AGENDA ITEM 5

BRISTOL CITY COUNCIL
CABINET
12 January 2016

REPORT TITLE: **2016/17 Budget**

Ward(s) affected by this report: All

Strategic Director: **Max Wide**

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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 16 February 2016.

RECOMMENDATIONS for the Mayor's approval:

i. **That the following statement from the Council's Deputy Chief Finance Officer (section 114(6) Local Government Finance Act 1988) be noted:-**

The Deputy Chief Finance Officer (Section 151 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 2016/17 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
- Contain proposals for increased income or reduced expenditure that are achievable over the medium term.

The Council's Deputy 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 2016/17 be approved as set out in the report to be submitted to Council for approval at its meeting on 16 February to :-

a. Agree the Council's net revenue budget (before the use of Council reserves) for the year 2016/17 as £342.0m.

b. Agree the Council's capital budget (including the Housing Programme) for the year 2016/17 is agreed as £190.1m (see paragraph 70) and set the capital budget for each of the Council's directorates for 2016/17;

c. Agree the Council's provisional capital budget (including the Housing Programme) for the year 2017/18 is agreed as £113.7m and for the year 2018/19 is agreed as £65.1m;

d. Agree the Council's Housing Revenue budget surplus for the year 2016/17 as £1.6m and for planning purposes, the buget deficit for the year 2017/18 is agreed as £1.8m and for the year 2018/19 is agreed as £5.2m (see paragraph 64).

iii. Council House Rents and Service Charges

That the proposed changes in Council house rents and Servcie Charges (see paragraphs 64 – 67), in respect of the years 2016/17, be approved as set out in the report to be submitted to Full Council for approval at its meeting on 16 February :-

a. Council house dwelling rents for 2016/17 decrease of 1% resulting in an average 52 week rent of £80.88 (equivalent 48 week rent £87.62) effective from Monday 4 April 2016.

b. Tenant & leaseholder Service Charges (except heating – no change) increase to reflect staffing costs therefore for 2016/17 would be 2.2% effective from Monday 4 April 2016.

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 5% and 6% 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 C) be agreed and submitted to Full Council for approval

vi. Calculation of the Council's Tax Base

That it be noted that at its meeting on 15 December 2015 the Council agreed Bristol City Council's Tax Base for the year 2016/17 as **120,946 (2015/16 119,116)**

vii. Council Tax by Band

That the following amounts be submitted for agreement by Full Council for the year 2016/17:-

a. **£174,970,159 (2015/16 £169,026,228)** being the sum to be met from council tax in 2016/17 for services provided by the Council;

b. Bristol City's Council's share of the council tax for the year 2016/17 for the services it provides for each category of dwelling shown as follows:-

2016/17 Council Tax	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
2016/17 Council Tax	964.46	1,125.19	1,285.94	1,446.68	1,768.17	2,089.65	2,411.14	2,893.36
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
Percentage increase	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**	**1.95%**
Annual Increase	18.45	21.52	24.60	27.67	33.82	39.97	46.12	55.34
Weekly Increase	0.35	0.41	0.47	0.53	0.65	0.77	0.89	1.06

viii. Council Tax for services provided by the Council

That Cabinet delegate to the Deputy Chief Finance Officer the authority 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 2016/17, following agreement of the Local Government Settlement and the precepts for the fire and police authorities when received.

ix. Business Rates

That it is noted that data for calculating business rates will be available in late January. For the purpose of this report we have assumed limited growth of 2% (RPI), consistent with the assumptions already built into the existing financial framework.

x. Social Care Precept

That it is noted that in the Autumn Statement, the Government introduced a proposal to allow local authorities with responsibility for Adult Social Care to levy a 2% precept on its Council Tax, in response to growing spending pressures in Adult Social Care (see paragraps 20-25). Applying this levy would increase the Council's funding by up to £3.5m in 2016/17, increasing to an estimated £14.3m per annum by 2019/20, to be spent in support of Adult Social Care spending.

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. 2016/17 represents the third and final year of the approved three year framework.

3. This report sets out progress against the approved three year financial framework, the current approved funding plan for 2016/17 and, for illustrative purposes, a forecast position for 2017/18 to 2019/10.

4. 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.

5. 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, Schools investment and HRA programme.

6. The 2015/16 budget approved by Council in February 2015 confirmed and subsequently the MTFS being updated to reflect.

    - No change to the overall financial strategy and framework
    - Increased provision for pay awards
    - Increased provision of £7.7m for emerging spending pressures within services, in particular rising demand within social care and the financial implications of Government policy decisions (e.g. Social Care Act, Local Welfare Provision.)
    - Additional one-off investments of £3.9m.

MTFS Three Year Financial Framework 2014/15 – 2016/17: Progress to date

7. Overall the revenue outturn position for 2013/14 indicated a significant level of efficiencies which resulted in the General Reserve being increased to £20m with additional resources earmarked for specific purposes and to cover known risks. This has improved the Councils overall Financial Standing and Financial Resilience maintaining the City's position within the 'core cities' measurement criteria.

8. 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.

9. The most recent budget monitoring report highlights specific budget pressures across social care of £6.3m, as well as early warnings of emerging pressures and issues in a number of other service areas. These demand and demographic pressures are most noticeable in Adult and Children's Social Care. Budgetary provisions were added to the base budget from 2015/16 onwards to be able to specifically address and mitigate these pressures, however it should be noted that demand pressures are growing and are expected to continue do so.

10. 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. During 2015/16 a 'financial stock take exercise' is underway to ensure delivery of the full savings target.

Spending Review and Provisional Local Government Finance Settlement

11. The Government announced the Provisional Local Government Finance Settlement for 2016/17 on 18th December 2015. The Local Government Finance Settlement determines how much grant central government will give to each local authority in the forthcoming financial year.

12. The Settlement for 2016-17 is designed in the context of the overall Spending Review package, which addressed the particular pressures experienced by councils that provide adult social care and children's services. It is also intended to provide a sustainable path through to the longer-term reforms of business rates and the move to more self-sufficient local government.

13. The Government included 'an offer to any authority that wishes to take it up' of a four-year funding settlement to 2019-20. This will be conditional on councils publishing an efficiency plan. Indicative allocations were published alongside this year's provisional settlement and will be confirmed in the final settlement.

14. The folowing paragraphs outline the key details emerging from the Settlement and Autumn Statement

<u>Core Spending Power</u>

15. The Government is using a concept of 'Core Spending Power' to explain their financial assumptions with respect to the level of resources likely to be available to each local authority through to 2019/20.

16. The Government's calculation of core spending power derives from:
    - The Settlement funding assessment - business rates and Revenue Support Grant
    - Council tax income estimated by:
        - Applying an average annual growth in the base throughout the period to 2019/20
        - Assuming that all councils will increase their Band D tax in line with CPI, i.e. an average of 1.75% each year throughout the period to 2019/20
        - Assuming that all eligible local authorities take up the adult social care flexibilities announced in the Spending Review and increase Band D tax by 2% each year throughout the period to 2019/20
    - Additional Better Care Funding from 2017/18
    - Funding for New Homes Bonus

17. The Government has provided the following exemplification of core spending power for

Bristol City Council which indicates a reduction in spending power of 2.94% in 2016/17 and 0.4% over the Spending Review period:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Core Spending Power	357.2	346.7	342.1	346.1	355.6

18. The following table provides a more detailed breakdown of the Government's estimates of the Council's core spending power based on their assumptions:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	94.3	60.4	41.8	29.6	18.3
Business Rates	82.0	93.3	95.2	98.0	100.1
Council Tax	169.0	175.7	183.6	192.0	201.0
Council Tax – Social Care	0	3.5	7.3	11.6	16.3
Better Care Funding	0	0	0.3	6.2	11.6
New Homes Bonus	11.8	13.8	13.8	8.7	8.3
Core Spending Power	**357.2**	**346.7**	**342.1**	**346.1**	**355.6**

19. The significant changes over the period are:

- An increase in council tax income of £48.3m (29% over the period)
- A 75% reduction in central government funding (RSG/NHB) of £79.5m

Council Tax

20. There has been a fundamental change in Government policy. The last five years have seen pressure on authorities to freeze council tax. **The Government is now expecting every upper tier council to increase its council tax by 4% for each of the next four years in order to meet its spending plans**.

21. The Spending Review announced that local authorities responsible for social care will be allowed to collect a social care precept, giving them the power to raise new funding to be spent exclusively on adult social care. The Settlement provided further detail. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2%. A 2% precept would raise £3.5m in 2016/17. If the 2% levy is precepted each year as assumed in the 'Core Spending Power' figures it is estimated that this will result in an additional £14.3m per annum (based on Council estimates) being collected towards adult social care spending by 2019/20. If not precepted this will put considerable additional pressure on social services.

22. Demand pressures across social care and in particular adult social care have been well documented nationally. The Council is facing considerable pressures in this area, with a current projected spend in 2015/16 of £6.3m over budget. Within the Autumn Statement, the Chancellor highlights that "many local authorities are not going to be able to meet growing social care needs unless they have new sources of funding". The introduction of the 2% levy is the Government's response to these pressures and is a mechanism through which local authorities can help to mitigate these pressures through to 2019/20. Should the Council not accept this new flexibility, the Council will lose the opportunity of up to £14.3m of funding by 2019/20, which cannot be recovered at a later date, and reductions in services will be required.

23. Where this precept is applied, it will need to be identified separately on council tax bills and S.151 officers will be expected notify the Secretary of State of the amount intended to be raised and verify that the funding has been used for Adult Social Care through existing financial statutory returns.

24. The referendum threshold for increasing council tax for 2016/17 has been set at 4%. There is no council tax freeze grant on offer.

25. The proposals to allow local authorities to levy a 2% precept were announced as part of the Autumn Statement on 25th November 2015, which was after the Council published its Budget Consultation for 2016/17. These proposals have therefore not been included as part of the budget consultation process but could be debated by full council at the annual council budget meeting should an amendment be submitted.

Business Rates Retention

26. The government previously announced that by the end of the Parliament 'core grant' (RSG) would be phased out and councils would retain all business rates generated nationally. The government has been clear that this policy would be fiscally-neutral – i.e. local government wouldn't be able to retain additional business rates without a corresponding increase in its responsibilities and/or the substitution for existing sources of income (that is, an increase in retained rates would be matched by a decrease in other grants). A number of these were mentioned in the Spending Review:

- Administration of Housing Benefits for pensioners (working age claimants to be administered by JCP through Universal Credit)

- Public Health grant

27. Under the reforms, councils will have the power to cut but not raise rates, except in limited cases for elected mayors, who, following consultation with the business community will have the power to increase rates to pay for infrastructure. It is also important to note that the system of top-ups and tariffs that re-distribute rates across the country is likely to remain and that Bristol will not retain all of the rates it generates. The changes to business rates will be included in a forthcoming consultation on local government finance during 2016.

28. The doubling of small business rates relief has been extended to 2016/17. Eligible businesses will pay either no rate, or have their rate tapered. In the past, councils have been recompensed for this loss of income with a specific 'Section 31' grant. Modelling income in the current business retention regime is fraught with difficulty due to high appeals levels which could go back as far as 2010.

New Homes Bonus

29. New Homes Bonus – the government is currently consulting on delivering savings to the new homes bonus, *'Sharpening the Incentive'*. The New Homes bonus projections in the MTFS are based on the Governments preferred option.

The National Living Wage

30. In July 2015 the Chancellor of the Exchequer announced that the Government will introduce a compulsory minimum national living wage for all staff over 25 years of age. This would mean a rise to around £9 per hour by 2020. In moving towards this position, the National Living Wage will be set at £7.20 from April 2016. This creates an additional budget pressure for the Council both as an employer and commissioner.

31. The direct impact will be minimal in relation to BCC staff as the Council is already a Living Wage employer and pays salary levels in excess of the new national living wage. However, the national living wage will have a significant effect on contractual costs, particularly in relation to social care. The pressure is expected to grow over the period as more workers

are affected by salary increases. Officers are currently undertaking a detailed assessment on the impact of the national living wage up to 2020.

Apprenticeship Levy

32. The apprenticeship levy on larger employers (including the Council), announced in the Summer Budget, will be introduced in April 2017. It will be set at a rate of 0.5% of an employer's paybill. This is likely to result in additional cost for the Council across the general fund, HRA and in schools.

Capital Receipts

33. Local authorities will have a new flexibility to spend capital receipts, excluding those from Right to Buy, on the costs of service reform. This is only a minor adjustment and is of limited use as our capital programme is heavily reliant on receipts. The conditions were detailed in the Settlement

Transport

34. The Chancellor announced that capital spending will increase by 50% while the Department for Transport's budget will be cut by 37% by 2020.

Public Health

35. The Spending Review has confirmed that Public Health will be expected to deliver further cuts of 3.9% per annum over the next 5 years in real terms, an implied reduction to Bristol's grant of circa £6m per annum by the end of the period. The ring-fence on public health spending will be maintained in 2016-17 and 2017-18. The future of funding after this is unclear, and will be considered as part of the transition to 100% Business Rate retention.

Welfare

36. The Chancellor abandoned plans to make changes to Working Tax Credit. To pay for the funding gap that this creates, he confirmed that the £12bn saving to the welfare budget would be met over a longer period. Current claimants will continue to retain their tax credit, with a "transitional period" when these claimants go over to Universal Credit. There will be tougher rules on new claimants.

37. Additional Discretionary Housing Payments (the fund used for councils to mitigate the impacts of the welfare changes) will continue to be given to local authorities, although the level of funding is not yet clear.

