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Agenda for a meeting of the Executive to be held on Tuesday, 15 February 2022 at 10.30 am in the Council Chamber City Hall, Bradford

Members of the Executive – Councillors

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

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.**
- **Given the restrictions on room capacity, any Councillors and members of the public who wish to make a contribution at the meeting are asked to email jill.bell@bradford.gov.uk or yusuf.patel@bradford.gov.uk by 10.30 on Friday 11 February 2022 and request to do so. You will then be advised on how you can participate in the meeting. Access to the meeting cannot be guaranteed if those wishing to attend do not register given the Council must comply with the Covid regulations and guidance.**
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From: **To:**

Parveen Akhtar
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 1 - 6

(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. 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 / Yusuf Patel - 01274 434580 434579)

3. 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 / Yusuf Patel - 01274 434580 434579)

B. STRATEGIC ITEMS

LEADER OF COUNCIL & CORPORATE

(Councillor Hinchcliffe)

4. THE COUNCIL'S REVENUE ESTIMATES FOR 2022/23 7 - 24

The report of the Director of Finance (**Document "BC"**) provides Members with details of the Council's Revenue Estimates for 2022/23.

Recommended –

That the recommendations contained in Document "BC" be approved.

(Andrew Cross – 07870386523)

5. ALLOCATION OF THE SCHOOLS BUDGET 2022/23 FINANCIAL YEAR 25 - 76

The report of the Director of Finance (**Document "BD"**) seeks Executive approval of the recommendations of Bradford's Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2022/23 and subsequent recommendation to Full Council.

RECOMMENDATIONS

It is recommended that the Executive asks Council to:

a) **Accept and approve the proposals for the allocation of the 2022/23 Dedicated Schools Grant, as set out in this report.**

b) **Approve the total amount of £665.617m 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 2022/23.

(Andrew Redding – 01274 432678)

6. CAPITAL INVESTMENT PLAN 2022-23 TO 2025-26 77 - 126

The report of the Director of Finance (**Document "BE"**) presents in Section A the Council's Capital Investment Plan 2022-23 to 2025-26. Section B presents an updated Capital Strategy for 2022-23. This strategy underpins the spending proposals within the Capital Investment Plan. Section C presents the Investment Strategy for 2022-23.

Recommended –

(1) Executive is asked to note the contents of this report and to have regard to the information contained within this report when considering the recommendations to make to Council on the CIP for 2022-23.

(2) That commitments against reserve schemes and contingencies can only be made after a business case has been assessed by Project Appraisal Group and approved by Executive.

(3) That delegated authority is given to Section 151 Officer to repay debt on an annuity basis, for chosen properties purchased during or after 2018-19. Delegated authority could only be exercised if two conditions are met:

1. **the asset retains or increases its value;**
2. **the return from the capital scheme is sufficient to repay the capital sum invested.**

(4) That the proposed 2022-23 Minimum Revenue Policy set out in Appendix 2 to Document "BE" is approved

(5) That specific approval be given for the following schemes previously approved by Executive to commence following a detailed review by Project Appraisal Group:

- **The 2022-23 Property Programme has a proposed total cost of £4m and this will be funded by the £2m allocated and an additional £2m.**
- **Baildon Library – The £1.445m scheme is for the relocation of Baildon Library from Ian Clough Hall. The scheme will be funded by corporate borrowing and generate c£1m in corporate capital receipts.**

(Lynsey Simenton - 01274 434232)

7. **2022/23 BUDGET PROPOSALS AND FORECAST RESERVES - S151 OFFICER ASSESSMENT** 127 - 146

The report of the Director of Finance (**Document "BF"**) assesses the robustness of the proposed budget for 2022/23, 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.

The report also provides commentary on the financial resilience of the Council over the medium term and the level of reserves held.

Recommended -

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**
- **the reserves are adequate for the 2022/23 proposed budget**
- **the projected corporate reserves, on current estimates, are adequate in the medium term, subject to the implementation of the rest of the proposed financial plan**
- **the Medium Term Financial Strategy will be updated and reported to Executive as clarity on future local government funding is received.**

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.

(Chris Chapman – 01274 433656)

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Executive 1st February 2022 - DISCLOSURES OF INTEREST

(i) The following Elected Members have been granted dispensations under the Localism Act 2011 in relation to their declared Disclosable Pecuniary Interests relating to employment, sponsorship and land.

EMPLOYMENT
Councillor Imran Khan
Councillor Hinchcliffe

SPONSORSHIP
Councillor Hinchcliffe
Councillor Duffy
Councillor Jabar
Councillor Imran Khan
Councillor Ross-Shaw

LAND
Councillor Duffy
Councillor Ferriby
Councillor Hinchcliffe
Councillor Jabar
Councillor Imran Khan
Councillor Ross-Shaw

TENANCY
Councillor Duffy

(ii) The following members disclosed a personal interest in the item on the agenda relating to the Budget 2022-23 and of the nature and description indicated by each category:

Members with a spouse, partner or close relative in the employment of the Council
Councillor Jabar
Councillor Imran Khan

Members employed by or who have a spouse, partner or close relative employed by a voluntary organisation/public body funded by the Council.
Councillor Duffy
Councillor Imran Khan

Members who occupied land or who had a spouse, partner or relative who did or who were directors of companies or sat on the management committee of an organisation that occupies land under a lease or licence granted by the Council.
Councillor Imran Khan
Councillor Ross-Shaw

Members of other public authorities.
Airedale Partnership
Councillor Ross Shaw

Arts Council North
Councillor Hinchcliffe

Bradford Economic Partnership
Cllr Hinchcliffe
Cllr Ross-Shaw

Bradford Partnership (Safeguarding)
Councillor Duffy

City Regions Board (LGA)
Councillor Hinchcliffe

Key Cities
Councillor Hinchcliffe
Councillor Imran Khan

Leeds Bradford International Airport – Consultative Committee
Councillor Cunningham

Leeds City Region Local Enterprise Partnership
Councillor Hinchcliffe

Nell Bank Outdoor Education Centre
Councillor Ferriby

Northern Acceleration Council
Councillor Hinchcliffe

Rail North
Councillor Hinchcliffe

Sir Titus Salt Trust
Councillor Hinchcliffe

Transport for the North
Councillor Hinchcliffe (alternate for the WY Mayor)

University of Bradford - Court
Councillor Hinchcliffe

West Yorkshire Combined Authority
Councillor Hinchcliffe
Councillor Imran Khan (alternate)

West Yorkshire Combined Authority Culture, Arts, and Creative Industries Committee
Councillor Sarah Ferriby

West Yorkshire Combined Authority Inclusive Growth and Public Policy Committee
Councillor Ross-Shaw

West Yorkshire Combined Authority Finance, Resources, and Corporate Committee
Councillor Hinchcliffe
Councillor Imran Khan (alternate)

West Yorkshire Combined Authority Business, Economy and Innovation Committee
Councillor Ross-Shaw

West Yorkshire Combined Authority Business Investment Panel
Councillor Ross-Shaw

West Yorkshire Combined Authority Employment Skills Committee
Councillor Imran Khan

West Yorkshire Combined Authority Governance and Audit
Councillor Hinchcliffe
Councillor Imran Khan (alternate)

West Yorkshire Combined Authority Climate, Energy, and Environment Committee
Councillor Ferriby

West Yorkshire Combined Authority Leeds City Region Partnership Committee
Councillor Hinchcliffe
Councillor Imran Khan (alternate)

West Yorkshire Combined Authority Place, Regeneration and Housing Committee
Councillor Alex Ross-Shaw

West Yorkshire Combined Authority Transport Committee
Councillor Hinchcliffe

West Yorkshire Combined Authority Vision Zero Board
Councillor Ross-Shaw

West Yorkshire Employers Association
Councillor Duffy

West Yorkshire Joint Services Committee
Councillor Duffy
Councillor Hinchcliffe
Councillor Imran Khan

Yorkshire Leaders Board
Councillor Hinchcliffe

Yorkshire Libraries and Information
Councillor Ferriby

Parish Councillors
Councillor Hinchcliffe
Councillor Ross-Shaw

Members who sit on the management committee/ trustee of a voluntary organisation in receipt of Council Funding
Councillor Ferriby
Councillor Hinchcliffe
Councillor Jabar
Councillor Imran Khan
Councillor Ross-Shaw

Members who are members of a Council funded organisation
Councillor Imran Khan
Councillor Ross-Shaw

Members appointed by the Council to a public body with an interest in the Council's budget
Councillor Ross-Shaw

Members who are appointed to external bodies
Bradford Business Improvement District Board
Councillor Ross-Shaw

Bradford City Challenge Foundation Limited
Councillor Imran Khan

Canal Road Urban Village
Councillor Ross-Shaw

City of Film
Councillor Ferriby

Friends of Brackenhill Park
Councillor Jabar

Great Horton Partnership
Councillor Jabar

Ilkley Business Improvement District Board
Councillor Ross-Shaw

Keighley Business Improvement District Board
Councillor Ross-Shaw

Keighley Towns Fund Board
Councillor Ross-Shaw

Shipley Towns Fund Board
Councillor Ross-Shaw

Ummid/Himmat Management Board
Councillor Jabar

Other Interests

Co-operative Party
Councillor Hinchcliffe

Education and Skills Board of Northern Powerhouse Partnership
Councillor Hinchcliffe

GMB
Councillor Imran Khan

Prospect
Councillor Duffy

Unison
Councillor Jabar
Councillor Ross-Shaw

Unite
Councillor Duffy
Councillor Ferriby

Unison, Unite, GMB, Community
Councillor Hinchcliffe

Members who are school governors
Councillor Duffy
Councillor Ferriby

President of Bradford Council for Mosques
Councillor Imran Khan

President of Great Horton Church Cricket Club
Councillor Imran Khan

Members entitled to receive an allowance paid by the Council
All members of the Executive in attendance.
Any members who are in receipt of a West Yorkshire Pension Fund pension.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 15 February 2022 and Council to be held on 17 February 2022

BC

Subject:

The Council's Revenue Estimates for 2022/23

Summary Statement:

The report provides Members with details of the Council's Revenue Estimates for 2022/23

EQUALITY & DIVERSITY:

The report sets out clearly the need for equality to be considered as part of the Budget Strategy. As in previous years full Equality Impact Assessments have been produced for all budget proposals and full consultation with relevant groups has been undertaken. The outcome of consultation will be considered and reported upon before the 2022/23 budget is approved.

The Revenue budget supports the delivery of Council Priorities including significant action to address inequalities in health, income, opportunity and environmental quality.

Chris Chapman
Director of Finance

Portfolio:

Leader

Report Contact:
Andrew Cross
Phone: 07870386523
E-mail: andrew.cross@bradford.gov.uk

Overview & Scrutiny Area:

Corporate

THE COUNCIL'S REVENUE ESTIMATES FOR 2022/23

1. 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 2022/23.

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

- the recommended Capital Investment Plan
- the allocation of the Schools Budget 2022/23
- Section 151 Officer's Assessment of the proposed budgets

1.3 The overall budget proposal allocates available resources to enable the delivery of Council priorities:

- A great start and a good school for all our children
- Better health, better lives
- Safe, strong and active communities
- Skills, jobs and a growing economy
- A sustainable District
- Decent homes
- Enabling Council

1.4 This report is submitted to enable the Executive to make recommendations to Budget Council on the setting of the 2022/23 budget and the Council Tax for 2022/23, as required by Part 3C of the Council's Constitution.

2. PROPOSED REVENUE BUDGET 2022/23

2.1 The balanced 2022/23 revenue budget is predicated on total available general resources (Council Tax income, Business Rates income, Top up Grant, Revenue Support Grant and use of reserves) of £391.307m in 2022/23.

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 2022-23 impact of investment decisions taken as part of the 2021-22 budget, totalling £2.138m in 2022/23 (Appendix B).
- New recurring budget investment proposals totalling £604k as outlined in Appendix C – namely Children's Short Breaks (£552K), and additional Council Tax Support for care leavers (£52K)
- Time limited investment into City of Culture (£3m in 2022-23) and a Regeneration opportunity previously agreed by Full Council (£1.25m in 2022-23), as outlined in Appendix D.
- Investment to address existing pressures in Children's Social Care (£7.5m), and Adults Social Care (£3m) as outlined in Appendix E.
- A £50 Council Tax discount for working age Council Tax Reduction Scheme recipients to cushion the withdrawal of the Governments Council Tax Hardship Grant for low income households. The scheme would cost £1.6m in 2022-23 as outlined in Appendix F.

- The effect in 2022-23 of prior year savings decisions, including decisions made by Budget Council in February 2019 and 2020 in respect of 2022/23, which amounted to a reduction in the budget for 2022/23 of £5.839m (Appendix G). Appendix H sets out amendments to these prior decisions at a cost of £350k.
- £22.4m provision for inflation (4%); National living Wage increases for Social Care and other workers (a 6.6% increase from £8.91 to £9.50 per hour for over 23s), and the cost of National Insurance Contribution increases.
- Provision for demographic growth of £1.925m.
- The impact on the Council's funding arising from 2022/23 Local Government Settlement.
- A Council Tax increase of 1.99% in line with the Chancellor's Comprehensive Spending Review assumptions.
- An Adult Social Care precept increase of 1% in line with the Chancellors Comprehensive Spending Review assumptions
- The proposal to balance the budget by using £6.473m of reserves, and also create a Social Care reserve of £7.177m to be used to address Social Care pressures in 2022-23 as required.
- The origin of the £13.650m reserves that will be used to balance the budget (£6.473m) and create a Social Care reserve (£7.177m) are detailed in Appendix I.
- No new redundancies or cuts to services arising from these proposals.

