83
Change Programme Savings	6,242	6,510		(32,200)	(25,690)		(21,500)	(47,190)			(47,190)
BWP Project	924	924			924			924			924
Change Programme	**7,090**	**7,796**	**0**	**(32,200)**	**(24,404)**	**0**	**(21,500)**	**(45,904)**	**0**	**0**	**(45,904)**
Policy, Strategy & Communications											
Policy & Research	(52)	1,008			1,008			1,008			1,008
Public Relations	(95)	390			390			390			390
Corporate Communications	190	219			219			219			219
Performance & Infrastructure	200	1,457			1,457			1,457			1,457
Strategic Planning & Development	615	597			597			597			597
Policy, Strategy & Communications	**858**	**3,670**	**0**	**0**	**3,670**	**0**	**0**	**3,670**	**0**	**0**	**3,670**
Business Change	**56,660**	**54,267**	**106**	**(32,729)**	**21,644**	**106**	**(22,800)**	**(1,050)**	**0**	**0**	**(1,050)**

Neighbourhoods											
Environment & Leisure											
Strategy, Commissioning & Contract	31,139	31,130	1,266	(1,267)	31,129	1,166	(52)	32,243			32,243
Environmental Area Management	7,005	5,922	80	(500)	5,502	80		5,582			5,582
Traded Services	(1,453)	(1,710)			(1,710)			(1,710)			(1,710)
Environment & Leisure	**36,691**	**35,342**	**1,346**	**(1,767)**	**34,921**	**1,246**	**(52)**	**36,115**	**0**	**0**	**36,115**
Housing Delivery (HRA)											
Strategy, Planning & Governance	(49,866)	(49,884)	(614)		(50,498)			(50,498)			(50,498)
Responsive Repairs	26,433	27,022			27,022			27,022			27,022
Planned Programmes	17,092	16,359	614		16,973			16,973			16,973
Estate Management	6,543	6,503			6,503			6,503			6,503
Housing Delivery (HRA)	**203**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Neighbourhoods											
Neighbourhood Management	4,873	5,026			5,026			5,026			5,026
Library Services	5,069	5,019	3		5,022	3	(1,100)	3,925			3,925
Regulatory Services	2,017	1,327		(11)	1,316		(174)	1,142			1,142
Neighbourhoods	**11,958**	**11,372**	**3**	**(11)**	**11,364**	**3**	**(1,274)**	**10,093**	**0**	**0**	**10,093**
Public Health (BCC expenditure over and above the ring-fenced Public Health Grant of £29.1m in 2015/16)											
Public Health	648	641			641			641			641
Public Health	**648**	**641**	**0**	**0**	**641**	**0**	**0**	**641**	**0**	**0**	**641**
Management - Neighbourhoods											
Management - Neighbourhoods	237	38		(90)	(52)			(52)			(52)
Management - Neighbourhoods	**237**	**38**	**0**	**(90)**	**(52)**	**0**	**0**	**(52)**	**0**	**0**	**(52)**
Neighbourhoods	**49,738**	**47,393**	**1,349**	**(1,868)**	**46,874**	**1,249**	**(1,326)**	**46,797**	**0**	**0**	**46,797**

Place											
Property											
Facilities Management	6,350	7,822			7,822			7,822			7,822
Property Strategy	(9,776)	(10,948)		(2,900)	(13,848)		(6,500)	(20,348)			(20,348)
Property	**(3,426)**	**(3,126)**	**0**	**(2,900)**	**(6,026)**	**0**	**(6,500)**	**(12,526)**	**0**	**0**	**(12,526)**
Planning											
Strategic City Planning	653	652			652			652			652
City Design	(93)	(158)			(158)			(158)			(158)
Development Management	(133)	(161)			(161)			(161)			(161)
Planning	**427**	**334**	**0**	**0**	**334**	**0**	**0**	**334**	**0**	**0**	**334**
Transport											
Highways	4,611	4,520			4,520			4,520			4,520
Traffic	(2,427)	(2,545)	50	(50)	(2,545)	50	(100)	(2,595)			(2,595)
Strategic City Transport	1,987	1,952	324	(530)	1,746	324		2,070			2,070
Sustainable Transport	12,990	12,894			12,894			12,894			12,894
Transport	**17,161**	**16,821**	**374**	**(580)**	**16,615**	**374**	**(100)**	**16,889**	**0**	**0**	**16,889**
Economy											
Culture Services	2,863	3,241	4	(50)	3,195	4		3,199			3,199
Cultural Development	1,142	1,191			1,191			1,191			1,191
Economic Development	10	294			294			294			294
Major Projects	1,936	1,647			1,647			1,647			1,647
Management – Place	150	47			47			47			47
Economy	**6,101**	**6,420**	**4**	**(50)**	**6,374**	**4**	**0**	**6,378**	**0**	**0**	**6,378**
Energy											
Energy Programme Manager (Corporate)	4,478	4,174			4,174			4,174			4,174
Energy Programme Manager (Community)	167	283			283			283			283
Energy	**4,645**	**4,457**	**0**	**0**	**4,457**	**0**	**0**	**4,457**	**0**	**0**	**4,457**
Place	**24,907**	**24,906**	**378**	**(3,530)**	**21,754**	**378**	**(6,600)**	**15,532**	**0**	**0**	**15,532**

City Director											
Bristol Futures											
City Innovation	158	156			156			156			156
European & International Programme	102	145			145			145			145
Sustainable City & Climate Change	827	586			586			586			586
Head of Bristol Futures	840	830			830			830			830
Bristol Futures	**1,926**	**1,716**	**0**	**0**	**1,716**	**0**	**0**	**1,716**	**0**	**0**	**1,716**
Management - City Director											
Management - City Director	523	1,614			1,614			1,614			1,614
Management - City Director	**523**	**1,614**	**0**	**0**	**1,614**	**0**	**0**	**1,614**	**0**	**0**	**1,614**
City Director	**2,449**	**3,331**	**0**	**0**	**3,331**	**0**	**0**	**3,331**	**0**	**0**	**3,331**

Corporate Funding & Expenditure											
Corporate Funding & Expenditure											
Provisions											
Borrowing net of investment income	20,659	16,479	8,500	0	24,979			24,979			24,979
Corporate Contingency	3,822	1,885	5,090	1,759	8,734	1,649		10,383	3,021		13,404
Pay contingency (including Living Wage)	2,200	2,200	4,000	0	6,200	3,600		9,800			9,800
Pensions	3,699	2,692	1,732	0	4,424	2,094		6,518			6,518
Carbon Reduction	250	250	0	0	250			250			250
Single Tier Pensions - additional NI contributions		0	0	0	0	3,500		3,500			3,500
Single Change Programme Contingency	(5,606)	10,000	0	0	10,000			10,000			10,000
Savings to be allocated											
Children First Programme			800		800			800			800
People Programme					0		(394)	(394)			(394)
Spend Review				(500)	(500)		(500)	(1,000)			(1,000)
Reduce Support Service Costs				(400)	(400)		(200)	(600)			(600)
Ensuring Cost Duplication is minimised				(1,000)	(1,000)		(1,000)	(2,000)			(2,000)
Corporate Funding & Expenditure	**25,023**	**33,506**	**20,122**	**(841)**	**53,487**	**10,843**	**(2,094)**	**62,236**	**3,021**	**0**	**65,257**
Net Expenditure	**376,609**	**376,636**	**23,863**	**(44,246)**	**356,252**	**14,484**	**(35,358)**	**335,378**	**3,021**	**0**	**338,399**
Funding											
Council Tax	(160,076)	(160,076)		(8,946)	(169,022)		(4,564)	(173,586)		(4,714)	(178,300)
Revenue Support Grant	(110,445)	(110,472)		30,036	(80,436)		20,009	(60,427)		12,027	(48,400)
Redistributed Non-Domestic Rates	(88,406)	(92,521)		(2,474)	(94,995)		(2,544)	(97,539)		(1,961)	(99,500)
NDR Section 31 Grant	(4,115)	0		0	0			0			0
Collection Fund Deficit/(Surplus)	(4,078)	(4,078)		178	(3,900)		3,900	0			0
New Homes Bonus	(9,489)	(9,489)		(2,311)	(11,800)		(1,327)	(13,127)		927	(12,200)
Welfare Grant	0	0		0	0			0			0
Transfers to/(from) reserves	(0)	(0)		0	(0)		9,300	9,300		(9,300)	0
Funding	**(376,609)**	**(376,636)**	**0**	**16,483**	**(360,153)**	**0**	**24,774**	**(335,379)**	**0**	**(3,021)**	**(338,400)**
Bristol City Council Total	**(0)**	**0**	**23,863**	**(27,763)**	**(3,901)**	**14,484**	**(10,584)**	**(1)**	**3,021**	**(3,021)**	**(1)**

EARMARKED RESERVES

Name of Reserve	Opening Balance	Planned Use 2014/15	Closing Balance
Capital Reserve	(19,946,168.40)	-	(19,946,168.40)
Change Programme	(16,706,135.37)	1,700,000.00	(15,006,135.37)
Waste Reserve	(3,068,350.02)	-	(3,068,350.02)
Directorate Risk Contingency	(2,500,000.00)	-	(2,500,000.00)
Port Shares	(2,500,000.00)	-	(2,500,000.00)
PFI Fund	(2,462,701.66)	1,700,000.00	(762,701.66)
Exempt Accommodation	(2,103,000.00)	-	(2,103,000.00)
Development Fund	(1,746,973.81)	600,000.00	(1,146,973.81)
Revenue grant funding	(1,620,815.00)	-	(1,620,815.00)
Stoke Park Dowry	(1,478,134.78)	-	(1,478,134.78)
Investment in sports, parks and Ch Ctres	(1,300,000.00)	1,300,000.00	-
Bristol Green Capital	(1,200,000.00)	1,200,000.00	-
Absence Scheme	(1,183,915.95)	-	(1,183,915.95)
Hengrove PFI Credit Sinking Fund	(1,176,073.35)	-	(1,176,073.35)
Housing Support	(1,100,000.00)	-	(1,100,000.00)
Leisure Contracts	(1,000,000.00)	1,000,000.00	-
Loans Fund	(871,501.50)	-	(871,501.50)
Corp Accommodation Project	(685,905.62)	-	(685,905.62)
Energy Management Investment Account	(634,797.91)	-	(634,797.91)
Events Programme	(633,007.00)	-	(633,007.00)
Cems & Crems Renewals	(458,611.97)	-	(458,611.97)
Gigabyte Bristol	(300,000.00)	-	(300,000.00)
DEFRA Grant	(298,673.39)	-	(298,673.39)
Safer Bristol Projects	(234,876.29)	-	(234,876.29)
General Reserve	(229,344.51)	-	(229,344.51)
One off FM costs	(200,000.00)	-	(200,000.00)
Employment and Skills Programme	(190,819.00)	-	(190,819.00)
SAFCAM Reserve	(164,400.00)	-	(164,400.00)
STS - ABW implementaion costs	(150,000.00)	-	(150,000.00)
Westleigh Resource Centre	(150,000.00)	-	(150,000.00)
Local Tax contribution to IVR project	(140,000.00)	-	(140,000.00)
Supporting People substance misuse	(135,000.40)	-	(135,000.40)
Homelessness Assessment Centre	(111,192.13)	-	(111,192.13)
Strategic Housing legacy Income	(108,734.05)	-	(108,734.05)
Local Tax Universal Credit	(100,000.00)	-	(100,000.00)
Ue-sif Match Funding	(97,610.35)	-	(97,610.35)
Markets Repairs and Maintenance	(95,111.00)	-	(95,111.00)
Museum General	(90,074.31)	-	(90,074.31)
Coroner Equipment Replacement Fund	(83,440.00)	-	(83,440.00)
Car Parking Renewals A/c	(82,360.00)	-	(82,360.00)
Council Chamber conference system	(75,000.00)	-	(75,000.00)
Legal Costs E&L Service Review	(70,000.00)	-	(70,000.00)
Lawn Tennis Association	(61,398.00)	-	(61,398.00)
Regeneration Projects	(50,000.00)	-	(50,000.00)
ELENA Contribution to Capital	(43,517.00)	-	(43,517.00)
Docks Dredging	(26,334.26)	-	(26,334.26)
Harbourside	(24,701.68)	-	(24,701.68)
Insurance Reserve	(16,949.18)	-	(16,949.18)
Grand Total	**(67,705,627.89)**	**7,500,000.00**	**(60,205,627.89)**

APPENDIX C

DRAFT Capital Programme for 2015/16 to 2017/18 as at 31 December 2014

TIER 1 - APPROVED PROGRAMME

mayoral	description	Brief Description of Scheme	Latest Programme Cabinet December 2014 14/15 £000	15/16 £000	16/17 £000	17/18 £000	total
	PEOPLE						
1	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.	1.0				**1.0**
1	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.	0.0	-	-	-	**0.0**
1	ICT - HSC 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.	1.8	-	-	-	**1.8**
1	ICT - Children First	To make Children First service more efficient by replacing existing case management systems with two connecting systems.	0.4	1.9			**2.3**
1	Delivering aids & adaptations for disabled people.	Delivering aids and adaptations for disabled people in private homes, helping them live more independently.	2.0	1.0	1.0	1.1	**5.1**
2	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.	67.7	30.0	25.0	3.8	**126.5**
2	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.	0.4	-	-	-	**0.4**
1	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.			2.9		**2.9**
2	Connecting IT Project		0.2	-	-	-	**0.2**
2	People - other schemes		- 1.3	0.4	-	-	**- 0.9**
	Sub total - People		**72.1**	**33.3**	**28.9**	**4.9**	**139.1**
	PLACE						
2	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.	9.5	0.8			**10.3**

3	Cycle Ambition Fund	Improving cycling infrastructure like bridges and cycle lanes to improve cycling and help increase the number of cyclists.	5.1	1.1			**6.2**
3	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.	0.4	0.7	0.3		**1.4**
3	20 mph scheme	To introduce new 20mph speed limits across the city, making streets safer and helping traffic flow	1.1	0.2			**1.2**
3	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	2.4				**2.4**
3	Residents Parking Schemes	The introduction of Resident's Parking Schemes across inner Bristol between 2012 -2015.	4.3	2.2			**6.5**
3	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.	6.8	3.0	3.0	6.9	**19.7**
3	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	0.1	0.1	0.1		**0.2**
3	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.	0.2	0.2	0.2		**0.5**
3	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.	1.4	12.0	7.0	-	**20.4**
3	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. - Note Original programme included contributions total cost (not BCC cost)	13.2	42.5	8.0	-	**63.7**
4	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.	0.2				**0.2**
4	Capitalised Repair & Maintenance	Funding to maintain the structural fabric of existing properties. Ths will reduce as the number of premises providing accomodation falls as part of Bristol Workplace.	3.5	1.5	1.0	-	**6.0**
4	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.	0.2	0.1			**0.3**
4	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.	0.7	0.4	0.4		**1.4**
4	Gainsborough Square Regeneration	Improvements to Gainsborough Square and site preparation for adjoining sites.	1.5				**1.5**
4	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.	0.3	0.3	1.0		**1.5**

