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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Agenda for a meeting of the Executive to be held on Tuesday, 20 February 2018 at 10.30 am in Council Chamber - City Hall, Bradford

Members of the Executive – Councillors

LABOUR
Hinchcliffe (Chair)
V Slater
I Khan
Ross-Shaw
Ferriby
Jabar

Notes:

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- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From: **To:**

Michael Bowness
Interim City Solicitor
Agenda Contact: Jill Bell / Yusuf Patel
Phone: 01274 434580/4579
E-Mail: jill.bell@bradford.gov.uk / yusuf.patel@bradford.gov.uk

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

(1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.

(2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

(3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.

(4) Officers must disclose interests in accordance with Council Standing Order 44.

2. MINUTES

Recommended –

That the minutes of the meetings held on 5 December 2017 and 9 January 2018 be signed as a correct record (previously circulated).

(Jill Bell - 01274 434580)

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Jill Bell - 01274 434580)

4. RECOMMENDATIONS TO THE EXECUTIVE

To note any recommendations to the Executive that may be the subject of report to a future meeting. (Schedule to be tabled at the meeting).

(Jill Bell - 01274 434580)

B. STRATEGIC ITEMS

LEADER OF COUNCIL & CORPORATE

(Councillor Hinchcliffe)

5. THE COUNCIL'S REVENUE ESTIMATES FOR 2018/19 1 – 26

The report of the Assistant Director Finance and Procurement (**Document "AZ"**) provides Members with details of the Council's Revenue Estimates for 2018/19 and 2019/20.

RECOMMENDATIONS TO COUNCIL -

Executive is asked to approve the recommendations set out in 8.1 to 8.6 to Document "AZ"

(Corporate Overview & Scrutiny Committee)

(Tom Castleton – 01274 434472)

6.	**ALLOCATION OF THE SCHOOLS BUDGET 2018/19 FINANCIAL YEAR**	27 - 48

The report of the Assistant Director, Finance and Procurement (**Document "BA"**) seeks Executive approval of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2018/19 and subsequent recommendation to Full Council.

It is recommended that the Executive asks Council to:

(a) Accept and approve the proposals from the Schools Forum for the allocation of the 2018/19 DSG as set out in this report.

(b) Approve the total amount of £535.908m to be appropriated in respect of all schools covered by the Bradford Scheme for the Local Management of Schools, so as to establish the Individual Schools Budget for 2018/19.

(Andrew Redding – 01274 432678)

7.	**THE COUNCIL'S CAPITAL INVESTMENT PLAN FOR 2018-19 ONWARDS**	49 - 76

The report of the Assistant Director Finance and Procurement (**Document "BB"**) presents the Capital Investment Plan for 2018-19 to 2021-22. Appendix A sets out the Council's Capital Strategy to date.

Recommended -

That the Executive requests Council to approve:

a) **The Capital Investment Plan as set out at Appendix 2 to Document "BB" is adopted. Commitments against reserve schemes and contingencies can only be made after a business case has been assessed by the Project Appraisal Group and approved by Executive.**

b) **Approve the £2m Property Programme Essential Maintenance Programme, to be funded from Reserves and Contingencies (See paragraph 4.10 of Document "BB").**

c) **The Chief Executive, Strategic Directors and Directors enter into commitments on capital schemes within the Capital Investment Plan subject to approval of business cases by Executive up to the approved amounts each year except that, where it is indicated that schemes are funded or partly funded from specific resources such as capital grants or contributions, revenue or capital**

receipts, the approved amount will be subject to the securing of those resources and be adjusted to reflect the amounts actually received.

d) **Where necessary, the payments arising under the Capital Investment Plan are met from loans.**

e) **In order to provide the flexibility necessary to effectively manage the Capital Investment Plan, the Chief Executive, Strategic Directors and Directors be specifically empowered to advance or defer approved schemes subject to consultation with the Assistant Director Finance and Procurement and the availability of resources.**

f) **Additional capital schemes shall only commence where the scheme is wholly funded from specific resources on the approval of the Section 151 Officer – the Assistant Director, Finance & Procurement.**

g) **The Borrowing Limits and Prudential Indicators as set out in Appendix 1to Document "BB" are adopted by the Council.**

h) **The Minimum Revenue Provision (MRP) policy as set out in paragraph 7.4 of Document "BB" is approved and adopted by the Council.**

i) **The development of the Capital Strategy in Appendix A to Document "BB" is noted.**

(Corporate Overview & Scrutiny Committee)

(James Hopwood – 01274 432882)

8. 2018/19 BUDGET PROPOSALS AND FORECAST RESERVES - S151 OFFICER ASSESSMENT 77 - 92

This report of the Assistant Director Finance and Procurement (**Document "BC"**) assesses the robustness of the proposed budget for 2018/19, the adequacy of forecast levels of reserves and associated risks.

It concludes that the estimates are sufficiently robust for the Council to set the budget. It also concludes that unallocated reserves should be maintained in the range of £12-15m over the period of the current financial strategy to ensure the continued financial resilience of the Council.

RECOMMENDATIONS

(1) That Members have regard to this report in setting the budget, and in particular note the conclusions that:

- **the estimates presented to Council are sufficiently robust, in the context of the overall £357m net expenditure requirement and available contingencies**

- **the reserves are adequate for the 2018/19 proposed budget, and will be drawn on in accordance with proposed plan and reserves policy, recognising that estimates will be subject to review as part of the rolling planning cycle**

- **the projected corporate reserves to 2020/21 would, on current estimates, be adequate, subject to the implementation of the rest of the proposed financial plan.**

(2) As with all budgets there is the potential for amendments to be proposed/agreed which could change the overall package of proposals. In that respect, it should be highlighted that this statement would be amended or added to if a decision was proposed that lead to the Council's reserves falling below their recommended level. In addition, any other amendments would be considered against the scale of the overall budget and depending upon the extent and nature, may result in a revised statement.

(Corporate Overview & Scrutiny Committee)

(Andrew Crookham – 01274 433656)

9. CONSULTATION FEEDBACK AND EQUALITY ASSESSMENT FOR THE 2018-19 AND 2019-20 COUNCIL BUDGET PROPOSALS SECOND ADDENDUM TO DOCUMENT "AV"

The Chief Executive will submit a **Second Addendum – (To be tabled)** to the report presented to the meeting of Executive on 6 February 2018 (**Document "AV"**), which provides additional feedback received from the public engagement and consultation programme and sets out a summary of the equality assessments carried out on the Executive's Budget proposals for 2018-19 and 2019-20.

Recommended –

That in accordance with Section 149 of the Equality Act 2010, the Executive has regard to the information contained in Document "AV", the appendices and equality assessments to that report and the First Addendum presented to Executive on 6 February 2018, together with the information contained in this Second Addendum when considering the recommendations to make to the Council on a budget for 2018-19 and 2019-20 on 22 February 2018.

(Corporate Overview & Scrutiny Committee)

(Kathryn Jones – 01274 433664)

10. **INTERIM TRADE UNION FEEDBACK ON THE COUNCIL'S BUDGET PROPOSALS FOR THE 2018/19 AND 2019/20 COUNCIL BUDGET SECOND ADDEMDUM**

The Director of Human Resources will submit a **Second Addendum (to be tabled at the meeting**) to the report presented to the meeting of Executive on 6 February 2018 (**Document "AW"),** which provides further feedback from the Council's Trade Unions on the Council's budget proposals for the 2018/19 and 2019/20 Council Budget for consideration by Executive.

Recommended –

That Executive has regard to the further feedback received from the Council's Trade Unions contained in the addendum presented (Document "AW" Second Addendum) together with the information contained in the Report, appendices and First Addendum presented to Executive on 6 February 2018 (Document "AW") when considering its recommendations to Council on the Council's budget for the financial years 2018/19 and 2019/20.

(Corporate Services Overview & Scrutiny Committee)

(Michelle Moverley – 01274 437883)

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director Finance and Procurement to the meeting of Executive to be held on 20 February 2018 and Council to be held on 22 February 2018.

AZ

Subject:

The Council's Revenue Estimates for 2018/19

Summary statement:

The report provides Members with details of the Council's Revenue Estimates for 2018/19 and 2019/20

Andrew Crookham
Assistant Director Finance and Procurement
Report Contact: Tom Caselton
Phone: (01274) 434472
E-mail: tom.caselton@bradford.gov.uk

Portfolio: Leader of the Council

Overview & Scrutiny Area:

Corporate

THE COUNCIL'S REVENUE ESTIMATES FOR 2018/19

1.0 PURPOSE

1.1 This report proposes the estimates of net revenue expenditure be recommended to Council for approval as the Council's balanced revenue budget for 2018/19 and that Executive recommend to Council for approval budget savings proposals for 2019/20.

It also forecasts the revenue position for 2020/21.

1.2 The revenue estimates are part of the overall budget proposal for the Council which includes:

- the recommended Capital Investment Plan (Document BB)
- the allocation of the Schools Budget 2018/19 (Document BA).

1.3 This report is submitted to enable the Executive to make recommendations to Budget Council on the setting of the 2018/19 budget and the Council Tax for 2018/19, as required by Part 3C of the Council's Constitution.

2.0 PROPOSED REVENUE BUDGET 2018/19 and BUDGET SAVINGS PROPOSALS FOR 2019/20

2.1 The balanced 2018/19 revenue budget is predicated on total available general resources (Council Tax income, Business Rates income, general government grant and use of reserves) of £357.160m in 2018/19.

2.2 The total expenditure takes account of changes to the underlying (base) level of expenditure at the start of the year arising from:

- The net effect of previous years' policy decisions, including decisions made by Budget Council in February 2017 in respect of 2018/19 which amounted to a net reduction in the budget of £18.699m (Appendix E). Appendices F(i) and F(ii) set out amendments to the February 2017 decisions with a net reduction in proposals of £15.271m in 2018/19 and falling to a cumulative net reduction of £4.536m by 2020/21.
- Provision to pay the proposed two year pay offer and a 1% increase for 2020/21.
- Price increases (an average of 2.5% applied to contract budgets in 2018/19 and 2.0% in later years, 2.5% to utilities and specific indexation applied to income budgets)
- The impact on the Council's funding arising from 2018/19 Local Government Settlement
- Council's decisions about changes to Council Tax, a total increase of 5.99%, including a 3% increase for Adult Social Care, as enabled by the Local Government Settlement
- Additional expenditure to deal with recurrent Service pressures
- One-off and transitional investment in other services
- Public Health Grant reductions and estimates on other specific grants not yet announced

- Service and non Service savings
- One off increase in business rates and s31 grant compensation of £5.1m and on-going increase in business rates of £450k p.a.

2.3 The summary position is shown at Appendix A, with further detail in Appendices B to G:

- On-going and non recurrent investments (Appendices B and C)
- New budget proposals (Appendix D)
- Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only) (Appendix E)
- Schedule of proposed amendments to previous budget decisions (Appendices F(i) and F(ii))
- Proposed Use of reserves statement (Appendix G).

At the time of publication all Appendices are based on savings proposals previously approved by Council in February 2017 for 2018/19, proposed amendments to those budget decisions approved in February 2017 together with new proposals which were approved by Executive for consultation on 5 December 2017.

2.4 Executive is asked to recommend to Council following their consideration of the feedback received to date from the on-going consultation processes with the public, interested parties and stakeholders, staff and Trade Unions and consideration of equality issues (and in particular Equality Impact Assessments) on the Council's new Budget Proposals:

- a 2018/19 budget; and
- budget savings proposals for 2019/20, requiring the Chief Executive, Strategic Directors and Directors to take necessary action during 2018/19 to ensure those savings are fully achievable for 2019/20.

Consultation has previously been carried out on the saving proposals approved by Council in February 2017 for 2018/19. There has been further consultation on the proposed amendments to a number of these savings proposals as detailed in Appendix F(i).

2.5 After taking into account the full year effect of the 2018/19 proposed budget, the projections for 2018/19 shows a balanced budget with additional indicative savings required for 2019/20 of £3.5m and a further £38.4m in 2020/21.

2.6 The proposed use £1.9m of reserves over the period 1 April 2018 to 31 March 2021 together with the replenishment of reserves in 2018/19 by £3.4m as detailed in Appendix G. There are no current proposals to use unallocated reserves given the increasingly challenging nature of delivering budget proposals against a backdrop of rising demand and costs. The risks associated with this position and an assessment of the adequacy of reserves is discussed in the separate Section 151 Officer's report (Document BC).

3.0 COUNCIL TAX IMPLICATIONS

3.1 In setting the Council Tax for 2018/19, Council will have regard to the Council Tax base approved by the Executive on 9 January 2018. The Council will also wish to note the precepts of the parish and town councils, of the West Yorkshire Fire and Rescue Authority (WYFRA) and the Police and Crime Commissioner for West

Yorkshire as detailed below.

4.0 MATTERS RELATING TO 2018/19 FINANCIAL POSITION

4.1 The 2018/19 financial position is contingent upon the 2017/18 audited out-turn. The Executive is therefore asked to give the s151 Officer authority to secure the best position for the Council in respect of 2018/19 in preparing the Final Accounts for 2017/18.

5.0 RISK MANAGEMENT

5.1 The uncertainties regarding the funding that will be available to the Council are considered within the Section 151 Officer's Report (Document BC).

6.0 LEGAL APPRAISAL

6.1 It is necessary to ensure that Executive have comprehensive information when considering the recommendations to make to Council on the budget for 2018/19 and the budget savings proposals for 2019/20 at their meeting on 20 February 2018. It is a legal requirement that Members have regard to all relevant information. The information in this report and any updated information produced to Executive on 20 February 2018 following their consideration on 6 February 2018 of the feedback received to date from the on-going consultation processes and their consideration of equality issues are considered important in this context. It will also be necessary to consider any further information produced subsequent to the 20 February 2018 Executive meeting.

7.0 OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

7.1.1 The equality implications of the new budget proposals and the proposed amendments to previous budget decisions were highlighted in the separate report presented to the meeting of Executive on 6 February 2018 (Document AV) together with the Addendum to that Report circulated to Executive on 6 February 2018. The equality implications of the 2018/19 proposals previously approved by Budget Council in February 2017 were fully considered by Council at that time.

7.1.2 Equality impact assessments are undertaken on all budget proposals. Where impacts are identified on particular protected characteristic groups, the assessments are published, consulted on and then further updated reflecting on any feedback received. These updated assessments for the 2018/19 and 2019/20 proposals are accessible via this link
https://www.bradford.gov.uk/your-council/council-budgets-and-spending/budget-eias-2018-19/
Elected Members should consider the Equality Impact Assessments in full.
The consultation provides the opportunity for the Council to better understand:

- The consequences for individuals with protected characteristics affected by changes, particularly related to proposals relating to social care;
- Any cumulative impact on groups with protected characteristics.

7.2 SUSTAINABILITY IMPLICATIONS

7.2.1 There are no direct sustainability implications resulting from this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

7.3.1 There are no direct greenhouse gas emissions implications resulting from this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

7.4.1 Community safety implications of specific new budget proposals were highlighted in a separate report presented to the meeting of Executive on 6 February 2018 at paragraph 11.4 (Document AV).

7.5 HUMAN RIGHTS ACT

7.5.1 Any human rights implications resulting from this report are referred to in the Equality Impact Assessments.

7.6 TRADE UNION

7.6.1 The Interim Trade Union feedback on the Council's new budget proposals and the proposed amendments to previous budget decisions was detailed in a separate report presented to the meeting of Executive on 6 February 2018 (Document AW) together with the addendum to that report. The Trade Union feedback on the proposals previously approved by Budget Council in February 2017 was fully considered by Council at that time.

7.7 WARD IMPLICATIONS

7.7.1 In general terms, where proposed cuts affect services to the public, the impact will typically be felt across all wards. Some proposals will have a more direct local impact on individual organisations and/or communities.

7.8 NOT FOR PUBLICATION DOCUMENTS

7.8.1 None.

8.0 RECOMMENDATIONS TO COUNCIL

Executive is asked to approve the following recommendations to Council:

8.1 REVENUE ESTIMATES 2018/19

(a) That the Base Revenue Forecast of £370.995m for 2018/19 as set out in this report "AZ" (Revenue Estimates) be approved.

(b) That Executive Document "AZ" and the consequent net reduction in investments of £7.697m in 2018/19 be approved.

(c) That Executive Document "AZ" and the service savings and additional income of £6.138m in 2018/19 be approved.

(d) That it be noted that within the revenue budget there is a net contribution of £2.746m to revenue reserves in 2018/19.

(e) That Executive Document "AZ" and the service savings proposals for 2018/19 be approved, requiring the Chief Executive, Strategic Directors and Directors to take necessary action during 2018/19 to ensure those savings are fully achievable for 2019/20.

(f) That the comments of the Assistant Director Finance and Procurement set out in Executive Document "AZ" on the robustness of the estimates and the adequacy of reserves taking account of the recommendations made at 8.1(a) to (e) above be noted.

8.2 PROPOSED COUNCIL TAX 2018/19

8.2.1 That it be noted that the projected council tax base and expenditure forecasts outlined in this report together with the 2018/19 resources and the budget variations approved at 8.1(b) and 8.1(c) above produce a proposed Band D council tax of £1,333.21 for 2018/19. This includes a social care precept of 3.0% which is to be ring fenced for expenditure on adult social care.

8.3 PAYMENT DATES FOR COUNCIL TAX AND NATIONAL NON-DOMESTIC RATES

8.3.1 That the first instalment date for payment of National Non-Domestic Rates and Council Tax shall be specified by the s151 Officer.

8.4 DELEGATION TO OFFICERS

8.4.1 That for the avoidance of doubt and without prejudice to any of the powers contained in Article 14 of Part 2 of the Council's Constitution on the Function of Officers, the s151 Officer shall have full delegated powers to act on behalf of the Council on all matters relating to the Council Tax, Non-Domestic Rates and Accounts Receivable Debtors including (without prejudice to the generality of the delegation) assessments, determinations, recovery, enforcement and, in accordance with the statutory scheme, full delegated powers to act on behalf of the Council with regard to all aspects of the granting of Discretionary and Hardship Rate Relief to qualifying ratepayers.

8.5 PREPARATION OF ACCOUNTS

(a) That in preparing the Final Accounts for 2017/18, the s151 Officer be empowered to take appropriate steps to secure the best advantage for the Council's financial position.

(b) That the s151 Officer be empowered to deal with items which involve the transfer of net spending between the financial years 2017/18 and 2018/19 in a manner which secures the best advantage for the Council's financial position.

(c) That the s151 Officer report any action taken in pursuance of 8.5(a) and 8.5 (b) above when reporting on the Final Accounts for 2017/18.

8.6 COUNCIL TAX REQUIREMENT 2018/19

(a) That the council tax base figures for 2018/19 calculated by the Council at its meeting on 9 January 2018 in respect of the whole of the Council's area and individual parish and town council areas be noted.

(b) That the only special items for 2018/19 under Section 35 of the Local Government Finance Act 1992 are local parish and town council precepts and no expenses are to be treated as special expenses under Section 35(1) (b) of that Act.