2.3 Key changes since the publication of the Proposed Financial Plan updated 2022/23 (approved by Executive 1 February 2022) are:

- A £5.5m reduction in Business Rates for 2022-23 following the submission of the Business Rates (NNDR1) form to Government at the end of January 2022. The main reason for the reduction is that the Government have announced the extension of Covid related retail reliefs for Businesses into 2022-23. The Government will compensate Councils for this via Section 31 grants.
- A £7.4m increase in Section 31 Grants as compensation for the loss of Business Rates as outlined above.
- The overall impact of the above is a reduced call on reserves to balance the budget of £1.868m.
- The saving resulting from the above will go into the Social Care reserve.

In addition to the above, we are awaiting the publication of the final Local Government Settlement. This is likely to be in the 2nd week of February, and it will have an impact on the final size of the Councils 2022-23 budget. An amended report will be published as soon as possible after the data is available.

In most years the difference between the provisional settlement (published in December), and final settlement (February), are relatively trivial. However, as part of the provisional settlement the Government has stated that they would recalculate the compensation that the Council receives for Government policy decisions to under index the Business Rates multiplier, by using the Retail Price Index, rather that the Consumer Price Index. Depending on what this is applied to in their calculations, it could result in c£2m of additional funding. The outcome will not however be known until the second week in February. An amended report will be published in advance of Budget Council when the outcome is known.

2.4 The £13.650m of reserves that are proposed to be used to fund the £6.472m budget gap in 2022-23 and create £7.177m Social Care Pressures reserve are:

- £10.7m reduction in the Unallocated reserve to £0.
- £1m reduction in the VAT Partial Exemption reserve from £3m to £2m.
- £1m reduction in the 2019-20 Financing reserve from £1m to £0m.
- £0.95m reduction in the Renewals and Replacement reserve to £4.2m.

2.5 At the end of January 2022 the Department for Education (DfE) announced new arrangements for the delivery of Children's Services. The Council is liaising with key stakeholders including the DfE on the details of these arrangement and the establishment of an Arms Length Company to develop and implement proposals for the continued improvement of Children Services. Details are being drawn up and this will include discussions with the DfE regarding the funding of set up and other associated costs. It may be that some costs become a call upon the earmarked reserve for Social Care Pressures proposed as part of 2022/23 budget proposals. The Portfolio Holders and Executive will be kept fully informed of calls on the Social Care Pressures reserve.

2.6 The overall budget summary position is shown at Appendix A, with further detail contained in Appendices B to I.

3. COUNCIL TAX IMPLICATIONS

3.1 In setting the Council Tax for 2022/23, Council will have regard to the Council Tax base approved by the Executive on 4 January 2022. The Council will also wish to note the precepts of the parish and town councils.

4. MATTERS RELATING TO 2021/22 FINANCIAL POSITION

4.1 The 2021/22 financial position is contingent upon the 2021/22 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 2021/22 in preparing the Final Accounts for 2021/22.

MATTERS RELATING TO FUTURE EXTERNAL AUDIT

4.2 The Councils External Audit contract is due for renewal. Previously the Council procured its External Auditors via a national body called Public Sector Audit Appointments for the period April 2018 to Mach 2023, and it is recommended that this procurement route is used again. A full report outlining the future procurement of External Auditors for the 5 years from April 2023 was provided to the Governance and Audit Committee on 28th January 2022. The Committee supported the s151 Officers recommendation, and Full Council approval is now required in order to proceed.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 The uncertainties regarding the funding that will be available to the Council are considered within the Section 151 Officer's Report. Existing governance arrangements around the Council's financial monitoring will continue.

6. 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 2022/23 at their meeting on 17 February 2022. 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 15 February 2022 following their consideration on 1 February 2022 of the feedback received to date from the 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 to the 15 February 2022 Executive meeting.

7. 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 an appendix in Budget Update report presented to the meeting of Executive on 1 February 2022. The equality implications of the 2022/23 proposals previously approved by Budget Council in February 2021 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 feedback received. These assessments for the 2022/23 proposals are accessible via this link: https://www.bradford.gov.uk/your-council/council-budgets-and-spending/budget-eias-2022-23/

The EIAs have been updated and republished for this meeting.

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 There are no direct community safety implications of new budget proposals.

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 feedback from the consultation programme on the Council's new budget proposals and the proposed amendments to previous budget decisions were detailed in an appendix to a report presented to the meeting of Executive on 1 February 2022. The consultation feedback on the proposals previously approved by Budget Council was fully considered by Council at that time.

7.7 WARD IMPLICATIONS

7.7.1 In general terms, where proposals 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 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

7.8.1 Any implications for children and young people are addressed in the detailed budget proposals

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None.

8. RECOMMENDATIONS TO COUNCIL

Executive is asked to approve the following recommendations to Council:

8.1 REVENUE ESTIMATES 2022/23

(a) That the Base Revenue Forecast of £391.307m for 2022/23 be approved as set out in this report.

(b) That the recurring investment proposals of £604k in 2022/23 as set out in Appendix C be approved.

(c) That the existing pressures of £10.5m in 2022/23 as set out in Appendix E be approved.

(d) That the one off investment of £1.6m in 2022/23 as set out in Appendix F be approved.

(e) That the prior agreed savings in Appendix G be noted and the amendment to previous budget decisions totalling £350k in 2022/23 as set out in Appendix H be approved.

(f) That it be noted that within the revenue budget there is a net use of £6.473m in revenue reserves in 2022/23, and the creation of a Social Care reserve of £7.177m to be funded as by £13.650m of reserves as set out in Appendix I.

(g) That the comments of Director of Finance set out in the Section 151 Officer's Assessment of the proposed budgets on the robustness of the estimates and the adequacy of reserves taking account of the recommendations made at 8.1(a) to

(f) above be noted.

8.2 PROPOSED COUNCIL TAX 2022/23

8.2.1 That it be noted that the projected council tax base and expenditure forecasts outlined in this report together with the 2022/23 resources and the budget variations approved in 8.1 produce a proposed Band D council tax of £1,543.93 for 2022/23.

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) entry into any business rate pilot, 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 2021/22, 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 2021/22 and 2022/23 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 2021/22.

8.6 Procurement of External Auditors for 5 years from April 2023

a) That the Council approves the procurement of External Audit via Public Sector Audit Appointments for the 5 year period from April 2023.

8.7 COUNCIL TAX REQUIREMENT 2022/23

(a) That the council tax base figures for 2022/23 calculated by the Council at its meeting on 4th January 2022 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 2022/23 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	**£1,180,245,854**
Income	**£955,936,300**
Council Tax requirement	**£224,309,554**
Council tax base	**143,420**
Basic amount of council tax	**£1,564.00**
Adjustment in respect of parish and town council precepts	**£ 20.07**
Basic amount excluding parish and town councils	**£1,543.93**

That the precepts of parish and town councils are 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	100,255	1,782	56.26	1,543.93	1,600.19
Baildon	306,310	6,273	48.83	1,543.93	1,592.76
Bingley	237457	8,544	27.79	1,543.93	1,571.72
Burley	256,190	3,014	85.00	1,543.93	1,628.93
Clayton	68,240	2,473	27.59	1,543.93	1,571.52
Cullingworth	45,455	1,313	34.62	1,543.93	1,578.55
Denholme	59956	1,153	52.00	1,543.93	1,595.93
Harden	39,008	848	46.00	1,543.93	1,589.93
Haworth, Crossroads and Stanbury	106,140	2,357	45.03	1,543.93	1,588.96
Ilkley	340,464	7,227	47.11	1,543.93	1,591.04
Keighley	729,824	15,170	48.11	1,543.93	1,592.04
Menston	119,286	2,209	54.00	1,543.93	1,597.93
Oxenhope	36,645	1,047	35.00	1,543.93	1,578.93
Sandy Lane	15,786	877	18.00	1,543.93	1,561.93
Shipley	149,325	4,714	31.68	1,543.93	1,575.61
Silsden	65,050	3,087	21.07	1,543.93	1,565.00
Steeton with Eastburn	81,800	1,790	45.70	1,543.93	1,589.63
Wilsden	89,995	1,756	51.25	1,543.93	1,595.18
Wrose *	31,668	2,184	14.50	1,543.93	1,558.43
Total of all local precepts	2,878,854	67,818			

(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:

	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	1,029.29	1,200.83	1,372.38	1,543.93	1,887.03	2,230.12	2,573.22	3,087.86
The parish and town council areas of:								
Addingham	1,066.79	1,244.59	1,422.39	1,600.19	1,955.79	2,311.39	2,666.98	3,200.38
Baildon	1,061.84	1,238.81	1,415.79	1,592.76	1,946.71	2,300.65	2,654.60	3,185.52
Bingley	1,047.81	1,222.45	1,397.08	1,571.72	1,920.99	2,270.26	2,619.53	3,143.44
Burley	1,085.95	1,266.95	1,447.94	1,628.93	1,990.91	2,352.90	2,714.88	3,257.86
Clayton	1,047.68	1,222.29	1,396.91	1,571.52	1,920.75	2,269.97	2,619.20	3,143.04
Cullingworth	1,052.37	1,227.76	1,403.16	1,578.55	1,929.34	2,280.13	2,630.92	3,157.10
Denholme	1,063.95	1,241.28	1,418.60	1,595.93	1,950.58	2,305.23	2,659.88	3,191.86
Harden	1,059.95	1,236.61	1,413.27	1,589.93	1,943.25	2,296.57	2,649.88	3,179.86
Haworth, Crossroads and Stanbury	1,059.31	1,235.86	1,412.41	1,588.96	1,942.06	2,295.16	2,648.27	3,177.92
Ilkley	1,060.69	1,237.48	1,414.26	1,591.04	1,944.60	2,298.17	2,651.73	3,182.08
Keighley	1,061.36	1,238.25	1,415.15	1,592.04	1,945.83	2,299.61	2,653.40	3,184.08
Menston	1,065.29	1,242.83	1,420.38	1,597.93	1,953.03	2,308.12	2,663.22	3,195.86
Oxenhope	1,052.62	1,228.06	1,403.49	1,578.93	1,929.80	2,280.68	2,631.55	3,157.86
Sandy Lane	1,041.29	1,214.83	1,388.38	1,561.93	1,909.03	2,256.12	2,603.22	3,123.86
Shipley	1,050.41	1,225.47	1,400.54	1,575.61	1,925.75	2,275.88	2,626.02	3,151.22
Silsden	1,043.33	1,217.22	1,391.11	1,565.00	1,912.78	2,260.56	2,608.33	3,130.00
Steeton with Eastburn	1,059.75	1,236.38	1,413.00	1,589.63	1,942.88	2,296.13	2,649.38	3,179.26
Wilsden	1,063.45	1,240.70	1,417.94	1,595.18	1,949.66	2,304.15	2,658.63	3,190.36
Wrose *	1,038.95	1,212.11	1,385.27	1,558.43	1,904.75	2,251.07	2,597.38	3,116.86

* Provisional figure

(f) That it be noted that for the year 2022-23 the Police and Crime Commissioner and West Yorkshire Fire and Rescue Authority (WYFRA) have not yet notified their precepts.

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								
9,539,560	44.79	52.25	59.72	67.18	82.11	97.04	111.97	134.36
Police and Crime Commissioner for West Yorkshire								
30,001,760	140.85	164.33	187.80	211.28	258.23	305.18	352.13	422.56

(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 2022-23 in each of the categories of dwellings shown below:

	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	1,214.93	1,417.41	1,619.90	1,822.39	2,227.37	2,632.34	3,037.32	3,644.78
The parish and town council areas of:								
Addingham	1,252.43	1,461.17	1,669.91	1,878.65	2,296.13	2,713.61	3,131.08	3,757.30
Baildon	1,247.48	1,455.39	1,663.31	1,871.22	2,287.05	2,702.87	3,118.70	3,742.44
Bingley	1,233.45	1,439.03	1,644.60	1,850.18	2,261.33	2,672.48	3,083.63	3,700.36
Burley	1,271.59	1,483.53	1,695.46	1,907.39	2,331.25	2,755.12	3,178.98	3,814.78
Clayton	1,233.32	1,438.87	1,644.43	1,849.98	2,261.09	2,672.19	3,083.30	3,699.96
Cullingworth	1,238.01	1,444.34	1,650.68	1,857.01	2,269.68	2,682.35	3,095.02	3,714.02
Denholme	1,249.59	1,457.86	1,666.12	1,874.39	2,290.92	2,707.45	3,123.98	3,748.78
Harden	1,245.59	1,453.19	1,660.79	1,868.39	2,283.59	2,698.79	3,113.98	3,736.78
Haworth, Crossroads and Stanbury	1,244.95	1,452.44	1,659.93	1,867.42	2,282.40	2,697.38	3,112.37	3,734.84
Ilkley	1,246.33	1,454.06	1,661.78	1,869.50	2,284.94	2,700.39	3,115.83	3,739.00
Keighley	1,247.00	1,454.83	1,662.67	1,870.50	2,286.17	2,701.83	3,117.50	3,741.00
Menston	1,250.93	1,459.41	1,667.90	1,876.39	2,293.37	2,710.34	3,127.32	3,752.78
Oxenhope	1,238.26	1,444.64	1,651.01	1,857.39	2,270.14	2,682.90	3,095.65	3,714.78
Sandy Lane	1,226.93	1,431.41	1,635.90	1,840.39	2,249.37	2,658.34	3,067.32	3,680.78
Shipley	1,236.05	1,442.05	1,648.06	1,854.07	2,266.09	2,678.10	3,090.12	3,708.14
Silsden	1,228.97	1,433.80	1,638.63	1,843.46	2,253.12	2,662.78	3,072.43	3,686.92
Steeton with Eastburn	1,245.39	1,452.96	1,660.52	1,868.09	2,283.22	2,698.35	3,113.48	3,736.18
Wilsden	1,249.09	1,457.28	1,665.46	1,873.64	2,290.00	2,706.37	3,122.73	3,747.28
Wrose	1,224.59	1,428.69	1,632.79	1,836.89	2,245.09	2,653.29	3,061.48	3,673.78

(h) That Council notes the movement in Band D equivalent charges for 2022-23 over 2021-22 as set out in the table below.