Health and Adult Social Care

38. The government will continue the Better Care Fund, maintaining this as a mandatory contribution from the NHS. The Chancellor also announced an increase to the Better Care Fund by £1.5bn to support integration between health and social care. In order to improve the integration further, every part of the country will have to set out a plan for the integration by 2017 with implementation by 2020.

39. The Government remains committed to introducing the Dilnot reforms to social care, with funding provided to cover the costs of local authorities preparing for these changes.

40. The Government has announced that the funding earmarked for preparation and implementation of the Care Act 2014 will be included in RSG from 2016/17. This was a specific grant in 2015/16.

A National Formula for Schools Funding

41. The government confirmed its intention to introduce a national funding formula, known as "fairer funding", for all three blocks of the ring-fenced Dedicated Schools Grant from April 2017, and set out its commitment to introduce 30 hours childcare for 3 and 4 year olds in working families from September 2017. Whilst the Government has confirmed that overall school funding will be maintained in real terms, these policies could have a significant impact on funding for Bristol's schools and our ability to deliver 30 hours free childcare in children's centre and nursery settings.

42. The government has also stated that it intends to end local authorities' role in running schools. Accordingly Education Support Grant (ESG) is to be cut by three quarters.

Budget and Medium Term Financial outlook following the Spending Review and Provisional Settlement

43. The current financial strategy will be sufficient to balance the Council's budget in 2016/17, if delivered in full. However, the Council has been consistent in stating that further savings will be required beyond the delivery of the current MTFS period.

44. The November Spending Review confirmed that funding cuts will continue up to the end of the current Parliament. Combined with incremental increases in costs due to inflation and demographic pressures, further significant savings will be required to balance the Council's budget over the period 2017/18 – 2019/20.

45. Over the medium term, the Spending Review announced a range of policy initiatives that will have a major financial impact on the Council, including changes to the business rate retention system and corresponding transfer of responsibility to local government. There is insufficient detail at this stage to state what the impact of these new policies will be on the Council's medium-term position. The Government intend to consult on these proposals in the New Year.

46. There remains a great deal of uncertainty in accurately projecting the Council's future funding, while also continuing to manage a growing range of potential and actual risks. Our approach to the 2016/17 draft budget and consultation process is one of minimal change to the core assumptions and established plans. The figures for the period 2017/18 to 2019/20 are our best estimates following analysis of the detail emerging from the Spending Review and Settlement. Whilst the figures are indicative, they illustrate the scale of the financial challenge facing the Council over the medium term. A full update of the medium term financial strategy, including identification of a revised baseline and future years detailed savings plans, will be compiled and consulted on following the May 2016 election.

Revenue Budget 2016/17 and Indicative MTFS through to 2019/20

47. Whilst the Governments 'core spending power' figure indicate a flat cash settlement across the period, the Council faces significant challenges in identifying savings to compensate for:

- additional cost pressures - these include those arising from general inflation, cost pressures in the care sector, increases in the numbers of adults and children needing support, increases in demand for services (see paragraph 60) and increases in core costs such as national insurance, the National Living Wage, the Apprenticeship levy and pension contributions

- funding shortfall in the event that council tax income does not increase in line with central governments assumptions and forecasts

- any losses in business rate income, e.g. appeals

48. The table below provides a summary of the 2016/17 budget for approval and indicative funding and spending plans for the period to 2019/20[1].

15/16 £'m		16/17 £'m	PLANNING SCENARIO 17/18 £'m	18/19 £'m	19/20 £'m
	Funding				
81.2	Central Government Grant (RSG)	60.3	41.8	29.6	18.3
95.0	Business Rates	96.9	103.1	105.2	107.3
11.8	New Homes Bonus	13.8	13.8	8.7	8.3
169.0	Council Tax	175.0	179.7	184.6	189.5
3.9	Collection Fund surplus/(deficit)	(4.0)	-	-	-
360.9	**Total Funding**	**342.0**	**338.4**	**328.1**	**323.4**
	Expenditure				
376.4	Base Budget	360.9	342.0	352.1	373.5
9.1	Pay & Inflation	12.6	8.8	9.0	9.2
-	New Burdens - Care Act 2014	2.6	3.1	3.2	4.3
7.3	Cost Pressures - all services	1.7	1.8	1.9	2.0
-	Cost Pressures - Adult Social Care	3.5	3.8	4.3	4.7
8.5	Capital Financing	-	1.0	3.0	5.0
3.9	Investment	-	-	-	-
(31.0)	Savings Programme	(35.4)	-	-	-
(13.3)	Remove one-off spending	(3.9)	(8.4)	-	-
360.9	**Net expenditure**	**342.0**	**352.1**	**373.5**	**398.7**
-	**Budget Gap**	**0.0**	**13.7**	**45.4**	**75.3**

Key assumptions

49. 2016/17 represents the final year of the agreed three-year financial framework. Spending and funding assumptions have been reviewed during the year with no changes made to these. The table above summarises our approved revenue spending plans for 2016/17 and indicative position for 2017/18 to 2019/20.

Council Tax

50. The approved MTFS assumes an increase in Council Tax of 1.95% with a 0.75% increase in the Council Tax base. The base is subject to an amount of volatility as it takes into account not only the number of properties but also the level of discounts and exceptions. The Council Tax Base report was presented to Council for approval in December 2015.

51. The Budget proposals do not at this stage include include anything in respect of the social care precept. A 2% precept would raise £3.5m in 2016/17. This would equate to £28.38 per year (55p per week) for Band D council tax.

52. The latest projections suggest that the base will increase faster than previously modelled principally due to an unexpected reduction in the number of Council Tax Support Scheme claimants. This has led to a projected increase in council tax receipts of £2.0m per annum from 2016/17.

Business Rates

[1] The figures in the Table are the Council's own estimates and differ from those assumed by the Government for grant allocaton and comparison purposes as set out at paragraph 17 & 18.

53. Our Business Rate forecast model assumes a 2% annual increase in business rates in line with RPI. No growth in the business rate base has been assumed. This is consistent with the assumptions already built into the existing financial framework.

54. There remains considerable risk and uncertainty regarding the impact of Business Rate Appeals to the Valuation Office. Successful appeals have a two-fold impact – the Council must pay back retrospective 'overpayments', usually going back to 2010, and suffer the ongoing impact of a permanent reduction in the business rate base. A provision of £17.5m (Council share £8.6m) has been set aside to cover the potential impact of such appeals.

55. Any additional business rate income above that budgeted, i.e. from the West of England Partnership (the pool) or from Central Government in respect of compensation for Budget announcements, will be taken to an MTFS reserve to mitigate risk.

<u>Collection Fund Surplus/(Deficit)</u>

56. Bristol City Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council. Income from Council Tax and Business Rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in subsequent years. Following changes to council tax discounts and exemptions and localisation of business rates from 2013/14 there is now significantly greater volatility and risk in relation to collection fund income. See Appendix E for further detail.

57. Overall there is an estimated deficit on the Collection Fund for the year ending 31 March 2016 of £11.5m. This is comprised of an estimated surplus of £4.4m for Council Tax and an estimated deficit of £15.9m for Non-Domestic Rates (NDR). Bristol City Council's share of the overall estimated deficit is £4.0m, comprised of an estimated surplus of £3.8m for Council Tax and an estimated deficit of £7.8m for NDR.

58. The Business Rate collection fund deficit of £15.9m (Council share £7.8m) for 2015/16 is based on current collection rates, the latest Valuation Office Rating List, notified changes and provision for appeals.

<u>Pay and Price Inflation</u>

15/16 £'m		16/17 £'m	17/18 £'m	18/19 £'m	19/20 £'m
4.0	Pay	3.6	3.6	3.6	3.6
1.7	Pensions	2.1	1.8	2.0	2.2
-	Single State Pension (National Insurance)	3.5	-	-	-
3.4	Contract Inflation	3.4	3.4	3.4	3.4
9.1	**Total Expenditure**	**12.6**	**8.8**	**9.0**	**9.2**

59. This increase reflects the inflationary allowances built into financial plans. The principal assumptions are:

- 2% per annum for pay awards
- Employers pension fund contributions in line with triennial pension fund valuation (next valuation due April 2016)
- Contract inflation based on relevant indices for contracts
- The introduction of the Single State Pension from April 2016 and the abolition of National Insurance contracted out rates will increase employer contributions for employees in the pension scheme. This is estimated at £3.5m per annum.

60. Demographic and unavoidable service pressures:

- includes those arising from general increases in demand for services, e.g. children needing support and homelessness, increases in core costs such as the apprenticeship levy.

- cost pressures in Adult Social Care. The figures at this stage are based on projections provided by the LGA and DCLG which are representative of our own forecasts. The forecasts will be refined over the coming months

- City-wide funding pressures exist such as maintaining an ageing city infrastructure, pressures in addressing the issues and outcomes of transport congestion, pressures to mitigate the impact of climate change, e.g. flooding. Additionally the need to enable business and economic growth across the City and a continuous need to fund and enable the delivery of affordable housing.

- The Government confirmed that funding earmarked for preparation for implementation of the Care Act 2014 has been rolled into Revenue Support Grant. It had been assumed that this would be received as a specific grant in addition to RSG (as in 2015/16).

61. The projections have been updated to reflect the additional costs of financing existing capital investment decisions through to 2019/20.

62. Savings Programme – the combined budget reductions from the various savings streams total £35.4m in 2016/17. It is assumed that these savings will be delivered in full.

63. The table (in paragraph 46) highlights the significant spending challenges that the Council will face over the next 4 years. Implementing the Adult Social Care levy from 2016/17, as assumed by Central Government, would go some way to closing this gap. In addition, as part of its medium term financial strategy consultation in summer 2016, the Council will have to consider whether it can afford not to adopt the Social Care Levy over the remainder of the financial settlement, and whether it can afford to maintain the Council Tax reduction scheme. If the Council is unable to generate additional income or find even more efficiency savings it will be faced with enforced service reduction from 2017/18 onwards. However, prudent financial management has ensured that we are able to present a balance budget for 2016/17**.**

HOUSING REVENUE ACCOUNT (HRA)

64. In the context of major changes affecting council housing (including government policy on rent reductions and Welfare Benefit Reform) the council's landlord strategy will need to be reviewed, consulted upon, and set within the financial context of a 30-year Business Plan. A proper strategy reset will take time to develop so, the proposed approach for 2016/17 is to set a budget that broadly reflects the Council's current, adopted landlord strategy – but that includes some caution and avoids where possible longer-term/higher risk commitments.The overall position on the Housing Revenue Account (HRA) for the next three years is shown in the table below. The deficit forecast for 2017/18 and 2018/19 will be funded from reserves and is consistent with the overall business plan.

2015/16 £'m	Housing Revenue Account - Revenue Budget	2016/17 £'m	2017/18 £'m	2018/19 £'m
	Income			
117.7	Gross Rent	114.9	113.7	112.6
(1.9)	Voids	(2.0)	(2.0)	(2.1)
7.9	Net Service charges	8.1	8.3	8.5
1.5	Other revenue income	1.6	1.6	1.7
125.2	**Total Income**	**122.6**	**121.6**	**120.7**
	Expenditure			
34.2	Revenue repairs	38.4	39.2	40.1
27.3	Management costs	26.2	26.8	27.4
8.3	Service costs	9.1	9.3	9.5
11.8	Debt costs	11.3	11.3	11.3
2.9	Bad debts	2.9	3.0	3.0
1.4	Other	1.4	1.4	1.5
43.0	Depreciation & CERA	31.7	32.4	33.1
128.9	**Total Expenditure**	**121.0**	**123.4**	**125.9**
(3.7)	**Surplus\(Deficit)**	**1.6**	**(1.8)**	**(5.2)**

<u>Rents and Service Charges</u>

65. To help reduce welfare benefit spend the Government has announced a major change in social rent setting. The proposal, contained in the Welfare Reform Bill, is that rents should reduce by 1% p.a. for four years from 2016-2020. The current 2015/16 52-week rent is £81.69 and so applying the 1% reduction, the average rent for 2016/17 would be £80.88 on a 52-week basis, the equivalent 48-week rent would be £87.62.

66. Stock figures for setting the 2016/17 budget assume RTB sales continue at the current rate for the remainder of this year (resulting in 200 sales) and slightly increase during 2016/17 (to 225 sales), new build completions in 2015/16 of 10 and in 2016/17 66, and other stock losses of 35 giving an average stock figure in 2016/17 of 27,329. Therefore the resulting gross rent budget for 2016/17 would be £114.935m.

67. Due to the need to ensure service charges did not exceed the costs of services there was no increase in service charges in 2015/16. For 2016/17 the proposals is for all tenant & leaseholder Service Charges (except heating - see below) is that the increase should reflect salary increases, as staffing costs represent the vast majority of service costs. Therefore the increase for 2016/17 would be 2.2% (the pay increases agreed for the two years 2014/15 and 2015/16). The one exception to this is Communal Heating costs where we simply pass on utility company heating costs to tenants. It is proposed that heating costs pre-payments should not increase next year as the energy costs we are charged are not forecast to increase. The net (of forecast voids and heating refunds) service charge budget for 2016/17 is therefore £8.104m.

68. The table below shows the HRA Capital budget and proposed funding for 2016/17

2015/16 £'m	Housing Revenue Account - Capital Budget	2016/17 £'m	2017/18 £'m	2018/19 £'m
48.2	**Total Investment**	**56.0**	**50.0**	**50.0**
	Funding			
16.4	Usable receipts	24.3	18.0	18.0
31.8	Depreciation	31.7	32.0	32.0
48.2	**Total Funding**	**56.0**	**50.0**	**50.0**

CAPITAL PROGRAMME

69. The approved Capital Programme has been updated to take account of current progress, additional grant announcements and decisions confirmed by Cabinet.