(c) That the Council Tax Requirement, excluding parish and town council precepts, be calculated as follows:

Gross expenditure	**£1,151,891,824**
Income	**£962,807,852**
Council Tax requirement	**£189,083,972**
Council tax base	**140,348**
Basic amount of council tax	**£1,347.25**
Adjustment in respect of parish and town council precepts	**£ 14.04**
Basic amount excluding parish and town councils	**£1,333.21**

(d) That the precepts of parish and town councils be noted and the resulting basic council tax amounts for particular areas of the Council be calculated as follows:

Parish or Town Council Area	Local Precept £	Council Tax Base	Parish/Town Council Tax £	Whole Area Council Tax £	Basic Council Tax Amount £
Addingham	98,845	1,720	57.47	1,333.21	1,390.68
Baildon	199,000	6,277	31.70	1,333.21	1,364.91
Bingley	140,918	8,640	16.31	1,333.21	1,349.52
Burley	194,220	2,988	65.00	1,333.21	1,398.21
Clayton	54,511	2,416	22.56	1,333.21	1,355.77
Cullingworth	28,880	1,172	24.64	1,333.21	1,357.85
Denholme	31,558	1,111	28.41	1,333.21	1,361.62
Harden	20,475	819	25.00	1,333.21	1,358.21
Haworth, Crossroads and Stanbury	60,228	2,262	26.63	1,333.21	1,359.84
Ilkley	286,615	7,097	40.39	1,333.21	1,373.60
Keighley	500,570	14,845	33.72	1,333.21	1,366.93
Menston	117,828	2,182	54.00	1,333.21	1,387.21
Oxenhope	27,405	1,015	27.00	1,333.21	1,360.21
Sandy Lane	15,498	871	17.79	1,333.21	1,351.00
Silsden	76,030	2,937	25.89	1,333.21	1,359.10
Steeton with Eastburn	50,220	1,674	30.00	1,333.21	1,363.21
Wilsden	52,130	1,754	29.72	1,333.21	1,362.93
Wrose	15,765	2,102	7.50	1,333.21	1,340.71
Total of all local precepts	1,970,696	61,882			

(e) That the council tax amounts for dwellings in different valuation bands in respect of the Council's budget requirement, taking into account parish and town council precepts applicable to only part of the Council's area, be calculated as follows, which includes the 3% social care precept:

	Council Tax Amount for Each Valuation Band							
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
All parts of the Council's area other than those below	**888.81**	**1,036.94**	**1,185.08**	**1,333.21**	**1,629.48**	**1,925.75**	**2,222.02**	**2,666.42**
The parish and town council areas of:								
Addingham	**927.12**	**1,081.64**	**1,236.16**	**1,390.68**	**1,699.72**	**2,008.76**	**2,317.80**	**2,781.36**
Baildon	**909.94**	**1,061.60**	**1,213.25**	**1,364.91**	**1,668.22**	**1,971.54**	**2,274.85**	**2,729.82**
Bingley	**899.68**	**1,049.63**	**1,199.57**	**1,349.52**	**1,649.41**	**1,949.31**	**2,249.20**	**2,699.04**
Burley	**932.14**	**1,087.50**	**1,242.85**	**1,398.21**	**1,708.92**	**2,019.64**	**2,330.35**	**2,796.42**
Clayton	**903.85**	**1,054.49**	**1,205.13**	**1,355.77**	**1,657.05**	**1,958.33**	**2,259.62**	**2,711.54**
Cullingworth	**905.23**	**1,056.11**	**1,206.98**	**1,357.85**	**1,659.59**	**1,961.34**	**2,263.08**	**2,715.70**
Denholme	**907.75**	**1,059.04**	**1,210.33**	**1,361.62**	**1,664.20**	**1,966.78**	**2,269.37**	**2,723.24**
Harden	**905.47**	**1,056.39**	**1,207.30**	**1,358.21**	**1,660.03**	**1,961.86**	**2,263.68**	**2,716.42**
Haworth, Crossroads and Stanbury	**906.56**	**1,057.65**	**1,208.75**	**1,359.84**	**1,662.03**	**1,964.21**	**2,266.40**	**2,719.68**
Ilkley	**915.73**	**1,068.36**	**1,220.98**	**1,373.60**	**1,678.84**	**1,984.09**	**2,289.33**	**2,747.20**
Keighley	**911.29**	**1,063.17**	**1,215.05**	**1,366.93**	**1,670.69**	**1,974.45**	**2,278.22**	**2,733.86**
Menston	**924.81**	**1,078.94**	**1,233.08**	**1,387.21**	**1,695.48**	**2,003.75**	**2,312.02**	**2,774.42**
Oxenhope	**906.81**	**1,057.94**	**1,209.08**	**1,360.21**	**1,662.48**	**1,964.75**	**2,267.02**	**2,720.42**
Sandy Lane	**900.67**	**1,050.78**	**1,200.89**	**1,351.00**	**1,651.22**	**1,951.44**	**2,251.67**	**2,702.00**
Silsden	**906.07**	**1,057.08**	**1,208.09**	**1,359.10**	**1,661.12**	**1,963.14**	**2,265.17**	**2,718.20**
Steeton with Eastburn	**908.81**	**1,060.27**	**1,211.74**	**1,363.21**	**1,666.15**	**1,969.08**	**2,272.02**	**2,726.42**
Wilsden	**908.62**	**1,060.06**	**1,211.49**	**1,362.93**	**1,665.80**	**1,968.68**	**2,271.55**	**2,725.86**
Wrose	**893.81**	**1,042.77**	**1,191.74**	**1,340.71**	**1,638.65**	**1,936.58**	**2,234.52**	**2,681.42**

(f) That it be noted that for the year 2018/19 the Police Crime and Commissioner has issued the following precept. <u>As the West Yorkshire Fire and Rescue Authority (WYFRA) will not be meeting to set its precept until 16th February (after this report has been published) the West Yorkshire Fire and Rescue Authority precept shown in the table below is based on an estimate of 2.99%. Executive will be provided with the precept issued by WYFRA at the meeting of Executive on 20 February 2018.</u>

Precept Amount	Council Tax Amount for Each Valuation Band							
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
£	£	£	£	£	£	£	£	£
West Yorkshire Fire and Rescue Authority								
8,802,600	41.81	48.78	55.75	62.72	76.66	90.60	104.53	125.44
Police and Crime Commissioner for West Yorkshire								
22,869,700	108.63	126.74	144.84	162.95	199.16	235.37	271.58	325.90

(g) That having calculated the aggregate in each case of the amounts at (e) and (f) above, the Council set the following amounts of council tax for 2018/19 in each of the categories of dwellings shown below which includes the 3% social care precept:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
All parts of the Council's area other than those below	1,039.25	1,212.46	1,385.67	1,558.88	1,905.30	2,251.72	2,598.13	3,117.76
The parish and town council areas of:								
Addingham	1,077.56	1,257.16	1,436.75	1,616.35	1,975.54	2,334.73	2,693.91	3,232.70
Baildon	1,060.38	1,237.12	1,413.84	1,590.58	1,944.04	2,297.51	2,650.96	3,181.16
Bingley	1,050.12	1,225.15	1,400.16	1,575.19	1,925.23	2,275.28	2,625.31	3,150.38
Burley	1,082.58	1,263.02	1,443.44	1,623.88	1,984.74	2,345.61	2,706.46	3,247.76
Clayton	1,054.29	1,230.01	1,405.72	1,581.44	1,932.87	2,284.30	2,635.73	3,162.88
Cullingworth	1,055.67	1,231.63	1,407.57	1,583.52	1,935.41	2,287.31	2,639.19	3,167.04
Denholme	1,058.19	1,234.56	1,410.92	1,587.29	1,940.02	2,292.75	2,645.48	3,174.58
Harden	1,055.91	1,231.91	1,407.89	1,583.88	1,935.85	2,287.83	2,639.79	3,167.76
Haworth, Crossroads and Stanbury	1,057.00	1,233.17	1,409.34	1,585.51	1,937.85	2,290.18	2,642.51	3,171.02
Ilkley	1,066.17	1,243.88	1,421.57	1,599.27	1,954.66	2,310.06	2,665.44	3,198.54
Keighley	1,061.73	1,238.69	1,415.64	1,592.60	1,946.51	2,300.42	2,654.33	3,185.20
Menston	1,075.25	1,254.46	1,433.67	1,612.88	1,971.30	2,329.72	2,688.13	3,225.76
Oxenhope	1,057.25	1,233.46	1,409.67	1,585.88	1,938.30	2,290.72	2,643.13	3,171.76
Silsden	1,056.51	1,232.60	1,408.68	1,584.77	1,936.94	2,289.11	2,641.28	3,169.54
Steeton with Eastburn	1,059.25	1,235.79	1,412.33	1,588.88	1,941.97	2,295.05	2,648.13	3,177.76
Wilsden	1,059.06	1,235.58	1,412.08	1,588.60	1,941.62	2,294.65	2,647.66	3,177.20
Wrose	1,044.25	1,218.29	1,392.33	1,566.38	1,914.47	2,262.55	2,610.63	3,132.76

(h) That Council notes the movement in Band D equivalent charges for 2018/19 over 2017/18 as set out in the table below.

	Council Tax 2017-18 Band D Equivalent	Council Tax 2016-17 Band D Equivalent	Percentage change 2017-18 on 2016-17
Bradford Metropolitan District Council	**1,333.21**	**1,257.86**	**5.99%**
West Yorkshire Fire and Rescue Authority *	**62.72**	**60.90**	**2.99%**
West Yorkshire Police Authority	**162.95**	**150.95**	**7.95%**
Local (Parish Council) Precepts:			
Addingham	**57.47**	**34.95**	**64.4%**
Baildon	**31.70**	**28.54**	**11.1%**
Bingley	**16.31**	**15.96**	**2.2%**
Burley	**65.00**	**48.02**	**35.4%**
Clayton	**22.56**	**16.98**	**32.9%**
Cullingworth	**24.64**	**17.10**	**44.1%**
Denholme	**28.41**	**23.98**	**18.5%**
Harden	**25.00**	**20.00**	**25.0%**
Haworth etc	**26.63**	**20.23**	**31.6%**
Ilkley	**40.39**	**37.43**	**7.9%**
Keighley	**33.72**	**33.72**	**0.0%**
Menston	**54.00**	**51.30**	**5.3%**
Oxenhope	**27.00**	**23.26**	**16.1%**
Sandy Lane	**17.79**	**18.00**	**-1.2%**
Silsden	**25.89**	**14.37**	**80.2%**
Steeton/ Eastburn	**30.00**	**30.00**	**0.0%**
Wilsden	**29.72**	**27.86**	**6.7%**
Wrose	**7.50**	**7.50**	**0.0%**

* The West Yorkshire Fire and Rescue Authority will be setting their precept on Friday 16 February 2018. The amount shown in the above table is the estimated precept based on a 2.99% increase.

9.0 BACKGROUND DOCUMENTS

9.1 Proposed Financial Plan updated 2018/19 – 2020/21 - Executive Report 5 December 2017 (Doc AJ)

9.2 2018/19 Budget Update– Executive Report 6 February 2018 (Doc AT)

9.3 Consultation Feedback and Equality Assessments for the 2018/19 and 2019/20 Council Budget Proposals – Executive Report 6 February 2018 (Doc AV) and the addendum to that report circulated to Executive on 6 February 2018

9.4 Interim Trade Union Feedback on the Council's Budget Proposals for the 2018/19 and 2019/20 Council Budget - Executive Report 6 February 2018 (Doc AW) and the addendum to that report circulated to Executive on 6 February 2018

9.5 Section 151 Officer's Report – Executive 20 February 2018 – (Doc BC)

10.0 APPENDICES

10.1 Appendix A - Council Cumulative Budget 2018/19 and outlook for 2020/21

10.2 Appendix B - Recurring pressures and investment proposals

10.3 Appendix C - Non - recurring investment proposals

10.4 Appendix D - New Proposals subject to consultation

10.5 Appendix E - Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

10.6 Appendix F - Proposed schedule of amendments to previous budget decisions

10.7 Appendix G – Proposed Use of Reserves statement

Appendix A
COUNCIL CUMULATIVE BUDGET 2018/19, 2019/20 and outlook for 2020/21

	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
NET EXPENDITURE			
2017/18 Base Budget	375,197	375,197	375,197
Reversal of non recurring investment	(1,575)	(2,025)	(2,025)
Recurring pressures (Appendix B)	3,712	5,233	6,773
Sub total	**377,334**	**378,405**	**379,945**
FUNDING CHANGES	(20,165)	(5,498)	(334)
INFLATION	13,826	26,817	38,277
Base Net Expenditure Requirement	**370,995**	**399,724**	**417,888**
Demographic pressures in Adults	2,993	6,045	9,160
Children's demographic pressure	625	1,250	1,875
One off investment (Appendix C)	266	703	25
Ring fenced expenditure on Adult Social Care	1,436	(1,436)	(1,436)
Transitional funding	(235)	(235)	(235)
Termination costs	(4,342)	(4,342)	(4,342)
Transformation fund	0	(2,500)	(2,500)
Capital financing and central budget adjustments	(8,440)	(6,381)	(5,831)
Public Health reduction in expenditure due to grant cut	(1,116)	(2,203)	(2,203)
2017/18 Budget decisions (Appendix E)	(18,699)	(33,512)	(33,512)
Amended prior Budget decisions (Appendix F)	15,271	12,076	4,536
New Budget proposals for consultation 2018/19 and 2019/20 (Appendix D)	(1,594)	(5,810)	(8,371)
Indicative savings required for 2020/21 per four year plan	0	(3,539)	(42,790)
Net Expenditure Requirement	**357,160**	**359,840**	**332,264**
RESOURCES			
Localised Business Rates	(126,693)	(65,159)	(65,589)
Council Tax Deficit 2017/18	400	0	0
Top Up Business Rate Grant	(46,500)	(68,100)	(69,462)
Revenue Support Grant	0	(34,054)	0
Use of Reserves (Appendix G)	2,746	(670)	(500)
Council Tax	(187,113)	(191,857)	(196,713)
Total Resources	**(357,160)**	**(359,840)**	**(332,264)**
Budget shortfall	**0**	**0**	**0**
Memorandum			
Council Tax base	140,348	141,098	141,848
Council Tax Band D	£1,333	£1,360	£1,387

Appendix B
Recurring pressures and investment proposals
(impact is shown on an incremental basis)

Ref.	Description of proposal	2018-19 Impact £'000	2019-20 Impact £'000	2020-21 Impact £'000
	Better Health Better Lives			
CRP5.1	Continuing investment to prevent Child Sexual Exploitation	300	0	0
	Total Better Health Better Lives	**300**	0	0
	Better Skills More Jobs & a Growing Economy			
RRP5.1	Funding for Growth Initiative	750	**0**	**0**
	Total Better Skills More Jobs & a Growing Economy	**750**	**0**	**0**
	Safe Clean and Active Communities			
ERP5.1	Increased costs associated with waste disposal	1,717	521	540
ERP5.2	Prudential borrowing budget for waste vehicles	288	0	0
	Total Safe Clean and Active Communities	**2,005**	**521**	**540**
	Well Run Council			
NRP5.1	Additional capital financing costs	0	1,000	1,000
FRP5.1	Council Tax Reduction Scheme – hardship fund	500	0	0
FRP5.2	Council Tax Reduction Scheme – administration costs	100	0	0
LRP5.1	Investment into school admission appeals service	57	0	0
	Total Well Run Council	**657**	**1,000**	**1,000**
	TOTAL	**3,712**	**1,521**	**1,540**

Appendix C

Non-recurring investment proposals
(impact is shown on an incremental basis)

Ref.	Description of Option	2018-19 Impact £'000	2019-20 impact £'000	2020-21 impact £'000
	Great Start Good Schools			
CNR5.1	Two year post to work on quality assurance	67	0	(67)
	Great Start Good Schools	**67**	**0**	**(67)**
	Safe Clean and Active Communities			
PNR5.1	One off foreign exchange loss on new waste disposal contract	133	(133)	0
	Total Safe Clean and Active Communities	**133**	**(133)**	**0**
	Better Skills More Jobs			
PNR5.2	Temporary funding for markets	0	636	(611)
	Total Better Skills More Jobs	**0**	**636**	**(611)**
	A Well Run Council			
LNR5.1	Temporary funding for mortuary services	66	(66)	0
	Total - A Well Run Council, Using All Our Resources to Deliver Our Priorities	**66**	**(66)**	**0**
	Total Non-recurring investment – Appendix A	**266**	**437**	**(678)**

Appendix D(i)
New Proposals subject to consultation

Ref	Proposal for Change	2018/19 £'000 Impact	2019/20 £'000 Impact
	Better Health Better Lives		
5PH1	A Home From Hospital Service – Bradford Respite and Integrated Care & Support Service (BRICCS) – review and redesign of the service.	0.0	170.1
5C1	Review Respite Provision after the introduction of personalised budgets	0.0	400.0
	Total Better Health Better Lives	**0.0**	**570.1**
	Better Skills, More Jobs and a Growing Economy		
5E1	Museums and Galleries – Review of service to include potential for income generation, service efficiency and integration and remodelling of operational delivery	0.0	260.0
5R1	Reducing de-trunked (previously Highway Agency controlled) road maintenance budget	224.8	0.0
5R2	Increased charges for activities on the highway – review of charging schedule.	25.0	0.0
5R3	Increasing percentage level of staff capital recharges to external projects/ customers	250.0	0.0
	Total Better Skills, More Jobs and a Growing Economy	**499.8**	**260.0**
	Safe Clean Active		
5E2	Youth Service – All commissioned grants will be reviewed during 2018, with grants to VCS groups providing youth work ceasing from April 2019.	0.0	311.0
	Total Safe Clean Active	**0.0**	**311.0**
	Well Run Council		
5FM1	Residential catering – budget reduced in line with current requirement and cost, no change in service levels	80.0	0.0
5FM2	School Catering and Cleaning – increased sales, price review and administrative efficiencies.	200.0	0.0
5F1	Revenues and Benefits – Review and release of budget relating to external contractor system,	200.0	0.0
5F2	Revenues and Benefits – General efficiency savings – combination of cost and staffing reductions	100.0	0.0
5F3	Procurement Supplies and Services Budget – overall net savings subsequent to a review of the Procurement function as a whole	100.0	0.0
5H1	Workforce Development reprioritised to focus on use of more specialist ad-hoc external delivery. Review of Occupational safety.	250.0	0.0
5L1	Register Office – Net additional contribution from increased fees.	15.0	0.0

Appendix D(i)
New Proposals subject to consultation

Ref	Proposal for Change	2018/19 £'000 Impact	2019/20 £'000 Impact
5L2	Reduction of Member support budget following pension changes – specific budget contribution no longer required	149.2	0.0
5X1	Reduce total cost of top management - the scope is the senior management (Strategic and Assistant Directors) and their PA structure	0.0	75.0
	Total Well Run Council	**1,094.2**	**75.0**
New draft proposals open for consultation		**1,594.0**	**1,216.1**

Appendix D (ii)
New proposal under separate consultation process until 12th February 2018 as per Executive Document AC 7th November 2017

Ref	Great Start Good Schools	2018/19 £'000 Impact	2019/20 £'000 Impact	2020/21 £'000 Impact
4C2	Prevention and Early Help – detailed proposals form part of the Executive report Doc AC -7th November 2017	0.0	3,000.0	2,561.0
	Total Great Start Good Schools	**0.0**	**3,000.0**	**2,561.0**
Total of new proposals subject to consultation – Appendix A		**1,594.0**	**4,216.1**	**2,561.0**

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact

Better Health Better Lives

4PH1	**School Nursing and Health Visiting -** service based efficiencies – primarily management, back office and vacancy control *Please note this proposals affects both Better Health, Better Lives and Great Start, Good Schools but for clarity is shown here*	1,390.0	1,959.0
4PH2	**Substance Misuse Service** – combination of redesign, re-commissioning and ceasing recovery service, dual diagnosis service, supervised medication programme, inpatient detoxification services.	1,634.0	625.0
4PH3	**Sexual Health -** combination of redesign, review and ceasing services Health development with young people, sex and relationship education in schools, emergency hormonal contraception	25.0	0.0
4PH4	**Tobacco** – combination of redesign, review and ceasing services	59.2	2.0
4PH5	**Homestart, Worksafe, Injury Minimisation Programme** - phase out of these services providing support for vulnerable parents and children age 0-5 years.	93.0	0.0
4PH6	**Physical Activity, Food and Nutrition** - cessation of grants to Voluntary and Community Sector (VCS) organisations delivering range of activities including 'cook and eat', physical activity, food growing and breastfeeding support.	250.0	0.0
4PH8	**Warm Homes Healthy People** – reduction in the short term winter activity based programme	40.0	20.0
4PH9	**CCG Rebasing** – to redesign services as part of an accountable care system, involving health, social care and other providers	499.0	0.0
4PH10	**Public Health** – reduction in staffing in line with redirecting investment profile towards reducing demand and maintaining health and wellbeing	350.0	310.0
4PH11	**Environmental Health** – management restructure	40.0	0.0
4E11	**Sport and Physical Activity –** investigate all methods of future operational service delivery	150.0	50.0
4A1	**Adults - Overall Demand Management Strategy** - moving from a dependency model to one that promotes independence and resilience (e.g. reducing numbers coming in to care, care system culture change, speeding up integration, redesign enablement, reviewing financial needs, continued personalisation).	8,000.0	8,000.0
3C7	**Looked After Children** - Reducing the cost of high cost placements	250.0	0.0
4C4	**Child Protection management restructure** – reduction in teams by four to ten with potential reduction in team	240.0	0.0

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact
	managers plus review other overall budgets		
4C5	**Children's Social Care management restructure** – review of management structure leading to proposed reduction of two service manager posts and one team manager	85.0	0.0
4C6	**Early Help** –review structures in early help for children and families commissioned from VCS, youth offending team, crime prevention, family centres, families first	120.0	660.0
4C7	**Looked After Team** – review of staffing and non staffing budgets	19.0	19.0
4C8	**Fostering and Adoption** – review team manager structure with potential reduction of one team manager post	50.0	0.0
4C9	**Disabled Children Team** – to build on review already underway with CAMHS, review overall staffing and non staffing budget	34.0	0.0
4C10	**Child Protection Review Team** – vacancy management, use of software to reduce administrative requirements	24.0	0.0
4C11	**Leaving Care** – to review staffing and non staffing budgets to achieve a saving of 2% in yr 1 and a further 1% in yr 2	34.0	0.0
4C13	**Drugs and Alcohol Team –** review of the work of the team and all other services that support young people with alcohol and drug issues	50.0	0.0
4C14	**Child Protection** - Reducing agency spend in Children's Social Care Services	36.0	0.0
4C15	**Child Protection** - Review of front door customer contact to Children's Social Care Services	46.0	0.0
	Reduction to Public Health Grant Cut met from proposals above	(1,116.0)	(1,087.0)
	Total - Better Health Better Lives	**12,402.2**	**10,558.0**