	Council Tax 2022-23 Band D Equivalent	Council Tax 2021-22 Band D Equivalent	Percentage change 2021-22 on 2020-21
Bradford Metropolitan District Council	**1,543.93**	**1,499.11**	**2.99%**
West Yorkshire Fire and Rescue Authority *	**67.18**	**67.18**	**%**
West Yorkshire Police Authority *	**211.28**	**211.28**	**%**
Local (Parish Council) Precepts:			
Addingham	**56.26**	**56.26**	**0.0%**
Baildon	**48.83**	**48.83**	**0.0%**
Bingley	**27.79**	**22.07**	**25.9%**
Burley	**85.00**	**82.00**	**3.7%**
Clayton	**27.59**	**30.02**	**-8.1%**
Cullingworth	**34.62**	**31.44**	**10.1%**
Denholme	**52.00**	**45.00**	**15.6%**
Harden	**46.00**	**45.00**	**2.2%**
Haworth etc	**45.03**	**45.01**	**0.0%**
Ilkley	**47.11**	**47.11**	**0.0%**
Keighley	**48.11**	**39.69**	**21.2%**
Menston	**54.00**	**54.00**	**0.0%**
Oxenhope	**35.00**	**35.00**	**0.0%**
Sandy Lane	**18.00**	**18.00**	**0.0%**
Shipley	**31.68**	**30.01**	**5.6%**
Silsden	**21.07**	**28.71**	**-26.6%**
Steeton/ Eastburn	**45.70**	**44.92**	**1.7%**
Wilsden	**51.25**	**35.75**	**43.4%**
Wrose	**14.50**	**13.50**	**7.4%**
***Provisional figures**			

BACKGROUND DOCUMENTS

Executive reports

- 15th February 2021: 2021/22 Budget Proposals and Forecast Reserves – s151 Officer Assessment
- 1st February 2022: 2021-22 Budget Update Report
- 1st February 2022: Qtr 3 Finance Position Statement 2021-22
- 4th January 2022: Calculation of Bradford's Council Tax Base and Business Rates Base for 2022/23
- 7st December 2021 Proposed Financial Plan and Budget proposals for 2022/23 and Addendum

10 APPENDICES

10.1 Appendix A: Council Cumulative Budget 2022/23

10.2 Appendix B: Schedule of agreed recurring investments previously consulted on (for reference only)

10.3 Appendix C: Recurring investment proposals which were open for consultation until 19th January 2022

10.4 Appendix D: Time limited investments previously approved by Full Council (For reference only)

10.5 Appendix E: Existing pressures which were open for consultation until 19th January 2022

10.6 Appendix F: One off investment proposal which was open for consultation until 19th January 2022

10.8 Appendix G: Schedule of agreed savings previously consulted on (for reference only)

10.9 Appendix H: Schedule of proposed amendments to previous budget decisions open for consultation until 19th January 2022

10.10 Appendix I: Proposed Used of Reserves

Appendix A

COUNCIL CUMULATIVE BUDGET 2022/23

SUMMARY OF FINANCIAL IMPLICATIONS

Cumulative gap £000s	**2022/23 Budget per this report Feb 1 2022 £000s**	**Change since Budget Proposals Report £000s**	**2022/23 Budget per this report Feb 15 2022 £000s**
2021/22 Base Budget	385,373	0	385,373
Reversal of non-recurring investment from prior years	(2,968)	0	(2,968)
Base Budget	382,405	0	382,405
Recurring Pressures Previously consulted (Appendix B)	2,138	0	2,138
New Investments for Consultation(App C)	552	52	604
Previously approved Time Limited Investments (App D)	4,250	0	4,250
Pressures in Children's & Adults Social Care (App E)	10,500	0	10,500
Inflation	22,373	0	22,373
Demographic Growth	1,925	0	1,925
Funding Changes	(19,168)	(7,431)	(26,599)
Base Net Expenditure Requirement	404,975	(7,379)	397,596
One Off investments (Council Tax Support) (App F)	1,652	(52)	1,600
Existing approved savings that impact on future years (App G)	(5,489)	(350)	(5,839)
Amendment to existing approved savings (App H)	0	350	350
Capital financing and central budget adjustments	(2,400)	0	(2,400)
Net Expenditure Requirement	398,738	(7,431)	391,307
RESOURCES			
Localised Business Rates 2022/23	(63,300)	6,159	(57,141)
Share of unfunded 2021/22 Business Rates Deficit	597	(597)	0
Top Up Business Rates Grant	(69,259)	0	(69,259)
Revenue Support Grant	(35,879)	0	(35,879)
Assumed additional RSG replacing New Homes Bonus	0	0	0
Council Tax Income 2022/23	(221,431)	0	(221,431)
Share of estimated 2021/22 Council Tax Surplus	(1,125)	0	(1,125)
Use of reserves (Previously Approved).	(4,250)	0	(4,250)
Use of reserves to balance the budget	(4,091)	1,868	(2,223)
Total resources	**(398,738)**	**7,431**	**(391,307)**

*Any impact from 2020/21 and 2021/22 Business Rates Collection Fund deficits in 2022/23 is excluded from the above, and will be covered by the S31 Business Rates Grant Reserve as planned.
** The above table does not include the impact of the Government using RPI to calculate Business Rates Multiplier compensation per paragraph 2.3.
*** It is proposed that the reduced call on reserves to balance the budget will be earmarked to a Social Care reserve to be drawn on as required, as these sectors continue to be impacted by Covid and other budget pressures.

Appendix B - Schedule of agreed recurring investments previously consulted on (for reference only)

Appendix Costs and Savings are shown for both 2022-23 and 2023-24 in comparison to the 2021-22 Budget

Recurring Investments for 2022-23 previously consulted on (For reference only)		2022-23	2023-24
		£'000	**£'000**
CHR8.3	Skills House – Investment (£1m investment in 21-22 was funded from Covid Grants, but will need to be base budget funded from 2022-23 onwards.	1,019	1,019
CR8.2	IT requirements to support Children's Services - Additional investment reducing from £843k in 2021-22 to £174k in 2022-23 onwards as previously approved	(669)	(669)
HWR8.1	Adults Commissioning Team expansion (£500k increase in each year for 3 years from 2021-22 as previously planned)	500	1,000
PR8.2	Stronger Communities Team (Full year effect of investment agreed in 2021-22	250	250
CRR8.4	Legal Services, to support children service demands (additional £135k to take investment up to £577k as approved in 2021-22).	135	135
PR8.3	Culture investment (Full year effect of investment approved as part of 2021-22 budget	203	203
CRR8.7	Microsoft licences (£700k investment approved as part of 2021-22 budget – increased costs covered by reserves in 2021-22, with base budget required in 2022-23)	700	700
	Total	2,138	2,638

Appendix C - Recurring investment proposals which were open for Consultation until 19th January 2022

Proposed Recurring Investments for 2022-23 - for consultation		2022-23	2023-24
		£'000	**£'000**
	Children's Short Breaks	552	552
	Council Tax Support for Care Leavers • Council Tax support for care leavers by extending y extending the 100% discount for Care Leavers scheme up to the age of 25 (from 21)	52	52
	Total	604	604

Appendix D – Time limited investments previously approved by Full Council (For reference only)

Time limited Investments (for reference only)		2022-23	2023-24
		£'000	**£'000**
	City of Culture – previously approved by Full Council	3,000	3,000
	Regeneration Opportunity – previously approved by Full Council	1,250	1,250
	Total	4,250	4,250

Appendix E – Existing pressures which were open for consultation until 19th January 2022

Existing Pressures for consultation		2022-23	2023-24
		£'000	£'000
	Children's Social Care Pressures	7,500	7,500
	Adults Social Care Pressures	3,000	3,000
	Total	10,500	10,500

Appendix F – One off investment proposal which was open for Consultation until 19th January 2022

One off Investments for 2022-23 - for consultation		2022-23	2023-24
		£'000	£'000
	Council Tax Hardship Scheme – £50 per eligible recipient for 2022-23 only	1,600	0
	Total	1,600	0

Appendix G - Schedule of agreed savings previously consulted on (for reference only)

Schedule of agreed savings previously consulted on (for reference only)		2022-23	2023-24
		£'000	£'000
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, and continued personalisation).- Final year of 4 year strategy implementation.	(5,489)	(5,489)
6X1	Welfare Advice & Customer Service - Fundamental change to the way the Council and its partners deliver customer facing Services, focussed on customers getting the 'right support at the right time'. – **See also proposed delay to 2023-24 in Appendix H below.**	(350)	(350)
	Total	**(5,839)**	**(5,839)**

Appendix H - Schedule of proposed amendments to previous budget decisions open for consultation until 19th January 2022

Amended prior year budget savings for consultation		2022-23	2023-24
		£'000	£'000
6X1	Welfare Advice & Customer Service - Fundamental change to the way the Council and its partners deliver customer facing Services, focussed on customers getting the 'right support at the right time'. - **Delay the full implementation of the £844k approved saving for a further year to 2023-24 as these services are critical to the on-going response to Covid, and continue to review their approach to delivery**	350	0
	Total	350	0

Appendix I Proposed Used of Reserves

The £13.650m of reserves that are proposed to be used to fund the £6.473m gap required to balance the budget in 2022-23, and also to create Social Care Reserve of £7.177m are outlined below.

Reserve drawdown		2022-23
		£'000
	Reduce Unallocated Reserve to £0	10,700
	Reduce VAT Partial Exemption reserve from £3m to £2m	1,000
	Reduce 2019-20 Financing reserve from £1m to £0	1,000
	Reduce Renewals and Replacement reserve to £4.2m	950
	Total Reserve draw down	**13,650**

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of the Executive to be held on 15 February 2022 and Council to be held on 17 February 2022.

BD

Subject:

Allocation of the Schools Budget 2022/23 Financial Year

Summary statement:

The report seeks Executive approval of the recommendations of Bradford's Schools Forum in allocating the Dedicated Schools Grant (DSG) for 2022/23 and subsequent recommendation to Full Council.

EQUALITY & DIVERSITY:

The Schools Budget proposed for 2022/23 is put forward to retain a significant amount of continuity on current practice, Dedicated Schools Grant distribution and formula funding policy and methodology. In addition to the summarised equalities impact assessment, which is presented at Appendix 1, a fuller assessment of our formula funding proposals was included in each of the consultation documents that were published in the autumn (please see the links to these in the background documents section of this report).

Chris Chapman
Director of Finance

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Portfolio: Leader of Council

Overview & Scrutiny Area: Corporate

Version 4 FINAL

1. SUMMARY

1.1 This report informs the Executive of the allocation of the Dedicated Schools Grant (DSG) and the proposed Schools Budget for the 2022/23 financial year. The proposed Schools Budget incorporates the decisions and recommendations that were made by the Schools Forum on 12 January 2022.

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

- The recommended Capital Investment Plan (Document xx)
- The Revenue Estimates (Document xx)

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 2022/23, 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 Schools Forum is a decision making and consultative body dealing with the Dedicated Schools Grant and the Schools Budget. The Forum acts as a consultative body on some issues and a decision making body on others.

The Forum acts in a consultative role for:

- Changes to the local funding formula for maintained schools and academies.
- Changes to the operation of the Minimum Funding Guarantee.
- Arrangements for the funding of the early years entitlements.
- Financial arrangements for pupils with special educational needs and disabilities, and for pupils in pupil referral units, including arrangement for paying top-up funding for pupils with Education Health and Care Plans.
- Changes to or new contracts that are funded from the Schools Budget.

The Forum's decision making powers include:

- How much funding is centrally retained within the Dedicated Schools Grant.
- Growth Funding and Falling Rolls Funding within the Schools Block.
- The movement of Schools Block funding to other DSG Blocks.
- Proposals to de-delegate funding from maintained schools within the Schools Block.
- Changes to the Scheme of financial management that governs maintained schools.

Therefore, one of the primary functions of the Schools Forum is to recommend to the Local Authority how the funding, which the Government provides for maintained schools and academies and for individual pupils through the Dedicated Schools Grant (DSG), is managed.

2.2 Following the Government's 'National Funding Formula' reforms, which began at April 2018, the DSG in 2022/23 is constructed in four blocks, with each block having a 'national formula' basis.

The movement to National Funding Formula is accompanied by transitional arrangements and all four DSG blocks in 2022/23 continue to include protections. However, as in 2021/22, these arrangements have again been adjusted by the Government's settlement, which, perhaps most significantly, means that Bradford's High Needs Block has increased on 2021/22 by 13.8% (+ £12.72m), including the additional supplementary funding, which is allocated in part to support the cost of the new National Insurance Levy for Social Care / the NHS. This is the third year of significant high needs funding increase. Over the 2020-2023 period, Bradford has received an additional £35m of High Needs Block funding (with our High Needs Block increasing by 50% to £105m in 2022/23). This growth has placed our High Needs Block in a stronger position and we also currently forecast that a cumulative surplus balance of £22.06m will be carried forward from 2021/22. Consideration of this High Needs Block surplus is provided in section 7 of this report.