70. The table below summarises our current year's capital spending plans and capital spending plans for the next three years that total £546.8m. 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	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Capital programme for approval	134.1	63.7	15.1	212.9
Projects in development	6.5	54.3	52.4	113.2
Projects in early stage of development	-	27.4	37.3	64.7
Housing Revenue Account	56.0	50.0	50.0	156.0
Capital Spending Forecast	**196.6**	**195.4**	**154.8**	**546.8**

71. Although there is no additional revenue funding available this year there is some capacity for limited additional capital expenditure. Following consultation the Mayor's final proposals are:

Allocation of the £1.1m as a result of the consultation	**£'000**
Bristol Aerospace Centre	500
Employment Enagement Hub	250
Small Grants for Early Years Childrens Centres	250
Campus Skate Park at Bishopsworth	50
Ashton Gate Rail Station – Business Case	50
Total	**1,100**

USE OF COUNCIL'S RESERVES

72. 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:

(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 5% and 6% 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.

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

74. 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.

75. The opening balance on Earmarked Reserves at 1 April 2015 was £98.3m it is planned to utilise £9.3m during 2015/16. In accordance with the policy on reserves all balances at 31 March 2016 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.

76. The Deputy Chief Finance Officer has reviewed the Councils level of reserves, and considers them to be at an appropriate level to cover both internal and external risks and to meet future investment needs. Key financial risks are set out in the table below (paragragh 83)

77. The Table below shows estmated earmarked reserves at 31st March 2016

Earmarked Reserves	Opening Balance £'m	Agreed Use 2015/16 £'m	Closing Balance £'m
Ring-Fenced Reserves	7.3	-	7.3
Capital Investment	24.2	(2.0)	22.2
Transformation	26.9	(6.7)	20.2
Technical	6.7	(0.1)	6.6
Risk	10.7	-	10.7
Service	22.5	(0.5)	22.0
Total	**98.3**	**(9.3)**	**89.0**

ROBUSTNESS OF ESTIMATES

78. The Deputy Chief Finance Officer (Section 151 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 2016/17 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.

79. The Council's Deputy 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:

80. The Council undertook extensive consultation on the 2014/15 to 2016/17 budget and medium term financial strategy.

81. This year consultation was focussed on key changes to that framework and proposals for limited additional capital investment. Budget Consultation ran from 23 November 2015 to 6 January 2016. Information explained the Mayor's new Budget proposals for 2016-17 at www.bristol.gov.uk/budget and in a booklet distributed to Libraries, Citizen Service points and on request. The Interim results are summarised in an appendix to this report (Appendix D) Feedback was collected via online and paper survey[to be updated]. 1,391 responses have been received to date. Due consideration has been given to the responses received and on the basis that the majority support the proposals no changes have been made at this stage, however, a final report will be produced after 6 January 2016 and circulated to cabinet ahead of its meeting on 12th January 2016. Further consideration to consultation responses will continue to be given by Cabinet members up to and at the meeting to inform the final proposals to be made to Full Council

82. 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 have 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

83. 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 third year of the approved MTFS and the financial risks facing the Council have been reviewed and taken into account in this Budget Report.

84. The following table identifies 9 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
Significant and unexpected events or emergencies By its nature, the financial risk is uncertain	Medium	High	• Council maintains a Strategic Reserve at a level of between 5% and 6% of its revenue budget for emergency purposes
Increasing eligibility for Social Care Demand for services continue to increase as Bristol's population expands and people live longer.	High	Medium	• Demand pressures provided for within our spending plans • Price and volume variance is reported monthly to the Service Director – Care & Support - Adults • Strategic re-commissioning of Adult services is focussing on new models of care to reduce demand and increase independence of service users
Social Care Precept The Government's core spending assumptions for local authorities with social care responsibilities assume that the 2% levy will be precepted. A decision has not been taken and if this new flexibility is not accepted, the Council would lose the opportunity of additional funding to mitigate Adult Social Care demand pressures of upto an estimated £14.3m by 2019/20, which cannot be recovered in the future.	High	Medium	• Budget Reductions across services will be required.
Significant event involving the City's major structural infrastructure. By its nature, the financial risk is uncertain, however given the scale of infrastructure, it could be very significant	Medium	High	• The capital programme board meets monthly to ensure that capital investment is properly prioritised at programmes designed to deliver & maintain infrastructure assets • Joint Local Transport Plan in place. • Discussions ongoing at local, regional and national level regarding potential devolution agreement
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 are in place. • Change programme savings are reviewed and monitored through the Change Board.
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. The next

			tri-annual review will take place in 2016.
Non delivery of the Change Programme The Single Change Programme will transform the Council's internal managment structure	Low	High	• Substantial savings have been 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 • Change Programme savings are reviewed and monitored through the Change Board
Volatility in Business Rates income Business rates income is determined by reference to local rating lists maintained by the Valuation Office Agency. These lists are subject to variation, between revaluations, as a result of physical changes (either to the property or the locality) and appeals.	Medium	High	• Provision for losses made on the basis of regular review of ratings list • Budget and medium tem financial planning process • Government Safety Net for major shocks set at -10%, Council at risk up to this level

These financial risks are reflected in the assessment of the adequacy of council reserves and the use of reserves over th the medium term.

Public sector equality assessment

As this is the final year of a three year financial plan the original Equalities Impact Assessments are available at www.bristol.gov.uk/council-spending-performance/budget-consultation-2014-17-equality-impact-assessments
Equalities Impact Assessments for the Mayors capital proposals are currently being drafted.

Eco impact assessment

To be included in the final report to Council

Resource and legal implications:

Finance

As stated in the report.

Legal implications:
To be included in the final report to Council.

Land / property implications:
To be included in the final report to Council.

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

Appendices:

Appendix A – Departmental Budgets
Appendix B – Capital Investment Programme
Appendix C – Treasury Management Strategy
Appendix D – Interim Budget Consultation Feedback Report
Appendix E – Estimated Collection Fund Outturn 2015/16

APPENDIX A

Indicative Budgets by Directorate & Service Following Local Government Settlement 2016/17

The Overall Budget Position for 2016/17	£'000	£'000
Base budget		
- People	207,313	
- Business Change	15,672	
- Neighbourhoods	43,460	
- Place	22,431	
- City Director	3,624	
Total Directorate		292,500
- Unfunded Pensions	2,710	
- Pay and Inflation	12,594	
- Other Budgets (Capital Financing and contingencies)	34,196	
Total Other Budgets		49,500
Net Budget before additions		**342,000**
Funding		
Revenue Support Grant		60,300
Council tax		175,000
NNDR		96,900
New Homes Bonus		13,800
Collection Fund Surplus/(Deficit)		(4,000)
Total Funding		**342,000**

People

People Directorate	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
Strategic Commissioning				
Joint Commissioning (Adults)	1,413			1,413
Joint Commissioning (Children)	3,883			3,883
Commissioning (Targeted Support)	5,522			5,522
Contracts & Quality	14,328			14,328
Service Director- Sp&C	718			718
Project Management & Support	273			273
Total Strategic Commissioning	**26,136**	**-**	**-**	**26,136**
Care Provision				
IMCS & Reablement	8,768			8,768
Residential Services	6,236		(100)	6,136
Total Care Provision	**15,003**	**-**	**(100)**	**14,903**
Housing Solutions				
Housing Options	2,141	(150)		1,991
Private Housing & Accessible Homes	1,753			1,753
Crime & Substance Misuse	4,087	(100)	(150)	3,837
Housing Solutions	9,515			9,515
Total Housing Solutions	**17,495**	**(250)**	**(150)**	**17,095**
Social Care Adults				
Complex Case/Transitions/AMHP	31,447			31,447
Front Door Services / Hospitals	26,349			26,349
Strategic Safeguarding	1,724			1,724
Area Community Teams/Care Brokerage/SI	33,982			33,982
Total Social Care Adults	**93,502**	**-**	**-**	**93,502**
Care & Support – Children & Families				
Early Help & First Response	3,520			3,520
0-25 Integrated Service	9,261		(500)	8,761
Safeguarding	1,588			1,588
Area Social Work (North)	1,811			1,811
Area Social Work (East/Central)	2,762			2,762
Area Social Work (South)	1,962			1,962
Fostering & Adoption	7,121	(301)		6,820
Looked After Children & Aftercare	24,802			24,802
Children & Family Support - Management	1,008	(51)		957
Total Care & Support – Children & Families	**53,835**	**(352)**	**(500)**	**52,983**

People continued

People Directorate - continued	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
Education & Skills				
Early Years Learning	6,796		(318)	6,478
Primary Learning	798			798
Secondary Learning	484			484
Additional Learning Needs	1,142			1,142
Employment & Skills	631			631
Trading with Schools	(1,173)		(400)	(1,573)
Total Education & Skills	**8,679**	**-**	**(718)**	**7,961**
Dedicated Schools Grant				
Dedicated Schools Grant	1,165			1,165
Primary Learning - DSG	931			931
Management - DSG	1,814			1,814
Finance - DSG	(75,368)			(75,368)
Early Years Learning - DSG	30,338			30,338
Additional Learning Needs - DSG	40,708			40,708
Secondary Learning - DSG	413			413
Area Social Work Team (North) - DSG	-			-
Total Dedicated Schools Grant	**(0)**	**-**	**-**	**(0)**
Management - People				
Management - People	(1,850)			(1,850)
Total Management - People	**(1,850)**	**-**	**-**	**(1,850)**
People - Category Management Savings			**(3,418)**	**(3,418)**
Total People	**212,801**	**(602)**	**(4,886)**	**207,313**

Business Change

Business Change Directorate	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
ICT				
ICT Delivery	9,266		(1,300)	7,966
Architecture & Design	609			609
Business Process Management	393			393
Digital Services & Customer Insight	359			359
Business Change & I1CT	(1,602)			(1,602)
ICT	**9,025**	**-**	**(1,300)**	**7,725**
Legal Services				
Legal - Place	1,498			1,498
Statutory & Democratic Services	3,554			3,554
Strategic Commissioning & Procurement	484			484
Legal - People	1,403			1,403
Legal Services	**6,938**	**-**	**-**	**6,938**
Integrated Customer Services				
Revenue, Benefits & Rent	5,040			5,040
Customer Service Operations	3,836			3,836
Integrated Customer Services	**8,876**	**-**	**-**	**8,876**
Finance				
Corporate Finance	5,426			5,426
Chief Internal Auditor	751			751
Finance	**6,176**	**-**	**-**	**6,176**
Human Resources (HR)				
People Operations	3,985			3,985
Change & Performance	2,021			2,021
Human Resources (HR)	**6,006**	**-**	**-**	**6,006**
Change Programme				
Programme Management Office	(10,851)			(10,851)
Change Programme Workstreams	16,214			16,214
Change Programme Savings	(17,105)		(14,994)	(32,099)
BWP Project	1,893			1,893
BWP Business Change	192			192
Change Programme	**(9,657)**	**-**	**(14,994)**	**(24,651)**
Policy, Strategy & Communications				
Policy & Research	991			991
Public Relations	420			420
Corporate Communications	692			692
Performance & Infrastructure	1,540			1,540
Strategic Planning & Development	958			958
Policy, Strategy & Communications	**4,601**	**-**	**-**	**4,601**
Total Business Change	**31,966**	**-**	**(16,294)**	**15,672**

Neighbourhoods

Neighbourhoods Directorate	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
Environment & Leisure				
Strategy, Commissioning & Contract	31,743	(500)		31,243
Environmental Area Management	5,167	(750)		4,417
Traded Services	(753)			(753)
Environment & Leisure	**36,157**	**(1,250)**	**-**	**34,907**
Housing Delivery (HRA)				
Strategy, Planning & Governance	(103,655)	12,775		(90,880)
Responsive Repairs	27,064	6,036		33,100
Planned Programmes	16,973			16,973
Estate Management	7,348			7,348
Financial Adjustments	52,271	(18,811)		33,460
Housing Delivery (HRA)	**0**	**-**	**-**	**0**
Neighbourhoods				
Neighbourhood Management	4,460			4,460
Library Services	5,021		(465)	4,556
Regulatory Services	574	(250)	(76)	248
Neighbourhoods	**10,055**	**(250)**	**(541)**	**9,264**
Public Health				
Public Health	285		(1,000)	(715)
Public Health	**285**	**-**	**(1,000)**	**(715)**
Management - Neighbourhoods				
Neighbourhoods - Other	5			5
Management - Neighbourhoods	**5**	**-**	**-**	**5**
Total Neighbourhoods	**46,501**	**(1,500)**	**(1,541)**	**43,460**

Please note that the Public Health saving relates to identifying services provided by the council and that other ring-fenced funds are not duplicated and relevant costs are appropriately charged as set out in the MTFS.