4	Kingswear and Torpoint	Housing Development and open space improvements - part of Knowle West Regeneration Framework	0.9				**0.9**
6	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.	1.0	25.0	65.0		**91.0**
5	Environmental Improvement Programme	City centre projects that bring significant benefits to the walking, cycling, public transport and historic environments.	0.9	-			**0.9**
4	Filwood Broadway	Regeneration of district centre - part of Knowle West Regeneration Framework		0.7	0.7		**1.4**
5	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.	- 0.1	5.0			**4.9**
5	Bio-mass programme	Support our existing 'bio-mass' programme of work which creates sustainable energy from household waste.	0.5	3.0			**3.5**
5	ELENA (European energy efficiency and renewable energy programme)	Seed money to kickstart wider investment in environmental projects in partnership with other sectors.	0.3	2.2			**2.6**
5	Wind Turbines		-	1.5			**1.5**
5	Green Deal		7.0	-			**7.0**
8	Eastville Depot	To refurbish the Eastville depot to accommodate Pest Control and Parks Grounds Maintenance East and Central teams.	0.8				**0.8**
5	Affordable Housing Enabling budget		1.4	-			**1.4**
5	Portway Park and Ride		-	0.3			**0.3**
5	Other		5.9	0.3			**6.2**
	Sub total - PLACE		**69.5**	**102.9**	**86.5**	**6.9**	**265.9**
	CITY DIRECTOR						
2	Gigabit Bristol	A contribution towards the infrastructure for businesses to access superfast broadband in the Bristol Temple Quarter Enterprise Zone and across the city.	11.4				**11.4**
6	Bristol Old Vic	Contribution towards improvements at Bristol Old Vic.	0.5				**0.5**
2	Rapid Charge Points		0.3				**0.3**
	Sub total - CITY DIRECTOR		**12.2**	**-**	**-**	**-**	**12.2**
	NEIGHBOURHOODS						
5	Investment in parks and green spaces	Improvement of Parks & Green Spaces across the city.	4.4	0.5			**4.9**
6	Kingsweston Sports & Social club	Rebuild the Sports & Social club which burnt down.	0.3				**0.3**
6	Library Service - Cathedral School		0.1				**0.1**
6	Other Neighbourhood Schemes		0.9				**0.9**
	Sub total - NEIGHBOURHOODS		**5.7**	**0.5**	**-**	**-**	**6.2**
	BUSINESS CHANGE						
8	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.	15.5	18.2	7.1	1.0	**41.7**
8	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.	-	0.3			**0.3**

	Sub total - BUSINESS CHANGE		**15.5**	**18.5**	**7.1**	**1.0**	**42.0**
	TOTAL GENERAL FUND		**175.0**	**155.2**	**122.5**	**12.8**	**465.4**
	Housing Revenue Account (HRA)		**33.8**	**53.6**	**51.1**	**50.7**	**189.2**
	TOTAL		**208.7**	**208.8**	**173.6**	**63.5**	**654.6**

TIER 2 - PROJECTS IN DEVELOPMENT

Mayoral	Project Title	Brief Description of Scheme	Funding Source	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	TOTAL £m
			Estimated profile of capital spend and funding stream					
1	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 funding	0.50	0.31	7.50	-	**7.81**
			External Funding		-	-	-	**-**
			total	**0.50**	**0.31**	**7.50**	**-**	**7.81**
1	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.	BCC funding	-		-	2.68	**2.68**
			External Funding	-				**-**
			total	**-**	**-**	**-**	**2.68**	**2.68**
2	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 funding	-		47.48	26.41	73.89
			External Funding	-	-	-	-	-
			total	**-**	**-**	**47.48**	**26.41**	**73.89**
7	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 funding	-	0.50	-	-	0.50
			External Funding	-	-	-	-	
			total	**-**	**0.50**	**-**	**-**	**0.50**
3	Rail Stations Improvement Programme	Improvements to existing rail stations	BCC funding	-	-	0.75	0.75	**1.50**
			External Funding					**-**
			total	**-**	**-**	**0.75**	**0.75**	**1.50**
4	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 funding	0.02	-	-	-	**-**
			External Funding	-	0.75	-	-	**0.75**
			total	**0.02**	**0.75**	**-**	**-**	**0.75**
5	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 funding	-		0.28	0.28	**0.56**
			External Funding	-	-	-	-	**-**
			total	**-**	**-**	**0.28**	**0.28**	**0.56**
5	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 funding	-	2.00	6.00	6.00	**14.00**
			External Funding	-	-	-	-	**-**
			total	**-**	**2.00**	**6.00**	**6.00**	**14.00**
		OR Project 2, an enhanced version which has additional costs above those given for Project 1	BCC funding	-	2.00	6.00	6.00	**14.00**
			External Funding	-	-	-	-	**-**
			total	**-**	**2.00**	**6.00**	**6.00**	**14.00**
5	Third Household Waste Recycling Centre	Building a third Household Waste Recycling Centre at Hartcliffe Way Depot.	BCC funding	-	2.00	-	-	2.00
			External Funding	-	-	-	-	-
			total	**-**	**2.00**	**-**	**-**	**2.00**
6	Colston Hall	Contribution towards the refurbishment of Colston Hall.	BCC funding	-	-	-	10.00	**10.00**
			External Funding	-	-	-	-	-
			total	**-**	**-**	**-**	**10.00**	**10.00**
6	New Bristol East Pool	Build of new swimming pool at Bristol Brunel Academy site.	BCC funding	-	4.50	-	-	**4.50**
			External Funding	-	-	-	-	**-**
			total	**-**	**4.50**	**-**	**-**	**4.50**
		TIER 2	**BCC funding**	**0.52**	**11.31**	**68.01**	**52.12**	**131.44**
			External Funding	**-**	**0.75**	**-**	**-**	**0.75**
			total	**0.52**	**12.06**	**68.01**	**52.12**	**132.19**

TIER 3 - PROJECTS IN EARLIER STAGES OF DEVELOPMENT

Mayoral	Project Title	Brief Description of Scheme	Estimated profile of capital spend and funding stream					
			Funding Source	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	TOTAL £m
1	Delivering aids & 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	BCC funding	-	0.73	0.73	0.73	**2.19**
			External Funding	-	-	-	-	**-**
			total	**-**	**0.73**	**0.73**	**0.73**	**2.19**
1	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 funding	-	-	-	-	**-**
			External Funding	-	-	-	-	**-**
			total	**-**	**-**	**-**	**-**	**-**
3	M32 Park and Ride	A new Park and Ride service located at the M32.	BCC funding	-	**-**	**-**	**-**	**-**
			External Funding	-	2.00	4.00	4.00	**10.00**
			total	**-**	**2.00**	**4.00**	**4.00**	**10.00**
3	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 funding	-	0.75	2.12	2.13	**5.00**
			External Funding	-	0.75	2.13	2.12	**5.00**
			total	**-**	**1.50**	**4.25**	**4.25**	**10.00**
3	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 funding	-	0.50	3.00	5.00	**8.50**
			External Funding	-	-	-	-	**-**
			total	**-**	**0.50**	**3.00**	**5.00**	**8.50**
3	Cycle Ambition Fund: Future rounds	Improving cycling infrastructure like bridges and cycle lanes to improve cycling and help increase the number of cyclists.	BCC funding	-	-	3.50	3.50	**7.00**
			External Funding	-	-	-	-	**-**
			total	**-**	**-**	**3.50**	**3.50**	**7.00**
3	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	BCC funding	-	**-**	3.00	3.00	**6.00**
			External Funding	-	-	-	-	**-**
			total	**-**	**-**	**3.00**	**3.00**	**6.00**
3	Smart Ticketing	Working with partners to introduce Oyster-style smart ticketing for public transport across Bristol and the wider region.	BCC funding	-	1.50	1.50	1.50	**4.50**
			External Funding	-	-	-	-	**-**
			total	**-**	**1.50**	**1.50**	**1.50**	**4.50**
3	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 funding	-	-	2.00	2.00	**4.00**
			External Funding	-	-	-	-	**-**
			total	**-**	**-**	**2.00**	**2.00**	**4.00**
3	Residents Parking Schemes	The introduction of Resident's Parking Schemes across Bristol between 2012 -2015. This is for the 'outer ring' of zones.	BCC funding	-	-	2.78	**-**	**2.78**
			External Funding	-		-	**-**	**-**
			total	**-**	**-**	**2.78**	**-**	**2.78**
3	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 BCC operated Park and Ride site.	BCC funding	-	1.10	**-**	**-**	**1.10**
			External Funding	-	**-**	**-**	**-**	**-**
			total	**-**	**1.10**	**-**	**-**	**1.10**
4	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	BCC funding	-	-	-	-	**-**
			External Funding	-	-	-	-	-
			total	**-**	**-**	**-**	**-**	**-**
5	Energy Programme Workstream 1 - Housing	Potential development of an energy efficiency house-hold loan scheme should private sector solutions not be forthcoming	BCC funding	-	1.00	1.00	1.00	**3.00**
			External Funding	-	-	-	-	-
			total	**-**	**1.00**	**1.00**	**1.00**	**3.00**
5	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 funding	-	3.30	9.20	9.00	21.50
			External Funding	-	0.40	0.40	0.40	1.20
			total	**-**	**3.70**	**9.60**	**9.40**	**22.70**

6	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	BCC funding	-	1.60	3.00	3.00	**7.60**
			External Funding	-	-	-	-	-
			total	**-**	**1.60**	**3.00**	**3.00**	**7.60**
6	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 funding	-	-	-	-	-
			External Funding	-	0.50	1.50	3.50	5.50
			total	**-**	**0.50**	**1.50**	**3.50**	**5.50**
6	Bristol South Community Sports Loan	Loan to Bristol South Community Sports to improve sports pitches.	BCC funding	-	0.25	-	-	**0.25**
			External Funding	-		-	-	**-**
			total	**-**	**0.25**	**-**	**-**	**0.25**
8	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 funding	-	1.75	0.25	-	**2.00**
			External Funding	-	-	-	-	-
			total	**-**	**1.75**	**0.25**	**-**	**2.00**
		TIER 3	**BCC funding**	**-**	**12.48**	**32.08**	**30.86**	**75.42**
			External Funding	**-**	**3.65**	**8.03**	**10.02**	**21.70**
			total	**-**	**16.13**	**40.11**	**40.88**	**97.12**

APPENDIX 2

DRAFT TO BE UPDATED FOLLOWING AUDIT COMMITTEE & CABINET

Treasury Management Strategy Statement

1 BACKGROUND

1.1 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.

1.2 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.

1.3 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."

1.4 The Council is also required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (2011) 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

(vi) That the Council nominates one of its committees to keep under review treasury management arrangements and to scrutinise reports befor being recommended to the Council. This role is undertaken by the Audit Committee.

1.5 The Treasury Management Strategy for 2015/16 covers two main areas:

Capital Issues

- The capital plans and the prudential indicators;
- The minimum revenue provision (MRP) policy.

Treasury Management Issues

- current and projected treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on the use of external service providers.

1.6 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 responsibe for scrutiny. A training event for members was undertaken in January 2015 and further trtaining will be arranged as required.

1.7 The training needs of treasury management officers are periodically reviewed.

1.8 The Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

1.9 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.

2 THE CAPITAL PRUDENTIAL INDICATORS 2015/16 – 2017/18

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

2.2 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table also summarises how the capital expenditure plans are being financed. Any shortfall of resources results in a funding borrowing need. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Non-HRA	115	159	158	122	13
HRA	31	33	52	54	55
Total	**146**	**192**	**210**	**176**	**68**
Financed by:					
Capital receipts	-7	-10	-10	-7	-
Capital grants	-98	-115	-56	-27	-13
HRA Self Financing	-29	-20	-31	-32	-33
Revenue	-11	-9	-16	-22	-22
Net financing need for year	**1**	**38**	**97**	**88**	**-**

The Council's borrowing need (the Capital Financing Requirement)

2.3 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 Counciul's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

2.4 The CFR includes any long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separetely borrow for these schemes. The Council currently has £168m of such schemes within the CFR.

2.5 The Council is asked to approve the CFR projections below:

	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2016/17 Estimate £m
CFR – non housing	271	295	377	449	432
CFR – PFI/Lease schemes	168	162	156	150	144
CFR – housing	245	245	245	245	245
Total CFR	**684**	**702**	**778**	**844**	**821**
Movement in CFR	**-17**	**18**	**76**	**66**	**-23**

Net financing need for year	1	38	97	88	-
Less MRP & other financing	-18	-20	-21	-22	-23
Movement in CFR	**-17**	**18**	**76**	**66**	**-23**

Minimum revenue provision (MRP) policy statement

2.6 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), although it is allowed to undertake additional voluntary provision.

2.7 The Department of Communities and Local Government (CLG) 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 the 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 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.

2.8 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).

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

2.10 The Council participates in the Local Authority Mortgage Scheme (LAMS) 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.

Affordability prudential indicators

2.11 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital inverstment plans on the Council's overall finances. The Council is asked to approve the following indicators: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.

2.12 **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 Actual	**2014/15 Estimate**	**2015/16 Estimate**	**2016/17 Estimate**	**2017/18 Estimate**
General Fund	8.6%	8.9%	10.3%	11.4%	11.8%
HRA	9.3%	9.7%	8.9%	8.9%	8.9%

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

2.13 **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.

	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2016/17 Estimate £
Council tax – Band D	0	0	0	0

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

	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £	2016/17 Estimate £
Weekly housing rent	0	0	0	0

3 BORROWING

3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the annual investment strategy.

Current and projected portfolio position

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

	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
External Debt 1 April	425	414	414	489	564
Expected change in debt	-11	0	75	75	0
Other long-term liabilities	174	168	162	156	150
Expected change in other long-term liabilities	-6	-6	-6	-6	-6
Actual gross debt 31 March	**582**	**576**	**645**	**714**	**708**
Capital Financing Requirement	**684**	**702**	**778**	**844**	**821**
Under borrowing	**102**	**126**	**133**	**130**	**113**

Gross Debt and the Capital Financing Requirement

3.3 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 2015/16 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.

3.4 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.

Treasury Indicators: limits to borrowing activity

3.5 **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.

	2014/15 Estimate £'m	2015/16 Estimate £'m	2016/17 Estimate £'m	2016/17 Estimate £'m
Debt	414	489	564	564
Other long-term liabilities	168	162	156	150
Total	**582**	**651**	**720**	**714**

3.6 **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.