A Great Start and Good Schools for All Our Children

4C1	**Education Services** – From 2017 part of the Dedicated Schools Grant will be passed directly to schools. There will therefore be a reduction in Council spending but no reduction in base budget. The proposal is included here as there could be staffing implications.	0.0	0.0
4C2	**Early Years** - From 2017 part of the Dedicated Schools Grant will be removed. Plans are being formulated to develop a coherent and targeted suite of early years' services including early help, family centres and early years' including Children's Centres. The proposal is included here as there could be staffing implications.	0.0	0.0

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact
	Total – A Great Start and Good Schools for All Our Children	**0.0**	**0.0**

Better Skills More Jobs and a Growing Economy

4E7	**Remodel of Visitor Information & frontline service** - reduce the number and/or size of Visitor Information Centres (VICs), moving to a more digital basis promoting the district to target audiences, with the potential for VIC information points as co-located provision.	50.0	50.0
4E8	**Events and Festivals** – review to develop a more sustainable and balanced events programme	150.0	150.0
4E9	**Libraries** – reduction in the number of libraries directly provided by CBMDC. Further investigation of potential for alternative delivery models	100.0	950.0
4E10	**Theatres and Community Halls** – Halls to be transferred through Community Asset Transfer. Theatres to generate greater income	130.0	130.0
4E12	**Ministry of Food –**cessation of the service teaching people how to cook, eat and improve their long term health	96.0	0.0
4C3	**Children's Services** – staffing, restructure, reduction in the Connexions contract with longer term service brought back in to Council, investigate regional data centre, cessation of Employment Opportunities Fund (EOF).	150.0	50.0
4R1	**Industrial Services Group (ISG)** – reduce the staffing structure to suit the present workloads	43.3	0.0
4R2	**West Yorkshire Combined Authority (WYCA) Transport Levy** – proposed reduction in the levy	1,234.1	750.0
4R3	**Commercialise Highway Delivery Unit (HDU)** – to increase the range of services provided by the HDU through increasing involvement in existing capital works programmes and delivery of services which are externally funded	223.0	0.0
4R4	**Centralisation of Urban Traffic Control** including reduced maintenance of street lighting asset	246.0	0.0
4R5	**Planning, Transportation and Highways** – increase in discretionary charges	44.1	0.0
4R6	**Planning, Transportation and Highways** - options related to discretionary budgets for highway maintenance works including minor drainage improvements, pavement repairs and footpath and snicket maintenance	(6.4)	0.0
4R7	**Planning, Transportation and Highways** - reduction in Highways Services operational budgets associated with operational transport gateway and subway maintenance	2.5	0.0
4R8	**Planning, Transportation and Highways** - Robust administration of the Yorkshire Common Permit Scheme on the Highways	70.0	0.0

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact
4R9	**Planning, Transportation and Highways** - reduce area committee support and stop processing/charge for all requests for service delivery for non casualty led projects	124.0	0.0
4R10	**Education Capital Team** – combination of vacancy control, reduction in facilities management and other charges	50.0	0.0
4R11	**Planning, Transportation and Highways** - introduction of limited lighting hours / switch off of street lighting on non-principal road network	60.0	60.0
4R12	**School Catering and Cleaning** – increased sales and price reviews	35.0	0.0
4R13	**Economic Development Service** – reduction in City Park sinking fund (fund set aside to fund future expense), matched funding for European Strategic Investment Fund programmes. Remove support for "B-funded" community funding information website	0.0	26.0
4R20	**Regeneration** – no longer accept new schools onto the Active School Travel programme with existing provision being phased out over the following years of this budget process	28.0	28.0
4R21	**Regeneration** – reduction in the funding for the Road Safety Team	62.5	62.5
	Total - Better Skills More Jobs and a Growing Economy	**2,892.1**	**2,256.5**

Decent Homes That People Can Afford to Live In

4R19	**Housing Operations** – increase income generation from agency fees	44.0	0.0
	Total – Decent homes that people can afford to live in	**44.0**	**0.0**

Safe Clean and Active Communities

4E1	**Parks and Bereavement** management rationalisation; withdrawal from direct management of sport pitches and bowling greens; raise prices of bereavement services.	160.0	60.0
4E2	**Waste Collection and Disposal Services** – Full year effect of introduction of alternate weekly collection and	807.0	(84.0)

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact
	associated round reduction, improved recycling, reduction in residual waste and improved efficiencies.		
4E3	**Trade Waste** – process and service improvements including back office, round efficiencies and business development opportunities.	0.0	43.0
4E4	**Customer Services** – redirect face to face contact towards self service and telephone services will see a continuing decline in contact resulting in staffing efficiencies. Automated services will increase with fewer options for people to speak to a customer services advisor. More people will be expected to 'self serve' using on line services	50.0	50.0
4E5	**Street Cleansing and Public Conveniences** – reduction to street cleansing resources for 2019/20	336.3	1,004.5
4E6	**Pest Control** – cessation of the pest control service	36.2	0.0
4E13	**Car Parking** - Remove Christmas parking concessions, amend tariffs in Little Germany and other car park changes.	108.0	0.0
	Total - Safe Clean Active Communities	**1,497.5**	**1,073.5**

A Well Run Council, Using All Our Resources to Deliver Our Priorities

4F1	**Financial Services** – reduction in function reflecting reduced emphasis on retrospective reporting, more self service by budget managers and targeting staffing resources at highest risk, and most complex issues.	130.0	0.0
4F2	**Insurance** – reduce the total cost of insurance, including premiums paid to the Council's insurer, the cost of maintaining an internal insurance fund for self-insured risks and the cost of meeting claims	300.0	300.0
4F3	**Revenues and Benefits** – reduce significantly the amount of cash used by and within the organisation and reduce the cost of cash management functions through the increased digitalisation of customer payment options. Also consider if transactional functions across the Department will be more efficient and sustainable by bringing them together	160.0	0.0
4F4	**West Yorkshire Joint Committees** – cap contribution to Joint Committees at £1.1m which will require concerted action with other Councils	35.0	35.0
4H1	**Human Resources** – reduce HR transactional support, to reduce volume of service specific training	204.0	0.0
4H2	**Terms and Conditions** – removal of non contractual overtime payments and removal of essential car	400.0	300.0

Appendix E

Schedule of 2019/20 proposals subject to consultation (2018/19 for reference only)

REF	Proposal for Change	2018/19 £'000 NOT subject to consultation	2019/20 £'000 Impact
	allowance lump sum payments		
4L1	**Legal and Democratic Services** – to reflect the reduced size and scope of the Council, reductions to Civic, Legal and Committee Services, including Overview and Scrutiny are proposed	55.0	90.0
4X1	**Office of the Chief Executive** – restructure of the Office of the Chief Executive to improve coherence and integration of core corporate functions	479.0	0.0
4R15	**Facilities Management** – operational cost reductions reflecting the continued contraction of the organisation	100.0	200.0
	Total - A Well Run Council, Using All Our Resources to Deliver Our Priorities	**1,863.0**	**925.0**
Total – Schedule of Decisions for 2018/19 of Budget Council 2017 for information and 2019/20 proposals subject to consultation – Appendix A		**18,698.8**	**14,813.0**

Appendix F (i) – SCHEDULE OF PROPOSED AMENDMENTS TO PREVIOUS BUDGET DECISIONS SUBJECT TO CONSULTATION (incremental basis)

Ref	Description	2018-19 £'000	2019-20 £'000
Well Run Council			
4S1	**Information Technology Services** – reduction in costs associated with device support, licences and infrastructure. Switching technology solutions where better value can be achieved and rationalising the number of existing IT applications to simplify the technology in use	700.0	690.0
4R14	**Asset Management** – make the best use of the Council's and public sector partners' estate working with the Voluntary and Community Sector Also seek to invest in non-operational property to generate surplus income	360.0	200.0
4R16	**Facilities Management** – reduction in the maintenance budget as the size of the operational estate shrinks	100.0	780.0
4R17	**Facilities Management** – reduction in the size of the estate together with energy efficiency measures	147.5	0.0
Total Well Run Council		**1,307.5**	**1,670.0**
Net amendments to previous budget decisions **subject** to consultation		**1,307.5**	**1,670.0**

Appendix F (ii) - SCHEDULE OF PROPOSED AMENDMENTS TO PREVIOUS BUDGET DECISIONS NOT SUBJECT TO CONSULTATION (incremental basis)

Ref	Description	Prior Year Savings £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Better Health Better Lives					
3A2	Changes to Home Care Services	(1,500.0)	0.0	0.0	0.0
3A6	Changes to Learning Disability day care and procurement	(1,000.0)	0.0	1,000.0	0.0
3A10	Changes to contracts for Learning Disability residential and nursing	(1,000.0)	0.0	1,000.0	0.0
4A1	Adults Demand management	(8,000.0)	0.0	0.0	8,000.0
3C7	Reducing the cost of high cost placements – Children's Social Care	(1,039.0)	(250.0)	0.0	0.0
3C8	Reducing the number of looked after children by 75	(815.0)	0.0	0.0	0.0
4C4	Child Protection Management restructure	(60.0)	(240.0)	0.0	0.0
4C9	Disabled Children – reduce staffing on Child and Adolescent Mental Health Services (CAMHS) and reduce budget by 1%	0.0	(34.0)	0.0	0.0
4C10	Review Team – review budget and reduce by 2% in 2018/19	0.0	(24.0)	0.0	0.0
4C14	Reducing agency spend	(1,025.0)	(36.0)	0.0	0.0
4C15	Review of front door customer contact	0.0	(46.0)	0.0	0.0
Total Better Health Better Lives		**(14,439.0)**	**(630.0)**	**2,000.0**	**8,000.0**

Better Skills, More Jobs and a Growing Economy					
4R2	WYCA levy	0.0	(968.1)	(250.0)	(250.0)
4R4	UTC Centralisation	0.0	(246.0)	0	0.0
Total Better Skills, More Jobs and a Growing Economy		**0.0**	**(1,214.1)**	**(250.0)**	**(250.0)**
Well Run Council					
4H2	Revised terms and conditions	0.0	(280.0)	(210.0)	(210.0)
4L1	**Legal and Democratic Services** – to reflect the reduced size and scope of the Council, reductions to Civic, Legal and Committee Services, including Overview and Scrutiny are proposed	0.0	(15.0)	(15.0)	0.0
Total Well Run Council		**0.0**	**(295.0)**	**(225.0)**	**(210.0)**

	Prior Year Savings £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Net amendments to previous budget decisions **not** subject to consultation	**(14,439.0)**	**(2,139.1)**	**1,525.0**	**7,540.0**
Total Net effect of Appendix F(i) and Appendix F(ii) – see Appendix A	**(14,439.0)**	**(831.6)**	**3,195.0**	**7,540.0**

Appendix G
Proposed Use of Reserves

	2018/19	2019/20	2020/21
Reference	**£'000**	**£'000**	**£'000**
Trade Waste VAT Reserve			
Financial Services- Partially finance service from VAT reclaims. £120k p.a.	(120)	(103)	0

Transition and Risk Reserve			
Three year funding for growth strategy	(500)	(500)	(500)
Funding for two year post for Children's quality assurance	(67)	(67)	0
Replenishment of reserve from one off gain on business rates	3,433	0	0

Total movement on reserves- see Appendix A	**2,746**	**(670)**	**(500)**

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director, Finance and Procurement to the meeting of the Executive to be held on 20 February 2018 and Council to be held on 22 February 2018.

Document BA

Subject:

Allocation of the Schools Budget 2018/19 Financial Year

Summary statement:

The report seeks Executive approval of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2018/19 and subsequent recommendation to Full Council.

Andrew Crookham
Assistant Director, Finance and Procurement

Report Contact: Andrew Redding
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Portfolio: Leader of Council

Overview & Scrutiny Area: Corporate

1. SUMMARY

1.1 This report informs the Executive of the recommendations of the Schools Forum in allocating the Dedicated Schools Grant (DSG) for the 2018/19 financial year.

1.2 The Schools Budget is part of the overall budget proposal for the Council, which includes:

- the recommended Capital Investment Plan (Document BB)
- the Revenue Estimates (Document AZ)

1.3 This report is submitted to enable the Executive to make recommendations to Council on the setting of the budget and the Council Tax for 2018/19, as required by Article 4 of the Council's Constitution.

2. BACKGROUND

2.1 Under national Regulations, every local authority is required to operate a Schools Forum. The primary function of a Schools Forum is consultative; to recommend to the Council's Executive how the funding, which the Government provides for schools and individual pupils (known as the Dedicated Schools Grant (DSG)), is managed. The Schools Forum has some specific decision making powers.

2.2 Following the Government's National Funding Formula reforms, implemented from April 2018 (the final details of which were published on 14 September 2017), the DSG is constructed in four blocks with each block having a 'national formula' basis: the Schools Block, based on October 2017 pupil census data; the Early Years Block, based on January 2018 and 2019 census data; the High Needs Block, based partly on population, deprivation and other needs-led data and partly on historic spending levels; the newly created Central Schools Block, based on pupil numbers and deprivation data. All four Blocks in 2018/19 include some ceiling and floor arrangements as the Government moves to the new National Funding Formula over time. Our Schools Block and Early Years Block allocations are protected by these transitional arrangements. Our High Needs Block and Central Schools Block allocations are capped by these transitional arrangements and our funding in 2018/19 would be higher if the transition was not in place.

2.3 Within the 2018/19 DSG settlement, after transitional adjustments, Bradford has received an additional:

- £8.54m within the Schools Block (+ 2.1%). £3.99m of this from the continued growth of numbers in our primary and secondary schools and academies (+43 primary; +815 secondary). £4.55m is received as a result of the Government's implementation of National Funding Formula alongside the commitment to allocate a minimum 0.5% increase in primary and secondary per pupil funding in 2018/19. The Government has committed to a further minimum 0.5% per pupil funding increase in 2019/20. This is a shift from the initial position outlined by the Government in its December 2016 consultation, which was for a protection for losers as a result of National Funding Formula of negative 3% per pupil.
- £1.95m within the High Needs Block (+ 3.1%). This is the first year of allocation

of the growth resulting from the National Funding Formula. The Government's modelling shows that Bradford should receive an additional £15m (on 2017/18 base). This growth is capped by transitional arrangements to £7.5m, which is expected to be allocated over the next 4 years. There is currently no indication of the timescale for the allocation of the outstanding growth value.

- Estimated £2.65m within the Early Years Block for the full year delivery of the extended early years entitlement for eligible 3 and 4 year olds, which began at September 2017. This increase however, is netted against an estimated £1.38m reduction, which completes the £3m total reduction in our funding for 3 and 4 year olds as a result of the national reforms implemented at April 2017. The Early Years Block continues to include the specific allocation to protect maintained nursery schools. The Government has committed to this funding until the end of 2019/20 and has stated that there will be further consultation on the future funding of nursery schools.

- £0.08m within the Central Schools Block (+ 2.9%). This is the first year of allocation of the growth in our Central Schools Block as a result of the Government's National Funding Formula. We anticipate similar sized cash growth annually over the next 5 years.

2.4 The Government has stated its intention to implement the 'hard' National Funding Formula for primary and secondary schools and academies at April 2020. This means that for 2018/19 and 2019/20 the Local Authority with the Schools Forum continues to have responsibility for setting formula funding arrangements locally within tight regulations. After April 2020, local responsibility will be retained for the High Needs Block, Early Years Block and Central Schools Block, but the main Schools Block primary and secondary funding formula will be calculated nationally and only 'passported' by the Authority to schools.

2.5 Given this direction of travel, a key decision for all local authorities is whether to adopt the Government's National Funding Formula for the allocation of funding to individual primary and secondary schools for 2018/19. The Government has also enabled local authorities to decide locally the value of the Minimum Funding Guarantee (MFG) for primary and secondary schools, which can be set between minus 1.5% and positive 0.5% per pupil. This is a key decision, as 75% of Bradford's schools and academies will be funded at the MFG level in 2018/19. The MFG is the mechanism, which either limits the value of loss of funding per pupil or sets a minimum value of increase per pupil for every school compared against their allocation in the previous year. The MFG has been previously set nationally by Government at minus 1.5%.

2.6 The Authority, with the Schools Forum, completed consultations over the autumn 2017 on 2018/19 formula funding arrangements. The Authority has informally discussed with schools now for some time the possible implications of, and options around, National Funding Formula.

2.7 The Schools Forum has recommended on 10 January 2018 that we fully adopt the National Funding Formula for the calculation of primary and secondary formula allocations for 2018/19 and that the Schools Block MFG be set at positive 0.4%. 0.4% is the level at which arrangements are affordable within our DSG envelope. The recommended move to National Funding Formula enables the growth in

Schools Block monies that has come into the District from this to flow to individual schools and confirms the plan the Authority set out in outline in early 2017.

2.8 The recommendation to set the MFG at 0.4% is made in the context of the forecasted further growth in costs over 2018-2021. National Funding Formula, as it currently stands, does not address the very significant cut in the real terms value of school funding. This is a national issue. The National Audit Office has calculated, in its report published in December 2016, that on a national average basis the reduction in the real terms value of existing levels of education funding is 8.7% across 2016-2020. 8.7% is roughly a reduction of £45m in Bradford's DSG in real terms. The NAO's figure includes assumptions about inflationary pressures on non-staffing spending, the apprenticeship levy, annual pay awards and salaries increases, teacher pension scheme costs and increases in national insurance contributions. It is anticipated that annual pay awards will generally increase above 1% over the 2018-2021 period and the employer's contribution to teacher pensions will increase by at least 1.5% in 2019/20. As such, the cumulative pressure is now likely to exceed 8.7%. In addition to these factors, locally, education budgets are being required to absorb increased employer contributions to non-teaching staffing pension costs.

2.9 The total estimated amount of DSG available for distribution in 2018/19 is £535.908m, which includes a forecasted value of under spend (one off carry forward) within the DSG up to 31 March 2018 of £7.929m. The final 2018/19 DSG High Needs Block allocation will be confirmed in March 2018. The value of one off DSG carry forward will be confirmed by July 2018. The final value of the 2018/19 Early Years Block allocation will be confirmed in July 2019 (following the collection of the January 2019 Census data). The recommended distribution of the estimated DSG is summarised in the table below:-

Description	**Early Years Block £m**	**Schools Block £m**	**High Needs Block £m**	**Central Schools Block £m**	**Total DSG £m**
Estimated DSG available 2018/19	£43.997	£415.336	£65.793	£2.853	£527.979
Estimated DSG B'fwd from 2017/18	£1.523	£4.775	£1.631	£0.000	£7.929
Total Estimated DSG (Schools Budget) 2018/19	**£45.520**	**£420.111**	**£67.424**	**£2.853**	**£535.908**
Delegated to Schools / Providers	£42.970	£411.422	£52.317	£0.000	£506.709
Non-Delegated Items	£1.027	£3.913	£13.825	£2.853	£21.618
Allocation of One Off	£0.606	£0.550	£1.631	£0.000	£2.787
Total Funding Allocated	**£44.603**	**£415.885**	**£67.773**	**£2.853**	**£531.114**
Difference (reserve)	**+ £0.917**	**+ £4.226**	**- £0.349**	**£0.000**	**+ £4.794**

2.10 Members will identify from the table above that the DSG in total is forecasted to remain in surplus but the High Needs Block is currently forecasted to be in deficit at the end of 2018/19. The High Needs Block faces acute pressure and structural change is required to deliver financial sustainability whilst also delivering effective provision in sufficient quantity to meet the needs of pupils with SEND.

2.11 Members are asked to consider and approve the recommendations of the Schools Forum as agreed at its meeting on 10 January 2018. Should Members wish to propose amendments then representation must be made back to the Schools Forum.

3. SCHOOLS FORUM RECOMMENDATIONS ON THE ALLOCATION OF THE SCHOOLS BUDGET 2018/19

	(£000)
Total Estimated DSG (Schools Budget) Available 2018/19	**£535,908**

3.1 The Schools Block **£415,336**

This Block funds delegated formula funding allocations, services funded by de-delegation, and the Growth Fund, for primary and secondary schools and academies. Other central funds previously managed within this Block are now transferred to the separate newly established Central Schools Block.

