Corporate Priorities

and

Medium Term Financial Plan 2012/13 – 2014/15

Bristol City Council

Corporate Priorities and Medium Term Financial Plan 2012/13 to 2014/15

1. Introduction

1.1. The challenge facing Bristol City Council over the next three years is substantial. Nationally the state of public finance is well documented. Significant cuts in public spending are now the norm, whilst expectations from our citizens continue to rise. The City Council's Medium Term Financial Plan (MTFP) is underpinned by its strategic priorities, and the first section of this document aims to place the MTFP in its wider strategic context.

2. People and the Economy

2.1. Economy

At the national level the economy remains relatively weak with prospects still uncertain. In its Economic and Fiscal Outlook of November 2011, the Office of Budget Responsibility's (OBR) central forecast was for 0.7 per cent growth in GDP in 2012, with future growth rates of 2.1 per cent in 2013, 2.7 per cent in 2014 and 3 per cent in 2015 and 2016. As with all fiscal forecasts, there is still considerable uncertainty around these projected growth rates, with the OBR noting that 'the probability of an outcome much worse than our central forecast is greater than the probability of an outcome much better than our central forecast'.

Various reports including the recent Cities Outlook 2012 and 'The Future of Business 2011' from HSBC suggest that Bristol is well placed to take advantage of Britain's new economic landscape. Bristol has well-established creative, high-tech, environmental technology and other knowledge-based industries that many identify as being vital to future economic growth.

The Cities Outlook 2012 report notes that Bristol has more businesses per 10,000 people than any other Core City. Bristol also registers more patents per 100,000 people than any other core city – reflective of the innovation that goes on in Bristol. Crucially, we know how to turn these new ideas into economic output, so Bristol also comes out on top of all the core cities in terms of GVA (Gross Value Added) per capita – essentially a measure of the total productivity of the city, divided by the number of people who work in the city. On this, we rank 13th out of the total 64 cities looked at. Particularly impressive also are our employment figures, relatively speaking. With an employment rate of 76.7% Bristol not only come top of all the core cities, but we're also 4th overall out of 64 cities in England[1]. More details of Bristol's position compared to the core cities and its ranking amongst the 64 cities is set out in Appendix 1.

[1] See http://www.centreforcities.org/outlook12.html

However, Bristol's economic success over the past 10-15 years has brought with it urban challenges such as congestion and high house prices relative to income. Compounded by a difficult financial climate, key workers and younger people are finding it harder to find work and somewhere to live.

Nor has Bristol been immune from the effects of the recession. In July 2011, the claimant rate for Job Seekers Allowance (JSA) in Bristol rose higher than that for England as a whole for the first time since December 2001. Further, the large increase in the numbers of people claiming JSA and looking for work in Sales and Customer Services occupations, which has occurred over the last year, suggests that the retail sector is still shedding jobs.

Fostering economic growth and generating employment within the city must continue to be a key priority, both for the local authority and its partners. The recently established West of England Local Enterprise Partnership (LEP)[2] has identified a series of objectives with regard to future economic growth, namely:

- Create 95,000 jobs by 2030.
- Generate 3.4% cumulative annual growth in total GVA by 2020.
- Attract £1 billion of private sector investment over next 5 years.
- Deliver a well-motivated workforce with the skills to meet business need.
- Lay foundations for long-term sustainable economy.

In June 2011, the West of England Local Enterprise Partnership (LEP) named Temple Quarter as the official 'Enterprise Zone' that will act as a magnet for inward investment and boost the local economy. The key features of the Enterprise Zone are:

- 173 acres of land surrounding Bristol Temple Meads.
- Over 250 businesses could be accommodated. Capacity to create 17,000 new jobs over a 25-year period.
- Focus on attracting creative industries and technology.
- Investment in very high speed broadband

2.2. Local Population

Another major factor influencing our future plans are changing trends in local demography. Following a period of relative stability in terms of population change, the number of people living in the Bristol Local Authority area is now increasing significantly. Since 2001, Bristol's population has increased by 13.2%, which is twice that of Great Britain as a whole (5.3%). If present population trends continue, between 2008-28 Bristol's population is projected

[2] Local Enterprise Partnerships (LEPs) are locally-owned partnerships between local authorities and businesses that play a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs.

to increase by 31.3% (to 559,600), one of the highest growth rates in the country.[3]

The growth in numbers of children in Bristol is projected to be one of the highest in the country and will continue to carry significant implications for the local authority, particularly with regard to future school place provision. There is projected to be a large increase (27,300) in the number of children living in Bristol over the 20-year period 2008-2028 - an increase of 39%. The majority of this increase is projected to be in the under 10s (+20,100). This growth will impact not only on the supply of school places, but also on the funding needed for children's centres and children in care, including disabled children and support to care leavers.

Bristol's population is also increasingly diverse. Overall, Bristol's Black and Minority Ethnic (BME) population is now 13.5% (up from 8.2% in 2001) but the BME population is concentrated in certain parts of the city, with over 50% of nursery to year 11 pupils in the East Central Area being from a BME background. There are over 60 ethnicities represented in Bristol's schools, speaking at least 115 different languages.

The largest growth in Bristol's population is projected to be in the working age population with an increase of almost 88,000 people. The majority of this growth is projected to be in the 25-44 year old age group, with a projected extra 59,400 people. The growth in numbers of young and working age people in Bristol is projected to be one of the highest in the country. From an economic perspective, this growth is a positive development. However, in order to maximise the benefits of this growth, the authority and its partners will need to focus on stimulating economic activity and employment within the Bristol city region. This population growth will also bring its challenges, in particular, in providing enough additional housing as well as dealing with the extra pressures on service provision, infrastructure (particularly transport) and local resources.

The UK as a whole also has an ageing population. The projections for Bristol show an increase of 16,100 people aged 65 and over. The ageing society remains a major issue for Bristol. Numbers of older people are still growing considerably and this will have consequences for health, social care and housing support in the future.

3. National Policy

3.1. Local authorities have faced a period of unprecedented change during the past year. Significant legislative changes have been proposed or have already been implemented which will fundamentally alter the way in which the Council operates and delivers services in future.

[3] Population projections are based on the trends of the previous five years and thus are subject to change. Recent high levels of international migration may not continue and so future population projections for the city may be lower.

3.2. The Localism Act

The Localism Act brings in a range of reforms including giving Councils a General Power of Competence and enabling them to 'buy out' of the housing revenue account subsidy system. There are also proposals for a community right to bid to purchase assets and a community right to bid to take over the running of a service. There will be new neighbourhood plans and development orders so local people can become more involved in the planning process and Councils will be empowered to set policies on social housing allocations and tenancies and to place homeless people in private sector housing. The Localism Act also grants local authorities new powers to offer business rate reliefs and to charge supplementary business rates. The City Council will be looking carefully at how we might deploy these new tools to greatest effect over coming months.