Place

Place Directorate	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
Property				
Facilities Management	4,311			4,311
Asset Management	4,670			4,670
Property Strategy	(8,198)		(6,500)	(14,698)
Property	**783**	**-**	**(6,500)**	**(5,717)**
Planning				
Strategic City Planning	662			662
City Design	(11)			(11)
Development Management	(362)			(362)
Planning	**289**	**-**	**-**	**289**
Transport				
Highways	5,243	(500)	(140)	4,603
Traffic	(3,454)		(100)	(3,554)
Strategic City Transport	2,086			2,086
Sustainable Transport	12,725	(230)		12,495
Transport	**16,600**	**(730)**	**(240)**	**15,630**
Economy				
Culture Services	3,279			3,279
Cultural Development	1,178			1,178
Economic Development	459			459
Major Projects	955			955
Management – Place	419			419
Economy	**6,289**	**-**	**-**	**6,289**
Economy - ABS Team				
Economy - Major Projects	1,852			1,852
Economy - ABS Team	**1,852**	**-**	**-**	**1,852**
Energy				
Energy Programme Manager (Corporate)	3,799			3,799
Energy Programme Manager (Community)	287			287
Energy	**4,086**	**-**	**-**	**4,086**
Total Place	**29,901**	**(730)**	**(6,740)**	**22,431**

City Director

City Director Directorate	2015/16 Base Budget	Removal of one off Budget Amendments	Combined Savings	2016/17 Draft Budget
	£'000	£'000	£'000	£'000
Bristol Futures				
City Innovation	305			305
European & International Programme	228			228
Sustainable City & Climate Change	600	(50)		550
Head of Bristol Futures	573			573
Bristol Futures	**1,706**	**(50)**	**-**	**1,656**
Management - City Director				
Management - City Director	1,968			1,968
Management - City Director	**1,968**	**-**	**-**	**1,968**
Total City Director	**3,674**	**(50)**	**-**	**3,624**

DRAFT Capital Programme for 2016/17 to 2018/19 as at 31 December 2015 **Appendix B**

TIER 1 - APPROVED PROGRAMME

Mayoral Proposals for Consultation

Bristol Aerospace Centre, £500,000

Employment Engagement Hub, £250,000

Small grants for Early Years Children's Centres, £250,000

Campus skate park at Bishopsworth, £50,000

Ashton Gate rail station business case, £50,000

Additional consultation: an upgraded Metrobus stop at Ashton Gate (Paxton Drive)

Mayoral	Description	Brief Description of Scheme	Latest Programme Cabinet December 2015				
			15/16 £000	16/17 £000	17/18 £000	18/19 £000	Total £000
	PEOPLE						
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.	951				**951**
1	ICT - Children First	To make Children First service more efficient by replacing existing case management systems with two connecting systems.	2,199				**2,199**
1	Delivering aids & adaptations for disabled people.	Delivering aids and adaptations for disabled people in private homes, helping them live more independently.	2,350	1,000	1,100	1,100	**5,550**
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.	35,330	45,341			**80,671**
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.	223	2,715			**2,938**
2	School Devolved Capital		4,000	3,404			**7,404**
2	People - other schemes		1,087				**1,087**
	Sub total - People		**46,140**	**52,460**	**1,100**	**1,100**	**100,800**

Mayoral	Description	Brief Description of Scheme	Latest Programme Cabinet December 2015				
			15/16 £000	16/17 £000	17/18 £000	18/19 £000	Total £000
	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.	1,156				**1,156**
	ASEA Infrastructure	Avonmouth Severnside Enterprise Area Infrastructure (ASEA) Phase 1 - design and development work for the Avonmouth Severnside Enterprise	305	645			**950**
3	Cycle Ambition Fund	Improving cycling infrastructure like bridges and cycle lanes to improve cycling and help increase the number of cyclists.	5,491				**5,491**
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.	1,284	250			**1,534**
3	20 mph scheme	To introduce new 20mph speed limits across the city, making streets safer and helping traffic flow	430				**430**
3	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	1,443				**1,443**
3	Residents Parking Schemes	The introduction of Resident's Parking Schemes across inner Bristol between 2012 -2015.	4,496				**4,496**
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.	6,125	5,801	6,203	5,875	**24,004**
3	Bus Shelter Replacement Project	Bus shelter upgrades / replacement programme	1,784	876	876	2,000	**5,536**
3	A403 - Infrasture works	Infrastructure works along the A403 corridor	6,200	1,186			**7,386**
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	95	60			**155**
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.	250	200			**450**
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.	1,980	11,040	6,189		**19,209**
3	Hybrid Electric Vehicles	A trial of using technology to get Hybrid Diesel/electric buses to run in zero-emissions mode in areas of worst air quality	1,240		160		**1,400**
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)	50,614	7,218			**57,832**
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.	1,853	1,000			**2,853**
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.	100				**100**
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.	914	350			**1,264**
4	Gainsborough Square Regeneration	Improvements to Gainsborough Square and site preparation for adjoining sites.	176				**176**
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.	488	1,000			**1,488**
4	Kingswear and Torpoint	Housing Development and open space improvements - part of Knowle West Regeneration Framework	832				**832**

Mayoral	Description	Brief Description of Scheme	Latest Programme Cabinet December 2015				
			15/16 £000	16/17 £000	17/18 £000	18/19 £000	Total £000
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.	4,782	36,000	45,000	4,000	**89,782**
5	Environmental Improvement Programme	City centre projects that bring significant benefits to the walking, cycling, public transport and historic environments.	734				**734**
4	Filwood Broadway	Regeneration of district centre - part of Knowle West Regeneration Framework		700	700		**1,400**
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.	4,682				**4,682**
5	Bio-mass programme	Support our existing 'bio-mass' programme of work which creates sustainable energy from household waste.	3,636				**3,636**
5	ELENA (European energy efficiency and renewable energy programme)	Seed money to kickstart wider investment in environmental projects in partnership with other sectors.	2,037				**2,037**
5	Wind Turbines		2,295				**2,295**
5	Green Deal		6,967				**6,967**
8	Eastville Depot	To refurbish the Eastville depot to accommodate Pest Control and Parks Grounds Maintenance East and Central teams.	438				**438**
5	Affordable Housing Enabling budget		1,060	1,500	1,500	1,500	**5,560**
5	Portway Park and Ride		10	161			**171**
5	Other		2,739				**2,739**
	Sub total - PLACE		**116,636**	**67,987**	**60,628**	**13,375**	**258,626**
	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.	5,169				**5,169**
5	Rapid Charge Points		319				**319**
	Sub total - CITY DIRECTOR		**5,488**				**5,488**
	NEIGHBOURHOODS						
5	Investment in parks and green spaces	Improvement of Parks & Green Spaces across the city.	3,381				**3,381**
6	Librraries for the Future	This funding will be used to modernise Bristol's libraries, as part of the libraries for the future project.	163	587	450		**1,200**
6	Other Neighbourhood Schemes		247				**247**
	Sub total - NEIGHBOURHOODS		**3,791**	**587**	**450**		**4,828**
	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.	23,270	7,191	921	611	**31,993**
8	Control Room	Specification, procurement and implementation of modern systems (primarily for Telecare, Traffic Systems and CCTV) to replace end of life equipment, to support service delivery to the existing level and provide a platform on which new services can potentially be provided.		5,900	600		**6,500**
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.	300				**300**
	Sub total - BUSINESS CHANGE		**23,570**	**13,091**	**1,521**	**611**	**38,793**
	TOTAL GENERAL FUND		**195,625**	**134,125**	**63,699**	**15,086**	**408,535**
	Housing Revenue Account (HRA)		**48,251**	**56,000**	**50,000**	**50,000**	**204,251**
	TOTAL		**243,876**	**190,125**	**113,699**	**65,086**	**612,786**

TIER 2 - PROJECTS IN DEVELOPMENT

Mayoral	Project Title	Brief Description of Scheme	Funding Source	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £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			500	310	**810**
			External Funding					
			total			**500**	**310**	**810**
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				2,680	**2,680**
			External Funding					
			total				**2,680**	**2,680**
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			47,480	26,410	73,890
			External Funding					
			total			**47,480**	**26,410**	**73,890**
2	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			500		500
			External Funding					
			total			**500**		**500**
3	Rail Stations Improvement Programme	Improvements to existing rail stations	BCC funding			750	750	**1,500**
			External Funding					
			total			**750**	**750**	**1,500**
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			20		**20**
			External Funding			750		**750**
			total			**770**		**770**
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			280	280	**560**
			External Funding					
			total			**280**	**280**	**560**
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			2,000	6,000	**8,000**
			External Funding					
			total			**2,000**	**6,000**	**8,000**
		OR Project 2, an enhanced version which has additional costs above those given for Project 1	BCC funding			2,000	6,000	**8,000**
			External Funding					
			total			**2,000**	**6,000**	**8,000**
5	Third Household Waste Recycling Centre	Building a third Household Waste Recycling Centre at Hartcliffe Way Depot - subject to the development of a sustainable financial plan that would ensure the continued operation of the centre.	BCC funding		2,000			2,000
			External Funding					
			total		**2,000**			**2,000**
6	Colston Hall	Contribution towards the refurbishment of Colston Hall.	BCC funding				10,000	**10,000**
			External Funding					
			total				**10,000**	**10,000**
6	New Bristol East Pool	Build of new swimming pool at Bristol Brunel Academy site - subject to design and service delivery to be based around a nil subsidy model. Project will be subject to design and service delivery to be based around the nil subsidy model currently planned for all Bristol City Council leisure facilities.	BCC funding		4,500			**4,500**
			External Funding					
			total		**4,500**			**4,500**
	TIER 2		**BCC funding**		**6,500**	**53,530**	**52,430**	**112,460**
			External Funding			**750**		**750**
			total		**6,500**	**54,280**	**52,430**	**113,210**

Waste Recycling Centre: the provision of recycling facilities will be considered as part of the council wide review of the Waste Strategy and the future of the waste contract, which will be known by July 2016.

East Bristol Pool: Recent analysis has shown that there is insufficient demand to justify the development of a full business case for this proposal.

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	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £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			730	730	**1,460**
			External Funding					
			total			**730**	**730**	**1,460**
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			2,000	4,000	**6,000**
			total			**2,000**	**4,000**	**6,000**
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			750	2,120	**2,870**
			External Funding			750	2,130	**2,880**
			total			**1,500**	**4,250**	**5,750**
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			500	3,000	**3,500**
			External Funding					
			total			**500**	**3,000**	**3,500**
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			3,500	3,500	**7,000**
			External Funding					
			total			**3,500**	**3,500**	**7,000**
3	Local Sustainable Transport Fund	Bus stop upgrades, new and upgraded bus lanes and cycle lanes to improve public transport and facilities.	BCC funding			3,000	3,000	**6,000**
			External Funding					
			total			**3,000**	**3,000**	**6,000**
3	Smart Ticketing	Working with partners to introduce Oyster-style smart ticketing for public transport across Bristol and the wider region.	BCC funding			1,500	1,500	**3,000**
			External Funding					
			total			**1,500**	**1,500**	**3,000**
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			2,000	2,000	**4,000**
			External Funding					
			total			**2,000**	**2,000**	**4,000**
3	Residents Parking Schemes	The introduction of Resident's Parking Schemes across Bristol between 2016 -2018. This is for the 'outer ring' of zones.	BCC funding			2,780		**2,780**
			External Funding					
			total			**2,780**		**2,780**
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			1,100		**1,100**
			External Funding					
			total			**1,100**		**1,100**
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			1,000	1,000	**2,000**
			External Funding					
			total			**1,000**	**1,000**	**2,000**
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			3,300	9,200	**12,500**
			External Funding			400	400	**800**
			total			**3,700**	**9,600**	**13,300**
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			1,600	3,000	**4,600**
			External Funding					
			total			**1,600**	**3,000**	**4,600**
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			500	1,500	**2,000**
			total			**500**	**1,500**	**2,000**
6	Bristol South Community Sports Loan	Loan to Bristol South Community Sports to improve sports pitches.	BCC funding			250		**250**
			External Funding					
			total			**250**		**250**
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			1,750	**250**	**2,000**
			External Funding					
			total			**1,750**	**250**	**2,000**
		TIER 3	**BCC funding**			**23,760**	**29,300**	**53,060**
			External Funding			**3,650**	**8,030**	**11,680**
			total			**27,410**	**37,330**	**64,740**

APPENDIX C

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 2016/17 covers two main areas:

<u>Capital Issues</u>

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

<u>Treasury Management Issues</u>

- 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 training 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 2016/17 – 2018/19

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 borrowing need. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Non-HRA	121	196	134	64	15
HRA	32	48	56	50	50
Total	**153**	**244**	**190**	**114**	**65**
Financed by:					
Capital receipts	(15)	(16)	(29)	(23)	(23)
Capital grants	(55)	(85)	(38)	(13)	(6)
HRA Self Financing	(30)	(37)	(32)	(32)	(32)
Revenue	(6)	(35)	(10)	-	-
Net financing need for year	**47**	**71**	**81**	**46**	**4**

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 does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life.

2.5 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 £162m of such schemes within the CFR.

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

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
CFR – non housing	308	367	433	465	451
CFR – PFI/Lease schemes	162	155	148	141	134
CFR – housing	245	245	245	245	245
Total CFR	**715**	**767**	**826**	**851**	**830**
Movement in CFR	**31**	**52**	**59**	**25**	**(21)**

Net financing need for year	47	71	81	46	4
Less MRP & other financing	(16)	(19)	(22)	(21)	(25)
Movement in CFR	**31**	**52**	**59**	**25**	**(21)**

Minimum revenue provision (MRP) policy statement

2.7 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.

2.8 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.

2.9 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).

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

2.11 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

2.12 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 investment 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.

2.13 **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.

	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
General Fund	8.8%	9.5%	10.5%	11.3%	13.7%
HRA	8.9%	8.6%	8.6%	8.6%	8.6%

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

2.14 **Estimates of the Incremental impact of capital investment decisions on council tax Housing Rent levels**. 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.