	2014/15 Estimate £'m	2015/16 Estimate £'m	2016/17 Estimate £'m	2016/17 Estimate £'m
Total	**740**	**810**	**810**	**810**

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

	2014/15 Estimate £'m	2015/16 Estimate £'m	2016/17 Estimate £'m	2016/17 Estimate £'m
HRA debt cap	257	257	257	257
HRA CFR	245	245	245	245
HRA Headroom	**12**	**12**	**12**	**12**

Prospects for interest rates

3.8 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 2014	0.50	2.50	3.90	3.90

Mar 2015	0.50	2.70	4.00	4.00
Jun 2015	0.75	2.70	4.10	4.10
Sep 2015	0.75	2.80	4.30	4.30
Dec 2015	1.00	2.90	4.40	4.40
Mar 2016	1.00	3.00	4.50	4.50
Jun 2016	1.25	3.10	4.60	4.60
Sep 2016	1.25	3.20	4.70	4.70
Dec 2016	1.50	3.30	4.70	4.70
Mar 2017	1.50	3.40	4.80	4.80
Jun 2017	1.75	3.50	4.80	4.80
Sep 2017	2.00	3.50	4.90	4.90
Dec 2017	2.25	3.50	4.90	4.90
Mar 2018	2.50	3.50	5.00	5.00

3.9 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications (further detail in Annex C):

- Counterparty risks remain elevated

- Investment returns are likely to remain relatively low during 2015/16 and beyond;

- Borrowing interest rates have been volatile during 2014 following the release of good and bad news promoting optimism, and pessimism in financial markets. During July to October 2014, an accumulation of negative news has led to an overall trend of falling rates. The policy of avoiding new borrowing by reducing cash balances has served well over the last few years. However, this will be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- 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

3.10 Based on current cash flow forecasts, it is estimated that the Council will have a borrowing requirement of £150m over the MTFS period. The most significant consideration from a treasury management perspective is the timing and duration of that borrowing. Should the financial environment change and borrowing is deemed advantageous the Council will seek to borrow long-term loans below a target rate of 4.0% and short-term medium term loans below a target rate of 2.5%.

3.11 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.

3.12 Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 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.

3.13 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.

- The option of postponing borrowing and running down investment balances strategy has been applied throughout 2014/15, and this approach will continue to be applied in future years until balances are reduced to adequate liquidity requirements unless it was felt that there was a significant risk of a sharp rise in interest rates.

- 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;

- Long term borrowing from the Municipal Bond Agency if available and appropriate and rates are lower than those offered by the Public Works Loan Board (PWLB).

3.14 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.

3.15 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.

3.16 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.

3.17 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

3.18 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.

3.19 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

3.20 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).

3.21 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).

3.22 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.

3.23 All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

Municipal Bond Agency

3.24 It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council intends to make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

Introduction: changes to credit rating methodology

4.1 The Council's investment policy has regard to the CLG's Guidance on Local Government

Investment policy

4.2 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 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.

4.3 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

4.4 Continuing regulatory changes in the banking sector are designed to see greater stabiliy, ower risk and the removal of expectations of government financial support should an institution fail.. The withdrawl of implied sovereign support is anticipated to have an effect on ratings applied to institution. This will result in key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, financial strengthand support ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit enviroment but rather a change of method in response to regulatory changes.

4.5 As with previous practice, ratings will not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relationto the economic and political environments in which institutions operate. The assessment will also take account of information that reflects he opinion of the markets. To this endthe Council will engage with its advisors to maintain a monitor on market pricing such a 'credit default swaps' and overlay that information on the credit ratings.

4.6 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.

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

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

4.9 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

4.10 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.

4.11 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.

4.12 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.

4.13 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 AA

  and 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)

- **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.

- **Money market funds** – AAA rated (sterling)

- **Enhanced money market funds** (EMMFs)

- **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

4.14 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.

4.15 **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.

Time and monetary limits applying to investments.

4.16 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.

4.17 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).

4.18 For its cash flow generated balances, the Council will seek to utilize its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

4.19 **Investment return expectations**. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from Quarter 2 of 2015. Bank Rate forecasts for financial years are:

- 2015/16 1.0%
- 2016/17 1.5%
- 2017/18 2.5%

There are downside risks to these forecasts (i.e. start of increase in bank rate occurs later) if economic growth weakens. Howeve, should the pace of growth quicken, there could be an upside risk.

Treasury management limits on activity

4.20 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. 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.

	2015/16	**2016/17**	**2017/18**
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity structure of fixed interest rate borrowing 2015/16			
		Lower	**Upper**
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%
Maturity structure of variable interest rate borrowing 2015/16			

Investment treasury indicator and limit

4.21 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	**2015/16**	**2016/17**	**2017/18**
Principal sums invested > 364 days	£30m	£30m	£30m

Ethical Investment Policy

4.22 The Ethical Investment Policy was approved by Cabinet on the 15th December 2011. The City Council will not knowingly invest in organisations whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the City Council.

Icelandic Bank Investments

4.23 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.

4.24 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

Investment Risk Benchmarking

4.25 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.

4.26 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.

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

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.09%**	**0.25%**	**0.44%**	**0.62%**	**0.83%**

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

Annexes

Annex 1 - Treasury Management Policy Statement

Annex 2 – Economic Background

Annex 3 – to follow

Annex 4 – to follow

Annex 1

Treasury Management Policy Statement

1. The Council defines its treasury management activities as follows:

   The management of the Council'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.

2. The Council 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 Council, and any financial instruments entered into to manage these risks.

3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The Council's high level policies for borrowing and investments are:

   - The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt

   - The Council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Council's investments followed by the yield earned on investments remain important but are secondary considerations.

1.1 APPENDIX: Economic Background

UK. Strong UK GDP quarterly **growth** of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), means that the UK will have the strongest rate of growth of any G7 country in 2014. It also appears very likely that strong growth will continue through the second half of 2014 and into 2015 as forward surveys for the services and construction sectors are very encouraging and business investment is also strongly recovering. The manufacturing sector has also been encouraging though recent figures indicate a weakening in the future trend rate of growth. However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance.

This overall strong growth has resulted in **unemployment** falling much faster through the initial threshold of 7%, set by the **Monetary Policy Committee (MPC)** last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

Also encouraging has been the sharp fall in **inflation** (CPI) during 2014 after being consistently above the MPC's 2% target between December 2009 and December 2013. Inflation fell to 1.2% in September, a five year low. Forward indications are that inflation is likely to fall further in 2014 to possibly near to 1% and then to remain near to, or under, the 2% target level over the MPC's two year ahead time horizon. Overall, markets are expecting that the MPC will be cautious in raising **Bank Rate** as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

The return to strong growth has also helped lower forecasts for the increase in **Government debt** by £73bn over the next five years, as announced in the 2013 Autumn

Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.

The Eurozone (EZ). The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In September, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June to loosen monetary policy in order to promote growth. In September it took further action to cut its benchmark rate to only 0.05%, its deposit rate to -0.2% and to start a programme of purchases of corporate debt. However, it has not embarked yet on full quantitative easing (purchase of sovereign debt).

Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate. Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US. Greece remains particularly vulnerable but has made good progress in reducing its annual budget deficit and in returning, at last, to marginal economic growth. Whilst a Greek exit from the Euro is now improbable in the short term, some commentators still view the inevitable end game as either being another major right off of debt or an eventual exit.

There are also particular concerns as to whether democratically elected governments will lose the support of electorates suffering under EZ imposed austerity programmes, especially in countries like Greece and Spain which have unemployment rates of over 24% and unemployment among younger people of over 50 – 60%. There are also major concerns as to whether the governments of France and Italy will effectively implement austerity programmes and undertake overdue reforms to improve national competitiveness. Any loss of market confidence in the two largest Eurozone economies after Germany would present a huge challenge to the resources of the ECB to defend their debt.

USA. The Federal Reserve started to reduce its monthly asset purchases of $85bn in December 2013 by $10bn per month; these ended in October 2014, signalling confidence the US economic recovery would remain on track. First quarter GDP figures for the US were depressed by exceptionally bad winter weather, but growth rebounded

very strongly in Q2 to 4.6% (annualised). The first estimate of Q3 showed growth of 3.5% (annualised). Annual growth during 2014 is likely to be just over 2%.
The U.S. faces similar debt problems to those of 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, although the weak labour force participation rate remains a matter of key concern for the Federal Reserve when considering the amount of slack in the economy and monetary policy decisions. It is currently expected that the Fed. will start increasing rates in mid 2015.

China. Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has been mixed. There are also concerns that the Chinese leadership have only started to address an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector. There are also concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates. This primarily occurred during the government promoted expansion of credit, which was aimed at protecting the overall rate of growth in the economy after the Lehmans crisis.

Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth. In Q2 growth was -1.8% q/q and -7.1% over the previous year. The Government is hoping that this is a temporary blip.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.
The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Over time, an increase in investor confidence in world economic recovery is also likely to compound this effect as recovery will further encourage investors to switch from bonds to equities.
The overall balance of risks to economic recovery in the UK is currently evenly weighted. However, only time will tell just how long this period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.
The interest rate forecasts in this report are based on an initial assumption that there will not be a major resurgence of the EZ debt crisis, or a break-up of the EZ, but rather that there will be a managed, albeit painful and tortuous, resolution of the debt crisis where EZ institutions and governments eventually do what is necessary - but only when all else has been tried and failed. Under this assumed scenario, growth within the EZ will be tepid for the next couple of years and some EZ countries experiencing low or negative growth, will, over that time period, see an increase in total government debt to GDP ratios. There is a significant danger that these ratios could rise to the point where markets lose confidence in the financial viability of one, or more, countries, especially if growth disappoints and / or efforts to reduce government deficits fail to deliver the necessary reductions. However, it is impossible to forecast whether any individual country will lose such confidence, or when, and so precipitate a sharp resurgence of the EZ debt crisis. While the ECB has adequate resources to manage a debt crisis in a small EZ country, if one, or more, of the

large countries were to experience a major crisis of market confidence, this would present a serious challenge to the ECB and to EZ politicians.

Downside risks currently include:

- The situation over Ukraine poses a major threat to EZ and world growth if it was to deteriorate into economic warfare between the West and Russia where Russia resorted to using its control over gas supplies to Europe.
- Fears generated by the potential impact of Ebola around the world
- UK strong economic growth is currently mainly dependent on consumer spending and the potentially unsustainable boom in the housing market. The boost from these sources is likely to fade after 2014.
- A weak rebalancing of UK growth to exporting and business investment causing a weakening of overall economic growth beyond 2014.
- Weak growth or recession in the UK's main trading partner - the EU, inhibiting economic recovery in the UK.
- A return to weak economic growth in the US, UK and China causing major disappointment in investor and market expectations.
- A resurgence of the Eurozone sovereign debt crisis caused by ongoing deterioration in government debt to GDP ratios to the point where financial markets lose confidence in the financial viability of one or more countries and in the ability of the ECB and Eurozone governments to deal with the potential size of the crisis.
- Recapitalisation of European banks requiring considerable government financial support.
- Lack of support by populaces in Eurozone countries for austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- Italy: the political situation has improved but it remains to be seen whether the new government is able to deliver the austerity programme required and a programme of overdue reforms. Italy has the third highest government debt mountain in the world.
- France: after being elected on an anti austerity platform, President Hollande has embraced a €50bn programme of public sector cuts over the next three years. However, there could be major obstacles in implementing this programme. Major overdue reforms of employment practices and an increase in competiveness are also urgently required to lift the economy out of stagnation.
- Monetary policy action failing to stimulate sustainable growth in western economies, especially the Eurozone and Japan.
- Heightened political risks in the Middle East and East Asia could trigger safe haven flows back into bonds.
- There are also increasing concerns at the reluctance of western central banks to raise interest rates significantly for some years, plus the huge QE measures which remain in place (and may be added to by the ECB in the near future). This has created potentially unstable flows of liquidity searching for yield and, therefore, heightened the potential for an increase in risks in order to get higher returns. This is a return to a similar environment to the one which led to the 2008 financial crisis.

The potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- A further surge in investor confidence that robust world economic growth is firmly expected, causing a flow of funds out of bonds into equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Policy, Strategy & Communications
Consultation & Intelligence team

Budget Consultation 2015-16 report.

www.bristol.gov.uk/budget

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Executive Summary

Budget Consultation for 2015-16 ran for 6 weeks from 17 November to 29 December 2014. Information explained the Mayor's new Budget proposals for 2015-16 at www.bristol.gov.uk/budget and in a paper booklet distributed to Libraries, Citizen Service points and on request. Feedback was collected via online and paper survey. **1814 responses were received.** Not all respondents answered every question.

In 2013 an extensive Budget consultation took place on proposals for a three year Budget Framework for 2014-17. This framework was agreed by Full Council and set out proposals for each year to achieve required savings. There were no changes to this agreed framework for 2015-16, so this has not been revisited in this consultation.

For the year 2015-16 we have an additional £3.9m due to better than expected collection of Council Tax.

- This consultation seeks views on the Mayor's proposals for spending the additional one off sum in 2015-16.
- We also ask for people's own ideas for how this money should be best used.
- In 2015 and future years, it is proposed that the additional £4m anticipated to be collected, is used to relieve pressure on the Council's Budget (due to increased demand on services) and we ask for their views on this.

Agreement/disagreement with proposals in order of agreement (Fig. 1)

Non Bristol postcodes excluded.

Respondents

1314

1291

1285

1314

1400

1308

All respondents.

1420

1440

1410

1439

1568

1437

Using the ongoing additional £4m funding from Council Tax collection

73% agree that the ongoing additional £4m should be used to relieve Budget pressures caused by increased demand (72% of Bristol only respondents).

Mayoral Commissions - Funding to implement recommendations £1.6m

This question asked for comments on spending £1.6m to support the outcomes of the Mayoral commissions. The most popular commissions were Homes (44, 12%) and Education and Skills (38, 10%), followed by Fairness (24, 6%).

Proposals for using the one-off £3.9m

- Development of a business case for supporting better rail links had most agreement, 69% agree. 13% disagree. However, 17% of the comments said the money should be spent on actions rather than a study. 6% thought it should not cost this much for a business case. When Non-Bristol postcodes were excluded, this item came second below libraries.
- £1m investment in libraries for the future to support the outcomes of the current consultation also got 69% agreement but there was slightly less strong agreement as for Better rail links. 11% disagreed with this. 13% of comments disagreed and thought there were other things that the Council should priorities spending on. 17% of comments were in favour of keeping libraries. 11% suggested libraries could expand their role in the future.
- Third was Closer Joint Working across the city Region, 68% agree. 11% disagree. 9% of comments said this should be happening anyway, without additional funding. 10% wanted more information about this proposal.
- 62% agreed that £0.5m should be spent on grants for legacy projects related to Bristol 2015 Green Capital. 19% disagreed. 12% of comments expressed general disagreement. A further 5% disagreed and felt the money should be spent elsewhere. 9% of comments agreed and felt this money should be invested in the physical environment and green space as a legacy. 8% of comments felt better cycle paths would be a good legacy.
- 61% agree that £0.1m should be spent on a feasibility study for further development of the Colston Hall. This proposal had the highest level of strong agreement – 40%. Much of this strong agreement was from respondents outside of Bristol. 24% disagree with this proposal. 10% of comments were from people who agreed that Colston Hall needed investment, but wanted the money spent on the actual work, not studies. 12% of comments supported the fact that the Colston Hall needs improving. 9% were from those who disagreed with the proposal because they felt the Colston Hall Trust should fund it themselves.
- 56% felt that £0.1m should be spent on Bristol 800 celebrations (including 800th anniversary of a Bristol Mayor and 250 year anniversary of Bristol Old Vic). 26% disagreed with this proposal. 14% of comments were from people expressing general disagreement. 13% of comments were from those who disagreed and felt it was a waste of money. 11% expressed general agreement and 8% agreed, but felt it was important to involve all communities, not just people based centrally or using the Old Vic.