For 2018/19, the Schools Block is calculated on National Funding Formula-based primary and secondary per pupil values x October 2017 census pupil numbers, plus additional defined cash allocations. Bradford's primary £app is £4,167; our secondary £app is £5,394. These values have been derived by the DfE through the amalgamation of the allocations that individual schools would have received via the National Funding Formula on October 2016 Census information, uplifted for the 0.5% minimum per pupil commitment and capped at 3% in the case of schools that gain. The additional cash allocations total £15.06m for Business Rates (£4.73m), split sites (£0.38m), PFI (£6.12m), pupil mobility (£0.54m) and Pupil Numbers Growth (£3.29m).

Please note that the funding for the delegated budgets of academies and free schools is 'top sliced' from this Block so that these settings can be funded directly by the Education Skills Funding Agency.

3.2 The High Needs Block **£65,793**

This Block funds resources for pupils in mainstream schools with Special Educational Needs (with Education Health and Care Plans), delegated budgets for Special Schools, Pupil Referral Units and resourced provisions. These budgets are calculated under the national 'Place-Plus' framework. Other DSG provision relating to high needs pupils, both centrally managed and devolved, is also funded from this Block. This includes teaching support services, support for inclusion, behaviour support, Education in Hospital provision and home tuition and the placement of

Bradford children in out of authority and in non-maintained provisions.

High Needs Block allocations are now calculated via National Funding Formula under transitional arrangements. Bradford receives £4,000 for pupils in special schools and academies (including independent special schools), plus 50% of the value of our 2017/18 High Needs Block spending plus a capped allocation under the new National Funding Formula, which is based on population, deprivation and other needs-led data. An adjustment is made to recognise cross border movement of children between authority areas. The Authority also receives within the High Needs Block a specific allocation for Education in Hospital provision, estimated at £1.6m in 2018/19.

Please note that the funding for high needs places in Bradford-located academies and Post 16 settings is 'top sliced' from this Block so that these settings can be funded directly by the Education Skills Funding Agency.

(£'000)

3.3 **The Early Years Block** **£43,997**

This Block funds delegated budgets, support services and other funds held centrally, relating to the provision of the free entitlement to nursery education for eligible 2, 3 and 4 year olds in nursery schools, primary schools and academies with nursery classes and private, voluntary and independent settings. The total value of this Block is currently estimated and will be finalised on the number of eligible children recorded in the January 2018 and January 2019 Censuses x £4,361 per FTE (£4.59 per hour) for pupil aged 3 & 4 and £4,940 per FTE (£5.20 per hour) for pupils aged 2.

Estimated figures of £0.491m and £0.193m are included in this Block for the Early Years Pupil Premium and the Disability Access Fund. In addition, an estimated £1.110m is included for the DfE's Maintained Nursery School Supplement.

3.4 **The Central Schools Block** **£2,853**

The Central Schools Block is newly established at April 2018. A number of items previously funded via 'top-slice' within the Schools Block are transferred to this Block, including Admissions and Local Authority statutory duties in respect of all state funded schools previously funded through the Education Services Grant.

The 2018/19 financial year allocation is calculated on a National Funding Formula basis. Bradford receives £27.82 per pupil x October 2017 Census numbers in primary and secondary schools and academies, plus a lump sum of £0.44m to match to the value of the 'historic commitments' spend within our 2017/18 DSG. This £0.44m lump sum is not expected to be received after 2018/19.

3.5 **Estimated DSG Brought Forward from 2017/18** **£7,929**

Final DSG allocations are not confirmed by the DfE until later in the financial year and the School Forum's recommendations are based on estimates of expenditure especially within the High Needs and Early Years Blocks. These estimates are reconciled at the end of each financial year and differences are added to the DSG in the next year for the Schools Forum to allocate on a one off basis. Decisions taken in previous years have already committed a proportion of the sum estimated to be carried forward at April 2018.

The table in paragraph 1.9 separates the DSG carry forward into the four blocks. This follows the local informal approach to the management of DSG reserves agreed with the Schools Forum; that end of year balances will be earmarked by Block. The Schools Forum specifically established in 2017/18 the principle of ring-fencing of the Early Years Block. For formal (external) purposes however, a single DSG carry forward figure is recorded. DSG reserves are not ring-fenced by the Regulations and can be used cross-block.

4. ALLOCATION TO DELEGATED BUDGETS (£000)

Total Allocated to School / Provider Delegated Budgets £506,709

Broken down as follows:

4.1 **Early Years Providers via Single Funding Formula £42,970**

This is funding delegated to maintained nursery schools, nursery classes in primary schools and academies and Private, Voluntary and Independent (PVI) providers, to support the delivery of the free entitlements to nursery education:

- Nursery Schools 3 / 4 year old universal and extended entitlement, incorporating the Maintained Nursery School Supplement £3.321m
- Nursery Classes in Primary Provisions 3 /4 year old universal and extended entitlement £14.934m
- PVI Providers 3 / 4 year old universal and extended entitlement £14.762m
- The free entitlement for the 40% most deprived 2 year olds £9.269m
- Early Years Pupil Premium £0.491m
- Disability Access Fund £0.193m

The Schools Forum recommends that the amendments that were set out in the Authority's consultation document, published in October 2017, are taken forward to be incorporated into our Early Years Single Funding Formula (EYSFF) used to calculate budget shares for settings delivering provision for 2 and 3 / 4 year olds in 2018/19, with the exception of the proposal for a new monthly starters and leavers framework, which is not being taken forward. The Schools Forum proposes to retain the current termly headcount basis for the EYSFF.

These amendments continue to respond to the Government's national early years funding reform, which has placed restrictions on how early years funding can be allocated e.g. in setting a maximum spend on additional supplements, including deprivation and which requires the adoption of a single universal setting base rate for all providers for the 3 / 4 year old entitlements by April 2019. A simple summary of Bradford's EYSFF that is recommended for 2018/19 is attached at Appendix 3.

(£000)

4.2 **Primary and Secondary Schools and Academies** **£411,422**

Primary £231.240m
Secondary £180.182m

The Forum has recommended to:

- Use the formulae outlined in Appendix 1 to calculate budget shares. The formulae have been agreed, following consultation with schools in the autumn. We submitted the final version of the required Pro-forma on 15 January and this is subject to final validation by the ESFA.
- 'Move to National Funding Formula' (NFF) at April 2018, thereby using the NFF announced on 14 September 2017 to calculate individual formula funding budget shares for both the primary and secondary phases. This is as set out in the autumn 2017 consultation and defined in detail in the Pro-forma.
- Set the value of Minimum Funding Guarantee (MFG) at + 0.4%.
- Set the value of the Ceiling at + 3.0% per pupil (+ 3.0% cap, 100% scaling).
- Fully implement the £3,500 (primary), £4,800 (secondary) and £4,042 (all-through) new minimums for eligible schools, discounting Building Schools for the Future and Business Rates from the calculation of these minimums.
- Continue our current formulae for the allocation of both split sites and pupil mobility.
- Continue the value of the DSG contribution to the Building Schools for the Future affordability gap at £6.670m in 2018/19.
- Meet the cost (estimated) of expanding places in primary and secondary schools and academies through the DSG Growth Fund; a total planned budget of £1.790m, excluding items funded by one off monies.

Please note that there is no transfer of Schools Block monies to the High Needs Block within the 2018/19 DSG recommendations. Members will recall that a sum of £5.7m in total was transferred from the Schools Block to the High Needs Block in 2017/18.

4.3 **Special Schools and Special Academies** **£25,040**

The national definition of a "High Needs" pupil is one whose education, incorporating all additional support, costs more than £10,000 per annum. The Government has introduced a national framework of "Place Plus" to allocate funding to schools and other settings. The "Place" element has been set nationally at £10,000 for both SEN and Alternative Provision settings. The "Plus" element is the top up above the "Place" funding and is based on an assessment of the additional need of an individual pupil. Local authorities are permitted to establish bands or ranges for this element of funding. The allocation of the High Needs Block for 2018/19 is recommended on the basis on Bradford's existing Place-Plus model with two significant structural amendments, which were set out in the autumn 2017 consultation document:

- The cessation, from 1 September 2018, of the High Needs Block's direct funding of Top Up (the Plus element) for the placement of pupils in alternative provision settings without EHCPs that remain on the roll of mainstream schools. Following this change, the commissioner of the placement (the mainstream school) will hold the responsibility for funding the top up element from their delegated budget.

- The full establishment of Bradford's Place-Plus model for the funding of early years resourced provision, replacing previous temporary methodologies that have been in place for the funding of Children's Centre Plus provisions.

Bradford's Ranges Model, and the values of 'Plus' funding attached to each range, are outlined in Appendix 2. The funding values are reduced by 1.50% on those allocated in 2017/18.

The 2018/19 planned spending of £25.040m incorporates the allocation of an additional 162 FTE places to special schools in the 2018/19 academic year vs. the 2017/18 academic year.

(£'000)

4.4 **Pupil Referral Units (PRUs) £7,155**

The PRUs are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The Schools Forum has recommended the cessation, from 1 September 2018, of the High Needs Block's direct funding of Top Up (the Plus element) for the placement of pupils in alternative provision settings without EHCPs that remain on the roll of mainstream schools. The settings specifically within the scope of this amendment are the primary behaviour centres and Bradford Central PRU. Following this change, the commissioner of the placement (the mainstream school) will hold the responsibility for funding the top up element from their delegated budget. The Schools Forum has also given its support to the Authority's work towards the cessation of the High Needs Block's direct funding of Top Up (the Plus element) for the placement of pupils in District PRU, beginning from September 2018. This proposal is captured within the Authority's continuing wider SEMH review.

The 2018/19 planned spending of £7.155m incorporates the allocation of an additional 42 FTE places to PRUs in the 2018/19 academic year vs. the 2017/18 academic year.

4.5 **Behaviour Centres (Primary) £810**

The Primary Behaviour Centres are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. The adjustment described in paragraph 4.4 above relating to the funding of placements of pupils without EHCPs also applies to this sector. The number of funded places in 2018/19 is the same as 2017/18.

(£'000)

4.6 **Resources Provisions (Primary & Secondary)** **£6,489**

All resourced provisions attached to mainstream primary and secondary schools and academies; Designated Specialist Provisions (DSPs) and Additional Resourced Centres (ARCs), in 2018/19 are funded via the Place-Plus framework explained above and via the Plus funding rates shown in Appendix 2. Please note that ARC provision is centrally managed. Please also note that there is a technical revision to the funding of resourced provisions, directed by the DfE, the result of which is that the value of the place element for places occupied at October 2017 is £6,000 rather than £10,000, with the host school now receiving instead full formula funding for the resourced provision pupils.

The 2018/19 planned spending of £6.489m incorporates the allocation of an additional 126 FTE places to primary and secondary resourced provisions in the 2018/19 academic year vs. the 2017/18 academic year.

4.7 **Pupils with EHCPs in Mainstream Schools and Academies** **£6,461**

Funding is delegated to mainstream schools and academies for pupils with Education Health and Care Plans based on the Ranges Model. The planned cost of £6.461m incorporates the SEN Funding Floor (the factor that ensures a minimum level of funding for SEND provision in schools and academies), which is affected by the National Funding Formula. The Schools Forum has recommended that SEN Floor allocations for mainstream primary and secondary schools and academies are protected at their 2017/18 financial year values i.e. schools and academies currently in receipt of the SEN Funding Floor will not receive less via this factor in 2018/19 than they did in 2017/18.

The Schools Forum has also recommended that the 'notional SEN' values for primary and secondary schools and academies are calculated on the basis set out in the autumn 2017 consultation (allowing the impact of National Funding Formula to flow into this). The Forum has asked the Authority to benchmark our approach against that in other authorities, using the 2018/19 pro-forma information, to determine how our notional SEN calculation should develop under National Funding Formula from April 2019.

4.8 **Post 16 Further Education Providers** **£4,435**

The transfer to the DSG of the full cost of Post 16 High Needs provision was completed at April 2017. Places are funded at £6,000 from the High Needs Block. For the 'Plus' element, Further Education providers are funded for the vast majority of students at 60% of the Ranges Model value (shown in Appendix 2) for the primary need of the student. The exceptions are students with the primary need of sensory impairment (Hearing / Visual), where funding is calculated on an actual cost basis.

The 2018/19 planned spending of £4.435m incorporates the allocation of an additional 125 FTE places to Further Education providers in the 2018/19 academic year vs. the 2017/18 academic year.

(£'000)

4.9 **Early Years Resourced Provision** **£998**

Early years resourced provision, newly established, is to be funded via the full Place-Plus framework explained above. The 2018/19 planned spending of £0.998m is based on an allocation of 78 FTE places. Please note that the children placed in early years resourced provisions continue to receive their allocations under the Early Years Single Funding Formula (see paragraph 4.1). The High Needs Block allocates £6,000 per FTE place plus the respective top up value via the Ranges Model.

4.10 **Education in Hospital and Tracks Provision** **£929**

Education in Hospital and Tracks provision is funded on the agreed planned number of places, with the Finance Regulations requiring that the funding per place in 2018/19 is not lower than the value in 2017/18. The number of funded places in 2018/19 is the same as 2017/18.

5. AMOUNT ALLOCATED TO NON-DELEGATED BUDGETS **(£000)**

Total Allocated to non-delegated Budgets **£21,618**

Broken down as follows:

The School and Early Years Finance (England) Regulations have, over time and in preparation for National Funding Formula, altered the treatment of non-delegated items and contingencies. The Regulations now require a greater proportion of the DSG to be delegated to schools and early years providers and also require that the Schools Forum makes recommendations for permitted centrally managed items individually and some on a phase specific basis. The DfE published its Policy Document entitled "The national funding formula for schools and high needs" and the 2018 Regulations came into effect on 5 February 2018, which formally establishes the new Central Schools Block.

5.1 **Schools Block non-delegated budgets** **£3,913**

A total of £3.913m is recommended to be held within the Schools Block for the following purposes:

- £2.203m for items de-delegated from maintained primary and secondary schools. The Schools Forum recommends the continuation of de-delegation for the same purposes as 2017/18 with the exception of behaviour support services for the primary phase, which is recommended to cease at 31 August 2018. This is recommended with the understanding that these services are proposed to form part of the Authority's wider SEND support services traded offer from September 2018. The Schools Forum has also asked to consider a benefit vs. cost analysis of the current level of funding of Trade Union Facilities Time, which may affect the value of de-delegation for this purpose going forward.

- £1.014m provision for new growth (pupil numbers expansion in primary and secondary schools and academies) at September 2018. £0.700m of this is for growth in the secondary phase.
- £0.696m Business Rates provision.

(£000)

5.2 **High Needs Block non delegated budgets** **£13,825**

A total of £13.825m (before the allocation of one off monies) is recommended to be held within the High Needs Block. There are sum smaller budgets within this total e.g. for speech and language therapy of copyright licences. However, this total is primarily made up of spending in 4 areas:

- £7.420m for the cost of placements in out of authority maintained and independent schools. This is £0.84m greater than the planned budget in 2017/18.
- £4.516m for centrally managed SEND support services, the development of which from September 2018 is currently under consultation.
- £1.000m for the provision of home tuition for children not able to access school on medical grounds.
- £0.740m for the DSG's contribution to the Affordability Gap for Building Schools for the Future for special schools.

5.3 **Early Years Block non delegated budgets** **£1,027**

A total of £1.027m is recommended to be held within the Early Years Block for the following purposes:

- £0.800m Early Years SEND Inclusion Fund, which is to be allocated to support high incidence low need SEND in early years settings. This is increased from a fund of £0.600m held in 2017/18. Although recorded as centrally managed in this report this funding is expected to be paid out to providers during the year.
- £0.193m for nursery school access to relevant agreed 'de-delegated' funds.
- £0.034m for copyright licences.

Please note that £1.027m constitutes 1.2% of the 3 / 4 year old DSG funding allocation and therefore, complies with the DfE's 5% Early Years Block central funds restriction.

5.4 **Central Schools Block** **£2,853**

The Central Schools Block is newly established at April 2018. A number of items previously funded via 'top-slice' within the Schools Block are transferred to this

Block. The £2,853m is recommended to be allocated as follows:

- Schools Forum costs £0.001m.
- School Admissions £0.580m.
- Education Services Grant Centrally Retained Duties in support of the statutory duties delivered by the Local Authority on behalf of all state funded schools including academies £1.331.
- Copyright licences Schools Block £0.357m.
- £0.584m to enable the transfer of High Needs Block activities where the nature of the expenditure is covered by the Regulations, which govern the purposes for which Central Schools Block monies can be used i.e. statutory and regulatory duties for all maintained schools and academies regarding the exclusions of pupils and school attendance. The budgets are Youth Offending, Behaviour Support, and Travellers Children.

6. AMOUNTS ALLOCATED ON A ONE OFF BASIS (£000)

Total allocated on a one off basis in 2018/19 £2,787

The £2.787m is made up of the following recommended allocations:

- Schools Block: £0.550m estimated for the cost in 2018/19 of the financial support for Beckfoot Upper Heaton Academy allocated via the agreed model.

- Early Years Block: £0.606m estimated for the cost in 2018/19 of protecting against the full reduction in the value of the setting base rate for 3 and 4 year olds that would otherwise come as a result of national reform. £0.605m uplifts the base rate value from £4.03 to £4.12 per hour.

- High Needs Block: £1.631m is estimated at this stage to be used to offset the forecasted overspending within the High Needs Block in 2018/19. £1.631m is the full value of the estimated carry forward balance held in the High Needs Block at April 2018. The £1.631m is subject to confirmation following the closure of the 2017/18 financial year.

7. AMOUNTS NOT ALLOCATED IN 2018/19 (£000)

Total amount not allocated in 2018/19 £4,794

The £4.794m is made up of the following sums net of the forecasted £0.349m overspending in the High Needs Block:

Schools Block £4.226m:

- £1.790m to support meeting the cost of the agreed financial support model for Beckfoot Upper Heaton Academy after 31 March 2019.
- £0.650m for the deficit of a school converting to academy status.
- £0.716m of reserve specifically earmarked for supporting additional costs of

pupil numbers growth from April 2019.
- £0.091m balance of de-delegated funds carried forward.
- £0.979m resilience reserve. This sum is effectively the remaining unallocated balance within the Schools Block.

Early Years Block £0.917m:
- £0.606m earmarked to continue to protect the setting base rate for the 3 and 4 year old free entitlements for 1 further financial year in 2019/20.
- £0.311m resilience reserve. This sum is effectively the remaining unallocated balance within the Early Years Block.

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

If the allocations are not agreed by Elected Members then representations have to be made to the Schools Forum. In the event that agreement cannot be reached with the Schools Forum, the Council must refer the matter to the Department for Education (DfE).

9. LEGAL APPRAISAL

Section 45 of the School Standards and Framework Act 1998 provides that for the purposes of the financing of maintained schools by local authorities every such school shall have for each funding period a budget share, which is allocated to it by the authority which maintains it to be determined in accordance with sections 45 – 47 of that Act.

Section 47(A) of the Act requires that every local authority must, in accordance with regulations, establish for their area a body to be known as a schools forum. The purpose of a schools forum is to advise the local authority on such matters relating to the authority's schools budget as may be prescribed by regulations.

The Schools Forum has some decision making powers in relation to school budget functions. The role of the Local Authority is to make proposals to the Forum on those matters, which the Forum can decide, and to consult the Forum annually in connection with various schools budget functions. Where the Schools Forum and the Local Authority are in disagreement about proposals made by the Authority the Secretary of State for Education will adjudicate.

In 2018/19 the new national funding formula (NFF) for schools, high needs and central school services will come into effect. The national funding formula for early years was introduced in 2017/18. The new NFF will determine how the DSG is allocated to local authorities. The formula for schools means that school funding will be distributed to local authorities according to a formula based on the individual needs and characteristics of every school in the country. However in 2018/19 and 2019/20 local authorities still retain discretion to determine schools' budget allocations locally. The Department for Education consulted on the proposed changes.

The School and Early Years Finance (England) Regulations 2018 came into force on 5th February 2018. These Regulations apply in relation to the financial year beginning on 1st April 2018. Local Authorities are required to calculate budgets for all maintained schools using a funding formula. The Regulations require the Local Authority to decide the formula it will use for the financial year 2018/2019. A local authority must, not later than 28th February 2018 (a) make an initial determination of its schools budget; and (b) give notice of that determination to the governing bodies of the schools which it maintains.

10. OTHER IMPLICATIONS

There are no direct implications resulting from this report.

11.1 EQUALITY & DIVERSITY

There are no direct implications resulting from this report.

11.2 SUSTAINABILITY IMPLICATIONS

There are no direct implications resulting from this report.

11.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct implications resulting from this report.

11.4 COMMUNITY SAFETY IMPLICATIONS

There are no direct implications resulting from this report.

11.5 HUMAN RIGHTS ACT

There are no direct implications resulting from this report.