As a consequence, it is not proposed to transfer monies out of the Schools Block in support of high needs pressures in 2022/23. We do expect, based on the latest advice from the DfE, that we will have less flexibility and significantly less headroom (new budget to allocate) within our High Needs Block settlements from April 2023. This may create new financial pressure, where our rates of growth in SEND continue at current levels and where costs (including salaries costs) continue to rise. This position is not certain (as it is based on a series of estimates), and will need to be closely monitored, but may need to be managed, especially with reference to the uncertainties that our 3 year forecast incorporates. One of these uncertainties is the financial implications of the DfE's major national SEND and Alternative Provision reviews, the outcomes of which are expected to be published by the end of March 2022 and which are expected to result in changes to the funding of high needs children and young people from April 2023.

2.3 The proposed allocation of the High Needs Block in 2022/23 continues to incorporate our responses to the growth in the needs of children and young people, as well as structural changes taking place in the delivery of provision.

The planned budget for 2022/23 incorporates revenue funding for the continued development of additional specialist SEND places, including the development of more special school places and places in Authority-led resourced provisions that are managed within mainstream primary and secondary maintained schools and academies. Our forecast indicates that we need to develop an additional 100 to 120 specialist SEND places in both the 2022/23 and 2023/24 academic years in order to meet demand. We are currently uncertain about how much Bradford will receive of the £2.6bn of SEND capital funding, which was announced in the Spending Review

2021, and how the DfE may open free school (special school) applications. The availability of sufficient capital funding, which is allocated for the Local Authority to spend, is critical to our development of 200-240 additional specialist places across 2022-24. The continued creation of specialist places is critical to the success of our High Needs Block Management Plan.

Members are reminded that the Council introduced at April 2020 a new Banded Model for the funding of top up for Education Health and Care Plans (EHCPs). It is our intention again to use this model in 2022/23 as the vehicle through which to release to SEND providers a significant proportion of the High Needs Block funding increase we have received. The minimum value of increase proposed in EHCP top up funding is 7.6% (with increases ranging between 7.6% and 17.7%). It is important to continue to emphasise that the way we moved to the Banded Model has meant that no EHCP that was in place at 1 April 2020 has reduced in value as a result of this change.

2.4 The Government has recently re-affirmed its intention to implement a ‘hard’ National Funding Formula for mainstream primary and secondary maintained schools and academies. Further cautious transition to this is expected in 2023/24 and in 2024/25, with a full final implementation date not yet set by the DfE. Although local responsibility is expected to be retained for the High Needs Block, Early Years Block and Central Schools Services Block, at a point in the near future, the mainstream Schools Block primary and secondary funding formula is expected to be calculated nationally and only ‘passported’ by the Authority to schools. However, the Authority continues in 2022/23 to have responsibility for deciding all formula funding arrangements locally, within tight regulations.

2.5 Given this direction of travel, a key decision for all authorities recently has been whether to adopt locally the Government’s National Funding Formula for the allocation of the Schools Block to mainstream primary and secondary maintained schools and academies. Council took this decision at April 2018 and the Schools Block recommendations for 2022/23 are put forward to ensure that we continue to fully mirror the Government’s National Funding Formula as this annually incrementally develops.

The Government’s 2022/23 Schools Block primary and secondary mainstream National Funding Formula provides for a ‘headline’ increase in funding per pupil of 3.0%. This is the same level of headline increase that was provided for in 2021/22. However, maintained schools and academies will not uniformly receive 3.0%. Increases will depend on changes in pupil circumstances data and in pupil numbers, but also significantly on the school’s / academy’s relationships to both the Minimum Funding Guarantee (MFG) and to the Government’s mandatory minimum per pupil funding levels (MFL), which are only increasing by 2.0%. The primary-phase mean average change in total formula funding per pupil is positive 2.5%. The secondary-phase mean average change is positive 2.8%. The all-through academy mean average change is positive 3.5%. The pupil circumstances data that was collected at October 2021, in particular, recorded a significant increase in the number of pupils eligible for Free School Meals (FSM), which has resulted in an additional £1.80m of formula funding for maintained schools and academies allocated through the FSM factors. The primary phase mean average FSM increased by 2.7%, compared against October 2020’s data. The secondary phase mean average FSM increased by 3.3%. We expect that this FSM increase will also result in uplift of Pupil Premium Grant allocations that maintained schools and academies will receive in 2022/23.

Increases in the cash values of formula funding and other grant allocations for individual maintained schools and academies however, will be affected by changes in the numbers of pupils recorded on roll at October 2021, compared with October 2020. The number of pupils recorded in mainstream secondary phase maintained schools and academies continues to increase overall, with 836 (+2.7%) more pupils recorded on roll at October 2021. This is the continuation of the school population bulge, which began in the primary phase. As a result of more recent demographic trends, the number of pupils recorded in mainstream primary phase maintained schools and academies has begun to reduce, with 401 (-0.7%) fewer pupils recorded on roll at October 2021. This reduction is forecasted to continue in the medium term and, as a result, formula funding levels in the primary phase are also forecasted to continue to reduce.

In consultation with the Schools Forum, the Minimum Funding Guarantee (MFG) for primary and secondary maintained schools and academies is proposed to be set at positive 2.0% in 2022/23, meaning all schools / academies will receive a minimum 2.0% increase in per pupil funding, using the DfE’s prescribed methodology. 2.0% is the maximum MFG that is permitted by the Regulations. The MFG is a significant factor in Bradford, providing funding protection in particular for our primary phase, where 67 out of 156 (43%) maintained schools and academies receive funding through it. In total, 73 out of 191 (38%) primary and secondary maintained schools and academies in Bradford are funded on the MFG in 2022/23. This number is reduced from 109 (57%) maintained schools and academies that were funded on the MFG in 2021/22. This means that fewer schools and academies are reliant in 2022/23 on the protection that the MFG provides and that a greater number of schools and academies will receive more than 2.0% increases in per pupil funding.

A significant element of the Government’s National Funding Formula for mainstream primary and secondary maintained schools and academies in 2022/23 is the requirement that all primary maintained schools and academies receive a minimum of £4,265, and all secondary maintained schools and academies a minimum of £5,525, per pupil. These minimums (MFL) for both phases have been increased by 2.0% on the minimums that were in place in 2021/22. The funding of 34 (out of 156) primary schools / academies and 2 (out of 31) secondary schools / academies in Bradford is increased by this requirement. In total, 36 out of 191 (19%) schools and academies are funded on the MFL factor in 2022/23. This is reduced slightly from 43 (23%) that were funded on the MFL factor in 2021/22.

Not allocated within the Dedicated Schools Grant, so not within the scope of this report, but of significance for their financial positions, the DfE has announced the introduction of additional grant funding for the 2022/23 financial year for primary and secondary mainstream maintained schools and academies, known as the ‘Supplementary Grant’. This is additional funding that is being allocated to support the cost of the new National Insurance Social Care / NHS Levy, as well as wider priorities and pressures, including continued COVID-19 pandemic recovery and the absorption of pay awards. We estimate that our maintained primary and secondary schools will receive £4.5m of funding via this grant in 2022/23. How this grant exactly relates to existing COVID-19 pandemic support grants is currently a little uncertain. The Spending Review 2021 did however, state that the COVID-19 Recovery Premium will continue for the 2022/23 and 2023/24 academic years, at the same rate of funding for the primary phase, but with a significant increase in the rate of funding for the secondary phase. The DfE has also previously announced the continuation of the School-Led Tutoring Grant in 2022/23 and in 2023/24, but at reducing subsidy values.

2.6 In recent years, the increases allocated to the Early Years Block by the national settlements have been substantially lower than the settlements for primary and secondary maintained schools and academies. For example, whilst the Schools Block settlement was 3.0%, Bradford's rate of funding for 3&4 year olds increased by only 1.30% in 2021/22. As a consequence, the rates of funding allocated by the Local Authority to providers, for their delivery of the early years entitlements, have not increased recently to the same extent.

The increases that are provided in the Early Years Block settlement in 2022/23 however, are significantly improved and are comparable with the Schools Block. Bradford's rate of funding from the DfE for the 3&4-year-old entitlements is increased from £4.69 to £4.86 per hour. This represents an increase of + 3.62%. Bradford's rate of funding from the DfE for the 2-year-old entitlement is increased from £5.36 to £5.57 per hour. This represents an increase of + 3.92%. The rates that are proposed to be set in our 2022/23 Early Years Single Funding Formula (EYSFF) are uplifted to pass the majority of these increases through to early years entitlement providers. To put these increases into wider context however, whilst maintained schools and academies will receive in 2022/23 a small amount of additional funding, for their early years provisions, from the Supplementary Grant, PVI providers will not be eligible for this grant (set by DfE conditions). Therefore, the full cost of all salaries increases, including from the National Living Wage and from the new National Insurance Levy, will need to be met by PVI providers from Bradford's EYSFF funding.

Also for important wider context, as outlined in paragraph 2.5 for the primary phase, recent demographic trends have resulted in a reduction in the numbers of early years children across the District. As a result, although per child funding rates are increasing, the total value of funding that will be allocated to early years entitlement providers is expected to reduce overall, because their delivery will also reduce. The cash value of our Early Years Block received from the DfE is also estimated to reduce by £3m (6.8%) in 2022/23.

A matter of significant uncertainty for the Early Years Block has been the settlement for maintained nursery schools. Bradford currently receives a discrete sum (a 'supplement'), which is used to protect our 7 maintained nursery schools at historic (2016/17) funding levels. Without this supplement, these schools would each lose in the region of a third of their funding, meaning that they are unlikely to remain financially viable in their current forms. The DfE has confirmed the continuation of this supplement funding for the full 2022/23 financial year, which is a positive step.

Unfortunately however, the DfE has not yet announced the continuation or otherwise of the supplement after this. In practical terms, this does impede provision and financial planning.

2.7 The reports to Council on the Schools Budget, presented prior to 2020/21, highlighted the extent to which increases in funding were insufficient to match growth in costs, especially in salaries, leading to maintained schools, academies and other providers being required to deliver structural budget savings. The funding increases that have been provided by the 2020/21, 2021/22 and now the 2022/23 financial year DSG settlements however, have substantially improved. To summarise the main features of this improvement for Bradford in 2022/23:

- Mainstream primary and secondary maintained schools and academies, that are now funded on the DfE's mandatory minimums (MFL), have seen significant growth in their funding levels over the last 3 years.

- The vast majority of secondary schools and academies, and more than half of primary schools and academies, are funded in 2022/23 above the Minimum Funding Guarantee, set at 2.0%. Following the collection of updated pupil circumstances data, funding for individual schools and academies has now responded to increases in Free Schools Meals numbers, meaning that more funding is allocated in 2022/23 in support of this pupil-led need. It is expected that Pupil Premium Grant allocations will also increase.

- Mainstream primary and secondary maintained schools and academies will receive an additional Supplementary Grant in 2022/23, which will directly support the cost of the new National Insurance Levy and will provide additional resources for school priorities and pressures, including the absorption of pay awards and COVID-19 pandemic recovery. It is expected that this new funding is allocated in addition to the continuing Recovery Premium.

- The pay freeze for teachers at September 2021 has positively benefited maintained school and academy budgets and this benefit will continue within the salaries costs that transfer into 2022/23.

- Our Early Years Single Funding Formula proposals increase base rates of funding for early years entitlement providers by more than 3% in 2022/23.

- Through our Banded Model, we are proposing to continue to substantially increase the value of top up funding that is allocated to schools, academies and providers in support of Education Health and Care Plans (EHCPs). High needs providers will also receive additional top up funding for the National Insurance Levy through this Model. We propose to continue to apply our strengthened SEND Funding Floor arrangement, which supports mainstream primary and secondary maintained schools and academies to meet their responsibilities for the first £6,000 of the cost of the additional needs of all pupils.

Against this position, the health of the budgets of individual schools, academies, and providers will vary and will be dependent on a number of factors. In terms of areas of possible pressure for Bradford in 2022/23, we highlight:

- Locally, education budgets will still be required to absorb the impact of pay award, incorporating the teacher pay award, the officer (NJC) pay award, the increase in the National Living Wage and employer contributions to staff pension costs. The increase in the National Living Wage (+6.6%), in particular, may be significant for the early years Private, Voluntary and Independent (PVI) sector.

- Regarding teacher pay, it is expected that the DfE will agree in the summer term a pay award at September 2022. The DfE has asked the STRB to provide its recommendations, to include the transition towards establishing a minimum £30,000 salary for a qualified teacher. We estimate, for planning purposes, that the pay award for teachers at September 2022 could be concluded on the basis that an overall 3.0% increase in the national teacher pay bill is affordable within the 2022/23 DSG settlement. An award at this level will have a varying impact, and may create some financial pressure in schools, academies and other providers that are not receiving c. 3% increases in funding. In this context, we highlight that the settlement for 43% of primary schools and academies, whilst protected, is only at the level of the Minimum Funding Guarantee, which is 2.0%. Schools and academies that are funded on the DfE's mandatory minimum funding levels will also only see a 2.0% per pupil funding increase.

- As well as pay award, schools, academies and providers will need to absorb the impact of inflation on the prices of goods and services, including on energy costs. Inflation is expected to be higher in 2022/23 than levels that have been absorbed by delegated budgets in recent years.

- Demographic trends are reducing the numbers of early years children and primary phase pupils across the District. The cash funding that some schools, academies and early years providers receive will reduce, which will require spending adjustments at the same time as increased costs are absorbed.

- The COVID-19 pandemic continues to have implications for the budgets of schools, academies and other providers, because of additional expenditure that is being incurred, including in support of education recovery as well as staff absence cover (for which the DfE is currently providing additional grant and exceptional schemes of support), and also because income generation (for example, from lettings), whilst this has recovered from 2020/21, is still generally lower in schools than the levels that were seen before the pandemic.