3.3. The Local Government Resource Review (LGRR)

LGRR aims to give authorities greater financial autonomy and strengthen incentives to support local economic growth. The Government is committed to implementing the reforms suggested in the review by 2013/14. The first phase covers the re-localisation of business rates. This will mean that councils will receive what they collect from local businesses, after a proportion is given to the local Police and Fire Authority. Government will "damp" the effect of the changes so council's start on the same basis as they would have done under the previous grant allocation regime. In Bristol it is anticipated that there will be very little damping, the amount we collect (after Police and Fire allocations) being around the same as our grant. Council's then keep any growth in business rates or suffer reductions. It is not anticipated that Bristol will benefit from these changes in the short term. The Enterprise Zone is ring-fenced and in the short-term, large business growth is not anticipated. The Government will also equalize any growth after a set period. It will also mean that any grant increases from population growth, anticipated in Bristol, will not transpire as funding will be linked to business growth.

In general terms, local authorities are being encouraged to be more innovative in the ways in which they secure funding in future, particularly as capital spending is due to decline considerably over the next few years. In areas such as energy efficiency/renewable energy, national schemes providing capital grants are being replaced by financial incentive arrangements providing a guaranteed income from renewable energy generation and energy savings through efficiency measures. The City Council is already exploring new financial opportunities. For example, Bristol is the first local authority to receive a £2.5 million grant from the European Investment Bank (EIB) to meet most of the costs of developing an energy services company and investment programme. The ELENA programme will assist in investing approximately £140m in the city, creating up to 1,000 new jobs, many locally (see section 5 below).

Unlocking investment in business growth will be vital to the city's future. Recently, the Government has confirmed a successful Regional Growth Fund bid of £39m, to create a revolving infrastructure fund for the city region.

Bristol is also set to receive a further £11.3m from the Growing Places Fund. The council is seeking to ensure that it has as much flexibility as possible from Central Government in how resources such as this are deployed, alongside European funding and other public and private investment.

3.4. Health & Wellbeing

The Health & Social Care Bill 2011 proposes major changes to the health and care landscape, with new responsibilities placed on Local Authorities. These include the return of Public Health to local authority control and the responsibility for promoting the integration of health and care services, through the establishment of a Statutory Health & Wellbeing Board.

Working in partnership with Public Health will be nothing new to many Council Staff. However, increasing integration over the next year or so will shape the future direction of Council activity. The Health & Wellbeing Board has the potential to be a powerful strategic body, shaping commissioning plans across the health and care system.

3.5. Education and Children's Services

The Education Act will provide for the introduction of targeted free early years care for children under compulsory school age, makes changes to provisions on school discipline, abolishes a number of quangos and gives new powers to the Secretary of State. It also removes certain duties on school governing bodies, local authorities and further education institutions, makes changes to the arrangements for setting up new schools, and amends the Academies Act 2010 to make provision for 16 to 19 academies and alternative provision academies.

Legislative changes, such as the conversion of maintained schools to academies, will mean that the local government role in education will also change. The Secretary of State for Education has stated that, in a more autonomous schools system, local authorities will still have a crucial role to play as 'strong, strategic champions'. Working as one of a number of partners in Bristol, the City Council has established local arrangements with education providers across the city in order to take a city-wide strategic approach to education.

3.6. Welfare

The Welfare Reform Bill provides for the introduction of a 'Universal Credit' to replace a range of existing means-tested benefits and tax credits for people of working age, starting from 2013. It also introduces Personal Independence Payments to replace the current Disability Living Allowance, restricts Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need, amends the forthcoming statutory child maintenance scheme, limits the payment of contributory Employment and Support Allowance to a 12-month period and caps the total amount of benefit that can be claimed.

As a result of such changes at a national level the council will look and feel quite different in future. The local leadership role will still be vitally important, with our relationships with partner agencies across different sectors ensuring that the needs of the local community are identified, economic growth is supported and the most vulnerable are cared for.

3.6 The delivery of services to support these new roles/functions is likely to be undertaken through a range of different models. The Council will retain responsibility for statutory functions, but there is likely to be an increase in commissioning, contract management and advice and support activity to enable the 'community' (which will range from individuals, neighbourhoods, specific user groups and/or internal staff) to understand and take up more direct control of the services that they use/provide. Local control of services is a key feature of the personalisation agenda being promoted in the Health & Social Care Bill as well as in the community rights granted through the Localism Act. Direct provision of services is likely to decrease as new models of working are introduced over time (such as partnerships, mutuals etc). The Government is keen to encourage innovative approaches and would like to see those that know and understand the market taking a lead at the local level. The Council will also need to explore opportunities to further build on the skills and expertise of its staff in order to best deliver services against this changing environment.

3.7 Population pressures will place particular demand on services for children, young people and families, as well as older people. Investment in education and skills that match the anticipated current and future needs of industry will help Bristol to support the Local Enterprise Partnership's goals of encouraging economic growth and employment.

4. Strategic Objectives

4.1. The City Council's long-term aims and priorities are aligned with those of Bristol's City Strategy, the 20:20 Plan. The 20:20 Plan, developed by the Bristol Partnership, has four main outcomes, one of which, 'Making our Prosperity Sustainable' is also shared with the West of England Local Enterprise Partnership (LEP). The four outcomes are:

Priority 1: Making our prosperity sustainable.
Priority 2: Reduce health and wealth inequalities.
Priority 3: A city of strong and safe communities.
Priority 4: Raising the aspirations and achievements of our children, young people and families.

Each outcome has four main actions, which are listed on the chart attached at Appendix 2.

4.2. The recently announced 'Investing in Bristol's Future' package aims to deliver against these strategic priorities and will help stimulate the city's economy and create new jobs. It will focus on urgent investment needed in services such as school places, transport and elderly care.

5. Bristol 20:20 & Investing in Bristol's Future

5.1. Making Our Prosperity Sustainable

An additional £10 million for the three Bus Rapid Transit major projects as part of Bristol's contribution (on top of the £5m already pledged), from the Investing in Bristol's Future Package.

The three schemes are:

- Bus Rapid Transit (BRT) Ashton Vale to Temple Meads (Bristol).
- South Bristol Link.
- North Fringe to Hengrove BRT (Bristol).

This additional funding will therefore reduce the amount we need to raise through a business rate supplement or work place parking levy to meet Bristol's overall £42 million contribution.