11.6 TRADE UNION

There are no direct implications resulting from this report.

11.7 WARD IMPLICATIONS

There are no direct implications resulting from this report.

12. NOT FOR PUBLICATION DOCUMENTS

None

13. OPTIONS

Please see the recommendations below.

14. RECOMMENDATIONS

14.1 It is recommended that the Executive asks Council to:

a) Accept and approve the proposals from the Schools Forum for the allocation of the 2018/19 DSG as set out in this report.

b) Approve the total amount of £535.908m to be appropriated in respect of all schools covered by the Bradford Scheme for the Local Management of Schools, so as to establish the Individual Schools Budget for 2018/19.

11. APPENDICES

- Appendix 1 – Local Authority Funding Reform Pro-Forma 2018/19
- Appendix 2 – High Needs Provision: Proposed Fund Categories, Bands & Amounts 2018/19
- Appendix 3 – Early Years Single Funding Formula 2018/19

12. BACKGROUND DOCUMENTS

- Decisions List of School Forum 10 January 2018
- Section 151 Officer's Report – Executive 20 February 2018 – (Doc BC)

Local Authority Funding Reform Proforma

LA Name:	Bradford
LA Number:	380

Premises costs to exclude from allocation when calculating the minimum funding level	Mobility	Rates	PFI	Split Sites
	No	Yes	Yes	No

Primary minimum per pupil funding level	Middle school minimum per pupil funding level for secondary pupils	Secondary minimum per pupil funding level
3,500		4,800

Pupil Led Factors

	Reception uplift	No	Pupil Units	0.00			
	Description	**Amount per pupil**	**Pupil Units**	**Sub Total**	**Total**	**Proportion of total pre MFG funding (%)**	**Notional SEN (%)**
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary (Years R-6)	£2,747.44	55,134.00	£151,477,331	**£280,969,629**	37.47%	7.51%
	Key Stage 3 (Years 7-9)	£3,863.62	19,620.00	£75,804,187		18.75%	6.28%
	Key Stage 4 (Years 10-11)	£4,386.70	12,238.83	£53,688,112		13.28%	6.28%

	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
2) Deprivation	FSM	£440.07	£440.07	9,821.49	5,988.14	£6,957,349	**£47,461,977**	11.74%	23.08%	10.16%
	FSM6	£540.09	£785.13	16,389.93	12,000.30	£18,273,720			23.08%	10.16%
	IDACI Band F	£200.03	£290.05	7,299.28	4,381.60	£2,730,955			22.45%	19.18%
	IDACI Band E	£240.04	£390.06	9,238.22	5,645.90	£4,419,778			22.45%	19.18%
	IDACI Band D	£360.06	£515.08	7,653.27	4,594.51	£5,122,168			22.45%	19.18%
	IDACI Band C	£390.06	£560.09	3,679.73	2,049.84	£2,583,419			22.45%	19.18%
	IDACI Band B	£420.07	£600.10	7,260.10	4,009.20	£5,455,635			22.45%	19.18%
	IDACI Band A	£575.09	£810.13	1,837.43	1,064.35	£1,918,951			22.45%	19.18%

	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
3) Looked After Children (LAC)	LAC X March 17	£0.00		489.57		£0	**£8,060,696**	0.00%	0.00%	
4) English as an Additional Language (EAL)	EAL 3 Primary	£515.08		11,858.68		£6,108,198		1.81%	0.00%	
	EAL 3 Secondary		£1,385.22		883.64	£1,224,040				0.00%
5) Mobility	Pupils starting school outside of normal entry dates	£1,608.19	£1,915.87	444.15	7.40	£728,457		0.18%	0.00%	0.00%

	Description	Weighting	Amount per pupil	Percentage of eligible pupils	Eligible proportion of primary and secondary NOR respectively	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
6) Prior attainment	Low Attainment % new EFSP	100.00%	£1,050.17	39.17%	20,274.52	£21,291,649	**£34,523,992**	8.54%	100.00%	
	Low Attainment % old FSP 78			24.74%						
	Secondary low attainment (year 7)	58.05%	£1,550.25	26.19%	8,535.63	£13,232,343				100.00%
	Secondary low attainment (year 8)	48.02%		26.41%						
	Secondary low attainment (years 9 to 11)			27.15%						

Factor	Lump Sum per Primary School (£)	Lump Sum per Secondary School (£)	Lump Sum per Middle School (£)	Lump Sum per All-through School (£)	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
7) Lump Sum	£110,017.60	£110,017.60			**£20,793,326**	5.14%	0.00%	0.00%
8) Sparsity factor	£0.00	£0.00	£0.00	£0.00	**£0**	0.00%	0.00%	0.00%

Please provide alternative distance and pupil number thresholds for the sparsity factor below. Please leave blank if you want to use the default thresholds. Also specify whether you want to use a tapered lump sum for one or both of the phases.

Primary distance threshold (miles)		Primary pupil number average year group threshold		Fixed or tapered sparsity primary lump sum?	Fixed
Secondary distance threshold (miles)		Secondary pupil number average year group threshold		Fixed or tapered sparsity secondary lump sum?	Fixed
Middle schools distance threshold (miles)		Middle school pupil number average year group threshold		Fixed or tapered sparsity middle school lump sum?	Fixed
All-through schools distance threshold (miles)		All-through pupil number average year group threshold		Fixed or tapered sparsity all-through lump sum?	Fixed

9) Fringe Payments	**£0**	0.00%	
10) Split Sites	**£402,889**	0.10%	0.00%
11) Rates	**£4,391,906**	1.09%	0.00%
12) PFI funding	**£6,230,144**	1.54%	0.00%

13) Exceptional circumstances (can only be used with prior agreement of ESFA)

Circumstance	**Total (£)**	**Proportion of total pre MFG funding (%)**	**Notional SEN (%)**	
Additional lump sum for schools amalgamated during FY17-18	**£77,012**	0.02%	0.00%	0.00%
Additional sparsity lump sum for small schools	**£0**	0.00%	0.00%	
Additional funding under the minimum per pupil level of funding factor	**£0**	0.00%	0.00%	
Exceptional Circumstance4	**£0**	0.00%	0.00%	
Exceptional Circumstance5	**£0**	0.00%	0.00%	
Exceptional Circumstance6	**£0**	0.00%	0.00%	
Exceptional Circumstance7	**£0**	0.00%	0.00%	

Additional funding to meet minimum per pupil funding level	**£1,314,493**

Total Funding for Schools Block Formula (excluding MFG Funding Total) (£)	**£404,226,064**	**100.00%**	**£62,948,995**

14) Minimum Funding Guarantee			0.40%	**£8,870,959**
Apply capping and scaling factors? (gains may be capped above a specific ceiling and/or scaled)				Yes
Capping Factor (%)	2.60%	Scaling Factor (%)	100.00%	
Total deduction if capping and scaling factors are applied				-£277,887

	Total (£)	**Proportion of Total funding(%)**
MFG Net Total Funding (MFG + deduction from capping and scaling)	£8,593,072	2.08%

High Needs threshold (only fill in if, exceptionally, a high needs threshold different from £6,000 has been approved)	
Additional funding from the high needs budget	£467,714.74
Growth fund (if applicable)	£2,340,161.20
Falling rolls fund (if applicable)	£0.00

Total Funding For Schools Block Formula	**£412,819,136**	
% Distributed through Basic Entitlement	**69.51%**	
% Pupil Led Funding	**91.78%**	
Primary: Secondary Ratio	**1 :**	**1.37**

Total funding for schools block formula contains funding from outside of the 2018-19 Schools Block allocation?	No

Appendix 2

HIGH NEEDS PROVISION: PROPOSED FUNDING CATEGORIES, BANDS & AMOUNTS 2018/19

	Range 1	**Range 2**	**Range 3**	**Range 4**				**Range 5**	**Range 6**	**Range 7**
PRIMARY NEED	Delegated Place Funding			Band A (16.5-21.5 hours)	Band B (22-27 hours)	Band C (27.5-34.5 hours)	Band D (35+ hours)			
Additional "Plus" Funding			**£0**	**£952**	**£3,000**	**£4,597**	**£7,160**	**£10,440**	**£13,910**	**£22,857**
Mainstream Autism & SLCN						SLCN	ASD		ASD+	ASD++
Mainstream MLD/SLD/PMLD			MLD		MLD+	SLD	PMLD	SLD+	PMLD+	PMLD++
Mainstream PD							PD		PD+	PD++
Mainstream HI/VI						HI/VI		HI+/VI+		
Mainstream BESD							BESD		BESD+	BESD++

Points
Mainstream funding is within colour coded Bands (mainly range 4)
Special School funding is determined by actual Primary Need and is shown as text

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Early Years Single Funding Formula (EYSFF) Pro-forma 2018/19 *Appendix 3*

EYSFF Factor Heading	Description of Factor	Unit Value (£)			*Unit Applied*	Number of Units (estimated)			
		PVI	Nursery School	Primary Nursery Class	*Unit Type*	PVI	Nursery School	Primary Nursery Class	Estimated Total Spend
1a. EYSFF (three and four year olds) Setting Base Rate(s) per hour, per provider type	Base rate applicable to all providers of the same type	£4.12	£5.70	£4.12	*PerHour*	3,382,194	480,266	3,311,788	**£30,314,359**
2a. Supplements: Deprivation *(Average rate per hour)*	Deprivation Variable 1 - using 3 year average IMD scores to calculate funding for all providers	£0.81	£1.49	£0.81	*PerHour*	1,065,610	216,011	1,384,767	**£2,307,788**
	Deprivation Variable 2 - using 3 year average IMD scores to calculate additional funding for providers with above average IMD scores	£0.20	£0.34	£0.20	*PerHour*	1,158,457	324,832	1,926,399	**£732,843**
2b. Nursery School Lump Sums	Nursery Schools Sustainability Top-Up: this funding tops up the school to a minumim level of funding based on that school's specific circumstances, taking into account premises, rates, insurance, base allocations, mainstreamed grants		Variable		*Lump Sum*		7		**£268,135**
3. Two year old Base Rate(s) per hour, per provider type	Base rate applicable to all providers	£5.20	£5.20	£5.20	*PerHour*	1,269,180	180,079	333,150	**£9,268,526**

Early Years Block Additional Managed Funds

4. Early Years Inclusion	2 Year Olds	**£100,000**
	3 & 4 Year Olds	**£700,000**
5. Early Years Centrally Retained Spending	Contribution for access to de-delegated services	**£192,633**
	DfE Copyright Licences (proportionate EYB charge)	**£34,374**
6. Early Years Pupil Premium (EYPP)	Allocated as per DfE Methdology	**£491,315**
7. Early Years Disability Access Fund (DAF)	Allocated as per DfE Methdology	**£193,110**

Position vs. Statutory Restrictions (3&4 Year Old EYSFF)

Pass Through Rate (Central Spend Restriction)	EYSFF 3&4 year old delegated £pp spend must be >= 95% of DSG £app rate of funding (Bradford's calculation in 2018/19 includes one off monies)	**98.7%**
Spend on Supplements (Deprivation)	Restricted to 10% of 3&4 Year Old EYSFF (Bradford's calculation in 2018/19 is 9.5% excluding one off monies and MNS protection)	**9.5%**

2018/19 Summary & Comparison - Indicative Total Hourly Funding Rates by Sector

	2018/19 Indicative	2017/18 Actual	Cash Difference	% Difference
2 Year Offer - Universal Base Rate	**£5.20**	**£5.20**	**£0.00**	**0.0%**
3 & 4 Year Old Setting Base – Nursery Schools	£5.70	£5.70	£0.00	0.0%
3 & 4 Year Old Setting Base – Nursery Classes	£4.12	£4.13	-£0.01	-0.2%
3 & 4 Year Old Setting Base – PVI Providers	£4.12	£4.62	-£0.50	-10.8%
3 & 4 Year Old Mean Deprivation & SEN Rate	£0.42	£0.43	-£0.01	-2.1%
3 & 4 Year Old Nursery Schools Sustainability	£0.58	£1.07	-£0.49	-45.7%
3 & 4 Year Old Total - Nursery Schools	**£7.20**	**£7.73**	**-£0.53**	**-6.8%**
3 & 4 Year Old Total - Nursery Classes	**£4.58**	**£4.58**	**-£0.01**	**-0.2%**
3 & 4 Year Old Total - PVI	**£4.44**	**£4.93**	**-£0.50**	**-10.0%**

Please note deprivation rates are subject to change once January 2018 postcode data is available to calculate updated IMD scores
Number of units (estimated) include an estimate of 30 hours delivery

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City of Bradford MDC
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Report of the Assistant Director Finance and Procurement to the meeting of Executive to be held on 20 February 2018 and Council to be held on 22 February 2018

Subject: **Document: BB**

The Council's Capital Investment Plan for 2018-19 onwards

Summary statement:

This report presents the Capital Investment Plan for 2018-19 to 2021-22. Appendix A sets out the Council's Capital Strategy to date.

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Assistant Director Finance and Procurement

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Portfolio:

Leader of the Council

Overview & Scrutiny Area:

Corporate

1. SUMMARY

1.1 This report outlines the Council's proposed Capital Investment Plans from 2018-19 to 2021-22. These plans are part of the overall 2018-19 budget proposal for the Council which includes:

- The Council's Revenue Estimates for 2018-19 (Document AZ)
- Allocation of the Schools Budget 2018-19 Financial Year (Document BA)
- Section 151 Officer's Assessment of proposed budgets (Document BC)

1.2 This report is submitted to enable the Executive to make recommendations to Budget Council on the setting of the budget and Council Tax for 2018-19 as required by Article 4 and Part 3C of the Council's Constitution.

2. CAPITAL INVESTMENT PLAN (CIP) BACKGROUND

2.1 The Capital Investment Plan (CIP), provides for investment in assets like buildings and vehicles. It impacts on the district over many years, in contrast to the annual Revenue Estimates, which details the annual budget for day to day expenditure.

2.2 The overriding purpose of the CIP is investment in assets to enable service delivery. Examples include investment in schools to deliver education, buildings to provide care and affordable housing.

2.3 Overall the CIP aims to maximise service delivery based on the Council's overall vision: Great start, good schools; Better health, better lives; Better skills, more good jobs and a growing economy; Safe, clean and active communities; A well run Council.

2.4 Another increasing consideration for the CIP is to generate income. Currently the Council is investigating options on how to invest in property to generate income (9 January 2018 Executive; A strategy for Growth in income from Council Tax, Business Rates and Investment, Document AP). Such income can be used to support the Revenue Estimates when the Revenue Support Grant is reducing.

2.5 Further there are a number of other reasons that the Council invests in assets. This includes regenerating the local economy and working jointly with other public sector bodies in the district. Such reasons are further explored in the Capital Strategy within Appendix A of this report.

3 FUNDING BACKGROUND

3.1 Funding sources for the CIP are limited. The largest source of funding is capital grants provided by other parts of the public sector and the Government.

3.2 Another funding source is capital receipts from the sale of the Council's assets, such as land, which is recycled directly back into the new capital expenditure proposed in the CIP.

3.3 Any other funding apart from capital grants and capital receipts has an implication for the Revenue Estimates. For example, one of the allowed funding sources is to fund capital expenditure directly from a budget line in the Revenue Estimates (Direct Revenue Financing).

3.4 Another allowed funding source is to use earmarked reserves. However, this means the funding is not being used to support day to day expenditure in the Revenue Estimates.

3.5 The most significant funding source for the CIP is borrowing because this has the largest impact on the Revenue Estimates. This impact is from the repayment of the principal as well as the interest, which are both charges in the Revenue Estimates. (Appendix 1 shows the borrowing limits and prudential indicators)

3.6 Some of the borrowing in the CIP is to fund the purchase of assets, that once operational make a saving for the Council (Invest to Save Borrowing). This saving pays for the principal and interest charges of the borrowing. As an example, the affordable housing scheme generates rental income to pay the principal and interest.

3.7 However, other borrowing cannot be paid for from additional income or savings (Corporate Borrowing). The principal repayments and the interest are additional charges for the Revenue Estimates.

4 PROPOSED CAPITAL INVESTMENT PLAN 2018-22

4.1 Please see Appendix 2 for the detail on the proposed CIP.

4.2 The proposed CIP removes the District Heating scheme. The original purpose of the scheme was to recycle energy from the Council's buildings back into the national grid. It is proposed to remove this scheme from the plan because it is currently deemed to be unfeasible due to the lack of appropriate sites.

4.3 Further the CIP proposes to continue the annual £10m allocated for property investment – called Strategic Acquisitions – into 2021-22. The CIP also proposes to add a new £3.5m scheme for traffic management called the National Productivity Investment Fund, previously approved by Officers as there is no requirement for new Corporate borrowing (£2.3m grant funded and £1.2m vired from another highway scheme).

4.2 In addition, the proposed CIP includes £98m of other new schemes for approval. Some of these proposed new capital schemes have no net impact on the total expenditure in the Revenue Estimates. This is because they are funded from Capital Grants, receipts or Invest to Save schemes. These schemes are listed below:

- (1) Odeon
- (2) Affordable Housing
- (3) Roydsdale Way car park

- (4) Depot reorganisation, Parry Lane

4.3 Some of the schemes will increase the total cost of the Revenue Estimates. This is because the proposed schemes rely in part or wholly on Corporate borrowing. They are listed below:

- (5) Relocation of Coroner's Office
- (6) Learning Development home
- (7) Sports Pitches Rationalisation
- (8) City Hall Rugby Football League project
- (9) New Builds at Top of Town
- (10) Additional funding for St Georges Hall
- (11) Additional funding Markets

4.6 The schemes for Affordable Housing, Roydsdale Way car park and St Georges Hall have already been subject to detailed business cases. The remaining schemes are all subject to further work and a detailed, costed business case. Also all the new schemes (1) to (9) are held in the Reserves & Contingencies section of the CIP and as such cannot be released to budget managers until further approval from Executive.

4.7 To pay for the additional Corporate borrowing for these new schemes, an additional £2m costs have been set aside in the 2018-19 Revenue Estimates. It is expected that the cost of the Corporate borrowing for these schemes will be contained within this £2m estimate.

4.8 The overall funding sources of the 2018-22 CIP are summarised in Table 1 below.

Table 1: Analysis of funding sources

Funding source	£m
Capital Grants	208.223
Corporate Borrowing	121.173
Invest to Save Borrowing	125.511
Capital Receipts	25.874
Direct Revenue Financing	10.804
Reserves	4.859
Total	496.444

4.9 As noted in table 1 above total expenditure in 2018-19 to 2021-22 is planned at £529.114m. There may be further Government funding allocations announced prior to the start of 2018-19 and the outcome of specific grant bids will be announced. There may also be the opportunity to bid for additional funding. The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

4.10 Further it is recommended that the £2m repairs and maintenance budget in the Reserves & Contingency section of the CIP is spent as set out in the Property Programme.

5 CIP CAPITAL FINANCING COSTS INCLUDED IN THE REVENUE ESTIMATES

5.1 As described above, the CIP impacts on the revenue estimates through Capital Financing costs. Therefore the new recommended CIP and the additional Corporate borrowing required has an incremental impact on the Revenue Estimates through increased Capital Financing costs.

5.2 These Capital Financing costs comprise repayment and interest costs for borrowing. They exclude Capital Grants, Capital Receipts and Direct Revenue Financing.

5.3 Invest to Save borrowing is financed by compensating savings. However, there is an incremental impact on the Revenue Estimates from 2018-19 to 2021-22 due to the new Corporate Borrowing financing the additional capital expenditure.

5.4 Table 2 below shows the Capital Financing costs included in the Revenue Estimates for Corporate Borrowing only.

Table 2: Capital Financing Costs

		2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Principal & interest from Corporate Borrowing		31.818	36.028	38.056	38.971

5.5 The Capital Financing costs shown in table 2 are already included in the 2018-19 Revenue Estimates.

5.6 The estimates in table 2 also assume that interest rates will be 3% in 2018-19 and 3.8% in the following financial years. This is based on projections from the Council's Treasury Management advisers. Further for any new borrowing, the principal will be repaid in equal instalments over the life of the asset that has been purchased. It is also assumed that the Council will not borrow to replace £10m of debt that is due to be repaid in February 2018. However, it is also assumed the Council will borrow to fund any new capital expenditure from 2018-19 onwards.

5.7 There is a risk that interest rates will be higher than projected. However, the risk from interest rate increases is partly mitigated if some of the capital schemes shown in the CIP to be delayed.

6 RATIO OF CAPITAL FINANCING COSTS TO THE NET REVENUE STREAM

6.1 CIPFA sets out the methodology to calculate the ratio of the Capital Financing costs as a proportion of the net revenue stream. The main difference to the figures set out in table 5 above is that CIPFA's Capital Financing costs include the impact of finance leases, including the Private Finance initiative (PFI). Finance leases are where the Council has formally rented an asset, but the underlying economic reality is that it has been purchased, with the borrowing and related interest repaid via rental payments.