- Schools, academies and providers, in their management of their delegated funds, continue to need to take prudent decisions understanding that there is uncertainty for the near-future. This includes uncertainty regarding funding increases from April 2023, pay awards in 2022/23 onwards, and the financial implications of the major national SEND and Alternative Provision reviews.

2.8 In summary, Bradford has received in 2022/23, compared against 2021/22:

- An additional £14.34m within the Schools Block (+ 3.1%). £11.58m comes from the Government's headline 3% uplift of its National Funding Formula, alongside the commitment to allocate an increased minimum level of per pupil funding. £2.70m comes from the continued growth in pupil numbers in our secondary phase, netted against the reduction in pupil numbers in the primary phase. Other smaller adjustments account for an increase of £0.06m.

- An additional £12.72m within the High Needs Block (+ 13.8%). £8.46m comes from the Government's uplift of its National Funding Formula. £3.85m comes from the additional Supplementary Grant. £0.41m comes from the growth of our special school population and from other minor adjustments.

- An estimated reduction of £2.97m within the Early Years Block (- 6.8%). This is the total position resulting from the Government's National Funding Formula rate uplifts, net of the estimated reduction in entitlement delivery numbers to be funded in 2022/23. The Early Years Block continues to include the full year value of the supplement for maintained nursery schools.

- An additional £0.11m within the Central Schools Services Block (+ 3.2%). This increase comes from the Government's uplift of its National Funding Formula, which is partially offset by the reduction in funding for our historic commitments.

2.9 The total estimated value of Dedicated Schools Grant (DSG) available for distribution in 2022/23 is £665.617m, which includes a forecasted cumulative value of under-spend (one off carry forward balance / reserve) up to 31 March 2022 of £32.115m (5.0%). The recommended distribution of this Schools Budget is summarised in this table:

Description	**Early Years Block £m**	**Schools Block £m**	**High Needs Block £m**	**Central Schools Services Block £m**	**Total DSG £m**
Estimated DSG available 2022/23	£40.548	£484.375	£105.048	£3.531	£633.502
Estimated DSG B'fwd from 2021/22	£4.001	£6.375	£21.739	£0.000	£32.115
Total Estimated DSG (Schools Budget) 2022/23	**£44.549**	**£490.750**	**£126.787**	**£3.531**	**£665.617**
Delegated to Schools / Providers	£40.116	£482.579	£96.900	£0.000	£619.596
Non-Delegated Items	£0.432	£1.796	£7.829	£3.531	£13.588
Allocation of One Off	£0.735	£0.747	£0.000	£0.000	£1.482
Total Funding Allocated	**£41.282**	**£485.122**	**£104.729**	**£3.531**	**£634.665**
Difference (C'Fwd)	**£3.267**	**£5.628**	**£22.058**	**£0.000**	**£30.952**

Please note due to the rounding of figures in this display, the total may not add up exactly

2.10 Elected Members are asked to consider and to approve the 2022/23 Schools Budget, as proposed in this report. This proposed Schools Budget incorporates the decisions and recommendations that were made by the Schools Forum on 12 January 2022. Should Elected Members wish to propose amendments to this Schools Budget then representation must be made back to the Schools Forum.

3. SCHOOLS FORUM DECISIONS & RECOMMENDATIONS ON THE ALLOCATION OF THE SCHOOLS BUDGET 2022/23

	(£000)
Total Estimated DSG (Schools Budget) Available 2022/23	**<u>£665,617</u>**

3.1 The Schools Block **£484,375**

This Block funds formula-based delegated allocations for mainstream primary and secondary maintained schools and academies, services funded by de-delegation from maintained school budgets, a Growth Fund for primary and secondary schools and academies and a Falling Rolls Fund for primary schools and primary academies.

For 2022/23, the Schools Block is calculated on National Funding Formula-based primary and secondary per pupil values x October 2021 census pupil numbers, plus additional defined cash allocations. Bradford's primary phase amount per pupil (£app) is £4,703 (+2.33% on 2021/22); our secondary phase £app is £6,211 (+2.79% on 2021/22). These values have been derived by the DfE through the amalgamation of the allocations that individual maintained schools and academies in Bradford would receive via the National Funding Formula and following the application of minimum floors. Additional cash allocations total £13.35m, for Business Rates (£3.77m), Split Sites (£0.44m), PFI (£6.82m) and Pupil Numbers Growth (£2.32m).

Please note that the funding associated with the delegated budgets of academies is 'top sliced' from this Block so that academies can be funded directly by the Education & Skills Funding Agency.

3.2 The High Needs Block **£105,048**

This Block funds resources for pupils in mainstream schools and academies with Special Educational Needs & Disabilities (with Education Health and Care Plans), delegated budgets for Special Schools and Special School Academies, Pupil Referral Units and Alternative Provision Academies, and resourced provisions within mainstream maintained schools and academies. 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 SEND mainstream school teaching support services, Education in Hospital provision and home tuition (medical needs). It also includes the placement of Bradford children in out of authority and non-maintained / independent provisions.

High Needs Block allocations are calculated via National Funding Formula under transitional arrangements. Bradford receives £4,661 for pupils in special schools and special school academies (including independent special schools), plus 50% of the value of our High Needs Block actual spending as it was in 2017/18, plus an allocation using the National Funding Formula, which is based on population, deprivation and other needs-led data. The Authority then also receives an allocation of £2.09m for Education in Hospital and home tuition (medical needs) provision and £0.25m in respect of the former Teacher Pension Grant that is allocated to alternative provisions. Finally, an adjustment is made to recognise the cross border movement of children between authority areas.

In addition to the High Needs Block settlement, which was previously announced in summer 2021, the DfE has further uplifted 2022/23 High Needs Block allocations further via additional ‘supplementary funding’. This funding has been allocated to support the costs to the Local Authority, and to high needs providers, that will come from the Social Care / NHS National Insurance Levy from April 2022 and to support the additional knock on costs to the High Needs Block that will come from the delivery in the 2022/23 academic year of the additional learning hours for 16-19 students in post-16 provisions, which is being funded by the Government as part of COVID-19 education recovery. Bradford has been allocated an additional £3.848m of supplementary funding, which is included in the £105.048m. Incorporating this, Bradford’s High Needs Block has increased by £12.717m (13.8%) in cash budget terms on 2021/22.

Please note that the funding for high needs places in Bradford-located academies and in 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** **£40,548**

This Block funds delegated allocations, and a smaller value of funds held centrally, relating to the delivery of the entitlements to early years education for eligible 2, 3 and 4 year olds in maintained nursery schools, primary maintained schools and academies with nursery classes, and Private, Voluntary and Independent (PVI) settings. The value of this Block is estimated and will be finalised on the number of eligible children that are recorded in the January 2022 and January 2023 censuses x £4,617 per FTE (£4.86 per hour; + 3.62% on 2021/22) for children aged 3 & 4 and £5,292 per FTE (£5.57 per hour; + 3.92% on 2021/22) for children aged 2.

Estimated figures of £0.437m and £0.248m are included for the Early Years Pupil Premium and for the Disability Access Fund. In addition, an estimated £1.190m is currently included for the DfE’s Maintained Nursery School supplement.

(£000)

3.4 **The Central Schools Services Block** **£3,531**

The Central Schools Services Block was established at April 2018, when a number of items previously funded via 'top-slice' within the Schools Block were transferred to this Block and given a formula basis. These included Pupil Admissions and Local Authority statutory duties that are held in respect of all state funded schools and academies and that were previously funded through the now ceased Education Services Grant.

The 2022/23 allocation is calculated on a National Funding Formula. Bradford receives £37.20 per pupil (+4.97% on 2021/22) x October 2021 census numbers recorded in primary and secondary maintained schools and academies, plus a lump sum of £0.225m relating to the value of 'historic commitments' spend we recorded in 2017/18. This additional £0.225m has been reduced from the £0.281m funded in 2021/22 and is set to be fully phased out by the DfE over time.

3.5 **Estimated DSG Balance Brought Forward from 2021/22** **£32,115**

Final DSG allocations are not confirmed by the DfE until later in the financial year and the Authority's proposals are based on estimates of expenditure, especially within the High Needs and Early Years Blocks. These estimates are reconciled at the end of each year and differences are added to the DSG in the next year's planned budget. Decisions taken in previous years have already committed a proportion of the sum estimated to be carried forward from 2021/22.

The table in paragraph 2.9 separates the total estimated DSG carry forward balance into the four blocks. This follows our local informal 'block earmarking' approach to the management of DSG balances, which has been agreed with the Schools Forum. For formal (external) purposes however, a single DSG carry forward figure is recorded. DSG balances 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 **£619,596**

Broken down as follows:

4.1 **Early Years Providers via Single Funding Formula** **£40,116**

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

- Maintained Nursery Schools 3 / 4 year old universal and extended entitlements, incorporating the estimated Maintained Nursery School supplement £3.390m.
- Nursery Classes in Maintained Primary Provisions 3 / 4 year old universal and extended entitlements £5.879m.
- PVI Providers (including academies) 3 / 4 year old universal and extended entitlements £23.661m.

- The entitlement for the 40% most deprived 2 year olds £6.736m.
- Early Years SEND Inclusion for 2 Year Olds £0.100m.
- Early Years SEND Inclusion for 3&4 Year Olds £0.400m.
- Early Years Pupil Premium £0.437m.
- Disability Access Fund £0.248m.
- Adjustment for the planned spending of balance brought forward (minus) £0.735m.

Due to the timing of the DfE's announcements on early years funding for 2022/23 later in autumn 2021, the Authority completed on 24 January a consultation on our Early Years Single Funding Formula (EYSFF) proposals. At its meeting on 12 January, the Schools Forum gave its full formal support to the Authority's proposals, subject to the wider outcomes of our consultation. 4 other responses to the consultation were received; 3 from PVI providers and 1 from a maintained nursery school. These responses also generally supported the Authority's proposals (either strongly or 'on balance'), whilst making comments in some areas about the insufficiency of funding (funding rates in the context of salaries costs and EYIF funding) and making some suggestions, which, unfortunately, are either not financially possible (limited by the value of funding Bradford receives from the DfE) or are not permitted by the national Regulations.

The Authority therefore, following the School Forum's support, recommends that the Early Years Single Funding Formula (EYSFF) that was set out in the Authority's consultation is used to calculate budget shares for all providers delivering entitlement provision for 2 and 3 & 4 year olds in 2022/23. A summary of Bradford's recommended EYSFF is attached at Appendix 3. In headline:

- For the delivery of the 2 year old entitlement, providers will continue to be funded on a single flat rate per child per hour, with no additional supplements. This rate was £5.36 in 2021/22. Our rate of funding for providers in 2022/23 will be £5.55 per child per hour. This passes the majority of the DfE's uplift onto providers (£0.19 out of the £0.21 uplift), with £0.02 contributing to the cost of access to eligible 2-year-olds to the Early Years Inclusion Fund (EYIF).

- Regarding the 3&4 year old entitlement, the Universal Base Rate (UBR) in 2022/23 will be £4.39 per child per hour. This is an uplift of £0.14 on the £4.25 funded in 2021/22. This uplift passes through to providers the majority of the DfE's uplift (£0.14 out of the £0.17 uplift). Of the remaining £0.03 uplift, £0.01 is allocated to providers through the uplift in Deprivation and SEND supplement rates, which automatically comes from increasing the UBR, and £0.02 is contributing to the overall financial position of the Early Years Block, factoring in all costs. We continue to 'pause' the previously planned reduction in spend on the Deprivation & SEND Supplement, meaning that spending on this supplement is retained at 8% in 2022/23. Progress towards the previously planned reduction, ultimately to 6%, will be reviewed again for 2023/24. We have not introduced any further supplements into our 3 & 4 year-old EYSFF. New supplements would dilute further both the Universal Base Rate and the Deprivation & SEND rates at a time when we see our priority to be to maximise the value of the UBR for all providers.

- Regarding the funding of the 3&4 year old entitlements in Maintained Nursery Schools, the protected setting base rate will be £5.98 per hour. This is the 2021/22 protected £5.84 uplifted by £0.14, in line with the uplift that is applied to the 3&4 year old Universal Base Rate for other providers. The Deprivation and SEND supplement rates for each maintained nursery school are protected at their 2016/17 values (as they have been since 2017), plus 3.29%. The lump sum sustainability supplement will continue to be calculated using the 2021/22 methodology, but with the values of the protection factors uplifted by 3.29%.

- Our existing SEND Inclusion Fund will continue to be used to allocate additional monies to early years providers to support their meeting the needs of eligible children identified with low level emerging SEND.

- We will continue to allocate Disability Access Fund (DAF) at an enhanced value of £1,000 per child (above the DfE's prescribed £800 minimum), using a proportion of balance brought forward in support of the cost of this enhancement, if this is required.

97.2% of our 2022/23 3&4 year old entitlement funding will be passed-through to providers. Our Early Years Block planned budget complies with the DfE's statutory restrictions for the funding of 3&4 year old hours delivery concerning a) the minimum 95% pass-through and b) the maximum 10% spend on supplements. Our planned budget also complies with the DfE's expectation that the specific Maintained Nursery School supplement is allocated to protect maintained nursery school funding at pre-national reform (2016/17) levels.

(£000)

4.2 **Primary and Secondary Schools and Academies** **£482,579**

Primary Phase £254.411m.
Secondary Phase £228.168m.