There are no expected increases in Council Tax or Housing Rent levels following the Capital Investment decisions within this report over the medium term as these have been budgeted for in prior periods.

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 2015, 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.

	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
External Debt 1 April	415	415	415	490	565
Expected change in debt	-	-	75	75	-
Other long-term liabilities	168	162	155	148	141
Expected change in other long-term liabilities	-6	-7	-7	-7	-7
Actual gross debt 31 March	**577**	**570**	**638**	**706**	**699**
Capital Financing Requirement	**715**	**787**	**875**	**855**	**830**
Under borrowing	**138**	**217**	**237**	**149**	**131**

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 2016/17 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.

	2015/16 Estimate £'m	2016/17 Estimate £'m	2017/18 Estimate £'m	2018/19 Estimate £'m
Debt	415	490	565	565
Other long-term liabilities	162	155	148	141
Total	**577**	**645**	**713**	**706**

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.

	2015/16 Estimate £'m	2016/17 Estimate £'m	2017/18 Estimate £'m	2018/19 Estimate £'m
Total	**830**	**920**	**900**	**870**

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:

	2015/16 Estimate £'m	2016/17 Estimate £'m	2017/18 Estimate £'m	2018/19 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	10 Year	25 year	50 year
Dec 2015	0.50	2.30	2.90	3.60	3.50
Mar 2016	0.50	2.40	3.00	3.70	3.60
Jun 2016	0.75	2.60	3.10	3.80	3.70
Sep 2016	0.75	2.70	3.20	3.90	3.80
Dec 2016	1.00	2.80	3.30	4.00	3.90
Mar 2017	1.00	2.80	3.40	4.10	4.00
Jun 2017	1.25	2.90	3.50	4.10	4.00
Sep 2017	1.50	3.00	3.60	4.20	4.10
Dec 2017	1.50	3.20	3.70	4.30	4.20
Mar 2018	1.75	3.30	3.80	4.30	4.20
Jun 2018	1.75	3.40	3.90	4.40	4.30
Sep 2018	2.00	3.50	4.00	4.40	4.30
Dec 2018	2.00	3.50	4.10	4.40	4.30
Mar 2019	2.00	3.60	4.10	4.50	4.40

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 2):

- Counterparty risks appear to have eased but market sentiment remains changing and economic forecasts uncertain.

- Investment returns are likely to remain relatively low during 2016/17 and beyond;

- Borrowing interest rates have been volatile during 2015 following the release of good and bad news promoting optimism, and pessimism in financial markets. Gilt yields have continued to remain at historically low levels during 2015. The policy of avoiding new borrowing by running down spare 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 3.00%.

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 2016/17 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 2015/16, 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 planning to borrow £75m in 2015/16 and the same in 2017/18, to finance the expected Prudential Borrowing requirement of £91m in 2016/17 and £110m in 2017/18 as set out in the Capital programme. The remainder will be financed using current investment balances. 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. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

4.4 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 the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such a 'credit default swaps' and overlay that information on top of the credit ratings.

4.5 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.

4.6 Investment instruments identified for use in the financial year are listed in appendix 3 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

Creditworthiness policy

4.7 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.

4.8 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.

4.9 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.

4.10 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 – Royal Bank of Scotland. This bank 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) – AAA rated (sterling)

- **UK Government** (including gilts and the DMADF)

- **Local authorities, parish councils etc**

- **Supranational institutions**

- **Local Authority Mortgage Scheme**. Under this scheme the Council is required to place funds of £3m, with Lloyds Bank Plc (£2m) and Leeds Building Society (£1m) for a period of 5 years. This is classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified/non specified categories.

A limit of £40m will be applied to the use of non-specified investments

Country and sector considerations

4.11 Due care will be taken to consider the country, group and sector exposure of the Council's investments. 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.

4.12 **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.

4.13 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	£10m	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 (MMF) (Including Enhanced MMF)	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 3 for approval.

4.14 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).

4.15 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.

4.16 **Investment return expectations**. Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from Quarter 2 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 1.00%
- 2017/18 1.75%
- 2018/19 2.00%

Budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next three years are as follows:

2016/17 0.90%
2017/18 1.50%
2018/19 2.00%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

Treasury management limits on activity

4.17 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 variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

- 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.

	2016/17	**2017/18**	**2018/19**
	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%	40%
2 years to 5 years		0%	40%
5 years to 10 years		0%	50%
10 years and above		25%	100%

Investment treasury indicator and limit

4.18 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	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days	£40m	£40m	£40m

Ethical Investment Policy

4.19 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.

Investment Risk Benchmarking

4.20 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.

4.21 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 0.06% (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	**0.06%**	**0.20%**	**0.37%**	**0.58%**	**0.81%**

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 – TMP1 Credit and Counterparty risk management

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.

Annex 2

APPENDIX: Economic Background

UK. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, probably being second to the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y) before weakening again to +0.5% (2.3% y/y) in quarter 3. The November Bank of England Inflation Report included a forecast for growth to remain around 2.5 – 2.7% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero since February 2015 this year. Investment expenditure is also expected to support growth. However, since the August Inflation report was issued, worldwide economic statistics have distinctly weakened and the November Inflation Report flagged up particular concerns for the potential impact on the UK.

The Inflation Report was notably subdued in respect of the forecasts for inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. However, once the falls in oil, gas and food prices over recent months fall out of the 12 month calculation of CPI, there will be a sharp tick up from the current zero rate to around 1 percent in the second half of 2016. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon was the biggest since February 2013. There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.

USA. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then weakened again to 1.5% in quarter 3. The downbeat news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision at its September meeting to pull back from a first rate increase. However, the Fed as anticipated made its first bank rate rise in December following recent strong nonfarm payroll growth along with the concerns on the international scene having subsided.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands. An €86bn third bailout package has since been agreed though it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so Greek exit from the euro may only have been delayed by this latest bailout.

CAPITA ASSET SERVICES FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

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

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to 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.

Annex 3

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

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

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

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

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

The investment policy proposed for the Council is:

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

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

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

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

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

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

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

Non-specified investments –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments is limited to an overall exposure of £40m and would include any sterling investments with:

	Non Specified Investment Category	Limit (£ or %)
a.	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).	AAA long term ratings £40m

	(b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	
b.	**Gilt edged securities** with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.	£40m
c.	**The Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	Minimal
d.	Any **bank or building society** that has a minimum long term credit rating of A-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£40m
e.	Any **non rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to: • Parent company guarantee • Parent company to be a UK institution.	£10m
f.	**Share capital or Loan Capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.	£10m
g.	**Bond funds** – There is a high risk of loss with this type of instrument.	£10m
h.	**Pooled property funds** – The use of these instruments will normally be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. The key exception to this is an investment in the CCLA Local Authorities Property Fund. The authority are planning to invest £5m in a Property Fund (Cabinet 3rd November 2015) to support Homelessness in	£30m

	Bristol.	

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

Council owned companies
The Council has purchased share capital and the provided loans to Council owned Companies, summarised below.

Bristol Energy Company, share Capital - £3.9m.
Bristol Waste Company – Loan Capital -£600k (Repaid).

These are classified as being service investment’s, rather than treasury management investment’s, and are therefore outside the specified / non specified categories.

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

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

Policy, Strategy & Communications

Consultation & Intelligence team

Budget Consultation 2016-17

Final Report

08 January 2016

www.bristol.gov.uk/budget

Table of Contents

Executive Summary

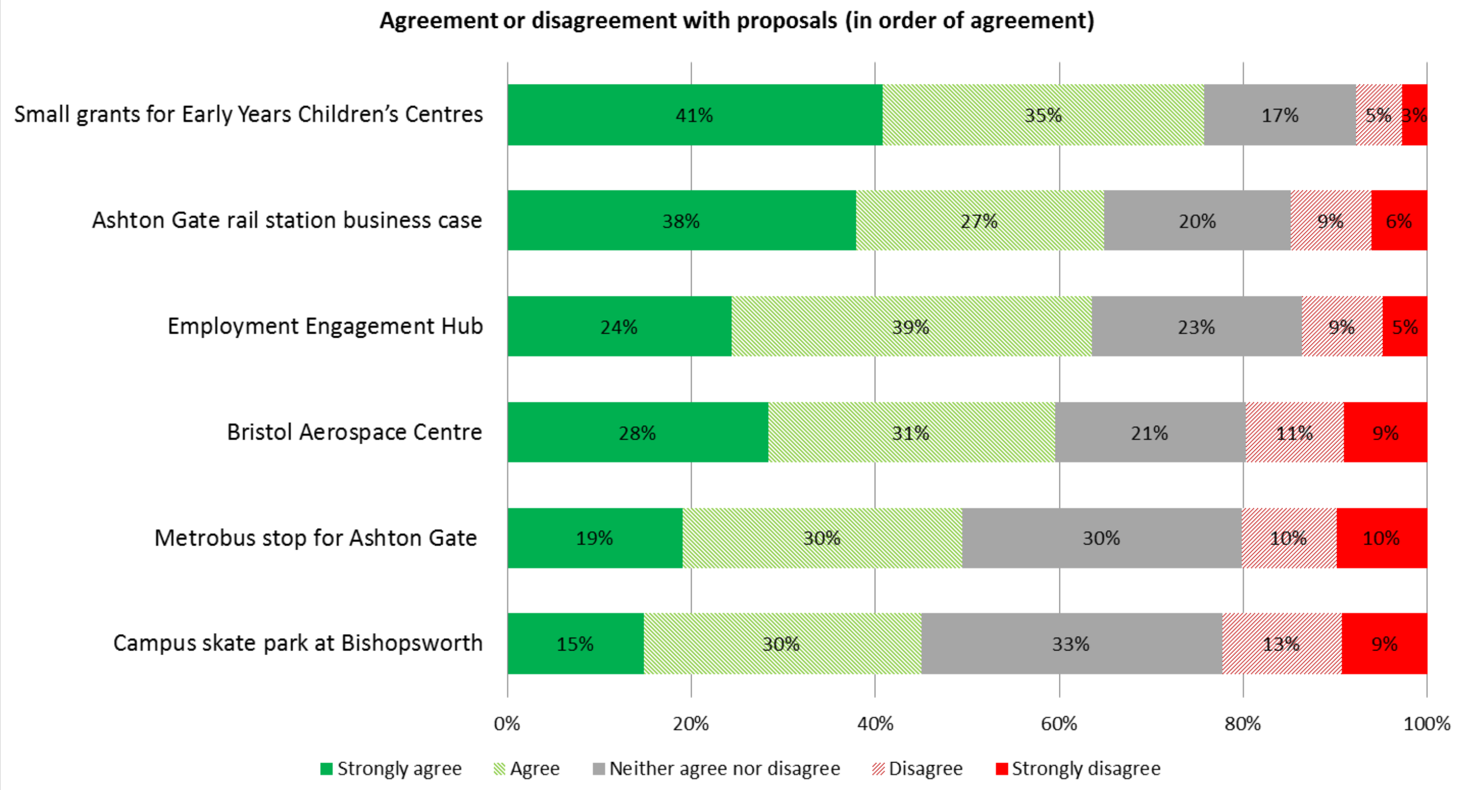
The Budget Consultation for 2016-17 ran for 6 weeks (plus extra days to allow for Bank holidays) from 23 November 2015 to 6 January 2016.
Information explained the Mayor's new Budget proposals for 2016-17 at www.bristol.gov.uk/budget and in a paper booklet available on request. Feedback was collected via an online and paper survey.

In total, 1626 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.

For the year 2016-17 there is around £1.1 million available and we consulted on proposal capital spending options.

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



- 76% agree with the proposal for **small grants for Early Years Children's Centres**. 8% disagree.
- 65% agree with the proposal for an **Ashton Gate rail station business case**. 15% disagree
- 64% of respondents agree with the proposal for an **Employment Engagement Hub**. 14% disagree.
- 60% of respondents Agree with the proposal for **Bristol Aerospace Centre**. 18% disagree with the proposal.
- Half (50%) agree with the proposal for a **Metrobus stop for Ashton Gate**. 20% disagree.
- 45% agree with the proposal for **Campus Skate Park**. 22% disagree.

Own comments

Comments under 'Additional comments on the proposals' most frequently came under the theme of 'Other locations for Metrobus stop' (move closer to Baron's close). Following this were 'Public transport' and 'Transport infrastructure'.

There has been promotion on North Street facebook page encouraging responses to the consultation on Ashton gate rail station and supporting the Metrobus stop nearer to Baron's close, which seems to have generated some response.

Own suggestions

Comments under 'Your own suggestions for how the money could be better spent', most frequently came under the theme of 'Transport infrastructure' followed by 'Public transport' and 'Cycling'.