6.2 The repayment of the borrowing and interest for finance leases are already budgeted for as rental payments within the Revenue Estimates. As part of accounting for these assets in accordance with CIPFA's guidelines, these rental payments are shown as repayments of borrowing and interest within the Council's Statement of Accounts and shown as Capital Financing costs.

6.3 There are also some other minor adjustments included in CIPFA's methodology. Table 3 below shows the Council's ratio of Capital Financing costs to the Net Revenue Stream.

Table 3: Ratio of Capital Financing costs to the Net Revenue Stream

		2018-19 £m	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**
Principal & interest from Corporate Borrowing (per table 2)		31.818	36.028	38.056	38.971
Finance Leases and PFI borrowing		25.871	25.000	24.500	24.300
Other		(0.170)	(0.170)	(0.170)	(0.170)
Total Capital Financing costs		**57.519**	**60.858**	**62.386**	**63.101**
Ratio to Net Revenue stream of £357m		16%	17%	17%	17%

6.4 Previously the Council set a long term objective of reducing its Capital Financing costs, with a long term objective to reduce Capital financing costs to below 15%. This was achieved in previous years due to reduced interest costs. Either debt was repaid by the Council and funded from cash balances or replaced with new debt at a lower interest rate. In 2015-16 the Council repaid £78m of maturing debt resulting in a reduction in cash balances. In 2016-17 the Council took out £26 million in new loans in order to ensure cash balances did not fall too low when a similar amount of loans matured in March 2017.

6.5 However, the Council's general funding or net revenue stream has reduced because of a lower Revenue Support Grant. In itself this has increased Capital Financing costs as a proportion of the net revenue stream. Further, the Council has set aside an additional £1m in 2019-20 and a further £1m in 2020-21 to fund the new schemes in the CIP (See 4.7). As a result, the ratio of Capital Financing costs to the Net Revenue Stream is due to increase over the next few years.

6.6 Further, schemes are included in the CIP when they are Invest to Save schemes.

As there are compensatory savings from service budgets, these are not included in the ratio of Capital Financing costs to the Net Revenue Stream. However, they are summarised in Table 4 below:

Table 4: Invest to Save Capital Financing costs

		2018-19 £m	2019-20 £000	2020-21 £000	2021-22 £000
Invest to Save Principal and interest		4.193	7.452	9.783	11.805
Compensatory savings from service budgets		(4.193)	(7.452)	(9.783)	(11.805)
Net impact on Revenue Estimates		**0**	**0**	**0**	**0**

7 REPAYMENT OF DEBT

7.1 The Capital Financing costs described above, include an amount set aside to repay the principal from any borrowing. This is a requirement of the Local Government Act 2003 which specifies that Councils are required to make a provision for the repayment of borrowing used to finance its capital expenditure. This is officially known as the Minimum Revenue Provision (MRP).

7.2 The amount of borrowing required to finance capital expenditure is based on a calculation known as the Capital Financing Requirement (CFR). The CFR is all expenditure for a capital purpose less any sources of funding, such as capital grants, capital receipts and Direct Revenue Financing. Borrowing may come from loans taken from the Public Works Loan Board (PWLB) or commercial banks, finance leases (including PFI) or from the use of the Council's own cash balances.

7.3 In summary, the MRP is the amount of principal capital repayment that is set aside each year in order to repay the CFR based on the requirement of statutory regulation and the Council's own accounting policies.

7.4 As noted above, in most cases, the MRP is calculated in equal instalments over the life of the asset. However, the Council is formally required to state as part of its budget process the policy for determining its MRP. The policy was changed in 2016-17 generating savings in the current and future years. The method for calculating the MRP on each category of debt is outlined below:

a) The policy for charging MRP on historic supported borrowing is on the asset life method calculated on an equal instalment basis over 50 years.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. For schemes funded before 31st March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1st April 2012 the MRP is calculated on an equal instalment basis. This means no change to existing policy.

c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. Appropriateness includes an ongoing consideration of asset lives.

d) To consider whether amounts set aside using an annuity calculation previously in excess of the equal instalment basis should be returned to the General Fund for current and future years.

7.5 External debt can be less than the CFR. External debt cannot exceed the CFR (other than for short term cashflow purposes or cashflow management.)

7.6 There is an International Financial Reporting Standards requirement that assets funded from finance leases (including PFI deals) are brought onto the balance sheet. This also includes the liability as well as the asset. Therefore the term borrowing does not just include loans from PWLB and banks, but also the liability implicit in PFI and other finance leases.

7.7 The CIP will need to be reviewed through the planning cycle to ensure it remains affordable within revenue resources and to take account of the actual implementation timeframes.

8 OTHER FINANCIAL ACCOUNTING CONSIDERATIONS

8.1 In March 2016 the DCLG published statutory guidance on the flexible use of capital receipts for a three year period covering 2016-17 to 2018-19. Councils were previously only allowed to spend such money on further capital projects or repay debt. But now capital receipts can be used to fund the revenue costs of transformation projects which are designed to generate ongoing revenue savings in the delivery of public services to transform service delivery in a way that reduces costs or demand for services in the future. As part of 2018-19 Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022.

8.2 There are no plans to use this flexibility in the 2018-19 financial year. However, given the size and scale of the transformation programme, it is possible that the Council may seek approval from the Secretary of State to use capital receipts in this flexible manner in future.

9. FINANCIAL & RESOURCE APPRAISAL

9.1 The CIP as proposed remains balanced to forecast capital resources up to and including 2021-22. Projects beyond that period will require the identification of resources such as capital receipts from the sale of Council owned assets, additional and specific funding or invest to save borrowing. The latter would have revenue budget implications.

10. RISK MANAGEMENT AND GOVERNANCE ISSUES

10.1 The uncertainties regarding the funding that will be available to the Council and the control of the capital programme are considered within the Assistant Director, Finance & Procurement Section 151 Budget Report.

10.2 The inclusion of contingencies within the CIP means that there is some scope for meeting additional unforeseen and unfunded capital expenditure that may arise.

10.3 The existing governance arrangements for controlling the capital programme remain appropriate.

11. LEGAL APPRAISAL

11.1 The legal issues are set out in the body of the report. Legal Services will provide further advice on the implementation of the Capital Programme as required.

12. OTHER IMPLICATIONS

12.1 Equality and diversity, sustainability, greenhouse gas emissions impacts, community safety, Human Rights Act, Trade Union and Ward Implications will be considered on an individual project basis.

13 NOT FOR PUBLICATION DOCUMENTS

13.1 None.

14 RECOMMENDATIONS

14.1 The Executive requests Council to approve:

a) The Capital Investment Plan as set out at Appendix 2 is adopted. Commitments against reserve schemes and contingencies can only be made after a business case has been assessed by the Project Appraisal Group and approved by Executive.

b) Approve the £2m Property Programme Essential Maintenance Programme, to be funded from Reserves and Contingencies (See 4.10).

c) The Chief Executive, Strategic Directors and Directors enter into commitments on capital schemes within the Capital Investment Plan subject to approval of business cases by Executive up to the approved amounts each year except that, where it is indicated that schemes are funded or partly funded from specific resources such as capital grants or contributions, revenue or capital receipts, the approved amount will be subject to the securing of those resources and be adjusted to reflect the amounts actually received.

d) Where necessary, the payments arising under the Capital Investment Plan are met from loans.

e) In order to provide the flexibility necessary to effectively manage the Capital Investment Plan, the Chief Executive, Strategic Directors and Directors be specifically empowered to advance or defer approved schemes subject to consultation with the Assistant Director Finance and Procurement and the availability of resources.

f) Additional capital schemes shall only commence where the scheme is wholly funded from specific resources on the approval of the Section 151 Officer – the Assistant Director, Finance & Procurement.

g) The Borrowing Limits and Prudential Indicators as set out in Appendix 1 are adopted by the Council.

h) The Minimum Revenue Provision (MRP) policy as set out in paragraph 7.4 of this report is approved and adopted by the Council.

i) The development of the Capital Strategy in Appendix A is noted.

15 APPENDICES

- Appendix A – Capital Strategy
- Appendix 1 – Borrowing Limits and Prudential Indicators
- Appendix 2 – Proposed Capital Investment Plan for 2018-19 to 2021-22

16. BACKGROUND DOCUMENTS

- Proposed Financial Plan 2018-19 – 2021-22 – Executive Report 5 December 2017 (Doc AJ)

- The Council's Revenue Estimates for 2018-19 – Executive Report 20 February 2018 (Doc AZ)

- Section 151 Report – Executive 20 February 2018 (Doc BC)

Appendix A

1 BACKGROUND TO THE CORPORATE CAPITAL STRATEGY

1.1 The Corporate Capital Strategy sets out the principles to be used to guide the allocation of capital expenditure within the Capital Investment Plan (CIP).

1.2 Capital expenditure is expenditure on the acquisition, creation or enhancement of assets that have a useful life of more than one year.

1.3 Capital expenditure is a significant and fundamental part of what the Council does. For example, it has led to the Council holding 5,812 separate items on its Corporate Asset register, with a balance sheet value of £1.022 billion, at 31 March 2017. These assets are prerequisites to achieving the Council's overall vision. For example, school buildings enable education to be delivered.

1.4 The items in the Corporate Asset Register include £48.6m of investment assets to deliver regeneration. They also generate an income stream for the Council from rental payments, which funds other service expenditure.

1.5 The overall aim of the Capital Strategy is to set out the principles that underlay capital expenditure decisions.

2 GUIDING PRINCIPLES

2.1 Capital expenditure is prioritised according to long term affordability. A framework for prioritisation is set out below:

i. Contributes to the achievement of the Council's vision.
ii. Financial criteria including whether the scheme has a payback, produces a positive net present value, the funding, affordability and financial impact on the Council overall.
iii. The deliverability of the scheme and its benefits.
iv. Delivers Value for Money
v. Risk assessment – an assessment of the risk involved in the scheme.
vi. It is an invest to save scheme that achieves compensatory savings in Revenue Estimates
vii. Promotes sustainable services to Bradford District residents.
viii. Enables a corporate approach to the use of assets
ix. Regenerates the district
x. Partners with other organisations to use of assets efficiently across the public sector and the district.
xi. Provides income streams to support the revenue estimates

2.2 Prioritisation of capital expenditure according to an ability to create an income stream is a new criteria (see xii). This is due to a recent Council decision to consider investment in property to generate an income stream (9 January 2018 Executive; A strategy for Growth in income from Council Tax, Business Rates and Investment).

2.3 Latest Government guidance is that the principles of security, liquidity and yield are applied to investments in property but Local Authorities can determine their relative importance (Consultation on the proposed changes to the prudential framework on capital finance, summary of consultation responses and Government response – February 2018). However, the guidance also states that to purchase Investment Property solely to generate a profit is not prudential. This guidance has been reflected in a new proposed framework to assess any investment in property. This framework is an expanded version of the principles set out in a report to Executive (4 April 2017 Executive, Progress report on the Property Programme and Council's proposed property investment strategy). The framework is set out below:

I. Risks associated with the investment
II. The likelihood of being able to sell the investment in extremis
III. Whether the location is attractive for selling or letting and whether the location is easy to travel to so that it can be inspected without specialist agents
IV. The preference for the location of the investment to be firstly in the district and secondly in the Leeds City Region
V. The security of rental payments, with consideration given to the reliability of tenants
VI. The prospective length of any lease period for which rental payments are received
VII. The income stream from the investment
VIII. The potential to increase both the income stream and the capital value of the investment
IX. The likelihood of the capital value of the investment exceeding any outstanding debt
X. The value of the investment
XI. Management costs
XII. The sector in which the investment is made, for example, retail or warehouses.
XIII. Any prospective tenants or partners in the investment must not be involved in commercial activities that conflict with the Council's values.
XIV. The latest Government investment guidance

2.4 Also any property investment will be subject to a detailed business case, disclosing the Council's gross debt and reliance on income from property.

2.5 The proposed CIP includes £10m for property investment, called Strategic Acquisitions, in each year from 2018-19 to 2021-22.

3 LOANS FOR A CAPITAL PURPOSE

3.1 Subject to a business case and appropriate approval, the Council will provide loans for a capital purpose to a third parties. Such loans will be included on the Council's official record of capital expenditure (The Capital Financing Requirement) and financed from the loan repayments. However, if there is an indication that the loan will not be repaid, an amount will be set aside from revenue to finance the loan.

3.2 Such an amount set aside would constitute a Minimum Revenue Payment (MRP) to fund the unpaid loan. This would be calculated according to the Council's MRP policy.

3.3 Any Interest received from the third party in relation to the loan will be receipted into the Council's revenue account, in accordance with accounting rules.

4 APPROACH TO BORROWING

4.1 The Council has to adhere to CIPFA guidance in which all borrowing is prudent and affordable.

4.2 In accordance with the concept of prudence, before using borrowing, the Council uses all alternative funding sources. These options are limited by statute and some are only available for a specific scheme. For example, the Council applies for available capital grants wherever possible for specific schemes. The Council also receives capital grants on the condition that they are used for schemes in specific service areas. For example, the largest capital grants are for schools, such as the Basic Needs and Capital Maintenance grant. This strategy sets out the principle that all grant conditions will be followed automatically.

4.3 Any sales of land or buildings intrinsic to a new capital expenditure scheme are immediately used in its funding. In addition, the Council also estimates that it will receive £3.5m in general capital receipts each year. These arise from the Council's ongoing Property programme which sells unused land and property and has the added benefit of reducing repair and running costs. Other significant capital receipts have arisen from the disposal of houses built under the Council's Affordable Homes Programme. General capital receipts are used to fund capital expenditure and reduce the borrowing requirement.

4.4 Similarly, the Council has an ongoing budget within the Revenue Estimates of £2.7m to directly fund capital expenditure. Again this budget is used to reduce the borrowing requirement. The Council also has an earmarked reserve to directly fund capital expenditure.

4.5 Some capital contributions are given by private developers to fund the community infrastructure needed to support their developments. Examples include funding for access roads and playing areas for new housing. Such contributions are collectively called a Community Infrastructure Levy, previously referred to as Section 106 contributions. Recently, the Council has more discretion over which schemes to support with this funding. The principle set out in this strategy is to passport this increased discretion to decision makers and stakeholders. In line with this principle, the funding will be held corporately and be available to allocate to a choice of schemes.

4.6 The Council is able to borrow money from the Public Works Loan Board, the money market or its own cash balances to fund capital expenditure. This is the option of last resort, after alternative funding has been considered. This is because borrowing leads to ongoing Capital Financing costs in the revenue estimates, comprising the repayment of principal and interest. Schemes that can self-finance the principal and interest cost (Invest to Save Schemes) are prioritised.

4.7 However, the Council will borrow to fund Capital expenditure that is not self-financing (Corporate Borrowing). The key guiding principle in assessing these schemes is contribution to the Council's overall vision prioritised according to the affordability of the additional Capital Financing costs in the Revenue Estimates. Such borrowing is subject to a detailed business case.

4.8 As part of the Capital Strategy, new measures to test the affordability of the proposed borrowing in the Capital Investment Plan are being used. These measures are shown in the table below:

Table 1: Affordability measures

Measure	Current Position	Potential Position
Total Borrowing related to long term assets	As at 31/03/2017 £332m total borrowing is 32% of long term assets as at 31/3/17 of £1,023m	If £121m of Corporate Borrowing and £126m of Invest to Save borrowing totalling £247m is assumed, borrowing could rise to £579m. Assuming this increases long term assets also by £579m to £1,602m, this is 36% of long term assets
Total Borrowing costs as a percent of net budget	For 2018-19 borrowing costs of £32m plus Invest to Save gross borrowing costs of £4m, totalling £36m are 10% of net budget	At 2021-22 borrowing costs of £39m plus Invest to Save gross borrowing costs of £13m, totalling £52m are 14.5% of net budget
Contribution Investment Properties make to core functions	Estimated rental income for 18/19 for only purchases to date is £3.5m which is only 1% of net budget	If an additional £50m invest, with a 6 % return, could rise to £6.5m, which is only 1.8% of budget.

4.9 The measures show borrowing costs potentially rising to 14.5% of net budget. However, about half the new borrowing will be financed from additional compensatory savings or increased income from the Revenue Estimates.

4.10 Another key part of any business case for Corporate Borrowing and Invest to Save Schemes is risk and the assessment against the Council's overall vision.

5 APPROACH TO RISK

5.1 The Council has to manage the risk of interest rates rising. An increase in interest rates increases Capital Financing costs. Further the Council has to manage the risk of construction inflation rising in excess of the assumptions used to budget for the scheme.

5.2 Interest rate risk will be managed with forward cash flow projections, contingency in the Capital Financing cost projections, the employment of Treasury Manager advisors and a Treasury management strategy.

5.3 Inflation risk will be managed by using fixed price contracts wherever possible.

Further the CIP includes a £2m annual contingency.

6 GOVERNANCE

6.1 The Capital Investment Plan (CIP) sets out the individual schemes that deliver the Council's overall vision. All schemes in the CIP are approved by Executive. The schemes are further approved by Full Council, unless the scheme is wholly funded from capital grants or Direct Revenue Financing separately approved within Revenue Estimates.

6.2 Capital proposals will initially be assessed by the Project Appraisal Group (PAG). Again the only exception is if the scheme is funded from capital grants or Direct Revenue Financing. In these cases, the scheme can be progressed directly by the Section 151 Officer.

6.3 PAG is a corporate officer group that appraises proposed capital bids and makes recommendations to Executive and Council. It membership is made up of finance, legal, procurement, project management and property expertise. The proposed scheme is scored against set criteria based on the guiding principles outlined in 2.1.

6.4 An Investment Appraisal Group will also review proposed property investments. This is in accordance with the recommendation to set up such a group to oversee investment activity and manage risk (9 January 2018 Executive: A Strategy for Growth in Income for Council Tax, Business Rates and Investment).

6.5 All capital expenditure must be carried out in accordance with financial regulations, the Council's Constitution and the Council's Contract Procedure Rules.

6.6 The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards. This definition is that expenditure meets a de minimus of £10,000 and gives benefits to the Council over one year.

6.7 The annual CIP, which is updated for new proposed schemes, revised profiling, slippage and changes in expenditure projections, is presented to Full Council every year. Council approval of the programme gives authorisation to budget managers to spend. Separate approval is required in line with financial rules to spend in line with their budget envelopes.

6.8 A governance issue in managing the CIP is the variances between the budget and actual spend. The aim of quarterly monitoring is to identify, project and understand such variances. Quarterly monitoring identifies overspends. However, understanding the reasons for the variances, enables underspend to be distinguished from a scheme delay, called slippage. Underspends allow the total scheme budgets to be lowered, therefore reducing Capital Financing costs.

6.9 Scheme delays are managed by changing the proportion of total budget allocated between different financial years, called reprofiling. To enable accurate monitoring, such reprofiling will mostly be proposed in the Outturn report to Executive at the end of the financial year. However, exceptionally, PAG will approve the reprofiling of budgets.

6.10 All schemes must be approved by Executive via the procedures outlined in this document and the wider documentation available within the Council.

6.11 Officers are not authorised to commit expenditure without prior formal approval as outlined.

6.12 Each scheme must be under the control of a nominated budget/project manager and a nominated project sponsor (a senior responsible officer (SRO)).

6.13 A separate Executive report is required for any capital scheme(s) which have a capital expenditure value of £0.5m or above.

6.14 Any funding from private developers which contractually commit to procure capital schemes (such as school builds) will need to follow the same approval process as other capital expenditure before they can formally be entered into the Council's Capital Programme. Schemes of this type valued at £0.5m or above will also need a separate Executive report.

6.15 The performance of the capital programme is also measured by the prudential indicators which are reported to Council as part of the Treasury Management Strategy, the Treasury Management half-yearly review, and the annual review.

7 COUNCIL'S OVERALL VISION

7.1 The Council is aiming to take a strategic view to capital investment so that it can be directed to make a real and demonstrable impact on the district. The Capital Strategy aims to deliver projects that focus on delivering long term benefits to the district such as economic growth, regeneration and or financial returns in the form of:

i. Spend to save
ii. Spend to earn income or other financial returns
iii. Deliver budget options
iv. Attract significant third party or private resources

7.2 The programme areas in the CIP will deliver a wide range of benefits to the District including:

I. New and replacement affordable housing
II. New improved leisure, adult social care and education facilities
III. Improved public spaces, transport and other infrastructure to ensure the continued success of the District as a business, leisure and heritage destination
IV. Improved public realm and pedestrian environment to accommodate safe and efficient travel in the District
V. Well-maintained, efficiently managed infrastructure, allowing residents, businesses and visitors to enjoy clean, high quality streets

7.3 As the Council has repeatedly signalled over preceding years, the financial pressures arising from reducing budgets, increasing demand and rising costs mean that some areas of activity will no longer be viable in their current form. Some will have to be scaled back or cease entirely. Even priority activities will see budget reductions and will have to be run differently.