The Schools Forum has recommended to:

- Use the formula outlined in Appendix 1 to calculate delegated budget shares for mainstream primary and secondary maintained schools and academies. This formula has been agreed following consultation with schools and academies in autumn 2021. We submitted the final version of the required Pro-forma on 18 January 2022 and this is subject to final validation by the Education & Skills Funding Agency.
- Continue to fully mirror the Government's National Funding Formula, meaning that we:

  Amend our minimum levels of per pupil funding to match the mandatory values of £4,265 primary and £5,525 secondary.

Amend our local formula to mirror the Government's 2022/23 National Funding Formula values for existing factors. The values of these factors have broadly increased between 2% and 3% on 2021/22.

- Set the Minimum Funding Guarantee at the maximum permitted + 2.00%.

- Apply the 'Reception Uplift' factor for the primary phase, at this time on a one off exceptional basis for 2022/23 only, with the cost of this factor funded from the primary-phase specific element of the Schools Block brought forward balance.

- Continue to use our existing local formula for the funding of maintained schools and academies that operate across split sites, as this is not yet covered by the National Funding Formula. Continue to pass through the specific PFI (Building Schools for the Future) DSG affordability gap values using our current method. Continue to fund business rates at actual cost, with this cost currently estimated.

- Continue to use our existing methodology for the definition of notional SEND budgets for mainstream primary and secondary maintained schools and academies within the Schools Block funding formulae.

- Retain, with their existing criteria and methodologies, the additional funds that are initially managed centrally within the Schools Block (with some then released to eligible schools / academies during the year) – Growth Fund, Falling Rolls Fund (primary phase only), De-delegated Funds (maintained schools only).

Please note that the funding for the delegated budgets of academies is 'top sliced' so that these settings can be funded directly by the Education & Skills Funding Agency.

(£000)

4.3 **Special Schools and Special School Academies** **£35,924**

The national high needs funding approach is based on the financial definition of a 'High Needs' child or young person being one whose education, incorporating all additional support, costs more than £10,000 per annum. This threshold lays the foundation of the national 'Place Plus' framework and the basis of the definition of the responsibility that maintained schools, academies and other providers have for meeting the needs of children and young people from their delegated budgets.

Delegated high needs funding has two parts a) core (or place) funding and b) top-up (or plus) funding. At its simplest level, the basic "Place" element has been set nationally at £10,000 for both SEND and Alternative Provision settings. The "Plus" element is the top up above the "Place" funding and is based on an assessment of the additional needs of an individual pupil. Local authorities are permitted to establish bands for the top up element of funding.

The 2022/23 planned budget of £35.924m is calculated on 1,540 places on a full year 2022/23 academic year basis across 8 special schools / academies.

The Council introduced at April 2020 a new Banded Model for the funding of top up for Education Health and Care Plans (EHCPs). This Banded Model, uplifted as set out in Appendix 2 for 2022/23, is proposed to continue to be used to allocate top up funding for pupils with EHCPs placed in special schools and in special academies.

Please note that the place funding for academy special schools is 'top sliced' from the High Needs Block so that these settings can be funded directly by the Education & Skills Funding Agency.

(£000)

4.4 **Pupil Referral Units (PRUs) & Alternative Providers** **£3,918**

The Authority retains responsibility for funding from the High Needs Block provision for pupils that have been permanently excluded. Maintained schools and academies continue to be responsible for paying, from their delegated budgets, the cost of placements they commission (for pupils that are not permanently excluded).

The 2022/23 planned budget makes provision in total for 165 places on a full year basis to be available for turn-around provision for pupils permanently excluded. We propose to continue to calculate top up for this provision using the Day Rate Model, which was first introduced at April 2020. The rate of funding allocated by the Day Rate Model is proposed to increase in 2022/23 by 7.60% (inclusive of the allocation of the supplementary funding).

Please note that the place funding for Alternative Provision Academies is 'top sliced' from the High Needs Block so that these settings can be funded directly by the Education & Skills Funding Agency.

4.5 **School-Led SEND Resourced Provisions (Primary & Secondary)** **£6,241**

School-Led SEND Resourced Provisions are provisions attached to mainstream primary and secondary maintained schools / academies where the school / academy, under Service Level Agreement, manages this provision and employs its staffing. Place and top up funding is fully delegated.

The planned budget of £6.241m is calculated on 343 places across 23 provisions for the 2022/23 academic year.

School-Led SEND resourced provisions are funded using the Place-Plus framework and the Banded Model as set out in Appendix 2.

Please note that the place funding for resourced provisions in academies is 'top sliced' from the High Needs Block so that these settings can be funded directly by the Education & Skills Funding Agency.

(£000)

4.6 Authority-Led SEND Resourced Provisions (Primary & Secondary) £5,625

Authority-Led SEND Resourced Provisions are provisions attached to mainstream primary and secondary maintained schools / academies where the Authority, rather than the school / academy, manages this provision and employs its staffing. Funding is partly delegated and partly retained. The top up is retained and managed by the Authority. The host school / academy retains the first element of place funding (broadly £4,000) to cover its basic curriculum and site costs.

The planned budget for Authority-Led SEND Resourced Provisions incorporates both the budget for the long-established sensory provisions as well as the growing budget for the SEND resourced provisions that began to be established from 2019 as part of the Authority's strategy to deliver additional specialist SEND places.

The planned budget of £5.625m is calculated on 236 places in total for the 2022/23 academic year, with 100 places attached to the 4 established sensory provisions and 136 places attached to 7 developing SEND provisions.

Authority-Led SEND resourced provisions are funded using the Place-Plus framework and the Banded Model as set out in Appendix 2.

Please note that a proportion of the planned budget is centrally retained. However, recognising that this budget is spent directly on provision within schools / academies, and in the interests of simplicity, the full budget is recorded here as delegated.

4.7 Pupils with EHCPs in Mainstream Schools and Academies £12,921

Top up funding is delegated to mainstream maintained schools / academies for pupils with Education Health and Care Plans (EHCPs). The Banded Model, as set out in Appendix 2, is proposed to apply to the calculation of this top up for 2022/23. The planned budget of £12.921m incorporates a forecasted net 5% increase in cost as a result of the continued growth in the numbers of EHCPs that are anticipated to be placed in mainstream maintained schools / academies during 2022/23.

The national high need funding system works on the basis that mainstream schools / academies have sufficient funding already within their delegated allocations to enable them to meet the additional costs of the SEND of their pupils, up to the threshold of £6,000 per pupil. Local authorities are required to define for each primary and secondary maintained school and academy the value of their formula funding that is 'notionally' allocated for SEND to be used in meeting costs up to the £6,000 threshold.

The planned budget of £12.921m incorporates the SEND Funding Floor, which is a factor that ensures a minimum level of funding for SEND provision in primary and secondary maintained schools and academies. The Floor is aimed at ensuring that no mainstream primary or secondary school / academy will have to manage from their own formula funding an above phase-average cost pressure in respect of their commitment to fund the first £6,000 of cost for their pupils with EHCPs. As well as supporting provision for pupils with EHCPs, the Floor is aimed at protecting the funding used by schools / academies to support their wider AEN (Additional Educational Needs), SEND and AP (Alternative Provision) activities. It directly financially supports schools / academies that have higher proportions of pupils with EHCPs, in support of inclusion, combining also to support schools / academies that may have lower levels of AEN formula funding and that may be smaller in size. It also supports schools / academies that may have some turbulence in formula funding as a result of in year pupil numbers changes.

We introduced our current SEND Funding Floor in 2021/22. At that time, the Floor was put forward as a trial, for one year only, and being subject to further review, including in the light of the outcomes of the DfE's expected national reviews. These national reviews are now set to be published before the end of March 2022, but will not affect formula funding for the 2022/23 financial year. As such, we propose to continue our existing Floor mechanism for a further year, pending further review. As part of the continuing discussions with the Schools Forum, as outlined in section 7, on the position of the surplus balance that is forecasted to be held within the High Needs Block at 31 March 2022, we may further enhance the financial support that is provided by the Floor in 2022/23.

(£000)

4.8 **Post-16 Further Education / Special Post 16 Institutions (SPIs)** **£7,718**

Places for high needs students at post-16 are funded at £6,000. For top up funding, Further Education providers and SPIs are funded for the vast majority of their Post-16 high needs students at 60% of the values prescribed by the Banded Model, as set out in Appendix 2. The main exception is students with the primary need of sensory impairment, where funding is calculated on an actual cost basis.

The planned budget of £7.718m is calculated on 404 places commissioned by the Authority in the 3 main Bradford-located Further Education Colleges for the 2022/23 academic year, plus provision for the estimated cost of top up allocations to all Post 16 provisions and for the cost of potential growth in places during the year.

Please note that the budget of £7.718m does not specifically cover the cost of the delivery of the additional learning hours for 16-19 students for the 2022/23 academic year, which is part of the Government's funded COVID-19 recovery plan. This additional cost will be supported by the £3.848m supplementary funding (please see paragraph 4.14). Please also note that the place funding for the 3 FE colleges is 'top sliced' from the High Needs Block so that these settings can be funded directly by the Education & Skills Funding Agency.

(£000)

4.9 **Early Years Resourced Provisions** **£1,507**

Early years resourced provisions are attached to 5 maintained nursery schools and will continue to be funded via the Place-Plus framework. The Banded Model set out in Appendix 2 applies to the calculation of top up from April 2022.

These provisions operate as school-led SEND resourced provisions, where the schools, under Service Level Agreement, manage the provision and employ the staffing. Place and top up funding is fully delegated.

The planned budget of £1.507m is calculated on an allocation of 78 FTE places for the 2022/23 academic year.

4.10 **Placements in Out of Authority & Independent Settings** **£14,750**

The cost of placements of pupils with EHCPs in out of authority and in independent settings is calculated on an actuals basis, with this total cost appropriately shared between the DSG (education), health and social care. The funding of independent providers currently sits outside the national Place-Plus framework. The number and cost of placements commissioned by the Authority has continued to increase due to demand and pupil population growth. The planned budget of £14.750m is calculated estimating that the cost in 2022/23 will continue to grow at current rates. The cost of these placements is expected to be additionally supported by the supplementary funding (please see paragraph 4.14).

4.11 **Provision for the Creation of Additional SEND Places** **£1,820**

The planned budget includes £1.820m, which is a part year (7 months) revenue provision to support the creation of a further 120 specialist SEND places. Given the projected continued growth in demand, the Authority will continue to seek to create SEND places on an on-going basis and will make revenue budget provision for this from the High Needs Block.

4.12 **Additional Provision for the Banded Model** **£1,000**

The 2022/23 planned budget continues to retain an earmarked contingency provision of £1.000m, which is available to cover further costs that may potentially come from the continued implementation and embedding of the EHCP Banded Model, which was first introduced at April 2020.

(£000)

4.13 **Former Teacher Pay and Pensions Grants** **£1,628**

We were required in 2021/22 to add into our formula funding arrangements for specialist settings the allocation of the Teacher Pay Grant (TPG) and the Teacher Pension Grant (TPECG), in response to these grants being transferred into the High

Needs Block. Prior to this, these grants were allocated to providers separately and in addition to place-plus funding.

We propose to continue to allocate these monies in 2022/23, as we have done in 2021/22, on a place-led basis. Unlike main place-element funding however, the Authority will continue to allocate these monies to academies as well as to maintained schools and to PRUs.

4.14 **High Needs Block Supplementary Funding** **£3,848**

The DfE announced in December 2021 that local authories will be allocated in 2022/23 additional ‘supplementary funding’, over and above the High Needs Block settlement values that were announced in summer 2021. Bradford will receive an additional £3.848m. The two main purposes of this funding are:

- To support the additional costs, to the Local Authority and to providers delivering high needs provision and services, resulting from the Social Care / NHS National Insurance Levy, to be introduced from April 2022. A proportion of the £3.848m (estimated at £1.05m) will be allocated to high needs providers in receipt of delegated funding via our EHCP Banded Model and via the PRU Day Rate Model. The enhanced rates of top up funding for EHCPs, that are shown in Appendix 2, include the allocation of this supplementary funding. A proportion of the funding will also be used by the Local Authority to meet the expected increase in the cost of placements of pupils in out of authority, non maintained and independent provisions, as a result of the new levy.

- To support the additional knock on costs to the High Needs Block that will come from the delivery in the 2022/23 academic year of the extra hours of study for students 16-19 in post-16 provisions, which is being funded by the Government as part of COVID-19 education recovery. A proportion of the supplementary funding will be used by the Local Authority to meet the expected increase in the cost of top up funding that will be allocated to post-16 providers that offer the extra study hours and that incur further costs in doing so in respect of their high needs students.

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

Total Allocated to non-delegated Budgets **<u>£13,588</u>**

Broken down as follows:

The School and Early Years Finance (England) Regulations (as amended) have, over time and in preparation for National Funding Formula, altered the treatment of non-delegated items and contingencies. These Regulations require a greater proportion of the DSG to be delegated to schools, academies and to other providers and also require that the Schools Forum makes recommendations (and some decisions) for permitted centrally managed items, individually and, in some cases, on a phase-specific basis.

5.1 **Schools Block non-delegated budgets** **£1,796**

A total of £1.796m is recommended to be held within the Schools Block for the following purposes. Please note that some of the monies below that are initially retained will actually be delegated to schools and academies during 2022/23.

- £0.937m for items de-delegated from maintained mainstream primary and secondary schools. De-delegated funds continue in line with 2021/22, but with the addition of a new fund to replace the monies that the Local Authority has previously received via the DfE's School Improvement Monitoring and Brokering Grant (SIMB). The SIMB Grant, which provides funding to the Local Authority to support school improvement, support and intervention in maintained schools, is being reduced by 50% in 2022/23 and is ceasing at April 2023.

- £0.859m of provision for new growth (pupil numbers expansions in secondary maintained schools and academies) at September 2022. The cost of growth, in both the primary and secondary phases, will be supported by the balance that will be brought forward from 2021/22. Please see section 7.