Own suggestions for using the one-off £3.9m

The most common theme was Public Transport (75 comments, 12%), followed by traffic and transport (44, 7%). 34 comments, 5% were about Arts and Leisure. 30 comments, 5% were about spending the money on the most-needy

Responses received outside of the survey

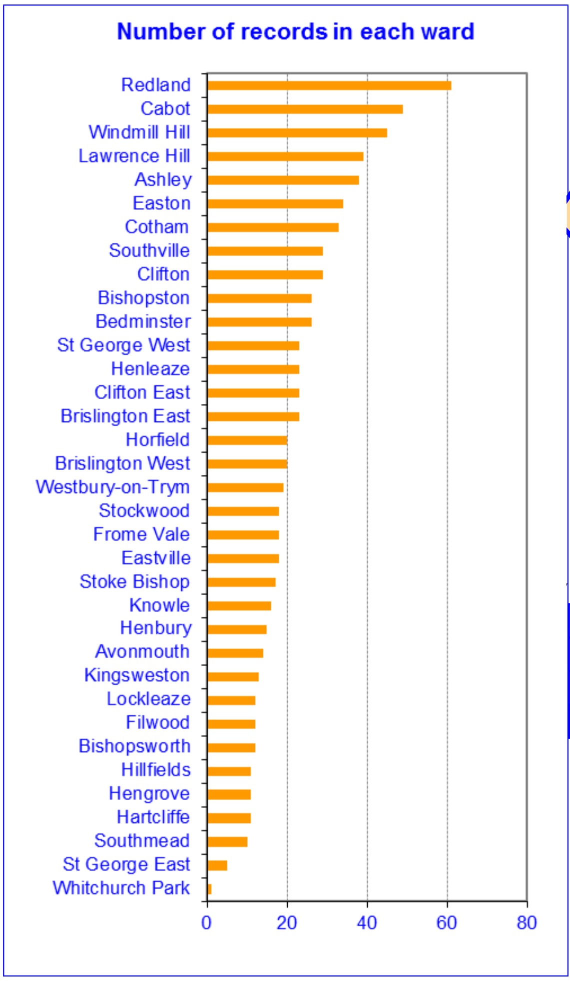
A Voluntary and Community Sector discussion with the Mayor about the Budget took place on 18 December 2014, organised by Voscur. See notes from the meeting and Voscur's Budget Consultation submission (**Appendix 1 & 2)**.
1 Letter: priorities Homes Commission recommendations. Defer the second £50K reduction in funds to 'WE Care and Repair'
10 emails:

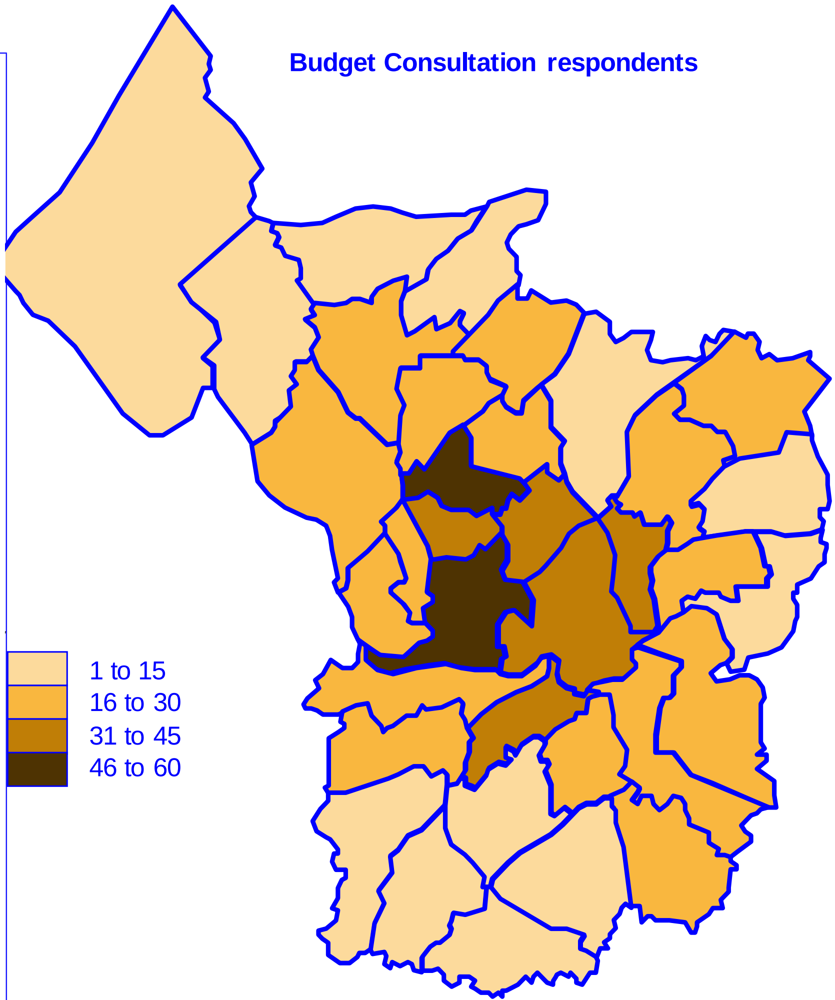
- More staff for Tree planting project so existing £300,000 identified for planting trees is not lost (x4emails)
- An increase to the minimum wage.
- Money is spent on improvements to Colston Hall, rather than a feasibility study.
- Use part of the budget to support the Adult Learning Service.
- Use additional funding for Children's Centres, community transport and violence against women services.
- Use money to work with VCS on Early Intervention projects that reduce rates of adult reoffending/substance misuse.
- Fund for Peer Support Advocacy, Bedroom Tax relief, Peer support drop-in pilot project, Community transport, Mobile Library Service, Generic Advocacy/Support Service, Match funding pot for VCS projects.

Response to the Consultation.

1814 responses were received. Not all respondents answered every question. Just over half of respondents gave a full or partial postcode (1019 people). 83% of these were Bristol residents (849) with highest levels of response from the central wards. 17% of respondents who provided a postcode were from outside of Bristol (170). Many of these expressed views of agreement (particularly strong agreement) with the Colston Hall proposal. It is possible they found the consultation via a Colston Hall mailing.

Spread of respondents (Fig.3.)





Bristol	849
South Glos	53
North Somerset	45
BANES	19
Other UK	53
No postcode given	795

Organisations who responded

Abdirizak Omar
Africa unite party
AWP
Bluebell Care Trust
Bournemouth Symphony Orchestra
Brewin Dolphin
Bristol Choral Society
Bristol choral society
Bristol Choral Society
Bristol City Council Public Art Dept in Planning
Bristol Community Transport
Bristol Green Party
Bristol Hearing Voices Network
Bristol Music Trust - Bristol Plays Music
Bristol Woman Voice
Bristol Women's Commission
British Horse Society
Bristol Jazz and Blues Festival
City of Bristol Choir
DAC Beachcroft LLP
DACBeachcroft LLP
Dsoundz Media
Friends of Bristol tree forum
Genderfreedv
Green Party Group
Knighstone Housing Community Development
Knowle West Health Park Company
Live Music Now
Liz Williamson
Naomi Knapp - Refresh Bedminster
NTCOG
Nu Nu Theatre Company
Oakfield resident's association
Olive grove cafe and meeting place
Original Minds
Plaster
Premier Care Management Ltd
RISE structural engineers Ltd
Shirehampton Public Hall Community Association
Situations
St George's Bristol
Start the bus
Tessa J Fitzjohn Projects
The Bristol festival community group
The British people
Theatre Bristol
Thrings
Thrings LLP
UWE Somali Students Network
UWE, Bristol
Warwick arts centre
Watershed
WE Care and Repair
West Street Neighbourhood Group
Woodland Trust

Demographics of respondents (Fig.4.)

Engagement activity

The consultation was on the Council's website and consultation hub, twitter and Facebook. It was promoted via a press release to the local media and community newsletters. Direct emails were sent to 20156 people via Ask Bristol email bulletin, Consultation Hub, Council Tax accounts, Housing Benefit and Council Tax Reduction accounts.

Emails were sent to Equalities groups asking them to circulate to their contacts.

Business West, the Institute of Directors and Federation of Small Businesses were emailed.

Some organisations promoted the consultation, including Bristol Tree Forum and possibly Colston Hall Trust.

At Mayor's Question Time at UWE Glenside Campus on 10th December, one question was received about the Budget: Regarding spending on 250 years of Bristol Old Vic, Mayor Anniversary celebrations and a feasibility study of Colston Hall *it asked 'What is the direct benefit to the massively diverse population of Bristol – not just those with a vested interest in the Arts?'* The Mayor's response was about the shared Economic benefit of the Arts.

Reach of communications (Fig.4.)

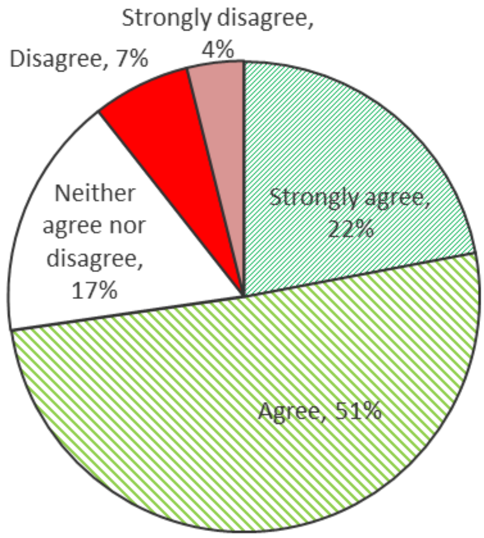
Results

Using the ongoing additional £4m funding from Council Tax collection

The majority of respondents (73%) agree that the ongoing additional £4million should be used to relieve Budget pressures caused by increased demand.

Do you agree or disagree that this money should be used in this way?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	22%	354
Agree	51%	816
Neither agree nor disagree	17%	269
Disagree	7%	108
Strongly disagree	4%	62
	answered question	**1609**
	skipped question	**205**

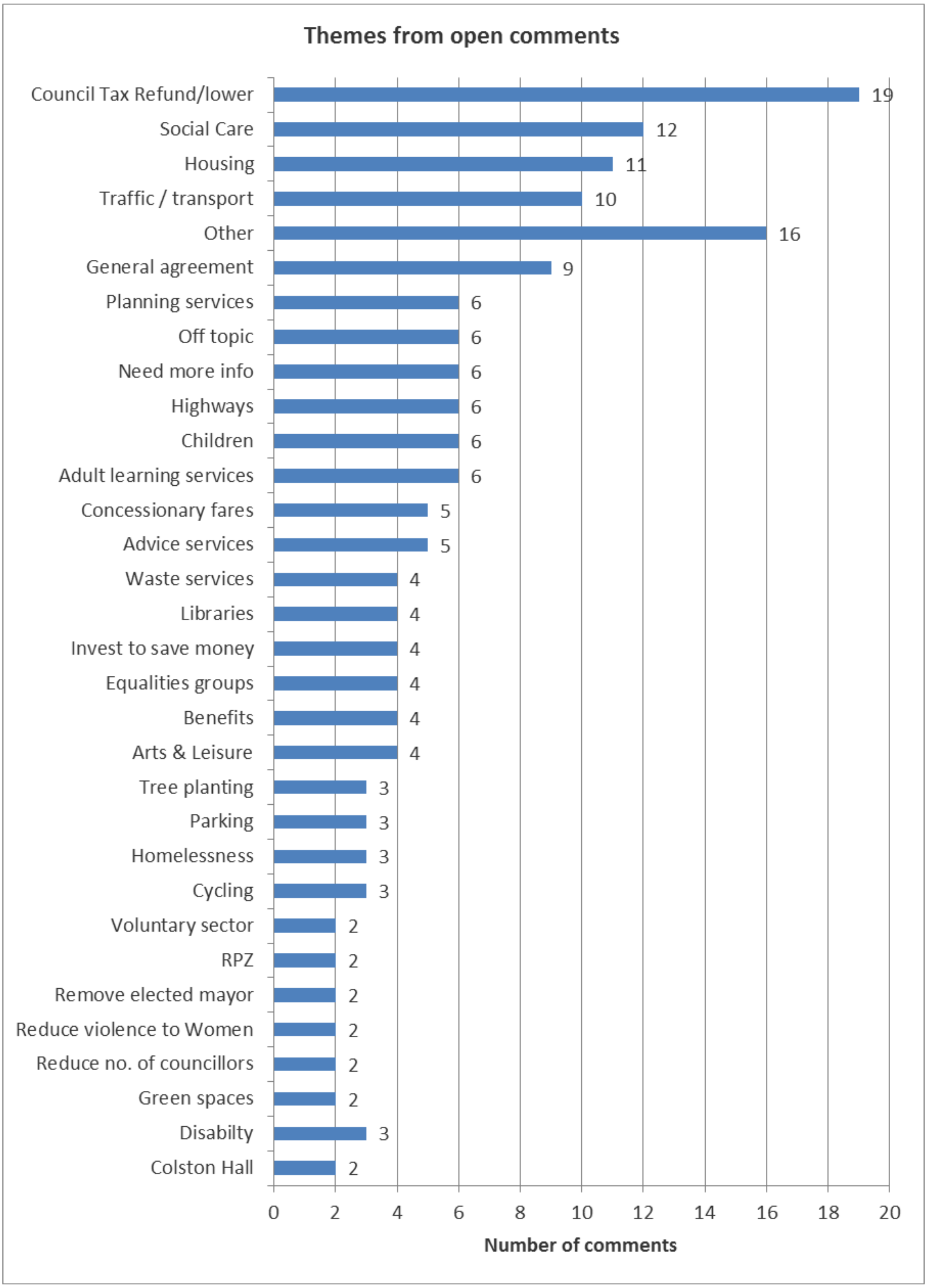
Do you agree or disagree that this money should be used in this way?



If you disagree or strongly disagree, do you have any alternative suggestions?