7.4 Under these circumstances, resources must be targeted increasingly on the activities, areas and people where investment will make the biggest difference to the District's future well being and prosperity. The Capital Strategy is therefore aligned to the priority outcomes and activities identified in the Bradford District and Council Plans. This approach is consistent with previous years and progress across priority outcomes is summarised below.

7.5 The Bradford Council Plan sets out the long-term ambitions for the district. In relation to the performance on these outcomes the broad direction of travel is outlined below.

- **Better Skills, More Good Jobs and a Growing Economy**

A growing and inclusive economy offering opportunities to all is the key to the District's future prosperity and well being and to sustaining our ability to pay for good public services.

I. City Centre Growth Zone
II. Leeds City Region Revolving Investment Fund
III. Strategic Transport Investment
IV. Markets and City Centre schemes
V. St Georges Hall
VI. Highways and Planning (Current CIP includes a number of West Yorkshire Combined Authority funded schemes)

- **A Great Start and Good Schools for All Our Children.**

  In the UK's youngest city nothing is more important than ensuring that all our children and young people have the chance to achieve their potential.

  The Council continues to meet its statutory commitment to meet the needs of the District for the provision of school places despite a challenging financial environment and uncertainty over Government policies. This is being achieved through schemes such as the Primary Schools Expansion Programme, such as Silsden Primary School and Special Education Needs.

- **Better Health, Better Lives**

  The Great Places to Grow Old programmes seeks to modernise residential care provision within the District.

Further the Council is developing Sports facilities.

- **Safe, clean and active communities**

Bradford District is home to around 1,500 community groups and 100,000 active citizens who collectively represent one of our most significant assets. The Council has long worked closely in partnership with our communities to deliver good outcomes across the District and this continues to be the case, for example, through the People Can initiative.

I. The Carbon Programme
II. Waste collection
III. Parks and woodlands
IV. Bereavement Strategy
V. Sports pitches

- **Decent Homes That People Can Afford to Live In**

The District requires significant numbers of new homes in order to meet demand. While overall housing stock has been increasing and Bradford is a high performer in terms of bringing empty homes back into use – rates remain above average – a rapid acceleration in supply is needed. With the Local Plan now agreed, priority areas for investment and growth include the canal road corridor and the city centre.

The CIP supports the provision of decent homes that people can afford to live in through a number of programmes. This includes the Affordable Housing Programme which seeks to build affordable housing for rent and sale and the provision of disabled facilities grants to enable people to live independently in their own home for longer.

The Council currently has three contracts with the Homes & Communities Agency (HCA) for the provision of affordable housing within the district 2018-19.

- **A well run council**

The financial environment continues to demand that savings are identified and delivered and the Council seeks to ensure that all its resources are used effectively and that it identifies opportunities for innovation and creative collaboration with partners, business and communities so that together we can maximise the impact of all of the District's assets on priority outcomes.

Other objectives of the capital strategy include the essential maintenance of the Council's stock, to exploit 'invest to save' opportunities to generate revenue savings or additional incomes and to enable alternative methods of service delivery to be utilised.

The Property Programme is a ten year 'invest to save' strategy to deliver a well-managed and fit for purpose estate that enables staff to work in a more agile way through New Ways of Working (NWOW). It was agreed by Executive in October 2009. The programme is based on a financial model that generated revenue savings and capital receipts from reducing the Council's operational estate and then using those revenue savings and capital receipts to improve the Council's retained estate.

The Capital Strategy also seeks to understand the potential sources of funding and how they can be maximised to better achieve the corporate goals.

The examples above show some of the ways that capital investment will contribute to the key strategic aims of the Council.

The above is taking place against a background of austerity and significant reductions in central funding for local government. It is therefore a key aim of the Council's capital strategy that it delivers a return on investment which is financial, such as capital receipts or new revenue streams, or delivering key strategic priorities.

8 CONCLUSION

8.1 Overall the Capital Strategy, sets out the key guiding principles and the approach to borrowing, risk and Governance, as well as demonstrating how the proposed CIP fits with the Council's vision.

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Appendix 1

BORROWING LIMITS AND PRUDENTIAL INDICATORS

In compliance with the Council's duty under Section 3 of the Local Government Act 2003 to set an affordable borrowing limit and in accordance with Regulation 2 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and the Prudential Code for Capital Finance in Local Authorities the Council makes the following determinations.

(a) The capital expenditure (all of which is non-Housing Revenue Account (HRA)) in each of the following financial years will be:

2017/18 Estimate £90.436m
2018/19 Estimate £176.179m
2019/20 Estimate £172.870m
2020/21 Estimate £98.092m
2021/22 Estimate £49.303m

(b) The capital financing requirement at the end of each of the following financial years will be:

2018/19 Estimate £745m
2019/20 Estimate £804m
2020/21 Estimate £821m
2021/22 Estimate £810m

(c) In the medium term external borrowing will only be for capital purposes and will not (except in the short term) exceed the capital financing requirement in 2018/19, 2019/20, and 2020/21 as determined in (b) above.

(d) The ratio of capital financing costs to the net revenue stream in each of the following financial years is forecast to be:

2018/19 Estimate 16%
2019/20 Estimate 17%
2020/21 Estimate 17%
2021/22 Estimate 17%

(e) The actual external debt of the authority at 31 March 2017 was £332 million in external borrowing and £182 million in Other Long Term Liabilities (including PFI and other finance leases, excluding pension liabilities) and the authorised limit for external debt in future years will be:

Financial Year	**Borrowing £m**	**Other Long Term Liabilities £m**
2018/19	420	220
2019/20	490	220
2020/21	520	200
2021/22	530	200

(f) The operational boundary for external debt in future years will be:

Financial Year	Borrowing £m	Other Long Term Liabilities £m
2018/19	400	200
2019/20	470	200
2020/21	500	180
2021/22	510	180

(g) In relation to the borrowing limits set at (f) and (g) above the Strategic Director Corporate Resources is authorised to amend the separately identified figures for borrowing and for other long term liabilities provided that the total limits remain unchanged and subject to such action subsequently being reported to Council.

(h) The authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

(i) The upper limit for fixed interest rate exposure in 2018/19, 2019/20 and 2020/21 will be +175% of net outstanding principal sums.

(j) The upper limit for variable interest rate exposure in 2018/19, 2019/20 and 2020/21 will be +20% of net outstanding principal sums.

(k) The upper and lower limits for the amount of fixed rate borrowing maturing in each of the periods below expressed as a percentage of total estimated fixed rate borrowing will be:

Maturing in:	Upper Limit	Lower Limit
Under 1 year	20%	0%
1 to 2 years	20%	0%
2 to 5 years	50%	0%
5 to 10 years	75%	0%
10 years and above	90%	20%

(m) There is a limit of £20 million for the Council to invest sums for periods longer than 364 days.

Appendix 2 Proposed Capital Investment Plan

Scheme No	Scheme Description	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget Total	Specific grants, capital receipts, reserves	Invest to Save Funding	Corporate Borrowing
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing										
CS0237	Great Places to Grow Old - Adult Residential Strategy	0	9,138	0	0	0	9,138	0	0	9,138
CS0237	Keighley Road Extra Care	5,870	488	0	0	0	6,358	690	1,000	4,668
CS0237	Keighley Road Residential Care	2,645	89	0	0	0	2,734	0	2,400	334
CS0373	BACES DFG	443	443	443	443	0	1,772	0	0	1,772
CS0239	Community Capacity Grant	1,452	516	0	0	0	1,968	1,968	0	0
Total - Health and Wellbeing		**10,410**	**10,674**	**443**	**443**	**0**	**21,970**	**2,658**	**3,400**	**15,912**
Children's Services										
CS0030	Capital Improvement Work	27	0	0	0	0	27	27	0	0
CS0240	Capital Maintenance Grant	3,331	0	0	0	0	3,331	3,331	0	0
CS0244	Primary Schools Expansion Programme	1,409	6,919	0	0	0	8,328	8,256	0	72
CS0244	Silsden Sch	2,979	4,088	130	0	0	7,197	7,197	0	0
CS0244	SEN School Expansion	2,391	0	0	0	0	2,391	2,391	0	0
CS0362	Secondary School Expansion	5,876	10,801	956	0	0	17,633	17,633	0	0
CS0377	LA SEN Free Schools	500	7,000	5,350	100	0	12,950	12,950	0	0
Total - Children's Services		**16,513**	**28,808**	**6,436**	**100**	**0**	**51,857**	**51,785**	**0**	**72**
Department of Place - Economy & Development										
CS0134	Computerisation of Records	10	0	0	0	0	10	10	0	0
CS0136	Disabled Housing Facilities Grant	2,028	2,028	5,753	2,028	0	11,837	11,837	0	0
CS0137	Development of Equity Loans	1,000	1,300	1,200	1,195	0	4,695	1,288	0	3,407

Scheme No	Scheme Description	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget Total	Specific grants, capital receipts, reserves	Invest to Save Funding	Corporate Borrowing
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0144	Empty Private Sector Homes Strategy	662	0	0	0	0	662	0	0	662
CS0308	Affordable Housing Programme 2015-2018	8,600	1,383	0	0	0	9,983	693	9,290	0
CS0250	Goitside	0	0	177	0	0	177	0	0	177
CS0335	Bfd Cyrenians 255 - 257 Manningham Ln	4	0	0	0	0	4	0	0	4
CS0084	City Park	205	0	0	0	0	205	0	0	205
CS0085	City Centre Growth Zone	1,699	4,451	0	0	0	6,150	0	0	6,150
CS0189	Buck Lane	75	0	0	0	0	75	0	0	75
CS0228	Canal Road	100	0	0	0	0	100	0	0	100
CS0241	Re-use Fmr College Bldng Keighley	506	60	0	0	0	566	0	0	566
CS0266	Superconnected Cities	907	0	0	0	0	907	0	0	907
CS0291	Tyrls	4,800	0	0	0	0	4,800	4,800	0	0
CS0285	Strategic Development Fund	1,167	0	0	0	0	1,167	0	0	1,167
CS0345	Dvlpmt of Land at Crag Road, Shply	573	0	0	0	0	573	573	0	0
Total – Department of Place - Economy & Development		**22,336**	**9,222**	**7,130**	**3,223**	**0**	**41,911**	**19,201**	**9,290**	**13,420**
Department of Place - Planning, Transportation & Highways										
CS1000	Countances Way - Bridge grant	0	30	0	0	0	30	30	0	0
CS0071	Highways S106 Projects	100	356	0	0	0	456	456	0	0
CS0293	West Yorkshire & York Transport Fund	19,383	26,145	34,062	27,014	0	106,604	106,604	0	0
CS0306	Strategic Transport Infrastructure Priorities	90	2,600	0	0	0	2,690	0	0	2,690
CS0306	Connectivity Project	1,196	400	0	0	0	1,596	0	0	1,596
CS0329	Damens County Park	60	0	0	0	0	60	0	0	60
CS0350	Street Lighting Invest to Save	825	0	0	0	0	825	0	0	825
CS0353	Strategic Land Purch Hard Ings Kghly	4,415	3,176	0	0	0	7,591	3,176	0	4,415
CS0355	Strategic Land Purch Harrogate Rd / New Line	154	3,557	1,733	0	0	5,444	5,290	0	154

Scheme No	Scheme Description	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget Total	Specific grants, capital receipts, reserves	Invest to Save Funding	Corporate Borrowing
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0370	LTP IP3 One Syst Public Transp	779	779	0	0	0	1,558	1,558	0	0
CS0371	LTP IP3 Places to live and work	300	0	0	0	0	300	300	0	0
Total –Department of Place - Planning, Transportation & Highways		**27,302**	**37,043**	**35,795**	**27,014**	**0**	**127,154**	**117,414**	**0**	**9,740**
Department of Place - Other										
CS0060	Replacement of Vehicles	3,000	3,000	3,000	3,000	0	12,000	0	12,000	0
CS0066	Ward Investment Fund	35	0	0	0	0	35	0	0	35
CS0151	Building Safer Communities Capital Proj	47	0	0	0	0	47	47	0	0
CS0063	Waste Infrastructure and Recycling projects	204	0	0	0	0	204	204	0	0
CS0132	Community Hubs	25	0	0	0	0	25	0	0	25
CS0340	St George's Hall	5,889	0	0	0	0	5,889	0	0	5,889
CS0129	Scholemoor Project	0	0	83	0	0	83	0	0	83
CS0229	Cliffe Castle Restoration	52	0	0	0	0	52	52	0	0
CS0347	Park Ave Cricket Ground	20	0	0	0	0	20	20	0	0
CS0367	King George V Playing Fields	1,096	0	0	0	0	1,096	700	0	396
CS0349	Chellow Dene	8	0	0	0	0	8	0	0	8
CS0356	Sedburgh SFIP	8,865	7,035	49	0	0	15,949	0	0	15,949
CS0354	Squire Lane Sports Facility	0	5,000	4,400	0	0	9,400	0	0	9,400
CS0107	Markets	35	0	0	0	0	35	35	0	0
CS0363	Markets Redevelopment - City Cntre	2,219	7,606	5,400	0	0	15,225	1,132	0	14,093
Total – Department of Place - Other		**21,495**	**22,641**	**12,932**	**3,000**	**0**	**60,068**	**2,190**	**12,000**	**45,878**
									0	
Corporate Resources - Estates & Property Services									0	
CS0094	Property Programme (bworks)	609	0	0	0	0	609	0	0	609

Scheme No	Scheme Description	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget Total	Specific grants, capital receipts, reserves	Invest to Save Funding	Corporate Borrowing
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0366	Property Programme 17/18	750	0	0	0	0	750	0	0	750
CS0230	Beechgrove Allotments	274	0	0	0	0	274	150	0	124
CS0050	Carbon and Other Management Efficiencies	1,000	820	0	0	0	1,820	0	0	1,820
CS0305	Healthy Heating Scheme	77	0	0	0	0	77	0	0	77
CS2000	DDA - monies to RCNA	50	50	50	62	0	212	0	0	212
CS0378	Cust Serv Strategy	299	0	0	0	0	299	49	0	250
CS0361	Strategic Acquisitions	576	0	0	0	0	576	0	576	0
Total – Corporate Resources – Estates & Property Services		**3,635**	**870**	**50**	**62**	**0**	**4,617**	**199**	**576**	**3,842**
Reserve Schemes & Contingencies										
1	General Contingency	2,000	2,000	2,000	2,000	0	8,000	0	0	8,000
CS0277	Wyke Manor Ph2 Sports Dev	493	0	0	0	0	493	0	0	493
2	Essential Maintenance Provision (Moved to Property & Economic Development)	2,000	2,000	2,000	2,000	0	8,000	0	0	8,000
3	Bradford City Centre Townscape Heritage	2,000	0	0	0	0	2,000	1,750	0	250
4	Strategic Acquisitions	10,000	10,000	10,000	10,000	0	40,000	0	40,000	0
5	Keighley One Public Sector Estate	10,000	5,000	3,000	0	0	18,000	0	15,000	3,000
6	Depot strategy	3,000	0	0	0	0	3,000	2,500	500	0
CS0306	Stategic Acq - Highways	550	0	0	0	0	550	0	0	550
7	Canal Road Land Assemby	450	0	0	0	0	450	0	0	450
8	Bereavement Strategy	8,500	8,500	0	0	0	17,000	0	0	17,000
19	National Productivity Investment Fund	3,500	0	0	0	0	3,500	2,330	0	1,170
	New Schemes excluding additional funding St Georges Hall & Markets	31,995	36,112	18,306	1,461	0	87,874	24,929	44,745	18,200
Total - Reserve Schemes & Contingencies		**74,488**	**63,612**	**35,306**	**15,461**	**0**	**188,867**	**31,509**	**100,245**	**57,113**

Scheme No	Scheme Description	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget Total	Specific grants, capital receipts, reserves	Invest to Save Funding	Corporate Borrowing
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL - All Services		**176,179**	**172,870**	**98,092**	**49,303**	**0**	**496,444**	**224,956**	**125,511**	**145,977**

Less General Capital Receipts			**-14,000**
Less Direct Revenue Financing			**-10,804**
	(1)224,956	125,511	121,173

(1) **Comprises £208.223m capital grants, £11.874m specific capital receipts, £4.859m earmarked reserves.**

(2) **£145.977m of Corporate borrowing will be reduced by £14m of general capital receipts and £10.804m of Direct Revenue Financing.**

(3) **The additional new schemes totalling £98.024m comprise the "New schemes excluding additional funding for St Georges Hall & Markets" totalling £87.874 as well as additional funding for markets and St Georges Hall.**

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director Finance and Procurement to the meeting of Executive to be held on 20 February 2018 and Council to be held on 22 February 2018

Document BC

Subject:

2018/19 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2018/19, the adequacy of forecast levels of reserves and associated risks.

It concludes that the estimates are sufficiently robust for the Council to set the budget. It also concludes that unallocated reserves should be maintained in the range of £12-15m over the period of the current financial strategy to ensure the continued financial resilience of the Council.

Andrew Crookham
Assistant Director Finance and Procurement

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Portfolio: Leader of Council and Corporate

Overview & Scrutiny Area: N/A

1. SUMMARY

This report assesses the robustness of the proposed budget for 2018/19, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's financial outlook up to 2020/21.

The Council is setting its budget for 2018/19, and making decisions about savings for 2019/20, which will require implementation action to be undertaken during 2018/19.

It should be noted that the process aligns with years two and three of the four year financial strategy constructed this time last year that sought to align our finances to the outcomes in the Council Plan 2017-2021.

For the past two budget rounds, the Council's S151 Officer has concluded that unallocated reserves in the range of £12-15m is adequate and this report concurs with that view. That said, where opportunities arise to exceed this level, these should be exploited given the continued uncertainty in the local government finance environment.

The report concludes that the estimates are sufficiently robust, in the context of its £357m net expenditure and available contingencies, for the Council to set the budget for 2018/19. However, it should be clearly noted that there remains risk around the delivery of some major savings programmes, in particular related to Demand Management in Adult Social Care, and organisational focus is required to ensure these deliver the required financial savings, as well as the desired outcomes for service users.

2. BACKGROUND

Under Section 25 of the Local Government Act 2003, when the Council sets the budget, the Council's S151 Officer is required to report on:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

This report comments on the revenue and capital estimates in the proposed budget. The assessment is informed by extensive personal involvement in the development of the proposed budget.

3. OPTIONS

This report does not set out alternative options. Legislation requires Council to have regard to this report and the assessment when setting the budget.

4. FINANCIAL & RESOURCE APPRAISAL

The financial appraisal underpinning this assessment is set out in the separate reports to this Executive on planned revenue and capital spending.

2018/19 Onwards Budget Appraisal

Context

- In setting a four year plan this time last year, the organisation signalled its intent on managing the longer term financial sustainability of the authority, reducing the recurrent cost base within anticipated resources by 2020/21. This would see £110m of savings delivered over the four years, set against modest increases in Council Tax and Business Rates and a projected zero Revenue Support Grant (RSG) in the final year. The £110m of savings would be on top of £218m delivered during the period from 2011/12 to 2016/17.

- The following sections seek to highlight the changes since the plan was adopted, the risks of those changes and how they impact on the delivery of the 2018/19 budget and our longer term financial and reserve strategies.

2017/18 Projected Position

- The Q3 monitoring report presented to Executive on 6 February 2018 forecasts a £0.6m overspend for 2017/18, with the working intention that further mitigating actions will result in expenditure being contained within budget by the year end.

- The Council has well established procedures for measuring progress against agreed savings plans and these are reported in the quarterly monitoring reports. In previous years, we have typically reported no more than 15% of the total value of savings off target for a given year. 2017/18 has seen a marked increase in this figure with 51% of savings (£23.5m) reported off track, which presents a cause for concern should non-delivery of this magnitude become a recurring theme.

- Mitigations in year include one off funding, slippage on the capital programme and associated revenue budgets and full application of corporate contingencies.

Funding and Resources

- The financial plan is still predicated on the council receiving zero Revenue Support Grant (RSG) in 2020/21. This may be subject to change given the announcement of the move to a 75% Business Rates scheme in the December 2017 settlement. However, a number of risks inherent in the operating environment remain, including historic damping, the transfer of further responsibilities and the impact of Brexit on overall public finances to move away from this assumption at this time.

- The successful bid for the Leeds City Region Business Rates Pool to become a 100% pilot was welcome, and whilst it is only for one year at this time, it has unlocked resources that will help the Council meet short term expenditure pressures outlined in further detail below. Whilst the pool pilot has been provided on a ‘no detriment’ basis, i.e. no council should be worse off as a result of its involvement in a pilot, business rates remains the more volatile of our local taxation revenue streams with significant resources applied to provisions for backdated valuation appeals.