- £0.000m for the Falling Rolls Fund for the primary phase, to support eligible primary schools and primary academies, rated Good or Outstanding by Ofsted, that are managing 'blips' in pupil numbers, where their surplus capacity is forecasted to be filled within 3 years. Any cost of the Falling Rolls Fund in 2022/23 will be met from the balance that will be brought forward from 2021/22, rather than by taking new budget from the 2022/23 Schools Block. Please see section 7.

5.2 **High Needs Block non-delegated budgets** **£7,829**

A total of £7.829m is recommended to be held centrally within the High Needs Block for the following purposes:

- £5.015m for Local Authority centrally managed SEND teaching support services.

- £1.493m for the Authority's statutory home tuition and education in hospital alternative provision for children and young people not able to access school for medical reasons.

- £0.825m for the DSG's contribution to the Affordability Gap for Building Schools for the Future for special schools.

- £0.496m of smaller budgets, including copyright licences for special schools and PRUs, speech and language therapy services and specialist equipment.

(£000)

5.3 **Early Years Block non-delegated budgets** **£432**

A total of £0.432m is recommended to be held centrally within the Early Years Block for the following purposes:

- £0.204m for the Early Years Block's contribution to early years high needs support services, specifically the Area SENCOs function that is managed by the Local Authority in respect of Private, Voluntary and Independent early years providers. This budget was temporarily funded by the High Needs Block in 2021/22 and is now returned to the Early Years Block.

- £0.100m, which is a new budget in 2022/23 for the purpose of beginning to increase the Local Authority's capacity that is available to support the delivery of the Authority's early years function and entitlement arrangements, focusing, in particular, on communication, provider sustainability, quality, compliance and on the processes that are required for the effective delivery of the Early Years Single Funding Formula, in support of parents and providers.

- £0.095m to continue maintained nursery school access to relevant agreed 'de-delegated' funds.

- £0.033m continuing charge for copyright licences.

97.2% of our 2022/23 3&4 year old entitlement funding will be passed-through to providers in 2022/23, based on current estimates of entitlement delivery.

5.4 **Central Schools Services Block** **£3,531**

The £3.531m is recommended to be allocated as follows:

- £0.011m Schools Forum costs.

- £0.931m Pupil Admissions. The base budget is increased by £0.150m in 2022/23, in response to the Service's requirements.

- £1.559m Statutory Duties delivered by the Authority on behalf of all state funded schools, including academies.

- £0.368m Copyright Licences Schools Block, on behalf of primary and secondary maintained schools and academies.

- £0.472m Education Access Officers.

- £0.140m, which is a new budget in 2022/23 to support the Local Authority's statutory education services planning (places planning) and consultation function.

- £0.050m of Central Schools Services Block is proposed to be 'held back' at this stage to ensure on-going structural resilience, identifying that there are continuing service spending pressures that may need to be met in 2022/23.

6. ALLOCATION OF BALANCES BROUGHT FORWARD (ONE OFF) (£000)

Total allocated on a one off basis in 2022/23 **<u>£1,482</u>**

The £1.482m is made up of the following 3 recommended allocations:

- Schools Block: £0.495m, which is proposed to enable the addition of the Reception Uplift factor within the 2022/23 financial year mainstream primary-phase funding formula. This factor is included in Appendix 1.

- Schools Block: £0.252m, which is to be allocated into the 2022/23 Schools Block planned budget in order to afford our proposed mainstream primary and secondary funding formula, as set out in Appendix 1.

- Early Years Block: £0.735m, which is earmarked to support the estimated cost of our Early Years Single Funding Formula (EYSFF) in 2022/23.

7. AMOUNT NOT ALLOCATED IN 2022/23 (£000)

Total amount not allocated in 2022/23 **<u>£30,952</u>**

The £30.952m of balance forecasted to be retained at the planned budget stage / carried forward into 2022/23 is made up of the following sums.

Schools Block £5.628m:

- £1.051m of Growth Fund balance, which is ring-fenced to support additional costs of pupil numbers growth in 2022/23 and on-going.

- £0.500m retained as the ring-fenced balance for the primary-phase Falling Rolls Fund. Whilst a report on the position of this fund (on allocations to schools and academies in 2021/22) will be presented to the Schools Forum in March 2022, we anticipate that there won't be any allocations. The £0.500m balance therefore, is expected to be held in support of the cost of potential allocations to be agreed in 2022/23, as no new budget for this fund has been taken from the 2022/23

Schools Block. Should the £0.500m balance still substantially be held at March 2023, we have discussed with the Schools Forum an outline proposal that this could be transferred into the Growth Fund for spending on the completion of growth.

- £0.795m of balance ring-fenced to de-delegated funds for maintained schools. An amount of this balance (estimated £0.150m) is earmarked to be released in 2022/23 to support the cost of contribution to the maternity / paternity insurance scheme. The £0.795m balance will also be used to support any further costs arising from deficits held by sponsored primary academy converters, as no new budget is de-delegated for this purpose.

- £0.650m for the deficit of a school converting to academy status.

- £0.422m that is earmarked to be spent in support of the primary-phase funding formula in 2023/24. The £0.422m is the remainder of the £0.917m balance that is brought forward from 2021/22, after £0.495m is allocated to the Reception Uplift Factor in 2022/23.

- £2.210m resilience reserve. This sum is effectively the remaining unallocated balance within the Schools Block.

Early Years Block £3.267m:

- £0.072m of balance ring-fenced to de-delegated funds for maintained nursery schools.

- £0.458m retained and earmarked for the Disability Access Fund (DAF). The Authority proposes to continue to enhance the value of the DAF allocation paid per child in 2022/23, paid at £1,000, which is above the £800 minimum that is set by the DfE. A proportion of the £0.458m balance will be used in support of the cost of this enhancement, if this is required.

- £2.737m retained to be used in support of the cost, including any unexpected or higher than expected cost, of the Early Years Funding Formula (EYSFF) in 2022/23 and going forward.

High Needs Block £22.058m:

- The first call on the £22.058m will be meeting in year the cost of change, as well as supporting any unexpected costs that may arise across 2022/23, after the planned budget has been agreed by Council.

- The second call on the £22.058m will be supporting sustainability, the stability of provider funding, and the avoidance of cumulative deficit in the High Needs Block over the medium term, forming part of our DSG Management Plan. We expect that we will have less flexibility and significantly less headroom (new budget to allocate) within our High Needs Block settlements from April 2023. It is forecasted that this will new financial pressure, as our rates of growth in SEND are expected to continue, and costs (including salaries costs) are expected to continue to rise. Our current High Needs Block forecast, based on the latest income advice from the DfE, indicates that there is risk of developing a 'structural deficit', as this forecast predicts the incremental growth of a recurrent annual over-spend. This position is not certain (as it is based on a series of estimates), and will need to be closely monitored, but may need to be managed, especially with reference to the uncertainties that our forecast currently incorporates. This includes the financial implications of the major national SEND and Alternative Provision reviews. In the context of the DfE's latest advice, of these uncertainties, and of the necessity of our further expansion of specialist places capacity over the next 2 years, it is important that we ensure that there is financial resilience within the High Needs Block. The retention of a sufficient surplus (a reserve) at the end of the 2022/23 financial year is an essential part of this.

- An appropriate 'balance' should be achieved, between spending monies now, in support of high needs provision, and retaining monies in reserve to support on-going sustainability and stability. An appropriate 'balance' also should be achieved, between increasing the amounts of funding that are allocated to providers for pupils and places that are currently 'in the system' and allocating High Needs Block funding for new additional specialist places. Following the 12 January meeting, Finance and Children's Services officers are to further discuss the position of the High Needs Block surplus balance with the Schools Forum, seeking to achieve understanding and agreement on these matters. A working group of Forum members is being established for this purpose. An outcome of this group's discussions is likely to be that a recommendation is made by the Schools Forum to allocate a proportion of the £22.058m balance in support of current provision. If this is recommended, the Local Authority will need to agree its response to the Schools Forum and will then need to decide on any further allocation of High Needs Block funding.

8. FINANCIAL & RESOURCE APPRAISAL

This appraisal is given throughout this report. The table provided in paragraph 2.9 demonstrates that a balanced Schools Budget for 2022/23 is put forward for the Council's approval.

9. RISK MANAGEMENT AND GOVERNANCE ISSUES

If the allocations set out in this report are not fully agreed by Elected Members, then representations must be made to the Schools Forum. In the event that agreement cannot be reached with the Schools Forum, for certain items, the Council must refer the matter to the Department for Education (DfE).

10. LEGAL APPRAISAL

The School Standards and Framework Act 1998 deals with the financing of maintained schools. 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. Local authorities must have regard to advice given by schools forum and or consult them on certain matters before taking prescribed decisions.

School Forums generally have a consultative role and some decision making powers in relation to school budget functions. The role of the Local Authority is to make proposals to the Schools Forum on those matters, which the Schools Forum can decide, and to consult the Schools 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 certain circumstances.

The School and Early Years Finance (England) Regulations 2022 are made under Chapter 4 of Part 2 of the School Standards and Framework Act 1998. These Regulations provide instruction on how local authorities are to set their education budgets in the 2022/23 financial year. They set the parameters that local authorities must abide by in determining schools' budgets, and the budgets, which are allowed to be retained centrally. They also set out how local authorities are to allocate funding to maintained schools and private, voluntary and independent providers of free early years provision through locally determined funding formulae. The Department for Education makes these Regulations annually; the 2022 Regulations will apply only to budgets for the 2022/23 financial year.

Under Schedule 2 of the Regulations, local authorities are required to carry forward overspends to their schools budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the Secretary of State giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.

The Accounts and Audit (England) Regulations 2015 incorporate a requirement for a note to the statement of accounts confirming actual deployment of the Dedicated Schools Grant. The note will show both the formal accounting position and the total surplus or deficit for the purpose of the Regulations.

The National Funding Formulae ("NFF") determine local authority Dedicated Schools Grant (DSG) allocations. These were introduced in 2018/19 for schools, high needs and central school services; and in 2017/18 for early years. The schools NFF calculates notional school-level allocations, which are aggregated to form local authorities' school funding within the DSG. The introduction of the NFF is in line with reforms by the Department for Education to make the funding system simpler, fairer and more transparent.

The core basic structure of the schools national funding formula has not changed for 2022/2023. The National Funding Formula for schools and high needs 2022/23 contains some formula and technical changes, which are highlighted in the body of the Report. The Government has announced the intention to implement a direct schools NFF in future, whereby schools will receive what they attract through the national formula, rather than through different local authority funding formulae. In 2022/23, local authorities will continue to determine schools' budget share allocations at a local level through a local funding formula.

11. OTHER IMPLICATIONS

11.1 SUSTAINABILITY IMPLICATIONS

There are no direct implications resulting from this report.

11.2 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct implications resulting from this report.

11.3 COMMUNITY SAFETY IMPLICATIONS

There are no direct implications resulting from this report.

11.4 HUMAN RIGHTS ACT

There are no direct implications resulting from this report.

11.5 TRADE UNION

There are no direct implications resulting from this report.

11.6 WARD IMPLICATIONS

There are no direct implications resulting from this report.

11.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

This appraisal is given in the equalities impact assessment at the beginning of the report and then throughout the report.

11.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

There are no issues 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 for the allocation of the 2022/23 Dedicated Schools Grant, as set out in this report.

b) Approve the total amount of £665.617m 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 2022/23.

15. APPENDICES

- Appendix 1 – Equalities Impact Assessment.
- Appendix 2 – Local Authority Funding Reform Pro-Forma 2022/23 (Schools Block).
- Appendix 3 – Banded Model for EHCP Top Up Funding (High Needs Block).
- Appendix 4 – Early Years Single Funding Formula 2022/23 (Early Years Block).

16. BACKGROUND DOCUMENTS

- Decisions List of the Schools Forum meeting 12 January 2022 (link to webpage)
- Consultation on the High Needs Funding Model 2022/23 (link to webpage)
- Consultation on the Early Years Single Funding Formula 2022/23 (link to webpage)
- Consultation on Schools Block Funding Arrangements 2022/23 (link to webpage)
- SEND Places Sufficiency Report (within 8 December Schools Forum reports)
- High Needs Block DSG Management Plan (Document OC within the 12 January Schools Forum reports)
- Section 151 Officer's Report – Executive 15 February 2022

Appendix 1 – Equalities Impact Assessment

In addition to this summarised equalities impact assessment, a fuller assessment of our formula funding proposals was included in each of the consultation documents that were published in the autumn (please see the links to these in the background documents section of this report).

Schools Block

We assess that our proposals will have a positive impact on equalities. The arrangements proposed for the 2022/23 financial year retain a significant amount of continuity on current practice. At its centre, Council has previously determined, and we continue to propose, to exactly mirror the DfE's National Funding Formula (NFF) for the calculation of mainstream primary and secondary maintained school and academy delegated allocations in Bradford As such, our equalities impact assessment of our proposed guiding Schools Block formula funding policy for 2022/23 is neutral (representing no change on current positive practice) and continues to align with the DfE's assessment in respect of its [National Formula Funding policy](#) and its already identified positive impact on the funding of children and young people that share protected characteristics. Behind the guiding NFF mirroring policy, the values of all formula funding factors are proposed to be uplifted in 2022/23. These uplifts are assessed to have a positive impact on the funding of all pupils. Funding allocated through the additional educational pupil-led needs formula factors, now based on the October 2021 data, is increased. This includes an additional £1.8m allocated through the Free School Meals (FSM) factors as a result of the increase in FSM numbers compared with the numbers recorded at October 2020.