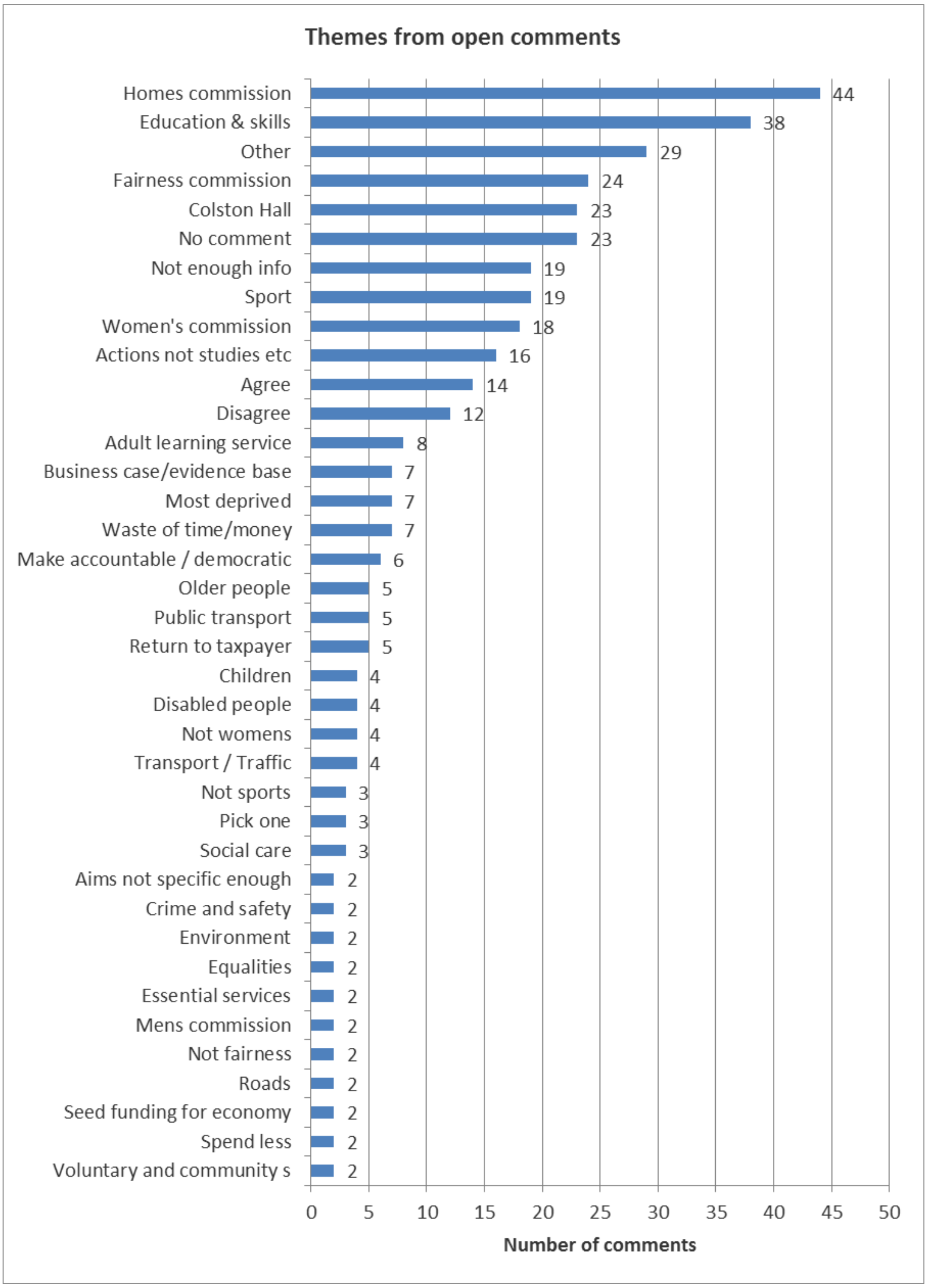
157 people left open ended responses to this question (176 themed comments), which were themed into 32 categories. A response could contain more than one theme. The main themes emerging from the comments were:

	Description	**Percentage of comments**	**Number of comments**
Council Tax	Reduce proposed CT increase	11%	19
Social Care	Spend on Social Care	7%	12
Housing	Spend on social housing	6%	11
Traffic/transport	Improve transport infrastructure	6%	10


Themes from open comments
Council Tax Refund/lower
19
Social Care
12
Housing
11
Traffic / transport
10
Other
16
General agreement
9
Planning services
6
Off topic
6
Need more info
6
Highways
6
Children
6
Adult learning services
6
Concessionary fares
5
Advice services
5
Waste services
4
Libraries
4
Invest to save money
4
Equalities groups
4
Benefits
4
Arts & Leisure
4
Tree planting
3
Parking
3
Homelessness
3
Cycling
3
Voluntary sector
2
RPZ
2
Remove elected mayor
2
Reduce violence to Women
2
Reduce no. of councillors
2
Green spaces
2
Disabilty
3
Colston Hall
2
0
2
4
6
8
10
12
14
16
18
20
Number of comments

Mayoral Commissions - Funding to implement recommendations £1.6m

332 people left a comment, 376 themed items in 38 themes. The most popular commissions were Homes (44, 12%) and Education and Skills (38, 10%), followed by Fairness (24, 6%). 23 (6%) comments were about Colston Hall (even though there is a separate question on this and is not part of the commissions). 19 (5%) said they did not have enough information on the commissions to respond. 18 (5%) comments were themed as 'Women's commission'. Many of these referred to a campaign to end violence towards women and girls. 16 (4%) comments wished the money to be spent on actions rather than any more studies/consultants/consultation/bureaucracy.



Examples of comments:

Homes commission (44): “Bristol has a major housing shortage. The money should be spent on social housing which is not subject to any "right to buy".”

“More affordable housing in Bristol is a key component to bringing the equality gap down”

Education & skills (38): “Part of this money should be spent on helping businesses, organisations and capable individuals to train and motivate/educate the under skilled.”

“Too much money allocated for mayoral commissions and all categories are airy/fairy. I only agree with education and skills for school leavers “

Fairness commission (24): “Fairness - work to end the destitution of asylum seekers in Bristol, support Bristol Refugee Rights, Bristol Hospitality Network and Refugee Welcome Homes CIC to help integrate and empower this group. Homes - support alternative, small scale building developments and projects such as the Community Land Trust to get as many decent new homes build as possible. Support organisations such as Acorn to end poor practices of private landlords.”

“strongly believe that as a city of sanctuary we must look after asylum seeking people particularly those facing destitution - please put this in as a priority for 'fairness' on human rights grounds. Many thanks”

Colston Hall (23): “I feel strongly that the proposed money should go to transforming the Colston hall. It is a vital showpiece for vibrant, artistic Bristol. And the hall and backstage areas need to match the rest of the building”

Women’s commission (18)
“Funding for strategies and campaigns to eliminate violence against women and girls. Restore funding to children's centres.”

Sport (19): “Take a holistic view and look to combine benefits where possible e.g. promote fairness through sports etc.”

Not enough info (19): “Will it be split fairly among the commissions, or will one receive a higher priority over others?”

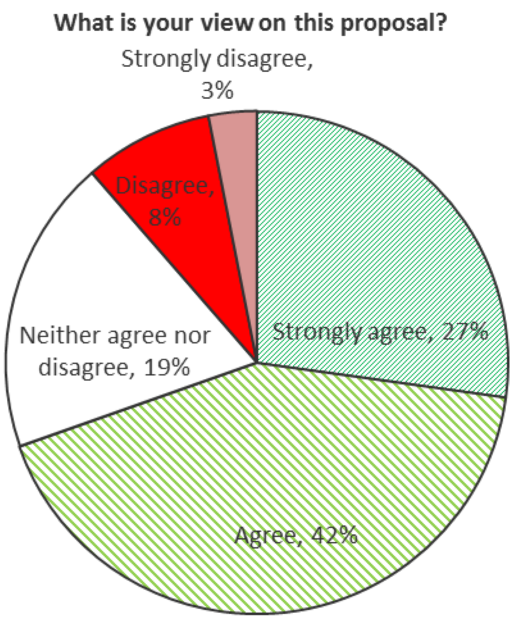
“Good luck on that one, it seems to be all airy-fairy vague nonsense from what I saw, or tried to see. After wasting 5 minutes of my short time left on this planet, I still did not get to one single concrete fact about the Fairness initiative, for example. Seems to me to be a possible case of "jobs for the boys". Stop wasting our money.”

Actions not studies etc. (16): “None of these recommendations are concrete and all involve 'further studies' - this money will be going to consultants and other bodies simply to talk more about things! We need concrete things done with this money.”

Libraries for the future - Investment of £1m

The majority of respondents (69%) agree that £1 million should be invested in Libraries for the future. When non Bristol postcodes were excluded, there was 1% more agreement with this proposal (70% agree).

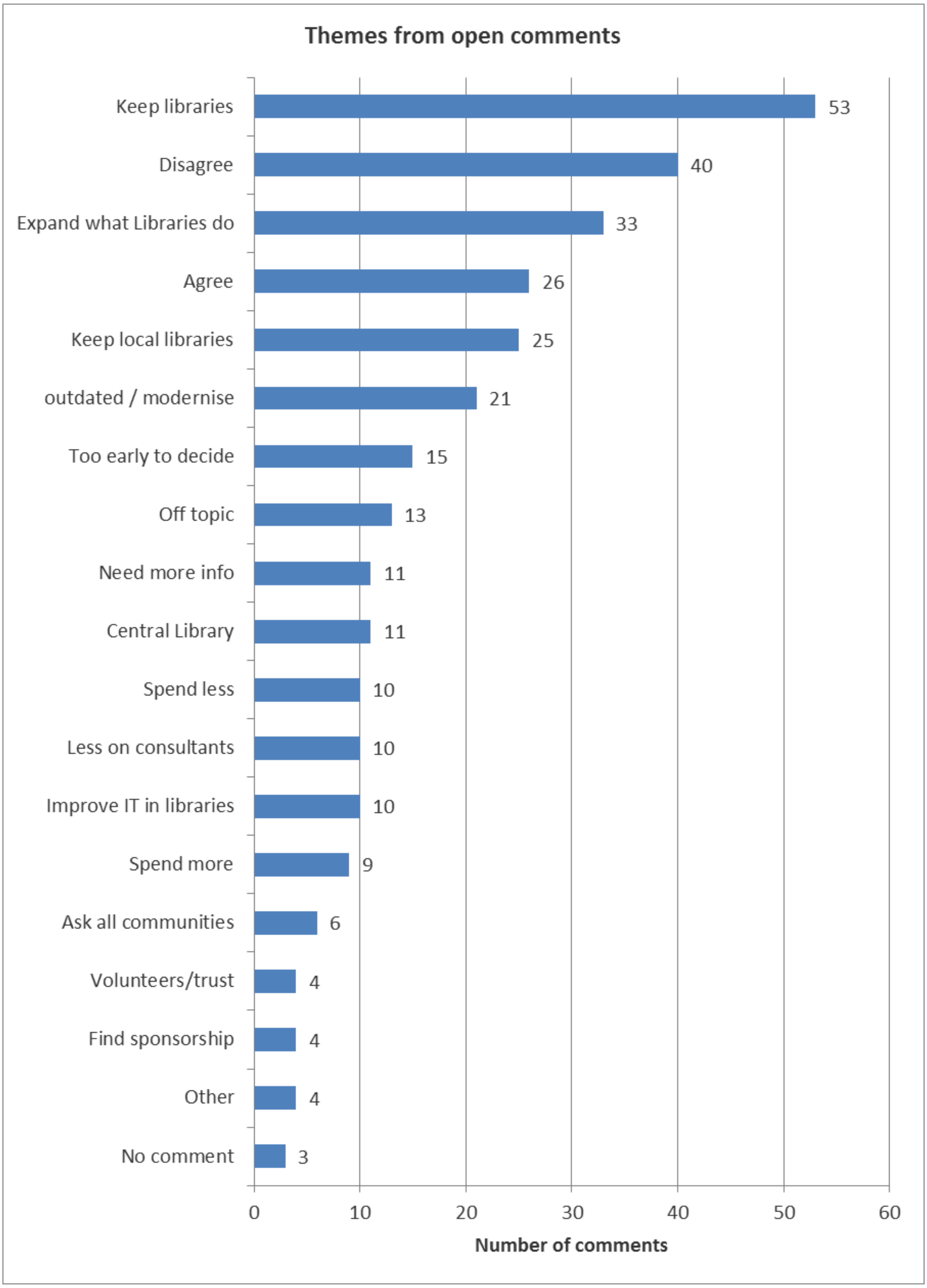
What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	27%	391
Agree	42%	611
Neither agree nor disagree	19%	273
Disagree	8%	120
Strongly disagree	3%	45
	answered question	**1440**
	skipped question	**374**



If you have any comments on this proposal please write here.

289 people left comments, 308 themed items in 19 themes. The main themes emerging from the comments were:

	Description	Percentage of comments	Number of comments
Keep libraries	Libraries are important	17%	53
Disagree	Spend on other priorities	13%	40
Expand what libraries do	Libraries could offer more services	11%	33
Agree	General agreement	8%	26

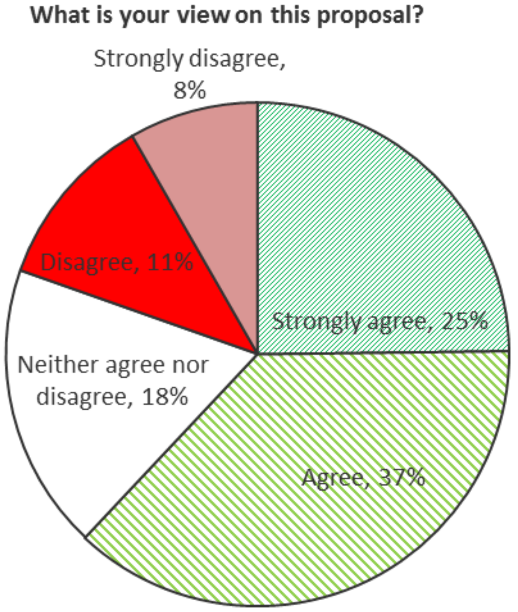


Themes from open comments
Keep libraries
53
Disagree
40
Expand what Libraries do
33
Agree
26
Keep local libraries
25
outdated / modernise
21
Too early to decide
15
Off topic
13
Need more info
11
Central Library
11
Spend less
10
Less on consultants
10
Improve IT in libraries
10
Spend more
9
Ask all communities
6
Volunteers/trust
4
Find sponsorship
4
Other
4
No comment
3
0
10
20
30
40
50
60
Number of comments

Bristol 2015 - European Green Capital Legacy £0.5m

The majority of respondents (62%) agree that £0.5million should be invested in the European Green Capital Legacy.