Additional principal projects include:

- Avonmouth Wind Turbines.
- Completion of the Libraries renewal programme, and the disabled access project at City Museum and Art Gallery.
- Cycling City – the completion of infrastructure signing of routes together with progressing 20mph zones.
- Greater Bristol Bus Network (GBBN) – implementation of enhanced bus stops and shelters and introducing measures to improve bus reliability and traffic flow along key corridors.
- Hartcliffe Way Recycling Centre, £2m from the Investing in Bristol's Future Package.
- St James Barton pedestrian scheme.
- Structural Highway Maintenance of carriageway and footways.
- Upgrade to non-GBBN bus routes with shelters and level access platforms.

In addition, the Council has made significant progress with developing a programme to establish a citywide energy company to develop, implement and finance a series of holistic sustainable energy projects of a total value of £140m under the 3 year European Local Energy Assistance (ELENA) Programme. Bristol is the first Local Authority to be awarded ELENA funding in the UK, securing £2.5m of grant funding to assist us in:

- Investing approximately £140m in the city, creating up to 1,000 new jobs, many locally
- Improving the energy efficiency and installing renewable energy systems in over 7,000 homes and public buildings and implementing several innovative distributed energy networks
- Utilise revolving finance to repay capital via energy savings and generation, thereby allowing for future investment beyond the 3-year ELENA period
- Reduce the carbon emissions in the city by approximately 3% whilst improving energy security and reducing fuel poverty across the city

- Stimulate market growth for renewables and energy efficiency, furthering development of Bristol's leading position in environmental technologies

5.2. Reduce Health & Wealth Inequalities

- An additional £6m for Extra Care Housing Schemes, inclusive of £500k for Aids and Adaptations from the Investing in Bristol's Future Package.
- Investment in property and ICT to enhance the provision of Health and Adult Social Care for its service users.
- Bristol East Pool - £6m from the Investing in Bristol's Future Package
- Bristol North Pool/Library Project.
- Hengrove Park phase 1, completion of the serviced site to facilitate the Healthplex, hospital, Skills Academy and other developments.
- Jubilee Pool upgrade £380k.

5.3. A City of Strong & Safe Communities

- Crematoria – Mercury abatement works.
- Housing Revenue Account (HRA) investment of £42m (£43m in 2022/12) to maintain properties to the Bristol Homes Standard, progressing the prefab and pre-cast concrete homes projects, provide disabled adaptations and build 12 new units.
- Parks - £2.5m.
- Private sector renewal and provision of new affordable homes.
- Regeneration of Lockleaze - £1m.

5.4. Raising the Aspirations & Achievements of our Children, Young People & Families

The growth in numbers of children in Bristol is projected to be one of the highest in the country and is, and will continue to have, a significant impact for the local authority, particularly with regard to future school place provision. In order to meet the immediate/ short-term shortfall of Primary pupil places a number of significant schemes have been approved, namely:

- May Park Primary – New Build (System Build/Modular)/ Refurbishment
- Air Balloon Primary School – New Build (system Build/Modular)
- New provision of Primary Places in Redland, east of Whiteladies Road
- St Annes Infants and Junior School – Refurbishment/New Build (System Build/Modular)
- Begbrook Primary – New Build (System Build/Modular)
- Easton Church of England Primary School – Refurbishment
- The additional allocation of £20m from the Investing in Bristol's Future package will address any shortfalls in anticipated future allocations and assist with schemes over the medium term.

Central Government has also made additional resources for schools as detailed below.

- As part of the Autumn Statement, the Chancellor announced a further fund of £600m to support the requirement to provide additional school places.

Further details on the basis for allocating or applying for this funding are awaited.

- The Secretary of State for Education announced in the summer of 2011 a national fund to support works at schools with high levels of outstanding repairs and maintenance issues and where there is a requirement to provide additional schools places. Applications have been made and decisions are awaited. The funding source in relation to the Secretary of State's announcement is privately financed and the Council and individual schools will require further details in relation to funding implications before any formal decisions are made.

- The growth in numbers of children is also having a significant impact on services for children and young people. 2011/12 has seen unprecedented numbers of children in care, and children subject of Child Protection Plan, putting a strain on care placement and safeguarding budgets. Increasing numbers of children with complex needs have also put pressures on SEN budgets.

6. Budget Challenge

Major legislative changes to the way public services will be delivered in future are being introduced at the same time as unprecedented reductions in the budgets being made available to local authorities. The Council's projected financial position indicates that the council must make savings of £70m by April 2014, after allowing for growth relating to demographic pressures, inflation and the Investing in Bristol Package of £32m this means reducing its net budget to £362m by 2014/15. Following approval of the 2012/13 budget, £55m of cumulative savings have been identified. Financial projections will be revised following the 2012 Comprehensive Spending Review and grant announcement in November 2012.

A sustainable reduction in cost of this magnitude is unlikely to be met through traditional service efficiencies and is likely to require a significant change in how the council operates. The level of change required potentially demands that the council not only changes the way it works but rethinks what services are provided and the best network of providers to meet community needs.

In addition to the four 20:20 Plan priorities, two key organisational priorities can therefore be identified:

Priority 5: Maximise financial resources and deliver the required budget reductions
Priority 6: Optimise the productivity of the Council's staff.

6.2 The council's Medium Term Financial Plan (MTFP) and the Capital Programme reflect both these priorities and challenges. The MTFP will deliver a comprehensive package of savings across all Council departments, while seeking to protect front line services. Areas of priority capital investment include Schools, Transport and Elderly Care. However, in proceeding with the future Capital Investment Programme the Council will continue to remain cautious and prudent.

The approach adopted is to:

- Strategically shape services to invest in changed priorities and improve service quality.
- Create income from current assets.
- Reduce central spending.
- Implement the above over the next three years.

6.3 The Medium Term Financial Plan (MTFP) provides a framework of the council's financial position over the next three years. The main aim of the MTFP is to set out a clear financial blueprint of the council's vision and service priorities, ensuring all service and policy decisions are taken with a clear understanding of how the three-year change plan will be financed. This document updates the previous version of the MTFP approved by Cabinet in March 2010.