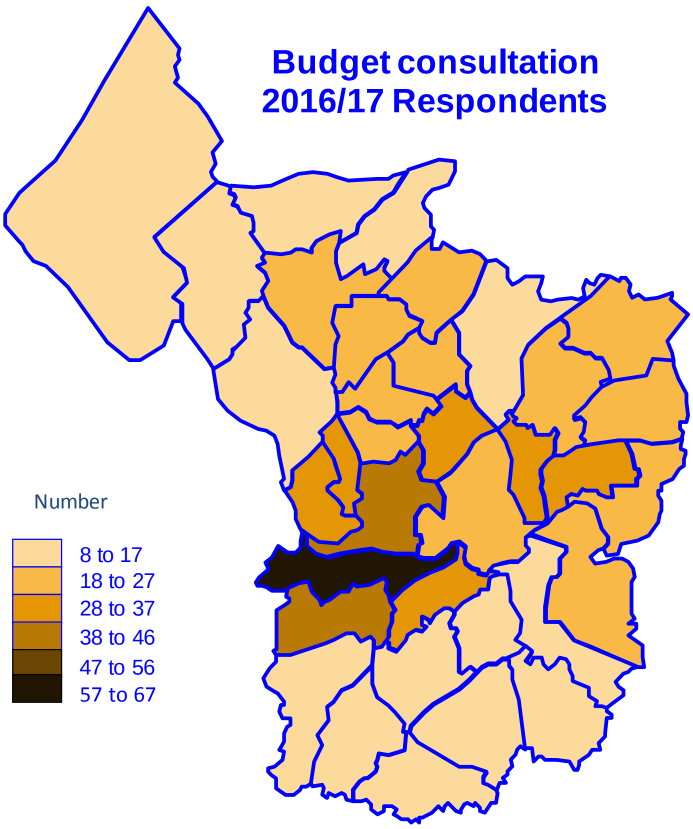
Response to the Consultation

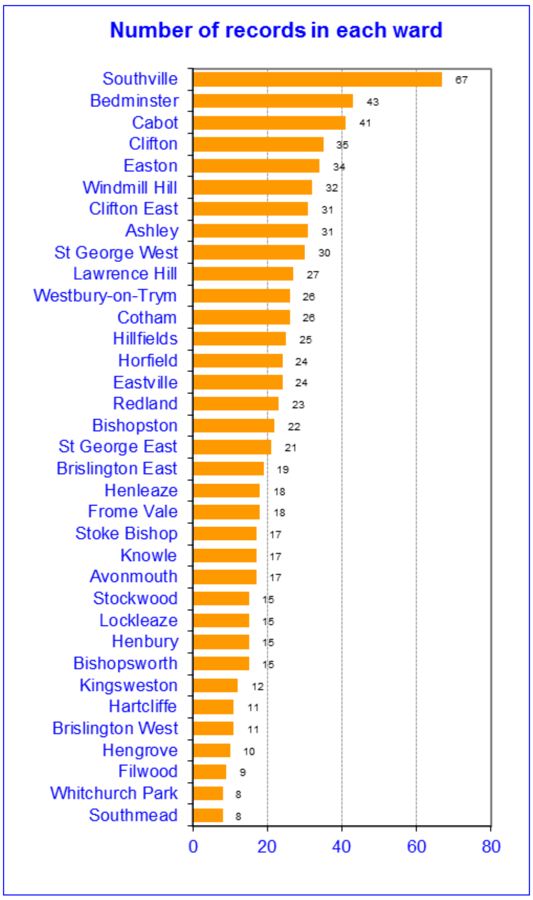
1626 responses were received. Not all respondents answered every question.

62% of respondents have given a full or partial postcode (1008 people). 891 provided a full postcode which was matched to Bristol or the surrounding area.

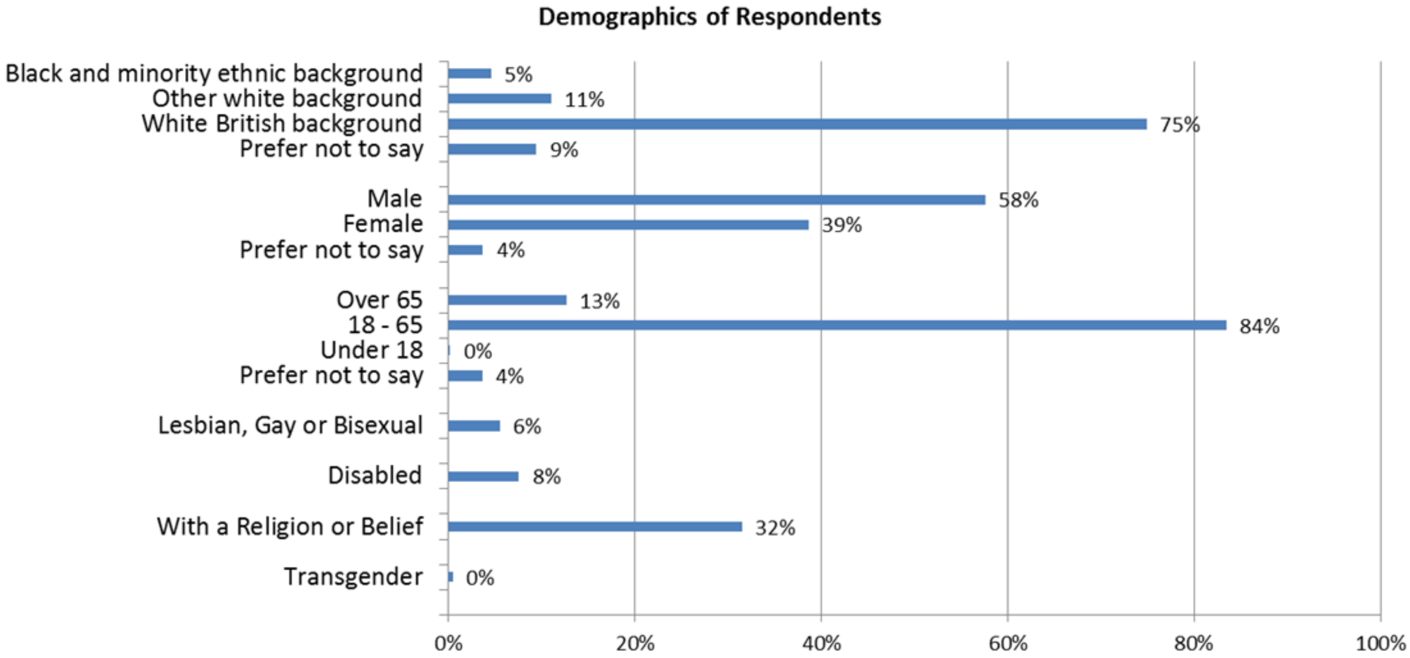
89% of these valid postcodes were Bristol residents (797). The highest concentration of responses is from Southville and Bedminster, probably related to the Ashton Gate proposals for a rail station and metrobus stop. 11% of respondents who provided a postcode were from neighbouring local authorities (94). 21 respondents were from outside of these areas.

Geographical distribution of respondents (fig.2)





Demographics of respondents (fig.3)



Organisations & businesses who responded

502 Bishport avenue
Arra Property Services
BAR WARS LTD
Bousfield & Co
Bristol & S.W. SERA
Bristol Aerospace Centre
Bristol and Avon Chinese Women's Group
Bristol City Council
Bristol Older People's Forum
Bristol Women's Voice
Bristol youth Offending Team
Cater Business Park Traders Group Ltd
Crispin Rhodes
d-map
Eagle House
Friends of Ashton Gate Stadium
Hotter
IJUBOA
Lighthouse to the Nations
Marcin Dawski
M E Bennet LTD
MRS
npower
Opus Ventus Ltd
personal support care
Piotr
SACO
SBAS
Shirehampton Public Hall Community Association
sunrise Publishers
THE BRISTOLIAN
The Nancy Blackett Trust
The Public Hall, Shirehampton
Vic
Woodland Trust
Yadira Elizabeth Carrillo Noboa

Engagement activity

The consultation was on the Council's website, consultation hub, twitter and Facebook.
It was promoted via a press release to the local media and community newsletters.
Over 35,000 direct emails were sent to individuals to promote the consultation.
Direct emails were sent to 12435 people via Ask Bristol email bulletin and 1118 via Consultation Hub.
18357 direct emails were sent via Council Tax accounts and Housing Benefit contacts.
Emails were sent to Equalities groups asking them to circulate to their contacts.
3117 Emails were sent out via neighbourhood Partnerships/Forums.
Paper copies of the consultation booklet and survey were available on request.

Business consultation

Emails were sent to businesses including business organisations (Business West, Institute of Directors, Federation of Small Businesses, BRAVE Enterprise Agency, Social Enterprise Works) and geographically focused business/traders' groups asking them to take part in the consultation. The Federation of Small Businesses, Business West and Institute of Directors were offered a meeting to discuss the Budget and respond to the consultation. No organisations requested this, so they were sent a link to the Cabinet Report with information on the Budget recommendations for 2016/17, asking for any comments. No comments have been received.

No formal responses to the Budget consultation were received from business organisations. Some individual businesses (listed on page 3) responded to the consultation survey.

Reach of communications (fig.4)

Results

1. What is your view on the proposal for Bristol Aerospace Centre?

60% of respondents Agree with the proposal for Bristol Aerospace Centre. 18% disagree with the proposal. 21% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	28.45%	452
2	Agree	31.09%	494
3	Neither agree or disagree	20.77%	330
4	Disagree	10.70%	170
5	Strongly disagree	9.00%	143
		answered	1589
		skipped	37

2. What is your view on the proposal for an Employment Engagement Hub?

64% of respondents agree with the proposal for an Employment Engagement Hub. 14% disagree. 23% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	24.38%	385
2	Agree	39.14%	618
3	Neither agree or disagree	22.86%	361
4	Disagree	8.80%	139
5	Strongly disagree	4.81%	76
		answered	1579
		skipped	47

3. What is your view on the proposal for small grants for Early Years Children's Centres?

76% agree with the proposal for small grants for Early Years Children's Centres. 8% disagree. 17% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	40.83%	643
2	Agree	34.98%	551
3	Neither agree or disagree	16.51%	260
4	Disagree	4.95%	78
5	Strongly disagree	2.73%	43
		answered	1575
		skipped	51

4. What is your view on the proposal for the Campus skate park at Bishopsworth?

45% agree with the proposal for Campus Skate Park. 22% disagree. 33% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	14.81%	232
2	Agree	30.19%	473
3	Neither agree or disagree	32.74%	513
4	Disagree	13.02%	204
5	Strongly disagree	9.25%	145
		answered	1567
		skipped	59

5. What is your view on the proposal for an Ashton Gate rail station business case?

65% agree with the proposal for an Ashton Gate rail station business case. 15% disagree. 20% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	37.90%	592
2	Agree	27.02%	422
3	Neither agree or disagree	20.29%	317
4	Disagree	8.71%	136
5	Strongly disagree	6.08%	95
		answered	1562
		skipped	64

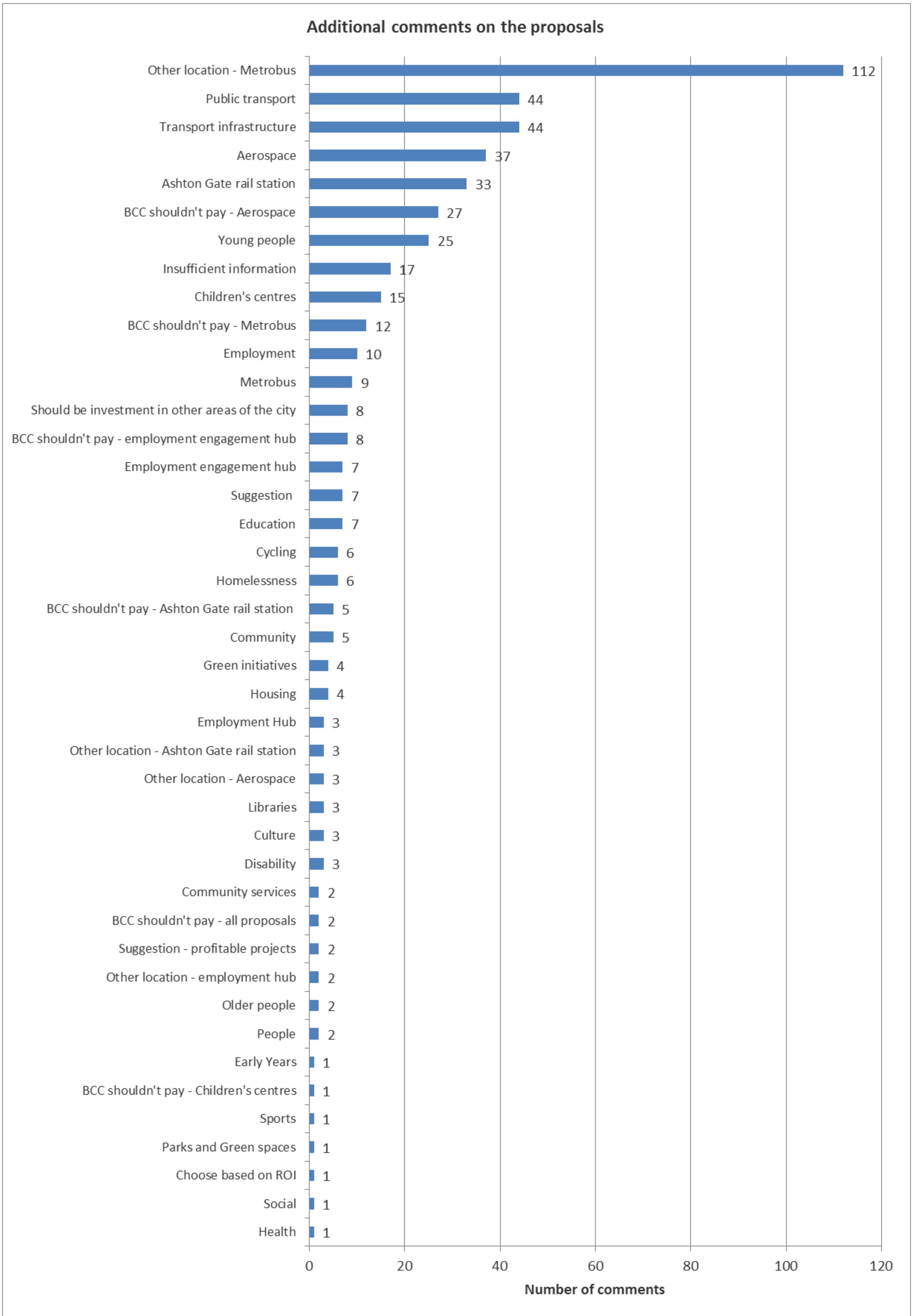
6. What is your view on the proposal for Metrobus stop for Ashton Gate (Paxton Drive)?