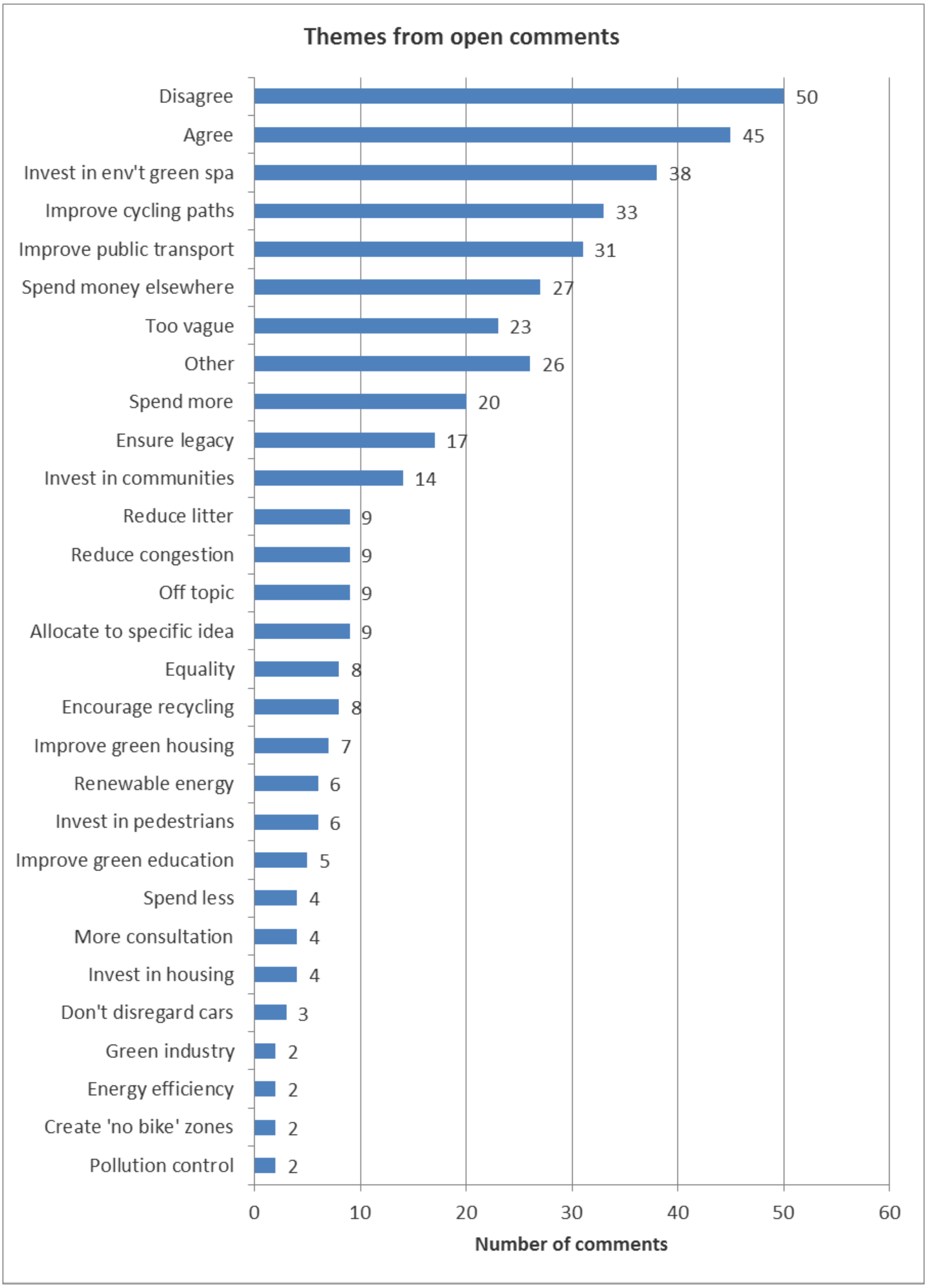
What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	25%	357
Agree	37%	535
Neither agree nor disagree	18%	265
Disagree	11%	163
Strongly disagree	8%	119
	answered question	**1439**
	skipped question	**375**



If you have any comments on this proposal please write here.

398 people left comments, 423 themed items in 29 themes. The main themes emerging from the comments were:

	Description	**Percentage of comments**	**Number of comments**
Disagree	General disagreement	12%	50
Agree	General agreement	11%	45
Invest in environment/green space	Invest in the physical environment	9%	38
Improve cycling paths	Better cycle paths would leave a legacy	8%	33

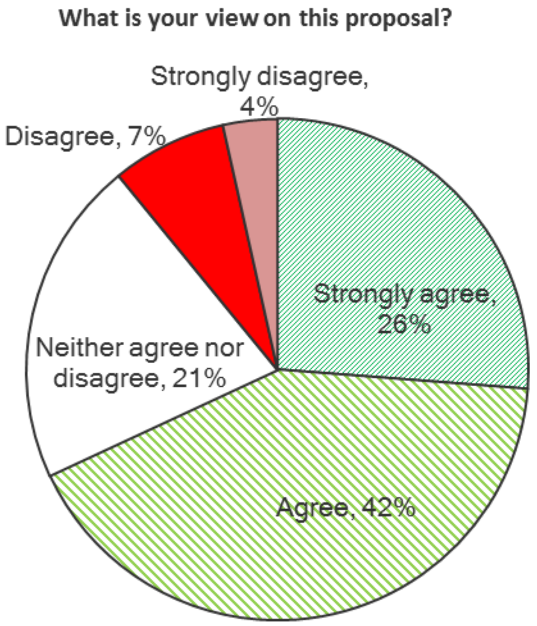


Themes from open comments
Disagree 50
Agree 45
Invest in env't green spa 38
Improve cycling paths 33
Improve public transport 31
Spend money elsewhere 27
Too vague 23
Other 26
Spend more 20
Ensure legacy 17
Invest in communities 14
Reduce litter 9
Reduce congestion 9
Off topic 9
Allocate to specific idea 9
Equality 8
Encourage recycling 8
Improve green housing 7
Renewable energy 6
Invest in pedestrians 6
Improve green education 5
Spend less 4
More consultation 4
Invest in housing 4
Don't disregard cars 3
Green industry 2
Energy efficiency 2
Create 'no bike' zones 2
Pollution control 2
0
10
20
30
40
50
60
Number of comments

Closer joint working across the city region £0.3m

The majority of respondents (68%) agree that £0.3million should be spent on joint working across the city Region.

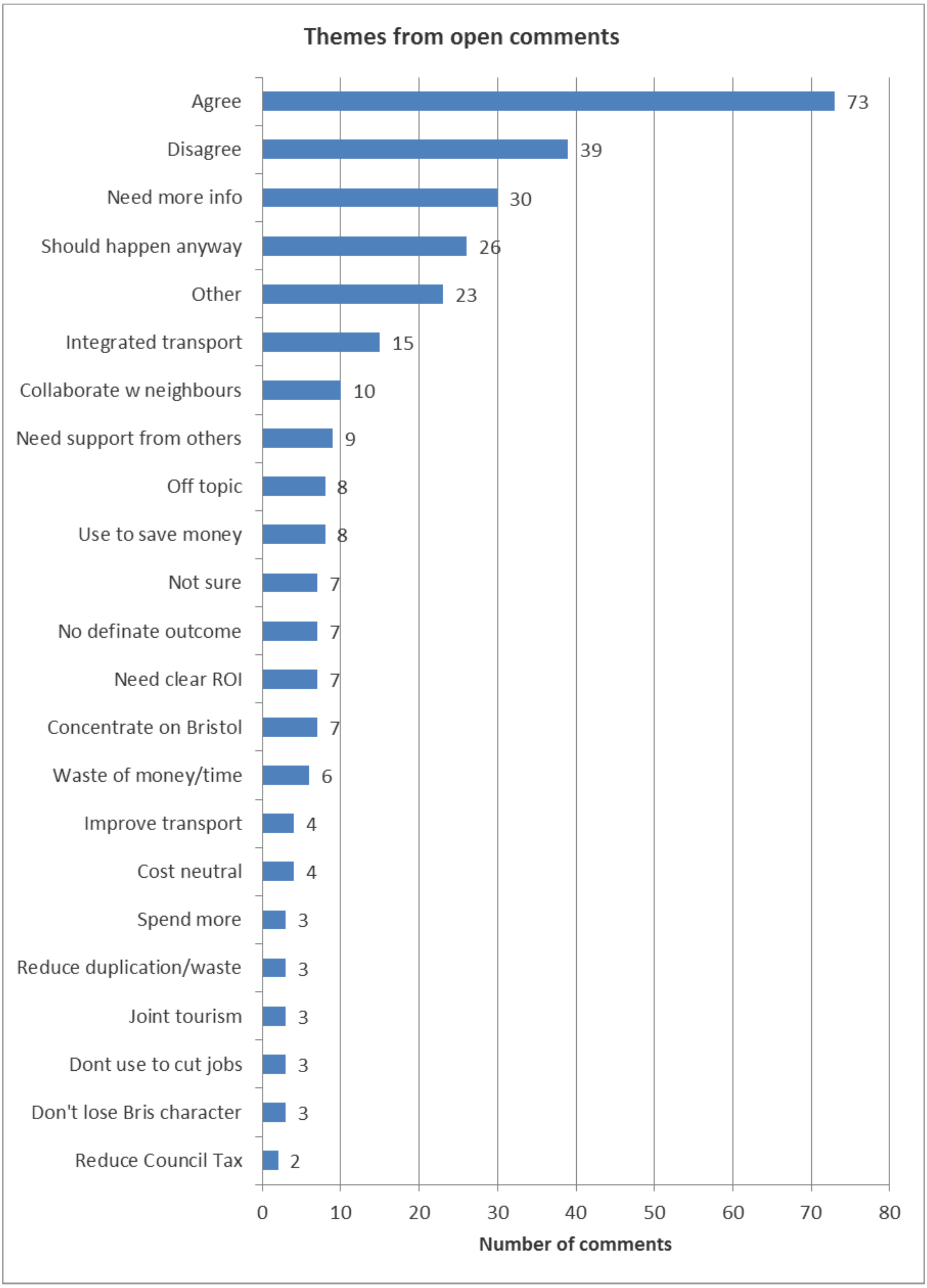
What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	26%	370
Agree	42%	590
Neither agree nor disagree	21%	296
Disagree	7%	105
Strongly disagree	4%	49
	answered question	**1410**
	skipped question	**404**



If you have any comments on this proposal please write here.

293 people left comment, 300 themed items in 23 themes. The main themes emerging from the comments were:

	Description	**Percentage of comments**	**Number of comments**
Agree	General agreement	24%	73
Disagree	General disagreement	13%	39
Need more info	Don't know enough about it/vague	10%	30
Should happen anyway	Should happen already at no extra cost	9%	26

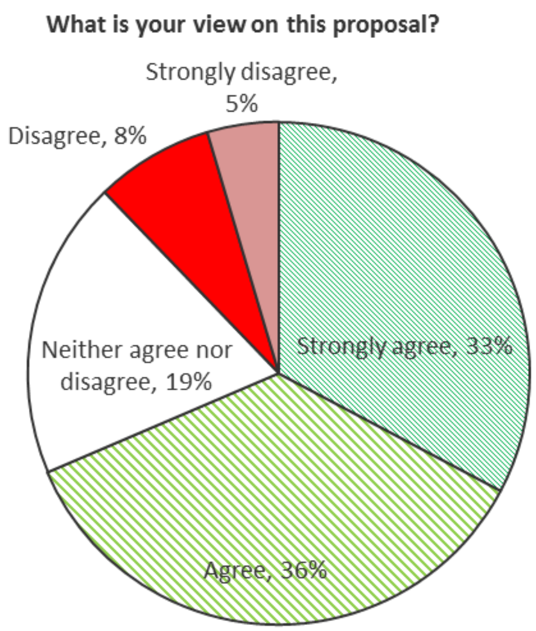


Themes from open comments
Agree
73
Disagree
39
Need more info
30
Should happen anyway
26
Other
23
Integrated transport
15
Collaborate w neighbours
10
Need support from others
9
Off topic
8
Use to save money
8
Not sure
7
No definate outcome
7
Need clear ROI
7
Concentrate on Bristol
7
Waste of money/time
6
Improve transport
4
Cost neutral
4
Spend more
3
Reduce duplication/waste
3
Joint tourism
3
Dont use to cut jobs
3
Don't lose Bris character
3
Reduce Council Tax
2
0
10
20
30
40
50
60
70
80
Number of comments

Supporting better rail links for the city – Development of Business Case £0.3m

The majority of respondents (69%) agree that £0.3million should be spent on developing a business case for better rail links.

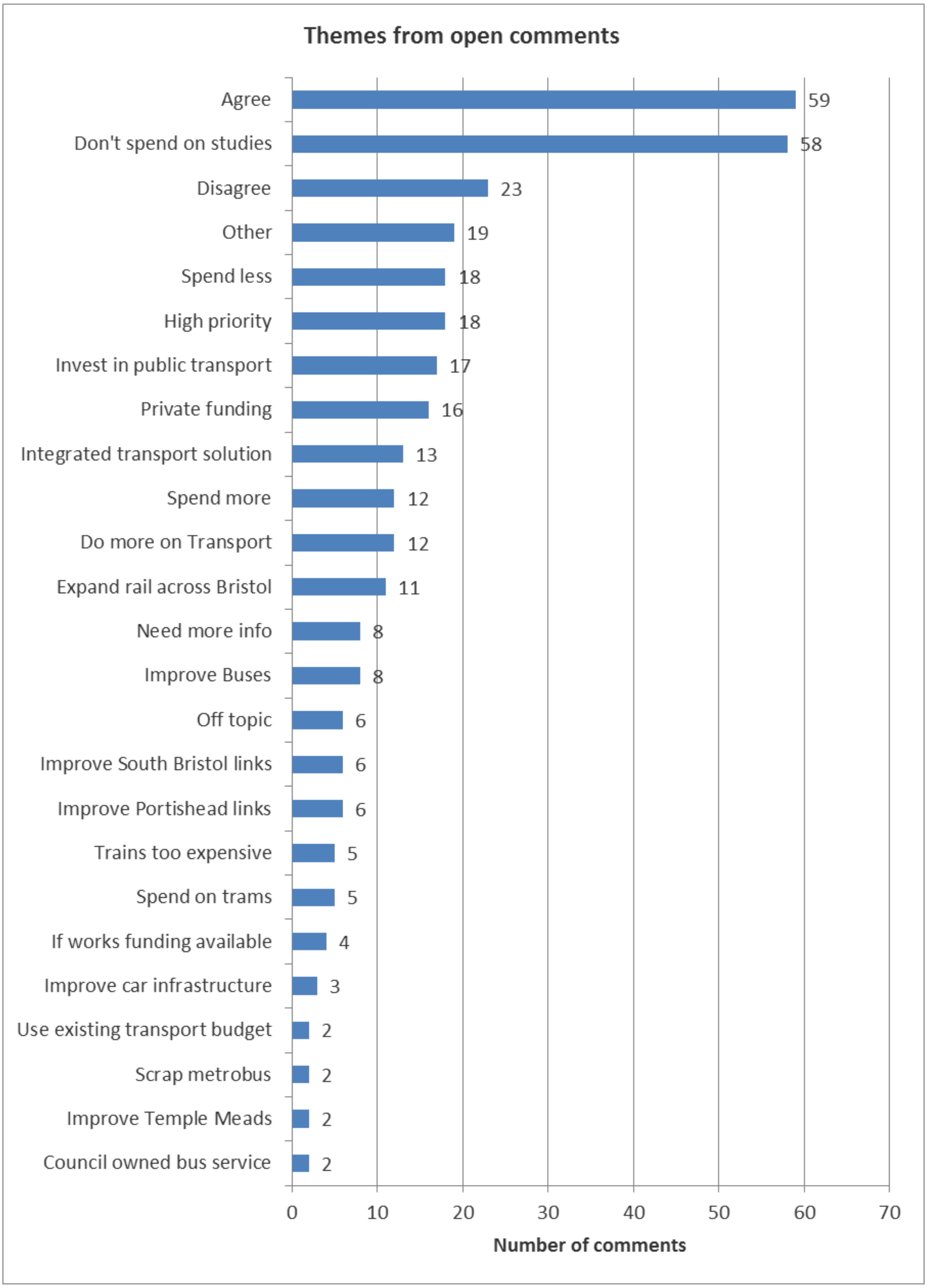
What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	33%	465
Agree	36%	509
Neither agree nor disagree	19%	273
Disagree	8%	108
Strongly disagree	5%	65
answered question		**1420**
skipped question		**394**



If you have any comments on this proposal please write here.