6.4 Budget 2012/13

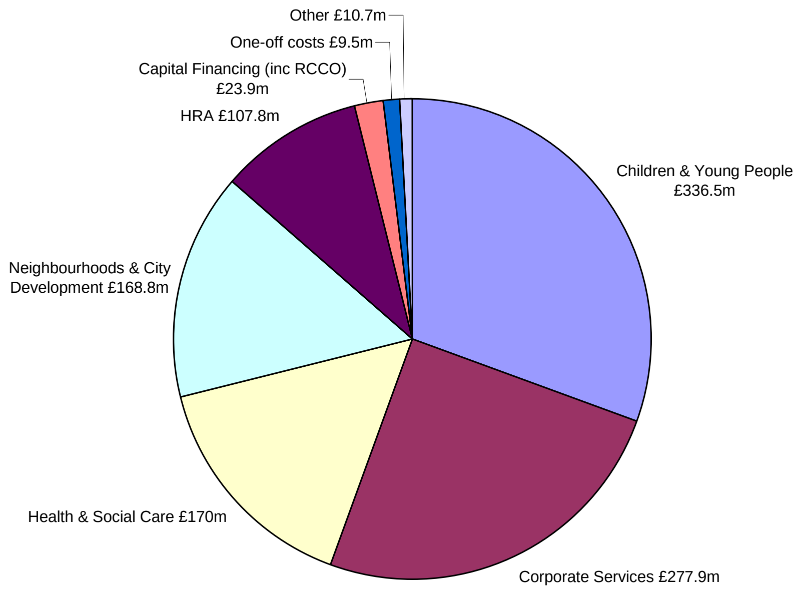
The council approved the revenue and capital budgets for 2012/13 on 28 February 2012. The revenue budget includes planned savings of £27m, including £2m additional income from council tax. As indicated above, a total of £55m cumulative savings have now been identified towards the £70m required over the period of the MTFP. The reduction in central government grant in 2012/13 is 7.5%, on top of the 10.8% loss in the previous year.

The Cabinet's report recommending the budget for 2012/13 can be viewed at:

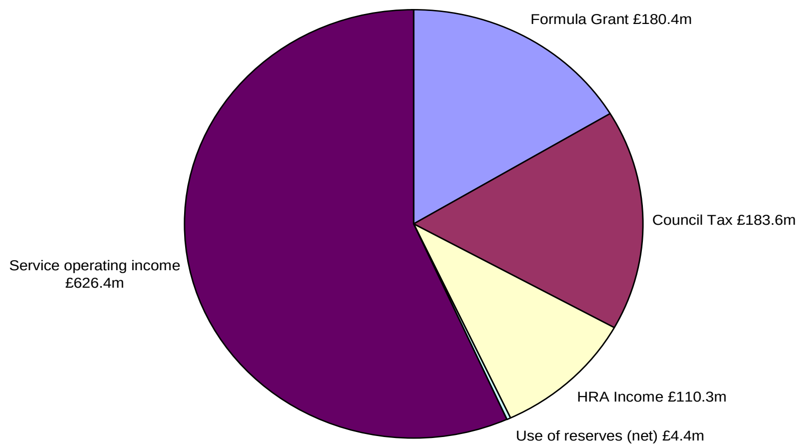
https://www.bristol.gov.uk/committee/2012/ta/ta000/0228_6i.pdf

6.5 The council again took advantage of an additional grant from the government to enable the level of council tax to be frozen for 2012/13 (equivalent to an increase of 2.5%). Unlike the grant for 2011/12, this grant will only be payable in 2012/13. This grant reduction will be reflected in the future grant settlement.

The approved gross spend for 2012/13, by directorate, and including the Housing Revenue Account (HRA - see 6.6), is shown in the chart overleaf:



The funding of gross spend is from the following sources:



6.6 <u>Housing Revenue Account (HRA)</u>

Revenue expenditure and income relating to the provision of council housing is maintained within the HRA and this money is 'ringfenced' (ie, cannot be used for other purposes).

From April 2012, the introduction of self-financing will allow the Council to keep its rents and use them to fund management, repairs and investment in homes. Under the new system, the Council is required to take on additional debt to meet the valuation of Bristol's housing business calculated by the government. The management of this debt and the use of internal borrowing will be financially advantageous to the general fund.

Self-financing offers a viable, long-term future for council housing in Bristol and the potential for additional investment and spend in later years.

7. Key Financial Objectives

7.1. The key principles set out below will guide the strategic financial management of the council over the MTFP period:

- Financial targets to be clearly identified within and driven by individual change programmes, to avoid reliance on tactical savings.
- Use of new decision-making techniques in some areas to deliver financial targets.
- Revenue income generation to be optimised, including review of charging policies, with assistance from external consultants.
- Resources should be clearly aligned to priorities.
- Securing Value For Money (VFM) should be a key consideration - this is more important than ever before, given the declining level of budget available.
- External finance should be pursued where appropriate, provided there is a clear exit strategy.
- Capital investment should be targeted to revenue neutral activities.
- The Council should seek to adopt a consistent commissioning approach across all activities to secure the best outcomes for the people of Bristol.
- Effective valuation of risk, in accordance with the Council's risk management policy, must underpin all financial management. This will be the responsibility of each Strategic Director.
- Strategic Directors are responsible for ensuring services are delivered within the agreed budgets.

7.2. Linked to the budget and MTFP proposals are the changes the Council needs to make to meet the challenges we will be facing over the next few years. Overall, in cash terms, by 2014/15 we need to reduce our cash spend from the 2010/11 base by 21%. Financial targets for each directorate have been set (see paragraph 8.3 below).

7.3. The Changing Bristol Portfolio (CBP) is an evolving set of programmes and projects which will have Council wide impact on changing the way that the authority works. The change programmes are focusing on delivering specific outcomes around service improvement and efficiencies and will help the Council get to where it needs to be in the future. The Council will also manage the delivery of the changes, holding people to account and tackling and managing the Council's performance against plans.

7.4. The Council's change programme is underpinned by a number of 'design principles'. These design principles will guide practice and determine the organisation we need to be. The principles are not service specific, and set the direction for the whole Council. The nine design principles are:

Design Principle	Features
1. Corporate & rigorous approach to service priorities	Apply a consistent approach across the Council to assessing service priorities
2. Source the best network of providers	Rigorously review the best provider for each service and source depending on best value – and where appropriate shape the market to allow this. Pursue a collaborative approach to partnerships.
3. Customers at the heart of what the Council does	The customer is at the heart of everything that the Council does and will experience a high quality of service across the Council.
4. Initial customer contact	All initial customer contact through a Customer Service Function.
5. Simplify and standardise business processes	Simplification and standardisation of common customer facing and internal process areas across the Council. These are then deployed across the organisation with compliance hardwired.
6. Pursue a shared services agenda	Pursue a shared services agenda for the appropriate business processes as a way of improving capacity, sharing expertise and maximizing investment in new ways of working.
7. Consistent operating strategy and direction	Operating strategy and direction will be clearly defined,
8. Knowledge rich and intelligence led	Develop the capacity to source, store and use knowledge to support decision making for customers, staff and partners.
9. Cultural & Behavioural Performance culture	Deliver through high performing teams that actively demonstrate performance culture.

7.5 By 2014/15 we need a sustainable, agile organisation that can react more easily to further pressures and opportunities.