Half, 50% agree with the proposal for a Metrobus stop for Ashton Gate. 20% disagree. 30% neither agree nor disagree.

		Response Percent	Response Total
1	Strongly agree	19.11%	298
2	Agree	30.40%	474
3	Neither agree or disagree	30.40%	474
4	Disagree	10.26%	160
5	Strongly disagree	9.81%	153
		answered	1559
		skipped	67

Q7. Your own comments on the proposals

441 comments on the proposals were received.



The following word cloud illustrates the frequent words used in individual comments. The larger the word, the more frequently it was used.

Each comment has been read and given one or more of the categories. Individual comments under each category are available separately, and an illustrative selection is presented below.

Examples of comments in the most frequently used categories:

Metrobus stop (other location)
'The new Metrobus stop, earmarked for Paxton Drive, should be built instead at Barons Close next to a new Ashton Gate train station. We must integrate these two important modes of transport at this point, allowing easy interchange as well as much easier access for train users to the Ashton Park & Ride site.'

'Metrobus stop needs to be closer to Ashton Gate stadium...the Baron's Close proposal is more appropriate. The walk from Paxton Drive to the stadium and wider area is hazardous due to traffic.'

Public transport
'As a seriously grid-locked city, I strongly support anything that will improve public transport or improve the safety of cycling and therefore encourage greater uptake.'

'I would support a Metrobus stop by the proposed Ashton Gate railway station rather than at Paxton buildings to help Bristol towards an integrated transport system, which would also be helped if the Henbury loop proposals can be made reality. An Oystercard / touch card style system for Bristol's public transport is also overdue and needed.'

Transport infrastructure
'I think any improvement to transport links in Bristol would be most beneficial. Transport is the only element our city falls down on, everything else is great.'

'Improving the rail structure in Bristol has to be a priority, so the station at Ashton Gate is a good idea, but we shouldn't stop there. We need to look at Cardiff as the blueprint for an excellent inner city rail infrastructure.'

Bristol Aerospace Centre
'I can't see why the aerospace industry and support sponsors cannot fund its own museum. Their industry is worth hundreds of billions. It's likely that we will be charged to enter so they can get their money back'

'I have no interest personally in the Aerospace initiative but I understand there are some people who do. If funding it can put it in a position where it is at least self-sufficient and preferably able to pay back the grant then I would be in favour but I think it is a loss maker'

Ashton Gate Rail Station
'Following the Mayor's idea's for Bristol and his view on transport within Bristol the building of a station at Ashton Gate will fall in line with these views. To think of many cars this would remove from our roads not only every match day but also by the daily commuters in to the Ashton area.
This is definitely a must and the sooner it is built the better.'

'Before spending money on Ashton gate STATION- see if the trains can run a service there - ask Network Rail - and be realistic about timescales.

I thought the developer was going to pay for the metrobus stop?'

BCC shouldn't pay – Bristol Aerospace centre
'I feel that the size of the Filton aerospace proposal is disproportionate. Whilst recognising that the aerospace industry has been an important part of Bristol's history, with its links to the arms industry and dependence upon Middle East customers this is increasingly regrettable. There is a very strong lobby of aging male engineers for this sort of project who have sentimental attachments to the aerospace industry. I do not believe this should be pandered to and would much rather see money be channelled towards young people's projects since children and young people are losing so much through the government's economic austerity policies.'

'As the Aerospace Museum falls into South Glos, it should surely not be an obligation of Bristol a City Council, however much we in Bristol believe in the project'

Young People
'I would like investment in more youth services and further education services in the city - I believe investing in further education which is being cut while school budgets are more protected and universities well-funded. FE provides an access to vocational and academic qualifications for young people who have often struggled in the school system and need to be directed positively'

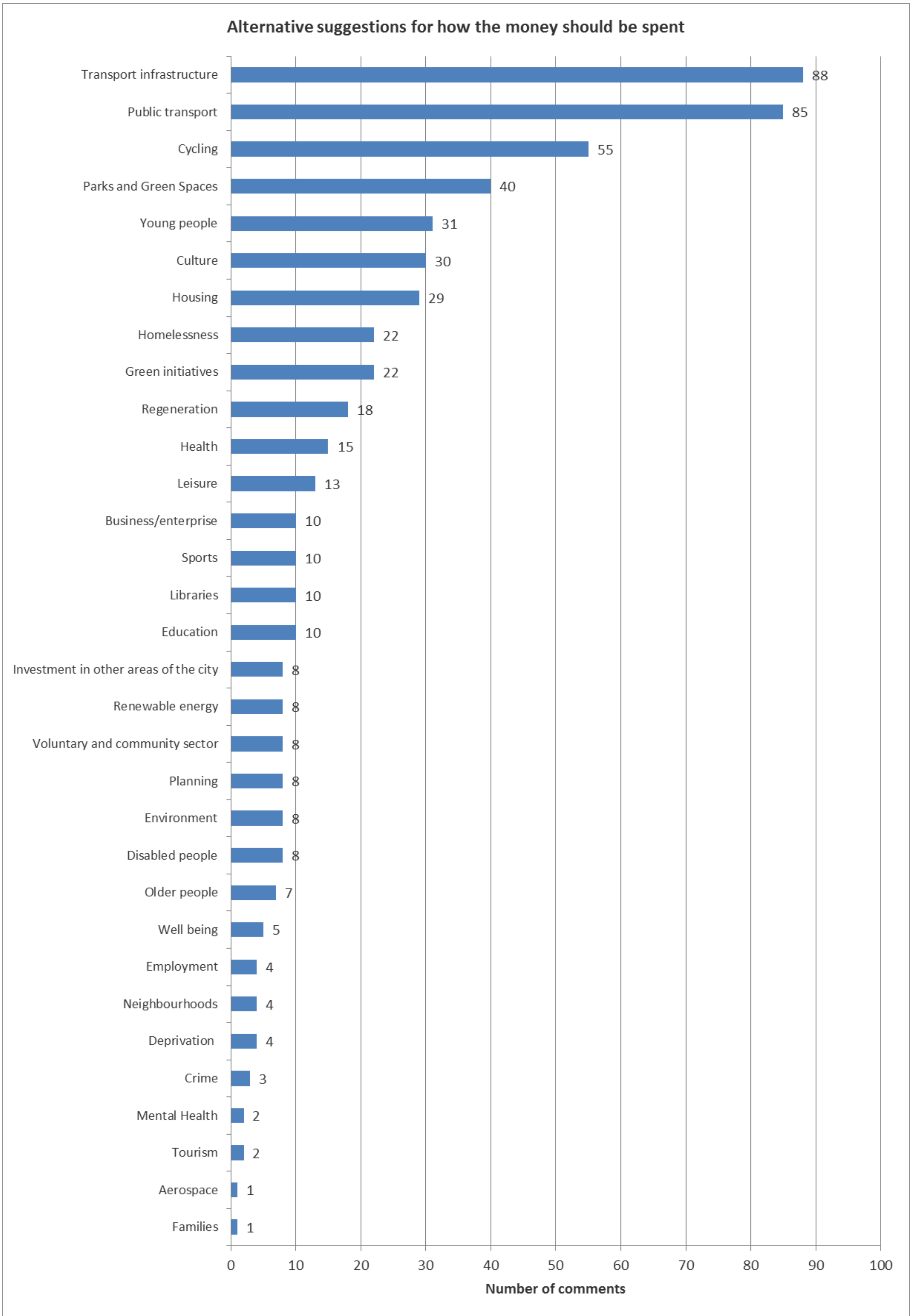
'I think the money should be spent on Youth Centres we need more places for teenagers.'

Insufficient information
'It's not clear how much money is actually available in total. This makes it difficult to understand how many of the proposed items could actually be realised, especially as they cover a wide range of costs.'

'More detail could be provided in future consultations, particularly regarding the % of funding the Council would be contributing and detail on why the council is considering providing money to projects with funding from elsewhere - what the rationale is for a contribution from Bristol City Council.'

Q8. Your own suggestions for how the money could be better spent.

399 suggestions on the proposals were received.



The following word cloud illustrates the frequent words used in individual comments. The larger the word, the more frequently it was used.

Each comment has been read and given one or more categories. Individual comments under each category are available separately, and an illustrative selection is presented below.

Examples of comments in the most frequently used categories:

Transport infrastructure
'As the city grows, look forward to improve roads and highways infrastructure and plan to build a real ring to distribute the traffic better in and out the city core.'

'Something seriously needs to be done with the Bristol city traffic, its also still very dangerous to cycle on the roads with many drivers refusing to consider cyclists.
I suggest more railway stops and reduced train fares for intercity travel, this would encourage more people to commute this way instead. This would also mean for such events like the balloon fiesta, fireworks, city games etc, less congestion would occur.
If this can't be done, why not employ a monorail system throughout Bristol and South Gloucestershire, driven on both electric and solar panel. Appreciate it would be mass funding and disruption to install but the current state of the city to commute is terrible!!'

Public transport
'Sorting out public transportation including proper cycle tracks across Bristol centre vital now we have the RPZs - this has started but nowhere near good enough.'

'New train station or bus services for Lockleaze, an area of the city virtually inaccessible by public transport.'

'Public transport improvements to offset the stupidity of the RPZs and mean people on low wages can afford to get to work.'

Cycling
'Cycling "motorways" across the city (north/south, east/west). Sharing with cars will always be a big danger and Bristol lacks intra-city connections, where most of small car commutes could be avoided.'

'A decent metro equivalent before you hit the drivers would be wise (writing as a fellow biker) and please press ahead with protected cycle lanes where possible -- having spent a year in Holland it's amazing what you can do (and how few buses compared to trams there are there)'

Parks and green spaces
'I think Easton adventure playground needs a little care and upgrade. It welcomes many children from Easton keeping them off the streets and is an exceptional place. I would also like more street lights on the Bristol to bath cycle path on the long river path up to Cabot circus from Easton. The path is very dark at night which puts members of the public detouring to avoid the low lit pathway and leaves them vulnerable'

'Improving cycle lanes in the city to keep cyclist safe. Better lighting on the downs to keep these areas more safe.'

Young people
'Youth facilities, particularly in the outreach areas, need to be provided to keep kids together and off the streets. Not just kids identified with special needs, but any kids who don't want to sit in the house but want somewhere to be with their mates. We don't want them sitting in freezing parks or hanging in shop doorways in the evenings - give them somewhere to go.'

Culture
'Would be really good if one of the capital projects was arts focussed.'

'bandstands! a public space to perform.'

Housing
'Build lots of social housing.'

'The Housing Bill will have a very detrimental effect on less well-off people in Bristol. It is my strong opinion that housing should be the top priority for capital projects (inc. compulsory purchase of empty houses, conversion of commercial property, a BCC lettings agency, maintenance of Council properties in collaboration with tenants).'

Homeless people
'Use some of this funding towards redevelopment of additional facilities for homeless people in Bristol. This is an urgent need.'

'Homelessness has in the last 8 years become a much bigger problem - how about building something to support these people.'

Responses received outside of the survey

A/ Response received from friends of Ashton Gate stadium (by email 10/12/15)
The 'Bristol New Stations High Level Assessment Study', prepared in November 2014 by consultants CH2MHILL on behalf of Bristol City Council, assessed the feasibility of a new station at Ashton Gate.
A large quantity of data used for demand forecasting analyses within this study is inaccurate and based on out-of-date statistics. The result was a deeply flawed document that we believe must be replaced.
The most serious omission in the report is this statement: "forecasts do not specifically account for the potential effect of redevelopment at Ashton Gate stadium". It also claims that passengers using a new station would be 'local in nature', ignoring the creation of a major sporting stadium and the largest conference and events centre in the South West, that will generate in excess of one million visits every year. A business case should now be produced that seeks out and takes into account forecast station usage figures provided by local organisations and businesses. This should then form the basis of a rational decision about the viability of the project.
We welcome the Mayor's wish to commission a new report in order to demonstrate a business case for a new station, and urge everyone to support this measure as part of the Council's budget for 2016.

We recently delivered a petition to the Council, signed by over 5,600 people, demonstrating overwhelming public support for a new station and the benefits it would bring:

- Help reduce the serious traffic and parking issues in the area;
- Reduce pollution by cutting back on the number of car journeys;
- Provide train links to Bristol Temple Meads, Portishead and Weston Super Mare;
- Support the £45 million private investment in regenerating the area;
- Provide public transport access to other local businesses such as Imperial Tobacco, UWE, Babcock, the Tobacco Factory theatres and independent traders on North Street;
- Provide a public transport link to major events at Ashton Court;
- Act as a transport hub linking rail, road, Metrobus, pedestrian and cycle links.

The failure to build a station as part of MetroWest Phase 1 will prove to be a serious missed opportunity to solve pressing transport problems both locally and across Bristol, and will limit economic progress and employment opportunities.