329 people left comments, 335 themed items in 25 themes. The main themes emerging from the comments were:

	Description	Percentage of comments	Number of comments
Agree	General agreement	18%	59
Don't spend on studies	Spend on actions	17%	58
Disagree	General disagreement	7%	23
Spend less	Should not cost this much for Business case	6%	18



Themes from open comments
Agree
Don't spend on studies
Disagree
Other
Spend less
High priority
Invest in public transport
Private funding
Integrated transport solution
Spend more
Do more on Transport
Expand rail across Bristol
Need more info
Improve Buses
Off topic
Improve South Bristol links
Improve Portishead links
Trains too expensive
Spend on trams
If works funding available
Improve car infrastructure
Use existing transport budget
Scrap metrobus
Improve Temple Meads
Council owned bus service
59
58
23
19
18
18
17
16
13
12
12
11
8
8
6
6
6
5
5
4
3
2
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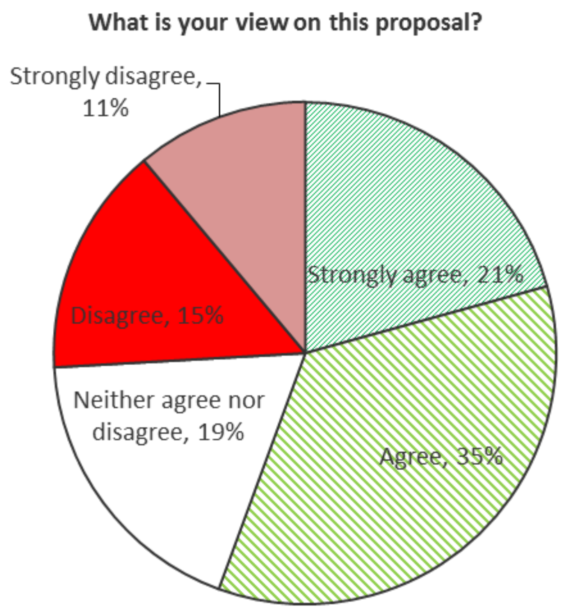
50
60
70
Number of comments

Bristol 800 celebrations £0.1m

56% agree that £0.1million should be spent on Bristol 800 celebrations. 27% disagree.

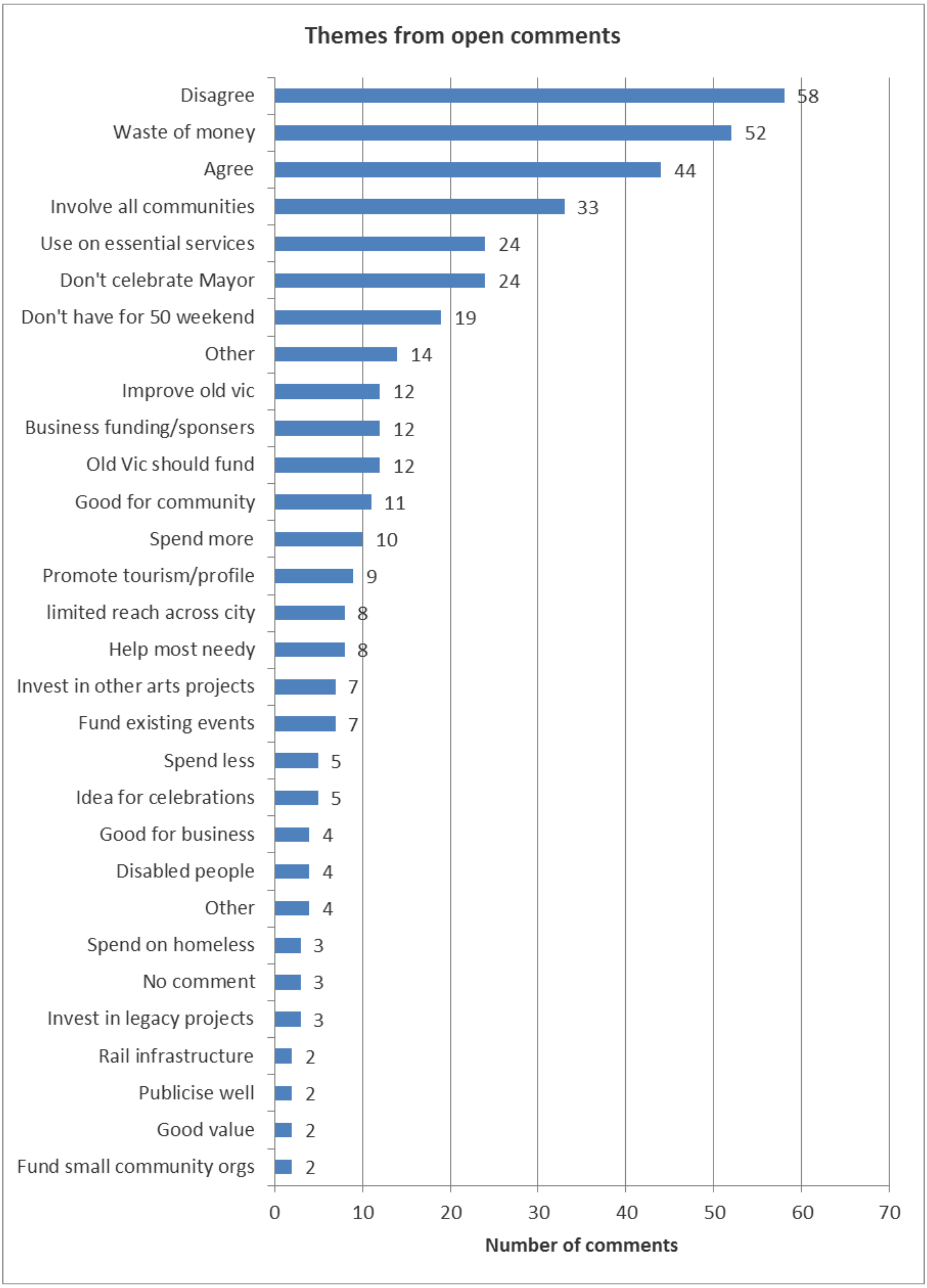
What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	21%	298
Agree	35%	501
Neither agree nor disagree	19%	266
Disagree	15%	213
Strongly disagree	11%	159
	answered question	**1437**
	skipped question	**377**



If you have any comments on this proposal please write here.

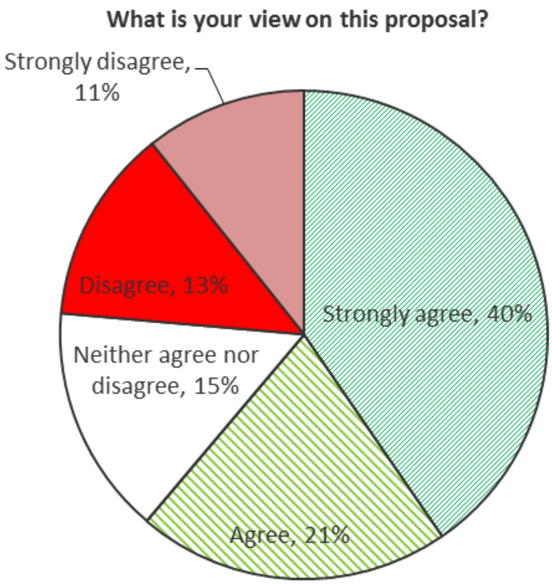
349 people left comments, 403 individual themed items in 30 themes. The main themes emerging from the comments were:

	Description	**Percentage of comments**	**Number of comments**
Disagree	General disagreement	14%	58
Waste of money	Don’t spend money on this	13%	52
Agree	General agreement	11%	44
Involve all communities	Don’t just focus on centre and people who use Old Vic	8%	33


Themes from open comments
Disagree 58
Waste of money 52
Agree 44
Involve all communities 33
Use on essential services 24
Don't celebrate Mayor 24
Don't have for 50 weekend 19
Other 14
Improve old vic 12
Business funding/sponsers 12
Old Vic should fund 12
Good for community 11
Spend more 10
Promote tourism/profile 9
limited reach across city 8
Help most needy 8
Invest in other arts projects 7
Fund existing events 7
Spend less 5
Idea for celebrations 5
Good for business 4
Disabled people 4
Other 4
Spend on homeless 3
No comment 3
Invest in legacy projects 3
Rail infrastructure 2
Publicise well 2
Good value 2
Fund small community orgs 2
0 10 20 30 40 50 60 70
Number of comments

Feasibility Study for further development of Colston Hall £0.1m

61% agree that £0.1million should be spent on a feasibility study for the further development of Colston Hall. 24% disagree. There were many respondents from outside of Bristol who strongly agreed with this proposal. When non Bristol postcodes were excluded, there was less strong support for this proposal (35% strongly agree).

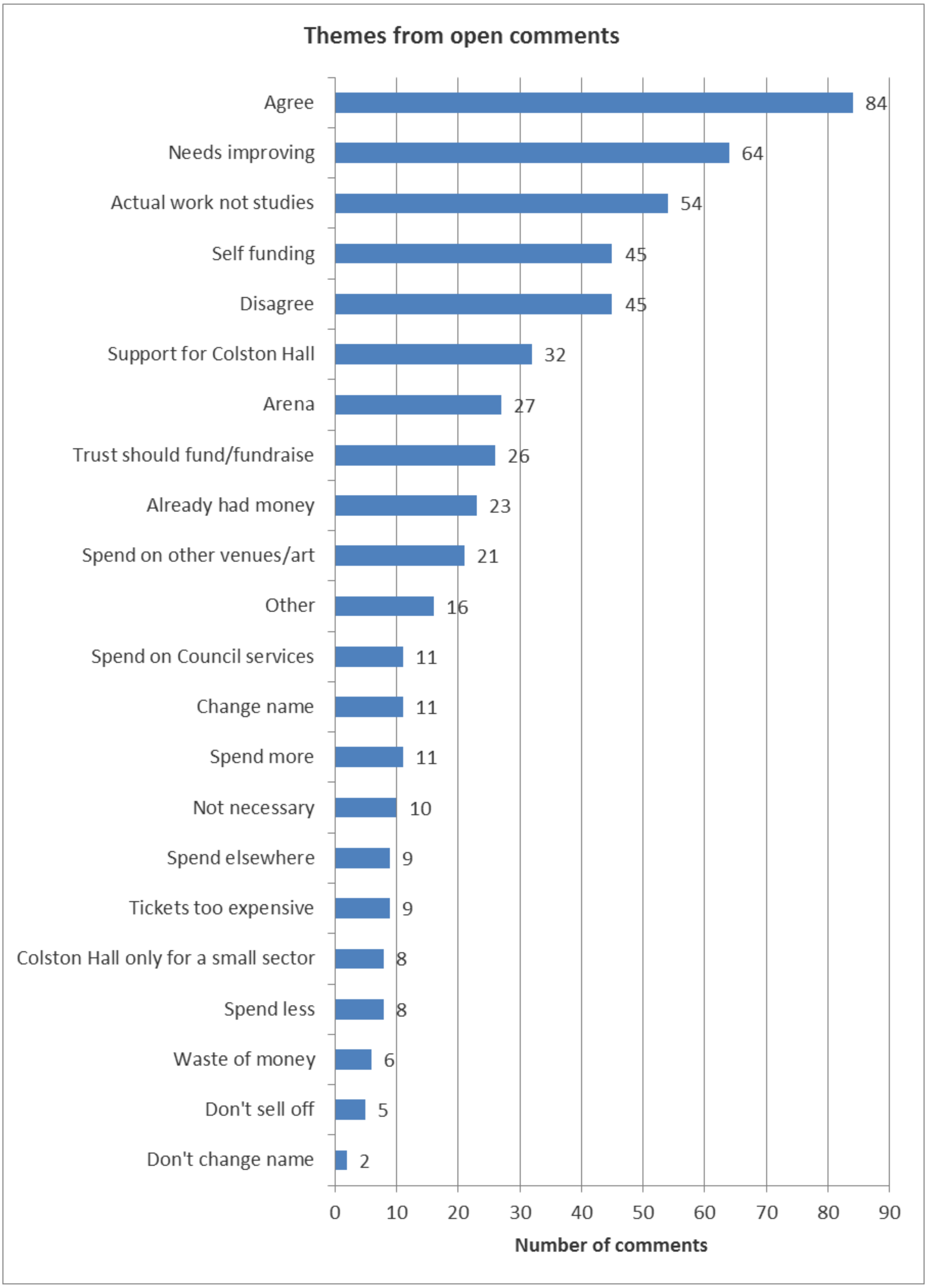


What is your view on this proposal?		
Answer Options	**Response Percent**	**Response Count**
Strongly agree	40%	634
Agree	21%	325
Neither agree nor disagree	15%	239
Disagree	13%	203
Strongly disagree	11%	167
	answered question	**1568**
	skipped question	**246**

If you have any comments on this proposal please write here.

467 people left comments, 527 individual themed items in 22 themes. The main themes emerging from the comments were:

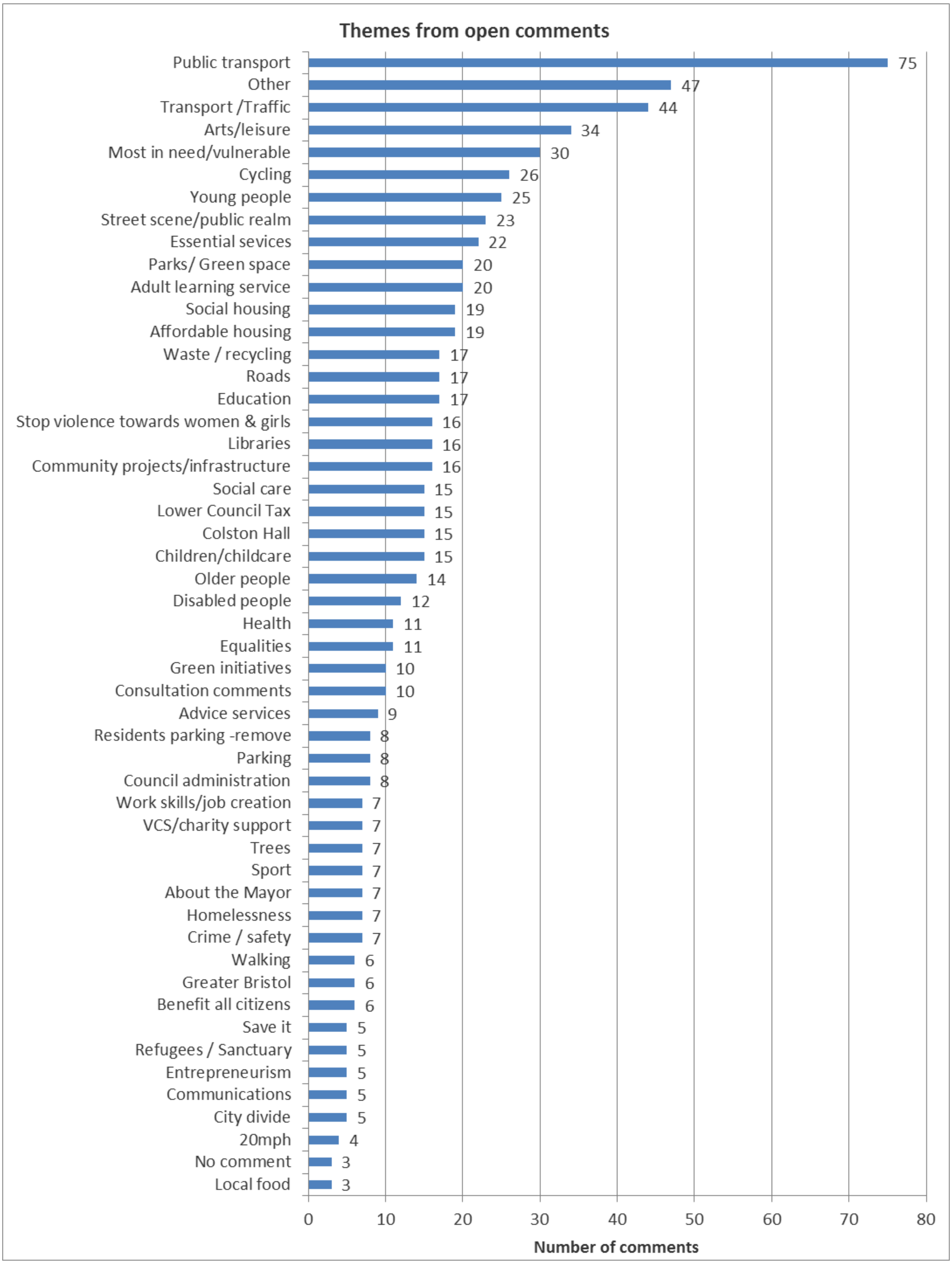
	Description	Percentage of comments	Number of comments
Agree	General agreement	16%	84
Needs improving	Colston Hall needs improvement	12%	64
Actual work not studies	Don't carry out more studies	10%	54
Self-funding	Colston Hall Trust should fund	9%	45