8. Revenue Spending 2011/12 – 2014/15

8.1. The financial projections covering the MTFP period confirm the level of reductions required to achieve a balanced budget as follows:

	2011/12 £m	**2012/13** £m	**2013/14*** £m	**2014/15*** £m
Annual savings	28	21	6	15
Cumulative savings	28	49	55	70

*Based on CSR information.

8.2. The financial assumptions underpinning these projections are set out in Appendix 3. As well as these, provision is also recognised for the following growth and pressures:

8.2.1. Children & Adult Services - The effect of demographic changes, i.e. the demand for services brought about by an increasing population and other external factors.

8.2.2. Energy – The rising costs of gas and electricity in respect of council properties, together with the need to provide funding for the Carbon Reduction Commitment scheme, which is introduced in 2012/13.

8.2.3. NHS Support for Social Care – Monies paid to the authority in 2011/12 are only expected to continue for 2012/13.

8.2.4. Capital Financing Costs – Additional provision to meet the costs of borrowing required to finance the Council's capital programme.

8.3. Financial targets have been set for each directorate to deliver the required balance of savings by 2014/15, ie £42m. This equates to around 12.5% of current net spending. In order to protect front-line services, a cash target of a further 20% saving is applied to Corporate Services, equivalent to £15m over the planning period. These targets would deliver savings of £52m by 2014/15, thus providing additional savings to deliver political priorities and finance organisational change.

8.4. Savings to meet these targets have been developed and approved. Details of the agreed savings for 2012/13 are included in the report of the Cabinet to full Council on 28 February (see link included at 6.4 previously).

9. Grant Settlement & Floor Contribution

9.1. Although the exact position for 2011/12 was not known until the Grant Settlement was published in December, the Council had already planned and consulted on delivering savings amounting to £22m. The settlement resulted in reductions in formula grant of 10.8% for 2011/12 and 7% for 2012/13. This, together with the effect of substantial changes in respect of specific grants, indicated that savings would be required as follows:

	2011/12	**2012/13**	**2013/14***	**2014/15***
	£m	£m	£m	£m
Annual savings	28	21	6	15
Cumulative savings	28	49	55	70

*Based on the CSR information

9.2. The grant settlement for 2011/12 confirmed that a further £6m of reductions would need to be found to balance the budget for that year.

9.3. For 2012/13, a further reduction in grant of 7.5% over 2011/12 was confirmed (national reduction of 7.7%) in December 2011.

9.4. The *damping mechanism* – this has resulted in a grant loss for Bristol of £12.9m in 2011/12, and £10.8m in 2012/13. The overall reduction in grant before the damping adjustment would have been limited to 4.6% in 2011/12 and 1.7% in 2012/13. The loss through damping has eliminated any gain that would have come through in the formula from increased population. Representations have been made to the government, both directly to ministers and through Core Cities for an improved settlement, centred particularly on the way the damping mechanism works and its impact on Bristol and the case for increasing the amount of business rates that is distributed nationally - given Bristol's position as a net contributor to the national pool.

9.5. Although the MTFP assumes a level of government support for 2013/14 and 2014/15 in line with the CSR figures, there remains an element of uncertainty over Bristol's likely entitlement due to the proposal to introduce the Business Rate Retention Scheme from 1 April 2013. Consultation with councils on the proposals for the scheme has been completed, but decisions remain to be made by the government during 2012. This will mean that in the future, the amount of grant received will be based solely on growth in business rate income rather than on any assessment of the needs of individual councils.

9.6. Following the Chancellor's Autumn statement, it is likely that further reductions will be required in 2015/16 and 2016/17.

10. Council Tax Freeze Grant

10.1. The council has utilised the freeze grant offered by the government in 2011/12 to those authorities planning no more than a 2.5% increase in the level of council tax. This grant is payable through the CSR period.

10.2. An additional grant has also been made available for the 2012/13 year, on similar terms to 2011/12 with the exception that it is only to be available for one year. The council is taking advantage of this additional grant to maintain the current level of tax for a second year. However, the grant settlement for 2013/14 onwards will take account of the loss of this second Freeze grant, meaning a budget pressure of £4.6m will apply from 2013/14 onwards.

11. Earmarked Reserves

11.1. The Council maintains certain earmarked reserves for the following purposes:

- To help ensure longer term financial stability.
- To identify any future events or developments which may cause financial difficulty, allowing time to mitigate for these.
- To ensure the Council meets the statutory requirement to set a balanced budget, having regard to the level of reserves needed for meeting estimated future expenditure.

Earmarked reserves have been created to deal with specific issues and if used for other purposes must be replaced at some point. The creation of new earmarked reserves is dependant upon the Council's budgetary position at the year-end and the approval of the Section 151 Officer. A summary of the main earmarked reserves is attached at Appendix 4.

In addition, the general fund balance at 1 April 2011 was £9.78m, including a target working balance of £6m. Of the unallocated balance of £3.78m, £1.97m is being used to help fund one-off costs in the 2012/13 revenue budget, with the reminder held as a contingency against potential overspending in 2011/12 and the costs of implementing change programmes in future years.

12. Capital programme & Financing

(i) Investment to create assets for the long-term use of the people of Bristol

12.1. In broad terms there are six strands of capital investment: Education; Adult Residential Care; Housing; Implementation of the Local Investment plan; Transport; and Sporting/Cultural facilities.

12.2. The current capital programme plans significant investment to improve primary schools, address the problems of the transport infrastructure and provide additional facilities to improve the cultural offer of the city.

12.3. Funding for investment arises from a number of sources:

- Government grants and borrowing allocations.
- Grants for specific projects from other bodies such as the RDA and the Lottery funds.
- Capital receipts.
- S106 development agreements.
- Revenue contributions (predominantly for structural maintenance programmes).
- Private Finance Initiative.
- Prudential borrowing.

12.4 We already know the government grant allocation until March 2013. However, this plan shows the impact of a 5% reduction in capital resources as this is likely to be reduced as central government seeks to reduce its overall budget deficit. This assumption is made because it is easier to realise immediate savings on projects, which in many cases haven't already started. The assumption is also made that capital grants are reduced by 5% in 2013/14, and 2014/15. The table overleaf shows the assumed level of capital grant over the planning period:

	2012/13 # £'000	5% reduction £'000	2013/14 # £'000	5% reduction £'000	2014/15 £'000
Govt Grant	62,831	3,142	59,689	2,984	56,705
Cumulative reduction		3,142		6,126	

#These allocations have already been agreed by government but could be subject to change.

12.5 The capital receipts programme has been successful in providing funding to support discretionary capital investment. However, market conditions continue to be weak and have reduced the level of receipts significantly, to the point where it would not be prudent to commit further capital expenditure financed from the 'expectation' of a capital receipt.