B/ Individual responses received by email

- 'I received your email about the changes you are making some of it sounds good, but I think to be honest with the council tax there is so many people finding the amount they need to pay back can be very hard at times, including myself even though I work and work hard I do find it really hard to pay it I try my best but things can be difficult at times but I know we do what we can if there is any more changes then that would be one I would like to see a difference in many ways just so people that are in a financial difficulty, can get back up on their feet and be able to have a better life rather than struggling from time to time. I hope this email would be a interest.' (09/12/15)
- In haste..........suggest unblocking the drains in the roads near the river to avoid any possible potential flooding like in other areas of the country......suggest Beauley Road and Islington Road in Southville to start with!!! Promote real art not just community, and street art please! (16/12/15)
- I would like my house to be fixed up, my house is falling apart, and the council will not do anything to fixed it, they told me they have no money to fix my kitchen (06/01/16)

C/ Written response received from Bristol Women's Voice (05/01/16) **– Appendix A below**

Bristol Women's Voice
Response to the 2016-17 Budget Proposals

Context

The effects of the drastic reductions in funding for public services as well as the changes to various benefits have had the greatest impact on women, which we have highlighted in our previous responses to Budget Proposals dated December 2014 and December 2013.

Women are the greatest users of public services and both Bristol Fawcett and the Women's Budget Group have released reports on the effects of the cuts on women.[1]
The Women's Budget Group has identified the impact on women and this in turn will have an impact on Bristol's economic health as well as an impact on individual women and families.

- Cumulatively, women have paid over 85% of the cost to household income from net direct tax, benefit, pay and pension changes[2]
- Women will pay about 66% of the money raised by pegging the uprating of working age benefits to 1% for 3 years to April 2016 and of these women lone parents lose the most[3]. Some parts of Bristol such as Lawrence Hill and Filwood have high levels of children living in poverty. 75% of these children live in lone parent families 92% of lone parents are women.[4]

We are concerned that the implications of the Comprehensive Spending Review and the budget settlement announcement made in December are not going to be consulted on until the summer of 2016 – after the elections for the mayor and councilors. This is contrary to good democratic practice as we will be voting in the absence of any idea how the reduction in the government funding to Bristol, from £357M to £346M in 2016/17 with a further £4M reduction in 2017/18 followed by rises in the subsequent years but only up to £355.6M in 2020, will be addressed and the affect of this on services and employment.

We are also concerned that the current overspend of £6.3M as of November 2015 is going to be addressed without causing more misery for women as the majority of care givers both for their own relatives and as employees whether directly or through commissioned services. Your own consultants estimate £15M of pressure on this budget by 2017/18.

However in the absence of any detail on these major issues we have the following observations on the current consultation.

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[1] http://www.bristolfawcett.org.uk/Documents/Economy/BristolCuttingWomenOut.pdf
http://wbg.org.uk/other-resources/impact-of-austerity/
[2] http://www.independent.co.uk/news/uk/politics/women-bear-85-of-burden-after-coalitions-tax-and-benefit-tweaks-9907143.html
[3] http://wbg.org.uk/pdfs/Distributional_Impacts_Welfare_Uprating_Bill%5B1%5D.pdf
[4] Bristol Child Poverty Strategy 2011-2020

Comments on the one-off Capital proposals for 2016-17

1. **Bristol Aerospace Centre**

We do not support the proposal to develop an aerospace museum in South Gloucestershire. Not only does this fall outside of the City of Bristol boundaries, but there are other far more vital ways that they money could be spent that will have a greater impact on the residents of the City of Bristol. The history of the aerospace industry means that there are many local businesses who would be interested in contributing to this as a public asset and we do not feel that this should come out of public spending.

2. **Employment Engagement Hub**

We welcome the development of a physical Employment Engagement Hub in the Temple Quarter Enterprise Zone, helping to connect businesses with educators and people, to help connect people to jobs. It is vital however, that you take into account additional issues for young and older women who are furthest away from the labour market.

3. **Small grants for Early Years Children's Centres**

We strongly welcome the grants fund for Early Year's Children's Centres, enabling them to improve their facilities. We consider this a vital resource - Children's Centres provide a safe place for women to raise concerns about domestic abuse and other such help such as debt advice. The Fairness Commission highlighted this issue as their number one priority and we feel strongly that some of the additional funding taken from the Bristol Aerospace Centre should be utilised to support Children's Centres across Bristol.

4. **Campus Skate Park at Bishopsworth**

We would like to see further information about the proposed funds to the Campus skate park. Whilst it may be a valuable community asset for young people, we would like more evidence on the impact of the skate park for young women. We would also like to what is being done to ensure that young vulnerable people are safe from child sexual exploitation and gender based violence whilst using the park facilities.

5. **Ashton Gate Rail Station Business Case**

We welcome the proposal to fund further exploratory work on local rail services at Ashton Gate. Women are the primary users of public transport and it remains important that the exploratory work would consider the impact on women, including women's safety at the Ashton Gate rail station.

Further Comments

- We are not clear about how the five priorities became priorities in the first place, and would like to see some clarification as to how these were decided.

- **EIA -** We remain concerned that we have not seen the equality impact assessments for all of the capital spend budget.
- We also remain concerned that the proposals do not address multiple identities e.g. black women in sufficient detail. We would like to see improved data collection in this area. It is also evident that the quality of EIAs is still very variable and the identification of mitigating actions, particularly on gender is not robust.

The foreshortened time for consultation has reduced our ability to consult as widely as we would have wished and therefore to assess in more detail the likely impact of these proposals. Considering the holiday period, we would have liked to see an extension to budget consultation in order for service providers and residents of the City of Bristol to have time to fully respond. We will continue to represent our views and any subsequent meetings on the budget.

Bristol Women's Voice
December 2015

APPENDIX E

ESTIMATED COLLECTION FUND OUTTURN FOR 2015/16

Summary and Purpose

Council Tax and Business rate income currently account for around three-quarters of BCC's net funding:

- Income from Council Tax and Business Rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in the following two financial years (based on estimated in the following year and actuals in the subsequent year).

- Bristol City Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council

- The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Council Tax Collection Fund estimate by 15 January each year

- In previous years this only related to Council Tax, but following changes to Business Rates (NDR) legislation, a similar calculation is also now required for NDR by 31 January each year

The purpose of this note is to provide an early indication of the estimated Collection Fund surpluses/deficits for 2015/16 (to be finalised January 2016).

Key Messages

Overall there is an estimated deficit on the Collection Fund for the year ending 31 March 2016 of £11.5m. This is comprised of an estimated surplus of £4.4m for Council Tax and an estimated deficit of £15.9m for Non-Domestic Rates (NDR).

BCC's share of the overall estimated deficit is £4.0m comprised of an estimated surplus of £3.8m for Council Tax and an estimated deficit of £7.8m for NDR.

Background

As a Council Tax and Non-Domestic Rates (NDR) Billing Authority, Bristol City Council is required by legislation to estimate the surplus or deficit for each financial year on the Collection Fund.

Prior to 2013/14 this estimate was only required for Council Tax. However, as part of the Local Government Finance Act 2012 the Government implemented a Business Rates Retention Scheme from April 2013, whereby the collection and distribution of NDR is collected and distributed via the Collection Fund (distribution of NDR had previously been managed nationally). Local Authorities as a result took on an additional level of risk and uncertainty of NDR funding.

In a similar way to Council Tax precepts from the Collection Fund, NDR precepts are now fixed prior to the start of a financial year and any variations from this realised through the

Collection Fund in year are distributed in the following two financial years (based on estimates in the following year and actuals in the subsequent year).

The Collection Fund is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for:

- **Income into the Fund:** the Fund is credited with the amount of receipts of Council Tax and NDR it collects.

- **Payments out of the Fund:** In relation to Council Tax payments are made to the Council and the two major precepting authorities (Avon Police & Crime Commissioner and Avon Fire Authority). In relation to NDR payments are made to the Council, the Secretary of State and the Avon Fire Authority.

The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Collection Fund estimate by 15 January each year for Council Tax. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Collection Fund estimate by 31 January each year (NDR1). Both estimates relate to the Collection Fund Income and Expenditure Account for the year ending 31 March and the impact of this on the Collection Fund Balance.

2015/16 Estimated Surplus for Council Tax

The forecast of the Council Tax Collection Fund Balance for the year ending 31 March 2016 shows a forecast surplus of £4.4m. This is comprised of an in year (15/16) estimated surplus of £1.8m and an adjustment for the previous year (14/15) of £2.6m.

The estimated surplus is due to a combination of factors, the most significant of which relate to a reduction in the number of benefit recipients receiving council tax reductions:

- Over the last two years the number of Pensioner claimants has reduced by 12.7%, principally due to the fact that pensioner benefit income is rising more quickly that the cost of living (‘triple lock’)

- At the same time the number of working age claimants has reduced by 8.4%.

The estimated surplus is distributed to the major precepting authorities in proportion to the current year demands and precepts on the Collection Fund.

The detailed determination of the estimated Council Tax Collection Fund surplus for 2015/16 is shown in Appendix A and the allocation of the estimated surplus to each of the major precepting authorities is summarised below:

	Council Tax £’000
Bristol City Council	(3,785)
Avon Police & Crime Commissioner	(466)
Avon Fire Authority	(178)
Total Estimated (Surplus)/deficit	**(4,429)**

2015/16 Estimated Deficit for Non-Domestic Rates (NDR)

The introduction of the Business Rates Retention Scheme from April 2013 has increased uncertainty and volatility in Council funding. The estimation of the NDR base each January now sets the amount of NDR to be distributed from the Collection Fund to preceptors in the following year. Any variances to the base during the year will be borne by the Collection Fund and distributed to preceptors in future years through the declaration of a surplus or deficit on the fund.

Any year-end estimated deficit is distributed to the Secretary of State and relevant precepting authorities in proportion to the current year demands and NDR payments on the Collection Fund. The percentages are fixed in accordance with The Non-Domestic Rating (Rates Retention) Regulations 2013. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31 March 2016 shows a forecast deficit of £15.9m.

The business rates income which each billing authority collects is determined by reference to local rating lists maintained by the Valuation Office Agency. These lists are subject to variation between revaluations, as a result of physical changes (either to the property or the locality) and appeals. The amount of business rates income collected by billing authorities therefore varies year on year. Factors giving rise to changes include:

- Reductions to the rateable value of properties arising from appeals. Once settled, the reduction in rateable value is amplified in rates income because the local authority may have to refund several years' rates from a single year's income

- Changes to the rateable value of very large properties, such as power stations or hospitals, can have a material affect

- Properties switching between rating lists. Large properties which cross boundaries, such as ports, appear in the list which contains the largest part. Changes in these properties could lead to large amounts of rateable value switching from one list to another.

The estimated deficit in 2015/16 is principally due to:

i. The need to make a provision for rating appeals which can be backdated to 1 April 2010.

ii. Changes to the Rating List.

The detailed determination of the estimated NDR Collection Fund deficit for 2015/16 is shown in Appendix B and the allocation of the estimated deficit to the Secretary of State and the relevant precepting authorities is summarised in the table below:

Distribution of the 2015/16 Estimated Collection Fund (Surplus)/Deficit

	Council Tax £'000	**Business Rates £'000**	**Total £'000**
Bristol City Council	(3,785)	7,805	**4,020**
Central Government	-	7,965	**7,965**
Avon Police & Crime Commissioner	(466)	-	**(466)**
Avon Fire Authority	(178)	159	**(19)**
Total Estimated (Surplus)/deficit	**(4,429)**	**15,929**	**11,500**

ANNEX A

ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT

2014/15 Actual £'000		2015/16 Estimate £'000
	Income	
(195,553)	**Council tax income**	**(201,210)**
	Expenditure	
	Precepts	
160,076	Bristol City Council	169,026
19,709	Police	20,819
7,510	Fire	7,933
	Bad & Doubtful debts	
1,783	Write offs	1,500
54	Increase in Bad Debt Provision	100
189,132	**Total Expenditure**	**199,378**
(6,421)	**(Surplus)/Deficit for the year**	**(1,832)**
	Accumulated surplus/deficit	
(5,617)	Accumulated (surplus)/deficit bf	(7,266)
4,772	Distribution of prior year estimated surplus	4,669
(6,421)	(Surplus)/Deficit for the year	(1,832)
(7,266)		**(4,429)**
	Distribution of estimated collection fund surplus:	
(3,992)	Bristol City Council	(3,785)
(490)	Police	(466)
(187)	Fire	(178)
(4,669)		**(4,429)**

ANNEX B

ESTIMATED BUSINESS RATES COLLECTION FUND ACCOUNT

2014/15 Actual £'000		2015/16 Estimate £'000
	Income	
(209,982)	**Business Rates Income**	**(210,000)**
	Expenditure	
	Payments to Preceptors	
102,419	Central Government	104,028
101,368	Bristol City Council	100,645
2,054	Avon Fire Authority	2,089
5,619	Disregarded amounts	5,713
723	Cost of Collection Allowance	721
	Bad & Doubtful debts	
2,521	Write offs	1,279
(659)	Increase/(decrease) in Bad Debt Provision	-
	Appeal Losses & Provision	
-	Write offs	-
3,514	Increase/decrease in Appeal Provision	10,000
217,559	**Total Expenditure**	**224,475**
7,577	**(Surplus)/Deficit for the year**	**14,475**
	Accumulated surplus/deficit	
7,464	Accumulated (surplus)/deficit bf	9,476
(5,565)	Distribution of prior year estimated deficit	(8,022)
7,577	(Surplus)/Deficit for the year	14,475
9,476		**15,929**
	Distribution of estimated collection fund deficit:	
4,011	Central Government	7,965
3,931	Bristol City Council	7,805
80	Avon Fire Authority	159
8,022		**15,929**