- With the anticipated removal of RSG and the volatility of business rates, Council Tax remains our most stable and reliable revenue stream. It will account for 52% of our net expenditure requirement in 2018/19, up from 35% in 2010/11. As a historically low taxing authority, it is important to maximise the ongoing benefit of increases in the Band D rate as and when they are available and this budget proposes maximum increases in both the general and social care precept element (5.99% in total). The budget also makes provision for growth of £750k which includes investment in a Housing and Development Delivery team, designed to unlock stalled sites and accelerate growth, above and beyond the assumed annual growth in the taxbase of 750 Band D properties.

- The national Fair Funding review, stage one of which is now open for consultation, presents the opportunity to address some of the deficiencies in the current funding system. Key to the Council will be ensuring our historic underfunding, economic deprivation and demand led pressures in both Adults and Children's services are appropriately accounted for. Future reports to Council will provide feedback on the developing themes of the review and how they may affect our funding outlook.

Expenditure Pressures

- The original four year plan was predicated on 1% year on year pay increases, which was the right assumption at the time, given the pattern of pay offers from 2010 onwards. Since the June 2017 election, and after we prepared our annual Medium Term Financial Plan (MTFP) refresh, public sector pay has come to the fore, particularly in the health sector, with higher than average pay offers reported. The Local Government sector has followed suit with a 2 year pay offer which signals that the era of below inflation pay increases may be drawing to a close. This creates structural cost pressures for the Council given each 1% in pay equates to c.£2.1m. In addition, the move to the National Living Wage locks in further cost both to our budget and the wider supply chain on which we rely. Both of these issues will require further assessment at the next MTFP refresh in July 2018, as we set out the scale of the fiscal challenge up to 2024/25.

- The estimates make provision for total inflationary increases to our cost base of c.£13.9m, which have also increased from the time we set the original plan, and careful monitoring of external forces on prices will become a theme of our financial planning, in particular as the impacts of Brexit become known.

- Managing demand remains a key issue. The budget makes annual provision of £3.6m year on year growth for support for our most vulnerable residents. We have seen a sharp increase in the Looked After Children population during 2017/18, and our future financial planning needs to be mindful of whether this growth will be repeated in future years.

- The issue of demand is not confined to Bradford, with most if not all social care authorities reporting strain in Adults or Children's care, or both. The challenge for this Council, with its comparatively low taxbase and strong efficiency performance, will be in maintaining discretionary services whilst managing this demand and the existing savings delivery programme.

Savings Plans

- Earlier sections of this paper refer to the 2017/18 in year challenge related to savings delivery. In order to present a balanced budget for 2018/19, we have been required to reprofile and in some cases write off proposals where they are no longer deemed to be deliverable in 2018/19 or beyond. This isn't unusual in managing a longer term financial plan and clearly forms part of producing a credible budget in any given year. These actions equate to £24m and it has been made possible by bringing forward other savings, making one-off adjustments to our capital financing budget in 2018/19, based on the current projected pace of delivery on the programme, as well as reducing some central contingencies to a still acceptable level. It should be reiterated that these measures have been used to reduce the 2017/18 overspend and would therefore not be available to mitigate unforeseen cost pressures in 2018/19.

- Whilst these actions have been acceptable and proportionate in this budget, the organisation cannot reasonably afford to repeat this in future budget cycles. Continued use of one off resource to mitigate non delivery of savings in order to balance budgets, which in turn erodes the financial health of an organisation, is clearly bad practice and is the prime reason for the severe financial strain being reported elsewhere in the sector at this time.

- The current savings programme, up to 2020/21, contains sizeable proposals that need to be delivered in their entirety over the remaining three years of the plan, including changes to our Early Help offer, alternative delivery models for our Place based services and most notably Demand Management in Adult Social Care.

- The latter, which is projected to deliver £32m in savings over the plan, and which we have reprofiled as part of the measures outlined above is crucial in the context of its proportionality to the overall savings we need to deliver by 2020/21. Managing demand in the care system and ensuring the right care is provided at the right time and place is clearly a sound strategy and firm organisational focus will be required to ensure the projected financial quantum is aligned to those improved outcomes for our residents.

- The full list of savings proposals have been developed with Executive members and management teams, which building on the extensive outcome led work in 2016, started in early summer 2017.

- All savings are allocated to a Strategic Director and progress measured through departmental Budget Delivery Boards and the overall Council Plan Delivery Board.

- In presenting two years of proposals, there is currently a projected gap of £3.5m in 2019/20 requiring further mitigation. This structural pressure will ultimately need to be met by ongoing savings.

<u>Other Considerations</u>

- The proposed allocation of the Dedicated Schools Grant (DSG) has been the subject of extensive and detailed development, scrutiny and ratification by the Schools Forum and its working groups. As part of this process, the Forum has recommended adopting the new National Funding Formula for the allocation of formula funding to primary and secondary schools from April 2018.

- In terms of Capital, the budget makes provision for a modest and affordable increase in our capital financing budget to cover the cost of a number of new significant regeneration projects designed to stimulate the local economy.

- Continuing developments in the integration of health and social care, which will likely be further impacted by the Green Paper due in summer 2018, may bring consequences to our longer term financial planning assumptions not currently factored in.

- Building on this last point, it is important to acknowledge the growing interdependencies in public sector finances, and in particular Health, and the way that we use our funds, and partners use theirs, will have an increasing bearing on outcomes in the district.

Summary

Given the remedial measures applied to the financial plan in 2018/19, it is concluded that the budget estimates are sufficiently robust in the context of an overall net expenditure requirement of £357m and available contingencies. However, given the experience in 2017/18 of non delivery of savings, careful and regular monitoring of the revised savings delivery programme will be required so that appropriate actions can be made including the identification of replacement recurring cost reductions where necessary.

Reserves

The Council's financial strategy during the period of austerity has been to maintain the strength of the balance sheet in order to provide resilience in a turbulent environment, whilst reducing the recurrent net cost base. The Council adopted and has adhered to a policy on the use of reserves which has served it well.

The balance sheet includes:

- Unallocated Corporate Reserves
- reserves set aside for designated purposes and for specific liabilities and risks.

Previous budget decisions, including setting aside funding for transformation, means that Unallocated Corporate Reserves currently sit at £14m (3.9% of the proposed net expenditure budget for 2018/19), and these are not projected to change over the remaining three years of the plan. Recent policy has suggested a balance of between £12-15m is acceptable and this remains a reasonable assumption.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant. To reiterate, non delivery of savings of the magnitude seen in 2017/18 on a continued basis, coupled with rising demand and further reduced resources could ultimately create a financially unsustainable organisation.

In this context, the projected Unallocated Corporate Reserves for 2018/19 and beyond remain adequate ***only if***

- the significant risks to the delivery of the proposed savings from previous and new decisions can be managed

- the indicative spending plans in future years are developed, agreed and implemented
- The amount of contingency in the annual base budget remains adequate
- Potential liabilities are manageable within the balance sheet's provisions and reserves
- Local sources of taxation and other income turn out as planned (with particular focus on Business Rates volatility).

It is therefore concluded that:

- the reserves are adequate for the 2018/19 proposed budget
- the Council has a clear reserves plan for the medium term
- the key to financial resilience now lies firmly in successfully implementing plans.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The potential impacts of the identified risks have been modelled in Appendix 1 to this paper. This risk analysis will be used to inform management action during the year. The existing and proposed governance mechanisms to manage the budget are examined as part of the risk assessment.

6. LEGAL APPRAISAL

This assessment is made in accordance with the requirements of the Local Government Acts 1972 and 2003. The Council's Constitution provides that each year, before the budget is determined the S151 Officer will produce a report for the Executive showing ongoing commitments and a forecast of the total resources available to the Council to enable the Executive to determine any financial strategy guidelines.

7. OTHER IMPLICATIONS

The Equality and Diversity issues arising from the new budget proposals are analysed in the reports accompanying the budget documentation presented to Executive on 6 February and 20 February 2018, plus addenda presented at the meeting. The Interim Trade Union feedback on the budget proposals is documented and reported in a similar way. The Trade Union feedback and the feedback from the public engagement and consultation programme on the proposals previously approved by Budget Council in February 2017 was fully considered by Council at that time.

8. RECOMMENDATIONS

That Members have regard to this report in setting the budget, and in particular note the conclusions that:

- the estimates presented to Council are sufficiently robust, in the context of the overall £357m net expenditure requirement and available contingencies

- the reserves are adequate for the 2018/19 proposed budget, and will be drawn on in accordance with proposed plan and reserves policy, recognising that estimates will be subject to review as part of the rolling planning cycle

- the projected corporate reserves to 2020/21 would, on current estimates, be adequate, subject to the implementation of the rest of the proposed financial plan.

As with all budgets there is the potential for amendments to be proposed/agreed which could change the overall package of proposals. In that respect, it should be highlighted that this statement would be amended or added to if a decision was proposed that lead to the Council's reserves falling below their recommended level. In addition, any other amendments would be considered against the scale of the overall budget and depending upon the extent and nature, may result in a revised statement.

9. APPENDICES

9.1 Appendix 1: Risk-Based Assessment

10. BACKGROUND DOCUMENTS

- Proposed Financial Plan updated 2018/19 – 2020/21 - Executive Report 5 December 2017 (Doc AJ)

- 2018/19 Budget Update– Executive Report 6 February 2018 (Doc AT)

- Consultation Feedback and Equality Assessments for the 2018/19 and 2019/20 Council Budget Proposals – Executive Report 6 February 2018 (Doc AV) and the addendum to that report circulated to Executive on 6 February 2018

- Interim Trade Union Feedback on the Council's Budget Proposals for the 2018/19 and 2019/20 Council Budget - Executive Report 6 February 2018 (Doc AW) and the addendum to that report circulated to Executive on 6 February 2018

- The Council's Revenue Estimates 2018/19 – Executive report 20 February 2018 (Document AZ)

- Allocation of the Schools Budget 2018/19 Financial Year – Executive Report 20 February 2018 (Document BA)

- Council's Capital Investment Plan 2018/19 to 2021/22 – Executive report 20 February 2018 (Document

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2018/19 Budget and Beyond

The table outlines: the risk event that could occur and cause the plan to vary; the mitigations that are in place; and an assessment of the potential quantified impact of the individual risk materialising, together with the additional mitigating factors.

Risk Event	**Description and Mitigation in Place**	**Residual Risk Rating (Likelihood/Impact) and Contingency**
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Taxation streams are unstable	Collection Rates, bad debt provisions, appeals provisions, rateable property and the cost of the Council Tax Reduction Scheme are all volatile and are regularly monitored. Business Rates performance continues to be more volatile than Council Tax, with the outcome of appeals significantly reducing the tax yield. In year losses and gains can be handled through the Collection Fund, while variances can be dealt with in future years plans.	High/Medium Contingency provided through adjustment of plans for subsequent years.
Other income streams unstable	Non-taxation income streams remain less volatile than in previous years. NHS funding streams may be at risk in the wake of current financial control difficulties. Past performance suggests that unplanned income may materialise, offsetting generally the risks against the aggregate net revenue budget. The Council is becoming more successful a securing competitive grants.	Low/Low Contingency provided through in-year budget control. Continuous dialogue with NHS partners over funding flows More active bidding for external funds Close monitoring of trading
Member support for the budget diminishes	The Executive and individual Portfolio Holders, have been involved at a very detailed level in the development of the proposals. The financial plan reflects the Council Plan which has also had significant member input.	Low/Low Contingency provided through adjustment of plans for subsequent years
Plans for implementation of	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. The impact of the plans	Medium/Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
changes are not robust	has been tested in consultation. The degree of risk in each individual proposed change varies, and requires continuous project management. The proposals in Adult Services require changes in staff attitudes to assessing and meeting needs, client behaviour, and supply side response. In Children's Services, the changes are wide-reaching and comprehensive, and external resource has already been procured to assist. Implementation requires dedicated project management resource (which continues to be funded in the budget). Lessons learned from previous years suggest that not having fully worked up plans at the beginning of the year hampers delivery- this risk is not yet fully mitigated at the time of this assessment.	Mitigation provided through continuous improvement of plans.
Planning is insufficiently flexible to respond to unexpected events	Governance arrangements allow Strategic Directors, under delegated authorities, and in consultation with Portfolio Holders, to flex plans during the year. If necessary, recourse can be had to the Executive to approve changes within the overall agreed budget envelope	Low/Low
Implementation of change is poorly controlled, or compromised by insufficient internal capacity	From 2011/12 to 2017/18, the Council has managed to implement savings of around £233m. Looking at performance in 2017/18, 49% of specific savings plans are forecast to convert into actual savings on time (compared with 87% in 2016/17). Given the cumulative impact of the savings since 2010, it will be increasingly hard to find mitigating savings. The degree of risk varies across Departments. The standard "7 Keys" programme and project management method, which has been adopted across Departments, will continue. There is a risk that the multiple impact of discrete changes on individuals or single organisations is not apparent until implementation, with unintended consequences that may need addressing.	Medium/High Compensating action to reduce net costs Non-recurrent funds are available to pay for change management, to reduce the risk of insufficient capacity Contingency in base budget.

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Risks to timely implementation of changes to packages of care in adults and children services	The programme of change for Adult Services continues to be risk-laden in view of: the proportionate value of savings in relation to the overall savings programme to 2020/21; the interconnectedness of the changes; the number and range of stakeholders to be consulted and managed; the statutory framework; the close links between local decisions and nationally-sponsored policy and thinking on new models of health and social care; the financial challenges faced by businesses in the social sector; and recent actual experience of managing change. The package of proposals to reform entitlements to and methods of transporting children with high needs to and from school has not yet yielded the intended financial benefits. The proposals from Children's Services will require a significant project management effort, with a package of reforms that include a fundamental rethink about care arrangements for children with needs for specialist services; the rapid move to school-led improvement; and new ways of working with schools to deliver some special educational needs services. These risks will be monitored through project management.	High/High Use of dedicated programme management resource Continued collaboration with NHS and other partners Learning from developments in other local authorities Adoption of higher risk appetite in the assessment of individual cases Use of external support/expertise
Uncertainties over the integration of health and social care, including delays in developing new models of care to support changes to service delivery	The future of adult social care is heavily influenced by national policy on integration. Work to develop "accountable care systems" could run slower than is necessary to inform/support local changes, with potential adverse financial and client impacts. Governance mechanisms including the Health and Wellbeing Board and supporting bodies are in place, allowing shared planning with NHS partners, and joint participation in nationally led initiatives. Negotiations continue over the distribution of the Better Care Fund. Financial pressures in the NHS could trigger higher degrees of organisational change, which divert leadership attention away from job of managing client demand which lies at the heart of the adult services changes required to deliver the budget.	High/Medium The Council may have to make unilateral changes if the pace of change is too slow
Changes related to	Consultation with Trade Unions commenced on 27 November 2017,	Low/Low

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staff cannot be implemented to plan	and has continued since. Implementation will focus on avoiding compulsory redundancy. The voluntary redundancy framework has proved to be effective, though there is a need to ensure that the skill base of the workforce is maintained. The total number of staff that could be at risk from this proposed budget is 85 FTE for 2018/19, and 68 for 2019/20 (in addition to 107 FTE for 2018/19 arising from decisions of 2017 Budget Council). Staff related changes account for c 1.5m, or 31% of total net budget changes in 2018/19.	Compensating action to reduce net costs Vacancy Management Contingency provided in base budget
Changes related to external suppliers cannot be implemented to plan	The new budget proposals foresee a reduction to spending with external suppliers of £2.2m or 43% of total net budget changes in 2018/19. Past experience suggests that through individual contract negotiation budgets can be managed through a combination of volume and price; and increasingly through re-commissioning for revised levels of service. Suppliers of adult social care continue to show signs of financial stress, including from the anticipated impact of the National Living Wage. Additional funding for Adult Services will be available from the extra 3% increase in Council Tax.	Low/Medium Compensating action to reduce net costs Additional 3% Council Tax rise to support adult social care costs Contingency provided in base budget
Changes related to income generation cannot be implemented to plan	The proposed budget assumes aggregate income from non-taxation sources rises by c 0.5% annually as a result of inflation. Targeted increases in income in 2018/19 are £1.3m or 26% of total net budget changes in 2018/19. The revised policy for social care charges is subject to an extended consultation period, resulting in delays in implementation.	Low/Low Compensating action to reduce net costs Contingency provided in base budget
Customer/ citizen behaviour is inconsistent with plan	Some budgets require significant degrees of change in behaviour and expectations on the part of service users and their representatives; and continuing consultation processes may pose risks to implementation. Experience to date says the most sensitive areas are in Adult Services; in Children's specialist services, and in local everyday services such as parking, public conveniences, and community amenities.	Medium/Medium Compensating action to reduce net costs Contingency provided in base budget

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External stakeholder groups resist and delay change	Experience over the last 5 years suggests that where change affects groups who have the capacity to organise challenge to the implementation of agreed budget decision, the result can be delay, which inhibits the timely delivery of savings	Medium/Low Stakeholder management as part of implementation Contingency planning
Demographic changes place unplanned burden on resources	The proposed budget has been increased to account for £2.9m of demographic growth in Adult Services, and £0.6m from Looked After Children. The Schools budgets (funded by the DSG) reflect the latest pupil census. It is expected that demographic growth and changes in the composition of the population will continue to lead to service pressures, which may need to be factored into future plans.	Low/Low Contingency provided through adjustment of plans for subsequent years
Insufficient inflation allowance is provided in the plan	Expenditure budgets have been selectively inflated at indices appropriate for the relevant line. Where appropriate, budget managers will need to absorb unfunded inflation through reducing consumption of goods and services. Pay budgets have been inflated to reflect the current status of negotiation on national pay awards. The impact of potential greater inflationary pressures in the economy on the medium term outlook will need to be managed.	Low/Low Compensating action to reduce net costs
Capital investment is poorly controlled	The level of contingency in the capital plans is in line with historically consistent levels. Some individual projects have yet to reach full business case stage, so their cost will need to be monitored. Recent experience suggests that capital projects take longer to implement than implied by the financial plan; but the revenue budget implications tend to be favourable. That said, we have calculated a one-off sum related to capital financing in order to allow us to reprofile agreed savings.	Low/Low Close monitoring is required to ensure that schemes do not overspend Contingency provided through adjustment of plans for subsequent years
Sources of funds for capital investment do not materialise	In addition, to the capital receipts expected to be released as a result of specific schemes, the Capital Investment Plan assumes £3.5m of general capital receipts from emerging sales of Council property.If they do not materialise, the plan (or individual projects	Low/Low Contingency provided through adjustment of plans for subsequent years

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	within in which are dependent on receipts) will need to be reviewed.	
Interest Rates are higher than anticipated over the life of the plan	Should there be sharp rate rises, this would have a corresponding impact on the capital financing budget as external borrowing becomes more expensive. This may in turn have an impact on the affordability of the capital programme, in particular in later years. Interest Rates assumed in the budget are based on the latest available information from professional treasury management advisors. Regular updates are received and form part of our monitoring processes.	Medium/Medium Compensating action to reduce net costs Reprofiling and reprioritisation of the capital plan
The baseline budget is structurally compromised	The proposed budget is set using the 2017/18 baseline as amended for specific changes. The 2017/18 outturn shows a combination of overspend pressures and compensating underspends. Not all these variances have been adjusted for in the 2018/19 budget, in order to maintain financial discipline.	Medium/Medium Strategic Directors can use their delegated budgets flexibly
Changes in school funding and in school structures created unforeseen and unfunded liabilities	Three factors could lead to financial stress in schools, which, under some circumstances, could create liabilities for the Council's budget: the increasing gap between funding and inflation-driven costs; the impact of the National Funding Formula on individual schools; conversions to academies. No additional provision has been made in the budget for these risks	Medium/Medium Support for/intervention in individual schools On-going dialogue with Regional Schools Commissioner Engagement with Bradford Schools Forum
Internal governance arrangements are not fit for purpose	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the supporting mechanisms are likewise effective at enabling a mature discussion about the use of local authority and DSG funds to support schools and pupils. Governance arrangements for health and social care are also well established. Internal governance supporting change management also reduces the risk of departmental silo mentality.	Low/low
Governance arrangements with	Governance arrangements at District level were re-tuned during 2016. Reforms continue in the education governance landscape.	Low/Low

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external parties are not fit for purpose	The Health and Wellbeing Board and supporting arrangements are in place, though the pace of development is often overtaken by national NHS developments. At regional level, Combined Authority governance is bedded in, though further changes may evolve in the wake of the fluid devolution agenda. These factors do not increase financial risk as much as absorb leadership and management attention.	

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