12.6 For some time now the Council has adopted a strategy of selling assets to finance the capital programme. Whilst this strategy has merit it does narrow the options available. So over the planning period two further strategies will be considered:

12.6.1 We will actively investigate the transfer of assets to local community groups, as long as this does not incur any future financial liability. This will support the emerging neighbourhood partnerships and ensure assets are managed by the people who use them most frequently.

12.6.2 Where appropriate we will seek to invest in land and buildings of strategic importance to deliver priority outcomes or which generate additional income to support service delivery.

12.7 The clear message is a significant squeezing of capital resources over the period of this plan.

12.8 In view of this, the administration will make available £50m of resources (The Investing in Bristol's Future Package) over the medium term to address the lack of investment in priority areas to ensure the assets in these areas are enhanced to improve service delivery. It will also contribute additional new jobs. The areas of priority investment include Schools, Transport, Elderly Care, Environmental, and Health and Well being, with details below. These schemes will be funded by Prudential Borrowing, with the costs met from planned and agreed saving.

Investing in Bristol's Future Package	£m
Schools	20
Transport – Bus Rapid Transit	10
Transport – Minor Schemes	6
Elderly Extra Care Schemes incl.£500k for Aids and Adaptations	6
Bristol East Pool	6
Hartcliffe Way Recycling Centre	2
Total	**50**

12.9 Government allocations, as in previous years, are to be used for the services for which they have been allocated. However, due to the reduction of available resources the following principles should guide activity over the planning period:

12.9.1 No new additional projects should be added without a corresponding identification of reduction in current capital commitments.

12.9.2 Any additional capital resources should be targeted to projects which do not add ongoing revenue cost.

12.10 The Council should also seek to attract as much external funding as possible by working with partner agencies.

ii) Investment /Borrowing Strategy to support capital programme

12.11 Where it is appropriate in relation to market conditions, the Council will invest money to generate resources to support expenditure and also borrow money to support investment. This borrowing is either repaid through government grant or supported by prudential borrowing.

12.12. At the end of September 2011, the Council had outstanding debt of £365m and investments of £163m. The total net cost to the Council for servicing this debt this financial year will be £16m.

12.13. Uncertainty over future interest rate movement increases the risk associated with Treasury activity. Long term rates may rise over the medium term, although Bristol has taken a cautious approach and has suspended long term borrowing in favour of funding its capital programme from cash balances which in doing so reduces the level of investments and counterparty risk.

12.14. The current capital programme can be viewed at the following link:

https://www.bristol.gov.uk/committee/2012/ua/ua000/0126_6.pdf

CITIES OUTLOOK 2012 - CORE CITIES SUMMARY

Key
Cities listed below include the following LA areas in PUA data:

Bristol – plus South Glos
Birmingham – plus Solihull, Wolverhampton, Walsall, Sandwell, Dudley
Liverpool – plus Knowsley and St Helens
Manchester – plus Bury, Oldham, Salford, Stockport, Tameside and Trafford
Newcastle – plus Gateshead, North Tyneside and South Tyneside
Nottingham – plus Broxtowe, Erewash and Gedling
Sheffield – plus Rotherham

BUSINESS AND INNOVATION

City	Business stock, 2010 (per 10,000 pop)	Rank
Bristol	300	15/64
Manchester	288	19/64
Leeds	259	30/64
Birmingham	251	39/64
Nottingham	245	41/64
Sheffield	225	51/64
Newcastle	204	58/64
Liverpool	203	59/64

City	Patents, 2010 (per 10,000 pop)	Rank
Bristol	10.1	14/64
Sheffield	8.1	27/64
Manchester	6.9	37/64
Nottingham	6.8	38/64
Birmingham	5.4	48/64
Liverpool	5.3	50/64
Leeds	4.8	53/64
Newcastle	3.8	55/64

City	GVA per capita, 2009	Rank
Bristol	£24,600	13/64
Leeds	£22,700	18/64
Manchester	£19,400	30/64
Nottingham	£18,900	34/64
Newcastle	£17,700	38/64
Birmingham	£17,300	39/64
Liverpool	£17,100	41/64
Sheffield	£16,400	43/64

SKILLS

City	High level qualifications, 2010	Rank
Bristol	(161,600) 33.9%	13/64
Manchester	(360,900) 29.7%	21/64
Sheffield	(157,800) 29.6%	22/64
Leeds	(154,800) 28.5%	28/64
Nottingham	(119,900) 27.8%	33/64
Newcastle	(143,300) 26.2%	39/64
Birmingham	(339,200) 23.0%	48/64
Liverpool	(112,700) 22.1%	56/64

JOBS

City	Employment, 2010	Rank
Bristol	(367,100) 76.7%	4/64
Leeds	(376,000) 69.0%	33/64
Newcastle	(367,100) 67.0%	42/64
Sheffield	(356,700) 66.8%	43/64
Manchester	(806,200) 66.3%	46/64
Nottingham	(278,700) 64.3%	55/64
Birmingham	(917,600) 62.1%	60/64
Liverpool	(317,200) 62.1%	60/64

City	Private to public sector ratio, 2010	Rank
Bristol	2.76	13/63
Leeds	2.68	15/63
Manchester	2.68	16/63
Birmingham	2.31	27/63
Sheffield	2.11	45/63
Nottingham	2.09	46/63
Newcastle	1.96	50/63
Liverpool	1.75	56/63

City	Private sector jobs change, 2009-10	Rank
Bristol	(-800) -0.3%	16/63
Liverpool	(-1,300) -0.6%	17/63
Birmingham	(-10,600) -1.4%	26/63
Manchester	(-10,300) -1.5%	28/63
Newcastle	(-5,300) -2.0%	32/63
Leeds	(-6,700) -2.2%	35/63
Sheffield	(-8,100) -3.3%	45/63
Nottingham	(-19,100) -8.7%	63/63

City	Public sector jobs change, by end 2016	Rank
Bristol	(-10,900) -2.7%	18/63
Manchester	(-25,700) -2.8%	20/63
Leeds	(-12,200) -3.0%	23/63
Sheffield	(-11,000) -3.2%	32/63
Birmingham	(-33,800) -3.3%	37/63
Nottingham	(-10,900) -3.6%	54/63
Newcastle	(-15,100) -3.9%	56/63
Liverpool	(-13,800) -3.9%	57/63

INDUSTRIAL STRUCTURE

City	Knowledge intensive service jobs, 2010	Rank
Bristol	(75,300) 20%	7/63
Leeds	(69,000) 18%	10/63
Manchester	(137,000) 16%	18/63
Newcastle	(47,800) 13%	26/63
Liverpool	(43,100) 13%	27/63
Sheffield	(41,400) 12%	29/63
Birmingham	(121,200) 12%	31/63
Nottingham	(34,900) 12%	33/63