Themes from open comments
Agree
84
Needs improving
64
Actual work not studies
54
Self funding
45
Disagree
45
Support for Colston Hall
32
Arena
27
Trust should fund/fundraise
26
Already had money
23
Spend on other venues/art
21
Other
16
Spend on Council services
11
Change name
11
Spend more
11
Not necessary
10
Spend elsewhere
9
Tickets too expensive
9
Colston Hall only for a small sector
8
Spend less
8
Waste of money
6
Don't sell off
5
Don't change name
2
0 10 20 30 40 50 60 70 80 90
Number of comments

Your own suggestions

642 people left their own suggestions, 766 individual ideas raised. These were categorised into 51 themes. The largest theme was about Public Transport (75 comments, 10%), followed by Traffic/transport (44 comments, 6%)



Examples of comments:

Public transport (75)

"Anything that will reduce car use in the city and make life safer and more healthy for the people that get around on public transport, by foot and by bike. Please address the bus monopoly and do everything you can to rebuild the rail network. Thank you."

"I repeat. A better bus service. What is happening with the number 6 bus service? Buses late and missing - people waiting an hour!!!!!!!!"

"It would be great if any spare monies could be used to improve public transport"

Traffic/Transport (44)

"Traffic gridlock is stifling development in the city. Some of it can be reduced simply e.g. optimising timing of lights but some is more fundamental e.g. driver commute miles"

"Easing congestion, making some of the bus lanes into normal traffic lanes."

Arts/leisure (34)

"Costs towards refurbishing the city museum. Perhaps charging for any events like Banksy to non Bristolian community charge visitors as they do in Bath. Let's reward our citizens for putting up with living here?"

"Continue to invest in the arts and other cultural areas such as libraries and events for example harbour festival where all can develop their interests"

Most in need/vulnerable (30)

"My suggestion is that, you might have to look after those poorer families in Bristol who can't afford to pay their council tax. Those families who had to go to food banks before they can put food on the table, those who are struggling to put food on the table. Use the money for the proposed projects but look after the poorer in Bristol as well."

"To promote protection and opportunities to the most vulnerable and excluded people of the city we need to be proud of being an inclusive city. With this opportunity of monies it could be spent on those, who will then not continue to cost society throughout their lives, if we are able to break the cycle by providing opportunities and real support."

Cycling (26)

"Improved cycle lanes similar to those in Sweden."

"Cyclist road safety campaign- too many people without helmets, lights, proper clothing on. If we're promoting cycling we need to encourage people to be safe"

APPENDIX 1: Budget consultation 2015/16 discussion meeting with voluntary & community Sector representatives, organised by Voscur. 18th December 2014.

As part of Budget Consultation the Voluntary and Community Sector (VCS) are invited to put their ideas and suggestions to the Mayor. The following report is a summary of the ideas shared at the meeting. These notes were written by a member of Bristol City Council's Consultation team, and sent to Voscur to review and add to, to ensure all their ideas and comments were covered adequately.

Ideas put forward by VCS representatives, for using the one off £3.9m were:

- Early intervention Fund
- Advocacy model
- Innovation Match funding grants
- One-off fund to support leadership and management skills in VCS
- Fund for engagement in the Arts
- Identify gaps in services across the city as a result of cuts

Comments on the Mayor's Budget proposals for 2015/16 related to:

- Green Capital 2015
- Mayoral commissions
- Closer joint working across the City Region
- Libraries
- Colston Hall
- Fairness Commission

Attendees.
Di Robinson - Service Director, Neighbourhoods & Communities Peter Gillett - Service Director, Finance George Ferguson - Mayor Paul Hassan, Voscur Grace Deathridge , Voscur Ruth Pitter, Voscur Mark Hubbard, Voscur Laura Welty, Disability Equality Forum Mark Williams, Disability Equality Forum Peter Walker, Adiction Recovery Agency (ARA) Steve Sayers, Windmill Hill City Farm Jean Smith, Nilaari Fiona Castle, Imyla David Glossop, The Wheels Project Dom Wood, 1625 Independent People Joanna Homes, Barton Hill Settlement Christine Townsend, Integrate Bristol. Phil Parry – Voscur Board and Bristol Citizens Advice Bureau.

Ideas from the voluntary and Community sector representatives at the meeting, for using the one-off £3.9 million available in 2015/16.

Early intervention Fund
Statutory services struggle to develop an Early Intervention model for children and adult services. An early Intervention Fund would free up money in the long run.

Social Care and Health organisations can't plan for things in the future as they are dealing with immediate current issues. An Early Intervention fund would enable us to look at what other Local Authorities are doing, to kick start Bristol into an early intervention City.

Advocacy model
People apply for Personal Care Budgets – which helps bring money to the city. But historic cuts mean there is no support for people to go to assessments with the applicant. With one year of funding an evidence base can be built to apply for long term funding.

People who need advocacy have been hardest hit throughout this austerity. Helping the disabled community provides the opportunity to bring back some equality. Evidence shows that disabled people are the hardest hit.

Innovation Match funding grants

VCS bring in money for all sorts of things. But the scope for innovation is reduced with budget squeezes. A match-funding pot would showcase the money brought in, showcase innovation in VCS and publicise the projects that come out of these grants over the year for the city.

Match funding is a win/win by creating a fund the VCS brings a lot of money in to the city from outside.

This would provide a better understanding of what is being brought into the city by VCS groups.

One of the key themes from the Budget is looking at alternative sources of income not just government funding.

The Advice sector get a lot of extra money, which then brings in lots of money from other sources which is a double multiplier.

Sometimes VCS bring in money that doesn't match the cities priorities. If we can agree themes and VCS are brought in to more of the strategic planning the money we do bring in can be more effective in reaching shared priorities.

Many schools target A*/A pupils, but there's lots of people below that. With increased cuts, there are concerns about how much support they are going to be able to give. All want to support projects like the Wheels project, but don't have the budgets to do this. If the outcomes (of match funding grants) are commensurate with the outcomes of our funders, match funding would be a joined up way of operating.

Match funding has support from the group. Thought should be given to the scheduled of release of funding (2015/16) and how it works. Some groups won't have money in at beginning of year to match.

(If money could not be rolled over to following years) you could do extension funding for projects that already have funding. This would fit in well with Early Intervention projects.

Social inclusion issues keep coming up. VCS can see what's happening in communities in Bristol so potential to link this to match funding.

One-off fund to support leadership and management skills in VCS
Lots of community organisations have been engaging with commissioning processes. The economic situation is difficult for VCS. They are expected to do more for less. A one off fund could provide leadership and management skills within the sector to up skill and focus on new ways of working.

And provide coordination for smaller groups who don't have capacity, to help them get in volunteers.

Nilaari benefitted greatly from a scheme through Voscur where they supported VCS groups to take part in the commissioning process. Leadership and infrastructure support is necessary because of the way commissioning is going.

Fund for engagement in the Arts

Some areas of city are less likely to access theatre and arts. A fund for individuals, or groups to engage in the arts would set up habits for future for these people. This links with the fairness commission.

This could link in with 800 celebration of a Mayor in Bristol. Use this money to set up a fund for VCS to bid for. Something practical and specific they can offer their community.

Not just taking the people to the arts, take the arts to those communities.

Make sure disabled people can access the arts, so it might be more money for direct payments.

Identify gaps in services across the city as a result of cuts
The impact of some of the cuts across the city is unknown. Is there a strategy to identify these gaps? If there is this extra funding in future Budgets, it could be used to plug these gaps.

The VCS are well placed to inform the Council about gaps that are appearing in support for people because of reductions in services. Strategic Directors should think about how the impact on residents of cuts is monitored, over time.

Comments on the Mayor's Budget proposals

Green Capital 2015
VCS are committed to Green Capital and are already doing lots as a sector. The key to Green Capital is how socially inclusive it is. To what extent is a legacy fund linked to the existing Green Capital funds groups have applied for? Is there a potential challenge for the 2015 company to work with VCS groups.

If the money for Green Capital is agreed in the Budget, think of the projects that weren't submitted under strategic funding because they didn't have enough notice. It would be a good way to bring in an inclusion aspect to the funds in a second round.

Mayoral commissions
Lots of topics the group have talked about cross over with the fairness commission.

Many recommendations from the Mayoral Commissions fit with Voscur's agenda so there would be value in VCS looking at how their suggestions can contribute to the Mayoral commissions.

The ideas from the Mayoral commissions could compete in the match funding pot.

Closer joint working across the City Region
VCS support joint working across the city region, but don't want funds spent subsidising the other unitary authorities to achieve this.

Poverty does not have geographical boundaries. But need to consider how we marry this up with thriving neighbourhoods at a hyper local level.

Libraries
Would something already have been put into the budget to support the outcome of the libraries consultation, without this additional funding?

Colston Hall
Colston Hall is a large organisation with lots of staff who could be looking at fundraising themselves to support this feasibility study. As a trust they can access lots of money from the government for building sustainability. Like neighbourhoods did for the St Pauls family and learning centre. This is what Colston Hall should be doing.

Fairness Commission
The Preventing Homelessness action plan looking at the private rented sector is a major issue under Fairness. Access to private rented sector for homeless people, especially the under 35s is difficult.

Affordable housing initiatives should be sought to draw more money in to the city. There are initiatives around to attract investment funds to create more affordable housing.

Response to Bristol's Budget Consultation 2015/16

Voscur represents, supports and develops Bristol's Voluntary and Community Sector (VCS). Many of our member organisations are working to tackle inequalities and address unfairness in the city amongst the most vulnerable communities.

Voscur welcomed the recent opportunity to facilitate VCS input into a discussion with Bristol's Mayor, George Ferguson. This paper summaries the constructive points raised by representatives of Bristol's diverse VCS and Voscur.

Voscur also welcomes the additional one-off £3.9million and the discussion about priorities for spending that windfall to have maximum impact on Bristol's communities and neighbourhoods, through VCS organisations in those communities. The following initiatives are proposed and, to ensure success, Voscur is committed to work with the Mayor and Council to co-design and implement them over the coming months.

1) Mayoral 800 Challenge Fund (£800,000)

We propose that the celebrations of 800 years of Bristol Mayors focuses on initiatives that have been championed by those Mayors over the years – initiatives that make real differences to Bristol, its people and communities. This fund will recognise the added value of VCS organisations by match-funding the income that they bring in to the city. It should focus on innovation, sustainability and have a focus on social inclusion in communities. For maximum reach and impact, we anticipate a cap on match-funding for each organisation (possibly £50,000). We expect that this fund could be active from 2015/16 and if necessary into the next year.

2) Early Intervention and Proving It (100k)

- **Ring fenced** funding for Action Research to 'kick start' Early Intervention work. Build on/ work with good practice in the city where it already exists. In recognition of the inefficient and costly slide into resourcing crisis and highest need services, we suggest a joint co-design initiative to agree a model to shift planning and strategic intervention into early intervention work. This will co-ordinate across City Council departments, other public sectors agencies and the voluntary sector to ensure a joined up and effective response to the needs of citizens. The model will be one that everyone can sign up to and which is used as the preferred rather than exceptional approach. The design principles will start from the needs of individuals and on a holistic approach to their needs. Evidence shows that this will save money very quickly as well as long term if applied rigorously.

- Enable Bristol to gather and use the good practice and ideas from areas that were Early Intervention pilots across the country

- Create a good understanding of the role VCS organisations and projects in Bristol, particularly the smaller ones, play in intervening early with children and families and link those effectively, within a framework, with statutory service.

- Support organisations to be effectively gathering evidence of the impact of EI support

- Implement a particular scheme/ project Hold a Bristol wide EI Conference. All with a view to supporting Early Intervention development across the city which evidence shows is better for children, young people and families and more cost effective for service delivery, thereby realising savings in the longer term.

3) Game-Change Investment Fund (£100,000)
Bristol's communities are undergoing major change at a fast pace, which will continue for the foreseeable future. People from Bristol's communities make a difference in many local VCS organisations, some of which are struggling to keep up with the pace of change and respond to their communities' changing needs. We propose a Game-Change Investment Fund to support those organisations to change fast. It should focus on building skills and capacity in leadership, management, volunteer coordination and commissioning.

This Game-Change Investment builds on Voscur's work to support small organisations, through BCCG-funded bursaries, to engage in the Modernising Mental Health commissioning process. Bursaries enabled small organisations to have specific, tailored advice about that process. A good number of VCS organisations were successful in collaborations that won contracts.

We expect this scheme will focus on VCS organisations that are small, equalities-led and working with the most vulnerable people. It will complement other developments, such as Cities of Service.

4) Advocacy model: disabled people (£100k)
Personal Care Budgets bring money into the city through the choices disabled people make in selecting their providers. Prior to this stage, support to assess the needs of those applying for personal care budgets has been cut. Evidence shows that disabled people are the hardest hit. With one year of funding an evidence base can be built to apply for long term funding for assessments support. Helping disabled people provides the opportunity to bring back some equality and this will help meet BCC's responsibilities under the Care Act.

5) Engagement in the Arts (£100k)

This project has two elements both intend to bring groups of children and young people who do not engage with the arts in the city to do so through a range of interventions.

- Vouchers for young people's organisations in the most deprived wards of the city to attend key productions in the city to develop more diverse audiences.

- commissioning non-traditional groups, BME, to tell their stories through existing platforms (Old Vic, Colston Hall) ie 91 languages project etc (the number of languages spoken in Bristol)

Existing proposals –

Mayoral Commissions – Voscur welcomed and participated in the Mayoral Commissions and has since supported the implementation of their recommendations.

Voscur
22/12/14