Bristol 20:20 Priorities
Vision: By 2020, Bristol will be one of Europe's top 20 cities
Outcome 1: Making our prosperity sustainable
Action 1
Promote Bristol's profile as a culturally vibrant and innovative city and Green Capital to underpin sustainable inward investment. In particular, take a lead in tackling climate change and move towards a low carbon economy through delivering the Climate Change and Energy Security Policy
Action 2 (shared with LEP)
Facilitate the supply of a readily available workforce with the skills that business need
Action 3 (shared with LEP)
Deliver sustainable economic recovery by providing targeted support to the five key and emerging sectors: creative and media; advanced engineering, aerospace and defence; micro-electronics and silicon design; environmental technologies/marine renewable industries; tourism
Sustain the conditions for innovation and the development of new technologies, products and services; encourage high levels of business start up and growth of small businesses
Action 4 (shared with LEP)
Secure the improved transport, environmental and broadband infrastructure that our businesses and communities need; provide access to a range of employment land and premises (in Bristol, through the implementation of Bristol's Core Strategy)
Outcome 2: Reduce health and wealth inequalities
Action 1
Support and facilitate employment opportunities; target activity and skills development to young people, longterm workless, and areas of deprivation
Action 2
Deliver actions that promote and sustain 'health and well being for life'; prioritise reduction in smoking, teenage pregnancy, harm caused by drugs and alcohol; promote increasing levels of exercise, active travel and access to healthy sustainable food
Action 3
Promote independence, dignity and quality of life of people living with disability and longterm illness. Help people to be more active and live longer in their homes
Action 4
In local communities, strengthen the support to informal carers and neighbourhood groups to give sustainable care and assistance to people with care needs
Outcome 4: Raising the aspirations and achievements of our children, young people and families
Action 1
Keep our children and young people safe
Action 2
Tackle the causes and effects of child poverty
Action 3
Ensure that all our children and young people achieve their full potential
Action 4
Improve our shared understanding and planning for the needs of our children and young people
Outcome 3: A city of strong and safe communities
Action 1
Empower and sustain resilient, cohesive communities that influence local decisions and shape public services. Strengthen volunteering and the voluntary and community sector. Promote equalities and reduce the gap created by historic inequality
Action 2
Address the potential risks of the cumulative impact of the current economic and fiscal decisions affecting some communities and groups disproportionately
Action 3
Reduce crime across the city; tackle the impact of substance misuse; ensure access to drug and alcohol treatment. Priority focus on reduction of re-offending
Action 4
Develop more sustainable communities through increasing the supply of affordable homes; maximising the number of empty homes brought into use; promoting a high quality built environment, local shops, high quality parks, jobs and regeneration outcomes.

APPENDIX 3

FINANCIAL ASSUMPTIONS FOR THE PLANNING PERIOD

1) Revenue Grant From Government

Figures reflect settlements announced in December 2010 and December 2011 (in respect of 2011/12 and 2012/13 respectively) and national changes in level of funding for local government indicated in the CSR (2013/14 and 2014/15):

2011/12	-10.8%
2012/13	- 7.5%
2013/14	- 0.8%
2014/15	- 5.8%

2) Capital Grant

Capital grants reduce by 5%in each year.

3) Inflation

Inflation at 2.5% per annum is provided in respect of contracts with third parties towards the costs of annual indexation provisions. Provision is also made for increase costs of utility charges arising from new contracts.

No inflation will be provided within service budgets to cover increases in expenditure on supplies and services. Any increase will be absorbed to promote efficient management of resources.

4) Pay Pressures/Pension Contributions

Following the conclusion of the two year pay freeze, provision for pay increase is reinstated from 2013/14, based on a 1% award per annum for all employees, in line with the government's stated policy. Employer contributions will continue through to 2013/14 at the current rate, although provision is made in 2012/13 and 2013/14 of £1.2m per annum to cover potential shortfalls in deficit recovery. The next valuation of the Fund will be at 31 March 2013, with any new rates applicable from 1 April 2014. The effect on contribution rates will be dependant on the provisions of the new scheme currently under negotiation.

5) Council Tax

Following the council tax freeze in 2011/12 and 2012/13, provision is made for annual increases of 2.5% in the reminder of the planning period. The government grant, available in 2012/13 for a further freeze, will only be payable for one year (the grant supporting the freeze in 2011/12 will continue through until 2014/15).

Assumptions in respect of growth in the council tax base are as follows:

2011/12	+ 0.3%
2012/13 onwards	+ 0.8%

RESERVES APPENDIX 4

RESERVES	PURPOSE	1/4/11 Actual £'000
General Fund Balance	Includes prudential working balance	9,780
EARMARKED RESERVES		
Investment in the Port Company	Book value of the City Council's shareholding	2,500
Capital Reserve	Accumulated receipts, grants etc allocated to projects in the capital programme but not yet spent.	20,012
Business Transformation	Funds set aside to "pump prime" the transformation programme to improve services, reduce costs and wastage and improve productivity.	2,129
Restructuring Costs	Reserve held to cover severance and redeployment costs arising from corporately driven restructurings. Calculated on the basis of a risk assessment of planned restructuring.	6,343
Supporting People	Comprises underspend of grant from previous years held to meet notified reductions in grant and forecast deficits against planned spend in the future.	8,821
Revenue Grants Unapplied	Grants received in advance, recognised in the Comprehensive Income and Expenditure Account in 2010/11 under IFRS	5,747
Collection Fund	To offset the deficit on the fund at 31 March 2011 in 2011/12	1,811
Commercial Properties	Accumulated surpluses on the trading account held against future income shortfalls due to economic downturn.	608
IT Replacement Fund	To finance the replacement & renewal of the ICT infrastructure. Annual contributions are set aside from the revenue budget.	5,538
Asbestos Removal	Identification & removal of asbestos in Council owned buildings.	632
Regeneration Projects	Match funding for on-going regeneration schemes.	821
Schools Absence Scheme	Funding from schools to meet the cost of supply cover (schools budget).	1,128
Early Years Reserves	For the development of statutory early years funding reforms on 10/11 & provision of transitional funding for nursery schools & early years settings.	1,430
Housing Inclement Weather	HRA reserve to cover the possibility of costs arising from abnormal weather conditions.	500
Education Standards Fund	DCFS grant carried forward on behalf of schools (mostly schools budget).	7,288
Housing Benefit Issues	To cover potential clawback of benefit subsidy. Calculated on the basis of a risk assessment of outstanding subsidy claims.	970
Education PFI Smoothing Fund	Sinking fund to equalise the phasing of government grant and expenditure in respect of schools schemes (interest bearing).	1,055
Grounds Maintenance	To fund maintenance costs associated with former HRA green space appropriated to the general fund.	537
Waste Issues	Held for risks associated with reductions in recyclate income prices and one off costs arising from procurement of new waste service contracts.	2,453
Residential Futures	To fund the re-provision of residential services for older people in Bristol in response to an increasing population and changes in needs and preferences.	1,413
Health & Social Care Transformation	To fund the modernisation and rationalisation of services provided in-house and to increase efficiency and effective commissioning of services provided by external providers.	1,091
Other Earmarked Reserves	Individual items under £500K.	12,789
TOTAL EARMARKED RESERVES		**85,616**

APPENDIX 5

GLOSSARY OF TERMS USED

Business Model - a description on how the organisation delivers and creates services. A **New Business Model** – refers to the simplification of management and administration, standardising and drawing together support services.

Business Rates – are a means by which local businesses contribute to the cost of local authority services. They are officially known as National non-domestic rates **(NNDR).** For some time these have been pooled nationally and redistributed to local authorities according to need. However, the government is proposing is that business rates will be 're-localised' in future, ie a proportion of the rate will be kept by the authority that collects it. The government argues that this will encourage local authorities to seek to grow the number of businesses established in their area.

Capital – is expenditure for creating and improving assets. Its effect is long-term, ie. it is not exhausted within the current accounting year - its benefit is received for a number of years in future. Buildings, infrastructure, vehicles, large items of equipment, are all examples of capital expenditure. Capital funding *cannot* be used for **revenue** purposes.

Capital financing costs – costs charged to the revenue account in respect of interest and principal repayment in respect of loans raised to finance capital expenditure.

Capital Programme - a list of approved projects agreed by the Council at the start of the year which involves expenditure on the creation/improvement of capital assets.

Capital receipts – income from the sale of capital assets. Such income may only be used for purposes authorised by regulations under Local Government Act 2003, for example to repay loan debt and to finance new capital expenditure.

Commissioning - is essentially a structured way of deciding how and on whom public money should be spent. Commissioning is a cycle that involves - assessment (or reassessment) of need and identifying resources, planning how to use the resources, arranging service delivery through a procurement process (including deciding if a service can be provided more efficiently 'in-house' or through external providers), and monitoring and reviewing service delivery.

CSR - Comprehensive Spending Review – the governments spending plans over a specified period: eg it sets out how the Coalition Government will carry out Britain's deficit reduction plan. The October 2010 CSR prioritises the NHS, schools, early year's provision and the capital investments that support long term economic growth, and focuses on reducing welfare costs and wasteful spending.

Damping - a mechanism within the grant distribution formula that ensures each local authority gets a minimum increase in its general grant from the government. The cost of applying damping is met by a scaled reduction to those council's whose grant is above the 'floor' (see **Floors** below).

Floors - (see also **Damping**) a method by which stability in funding is protected through limiting the effect of wide variations in grant increase. A floor guarantees a minimum fixed level of increase in grant. To pay for the floor, the grant increases of authorities that are above the floor are scaled back (damping) by a fixed proportion.

Formula Grant - money paid annually by central government to local authorities. It is made up of non-domestic rates (business rates) collected locally, pooled centrally, and then redistributed, and the revenue support grant. This is a general grant which contributes towards the overall spending of a council, rather than towards specific services.

General Fund – the General Fund includes spending and income from all services apart from Council Housing. Non 'landlord' housing functions ie provision of housing benefits etc, also form part of the general fund. The general fund balance comprises the working balance (see below) and accumulations of income over expenditure, which may be retained as a cushion against unforeseen events.

Grant settlement – the annual determination of government grant to local authorities. In particular this relates to the general grant, also known as 'Formula Grant'.

GDP – Gross Domestic Product - refers to the market value of all goods and services produced within a particular area in a given period. GDP per capita (ie. per head) is often considered an indicator of a country's standard of living.

GVA – Gross Value Added – a means of measuring productivity. Gross Value Added provides a monetary value for the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are directly attributable to that production.

Housing Revenue Account – an account which council's are required to maintain for all revenue expenditure and income relating to the provision of council housing (if a local authority still owns its own housing stock). This money is 'ringfenced' (ie, cannot be used for other purposes) and cannot be subsidised by money from the **General Fund**.

Net budget – estimated spending after taking account of income from the users of services, specific government grants, etc. The net budget is funded by general government grant and council taxpayers.

PFI - Private Finance Initiative - contracts typically involving a private sector organisation (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement.

Procurement – the full range of activities related to purchasing goods, services and works - from preparation and processing of a requisition through to receipt and approval of the invoice for payment. Bristol, like other local authorities, has a Procurement Strategy in order to provide the citizens of Bristol and other service users with the right services in the right way at a competitive cost.

Provisions – sums set aside to meet any liabilities or losses in respect of a past event, which are likely or certain to be incurred, but uncertain as to the amounts or dates on which they will arise.

Prudential borrowing - regime for council borrowing that has replaced central government deciding how much debt a local authority can run up. The scheme provides councils with much more freedom to decide how much they can afford to borrow.

Pump priming – spending which is intended to stimulate the achievement or delivery of a specific programme or project.

Reserves – sums held to finance future spending for purposes falling outside the definition of a **provision**. Reserves held for stated purposes are known as **earmarked reserves**.

Revenue – the day to day running costs of the local authority. Revenue expenditure is made with an intension of receiving some benefit within a short period of time (mostly, less than a year). Such expenditure includes employee costs, transport & premises running costs, supplies and services. Revenue funding may be used for capital purposes. **Capital** funding *cannot* be used for revenue purposes.

Revenue contributions – a method of financing capital expenditure directly from revenue resources.

Ring-fenced grants – central government grants towards the cost of particular services or initiatives considered as a national priority. Such grants can be ring-fenced, eg Dedicated Schools Grant, and must be used for the purpose intended.

Section 106 agreement - as part of the planning process a local planning authority and a developer may enter into a legal agreement to enable any adverse impacts of a development to be offset, to enhance the physical environment or to contribute to local facilities where this is not possible through planning conditions. Section 106 contributions can include such things as affordable homes, highways, transport and travel schemes, new open space etc.

Section 151 Officer – in accordance with Section 151 of the Local Government Act, 1972, this is the officer designated to ensure effective financial management through established systems and procedures and provides financial advice.

Service design/redesign - a short-term plan to identify what type of service to provide and to make it more useful, usable, efficient and desirable based on customers and business needs.

Treasury activity – the management of cash flow, banking, money market and capital market transactions, and the management of borrowing by the Council.

Working balance – part of the General Fund balance that is retained for use as a short term financial cushion should risks and pressures prove otherwise unmanageable.