In setting the School's Budget for 2022/23, Council is asked to approve that the Minimum Funding Guarantee (MFG) for primary and secondary maintained schools and academies is set at positive 2.0%, which is the maximum permitted by the Regulations. The purpose and consequence of this proposal is to uplift the funding of maintained schools and academies that remain on the MFG, in particular in the primary phase where 43% of schools / academies are on this in 2022/23. This is to ensure that funding is available to these schools / academies to use in support of all pupils, including those that share protected characteristics.

The Minimum Levels of Per Pupil Funding (MFLs) are also increasing by 2.0%. This is a mandatory uplift, not for local determination. The DfE has assessed that this uplift will have a positive impact on equalities.

<u>High Needs Block</u>

We assess that our high needs funding proposals for 2022/23 will have a positive impact on equalities.

Through uplifting our existing high needs funding models in 2022/23, we are ensuring that the current positive impact of these models is not eroded by them not keeping pace with increasing costs, especially salaries costs, to be met by maintained schools, academies and other providers from April 2022.

Council is asked to approve, for the allocation of Education Health and Care Plan (EHCP) top up funding to schools / academies and providers, the continued application of our existing Banded Model, which was first introduced at April 2020. The impact of this Model, on the funding of schools / academies and providers for all children and young people with EHCPs, is assessed to continue to be entirely positive. The Banded Model continues to improve the way schools / academies and providers in Bradford are funded for children and young people with SEND with EHCPs. Although it cannot be evidenced at this stage that this change has directly advanced equality of opportunity for children and young people that share a protected characteristic, it is expected that this Model will support this.

Council is asked to approve the continuation of the SEND Funding Floor, which was introduced for 2021/22. As well as continuing to support provision for pupils with EHCPs, this approach will continue to protect the funding used by mainstream schools and academies to support their wider Additional Educational Needs (AEN), SEND and Alternative Provision (AP) activities. The Floor financially supports mainstream schools and academies that have higher proportions of pupils with EHCPs, in support of inclusion, combining also to support schools and academies that may have lower levels of AEN formula funding and that may be smaller in size. It supports schools and academies that may have some turbulence in formula funding as a result of in year pupil numbers changes. The impact of the Floor is assessed to continue to be entirely positive

<u>Early Years Block</u>

We assess that our proposals for 2022/23 will have a positive impact on equalities.

We propose to pass through to providers delivering the 2, 3&4 year-old entitlements the vast majority of uplifts in funding rates that have been allocated by the DfE, whilst making some minor adjustments to support on-going sustainability. These uplifts continue to support all providers in their delivery of the entitlements as costs, especially salaries costs, increase in 2022/23. Uplifting the Universal Base Rates annually for all providers helps support universal good quality provision for all children.

We propose to continue the protection of maintained nursery schools, with this protection being funded using the specific supplement within the Early Years Block, supported by one off monies. The numbers of children with SEND and from more deprived backgrounds is typically higher in the nursery schools sector and this protection continues to support provision for these children.

The Early Years Pupil Premium, as well as the Disability Access Fund and Early Years Inclusion Funds, will continue to complement the Early Years Single Funding Formula and will provide additional funds to support children with SEND, as these have done in 2021/22. The proposal to continue Disability Access Funding at the higher value of £1,000 for eligible children, is put forward with the aim of continuing to support providers in meeting the needs of eligible children with SEND.

We propose to continue to pause the previously planned further reduction in spend on the Deprivation & SEND supplement within the 3&4 year old Early Years Single Funding Formula, meaning that spending on this supplement will be retained at 8% in 2022/23 (compared with our statistical neighbour average of 6%). This proposal is put forward in recognition of the impact of the COVID-19 pandemic and concern to maximise the amount of funding that will be allocated to early years providers next year to support children from more deprived backgrounds. The position of the Deprivation & SEND supplement will need to be reviewed again for 2023/24.

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Local Authority Funding Reform Proforma 2022/23 Schools Block **Appendix 2**

LA Name:	Bradford
LA Number:	380

Primary minimum per pupil funding level	Secondary (KS3 only) minimum per pupil funding level	Secondary (KS4 only) minimum per pupil funding level	Secondary minimum per pupil funding level	Disapplication number where alternative MPPF values are used
£4,265	£5,321.00	£5,831.00	£5,525.00	

Pupil Led Factors

	Description	Amount per pupil	Pupil Units	Sub Total	Total	Proportion of total pre MFG funding (%)	Notional SEN (%)
	Reception uplift	Yes	Pupil Units: 102.00				
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary (Years R-6)	£3,217.51	53,781.00	£173,041,159	£341,399,724	36.00%	7.51%
	Key Stage 3 (Years 7-9)	£4,536.73	21,690.00	£98,401,582		20.47%	6.28%
	Key Stage 4 (Years 10-11)	£5,112.82	13,682.67	£69,956,983		14.55%	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	£470.08	£470.08	14,798.10	10,170.43	£11,737,090	£58,865,945	12.25%	23.08%	10.16%
	FSM6	£590.09	£865.14	15,720.22	12,404.53	£20,008,047			23.08%	10.16%
	IDACI Band F	£220.04	£320.05	7,284.05	5,143.69	£3,248,993			22.45%	19.18%
	IDACI Band E	£270.04	£425.07	9,658.72	6,707.31	£5,459,336			22.45%	19.18%
	IDACI Band D	£420.07	£595.10	5,829.42	4,089.35	£4,882,301			22.45%	19.18%
	IDACI Band C	£460.07	£650.10	6,092.31	3,959.00	£5,376,670			22.45%	19.18%
	IDACI Band B	£490.08	£700.11	5,677.87	3,788.86	£5,435,234			22.45%	19.18%
	IDACI Band A	£640.10	£890.14	2,297.76	1,401.43	£2,718,275			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 March 19			683.61		£0	£7,623,538	0.00%		
4) English as an Additional Language (EAL)	EAL 3 Primary	£565.09		10,358.38		£5,853,423		1.51%		
	EAL 3 Secondary		£1,530.24		925.47	£1,416,195				
5) Mobility	Pupils starting school outside of normal entry dates	£925.15	£1,330.21	328.60	37.52	£353,920		0.07%		

	Description	Weighting	Amount per pupil (primary or secondary respectively)	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) Low prior attainment	Primary low prior attainment		£1,130.18	32.04%	17,230.99	£19,474,135	£34,717,140	7.22%	100.00%	
	Secondary low prior attainment (year 7)	64.53%	£1,710.27	24.84%	8,912.61	£15,243,004				100.00%
	Secondary low prior attainment (year 8)	64.53%		24.77%						
	Secondary low prior attainment (year 9)	64.53%		24.83%						
	Secondary low prior attainment (year 10)	63.59%		25.80%						
	Secondary low prior attainment (year 11)	58.05%		25.81%						

Other Factors

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	£121,319.41	£121,319.41			£23,172,007	4.82%	
8) Sparsity factor					£0	0.00%	
9) Fringe Payments					£0	0.00%	
10) Split Sites					£425,396	0.09%	
11) Rates					£3,770,879	0.78%	
12) PFI funding					£6,936,054	1.44%	
13) Exceptional circumstances (can only be used with prior agreement of ESFA)							
Total Funding for Schools Block Formula (excluding minimum per pupil funding level and MFG Funding Total)					**£476,910,683**	**99.22%**	
14) Additional funding to meet minimum per pupil funding level					£3,737,095	0.78%	
Total Funding for Schools Block Formula (excluding MFG Funding Total)					**£480,647,777**	**100.00%**	
15) Minimum Funding Guarantee			2.00%		£3,286,651		
Apply capping and scaling factors? (gains may be capped above a specific ceiling and/or scaled)					No		
					Total (£)	**Proportion of Total funding(%)**	**Notional SEN (%)**
MFG Net Total Funding (MFG + deduction from capping and scaling)					£3,286,651	0.68%	
Total Funding for Schools Block Formula					**£483,934,429**		**£69,253,430**
Additional funding from the high needs budget					£1,865,000.00		
Growth fund (if applicable)					£1,051,497.77		
Falling rolls fund (if applicable)					£0.00		
Other Adjustment to 21-22 Budget Shares					£136,491		
Total Funding For Schools Block Formula (including growth and falling rolls funding)					**£485,122,418**		
% Distributed through Basic Entitlement					**71.03%**		
% Pupil Led Funding					**92.09%**		
Primary: Secondary Ratio					**1 :**	**1.36**	
22-23 NFF NNDR allocation					£3,770,879		
Total Funding For Schools Block Formula (including growth and falling rolls funding) after deduction of 22-23 NFF NNDR allocation					**£481,351,539**		

Appendix 3 - The Banded Model for Funding Pupil-Led Need EHCP Top-Up 2022/23

Introduction

1.1 Top-up funding (also known as Element 3 or 'Plus' funding) is the funding required by an institution, over and above place funding, to enable a child or young person with high needs to participate in education and learning. Top-up funding is expected to reflect the cost of additional support an institution incurs related to the individual needs of the child or young person.

1.2 As with many authorities, Bradford allocates top-up funding using a band model. This model is used to assign Education Health and Care Plans (EHCPs) into bands of need for funding purposes. Each band has an applicable level of funding and every EHCP assigned to a band is allocated a set value of funding.

1.3 At April 2020, for the 2020/21 financial year, we introduced a new Banded Model. This model replaced our previous 'Ranges Model' and quite significantly uplifted the funding of EHCPs in all settings. This model includes protections, which have ensured, and will continue to ensure, that no EHCP in place on 1 April 2020 reduces in value as a result of funding model change. We uplifted the values allocated by the Banded Model in 2021/22, and have uplifted these values again in 2022/23.

1.4 A band system is more responsive to the needs of an individual child or young person than a blanket lump sum style approach but is not quite as sensitive as an approach where the cost of the needs of a child or young person is calculated on an exact basis. Blanket, band, and individually-costed systems all have pros and cons. The main positive features of band models, and of our Banded Model, are that these help promote consistency and transparency, reduce complication, support the quick assessment and release of funds, whilst also enabling the SEND Panel to find a 'close fit' for funding the needs of an individual child or young person with an EHCP.

1.5 In continuing to use our Banded Model in 2022/23, the Council's intention is still to retain a uniform framework for calculating top-up funding for EHCPs. The Council's expectation continues to be that this framework will enable a close fit to be found for the funding of the vast majority of EHCPs and will ensure consistency of approach in the funding of high needs across mainstream and specialist settings both pre and post 16. It is accepted that there will be a small number of children or young people that will sit outside this banded framework, most of whom will be placed in specialist independent provisions.

The Banded Model 2022/23

2.1 The Banded Model uses at its base the Bradford Matrix of Need, which outlines waves of intervention:

- Band 1 (Quality First Teaching)
- Band 2 (SEND Support)
- Band 3 (EHCP) – typically mainstream - this is the band at which Element 3 EHCP funding begins
- Band 4 (EHCP Plus) – typically specialist provision

This Matrix identifies the responsibilities of schools and providers in their use of already delegated funds in meeting the cost of support up to Band 3. It then identifies the point at which top-up funding will begin in our model, which is EHCP Band 3.

2.2 The Banded Model has 6 bands and 6 funding steps, with values for 1 April 2022 as set out in the table below. This table shows the value of top-up by band and the value of Element 2 contributions, which schools and providers will add to the top-up from their budgets to produce the total value of funding available for supporting the costs of an EHCP.

In all steps within the model the school / provider, with the exception of EHCPs for 2, 3 and 4 year olds (in pre-reception) in mainstream not specialist provision, is expected to contribute Element 2 funding, currently at a value of £6,000 per 1 FTE, to the cost of the additional needs set out in the EHCP. For EHCPs for 2, 3 and 4 year olds (in pre-reception) in mainstream not specialist provision, that are only funded through the Early Years Single Funding Formula (EYSFF), because the EYSFF does not allocate Element 2 funding, Element 2 is allocated on an FTE basis in addition to the top-up value for these EHCPs until these children enter reception year. This addition does not apply to early years children that are placed in special schools or in resourced provisions as these provisions are funded on a place-led basis, which includes Element 2.

	Top-Up Value 2022/23	**Element 2 Value FTE the school / provider adds**	**Total Value of Funding to support the EHCP in 2022/23**
Band 3 Low (3L)	**£2,236**	£6,000	**£8,236**
Band 3 Medium (3M)	**£4,036**	£6,000	**£10,036**
Band 3 High (3H)	**£5,783**	£6,000	**£11,783**
Band 4 Low (4L)	**£9,218**	£6,000	**£15,218**
Band 4 Medium (4M)	**£13,270**	£6,000	**£19,270**
Band 4 High (4H)	**£17,377**	£6,000	**£23,377**
Protected 7	**£28,553**	£6,000	**£34,553**

The model is calculated on a provision-mapping approach. The additional educational needs of a child with an EHCP typically will be met through additional adult contact time. Typically, this will be delivered in a combination of individual time and time in smaller groups. The overall volume of time will increase as needs increase and the proportion of this time that is delivered on a more bespoke basis will also increase as needs increase. The values of the bands have been built up on assumptions about the proportion of additional support given to an EHCP, with this support split between bespoke time and time in smaller groups. This is a model for the SEND Panel to use to determine the volume and type of support required to then closely meet the needs of an individual EHCP.

2.3 Band 3 (EHCP) typically will support the cost of EHCPs placed in mainstream provisions. Band 4 (EHCP plus) typically will support the cost of EHCPs placed in specialist provisions. However, this is not an absolute position and the SEND Panel will use the model flexibly to closely meet need.

The Band 3 values are calculated on assumptions on additional 'support assistant' time (where bespoke means 1:1 and group time is in groups of 1:3). The cost per hour assumption within the 2022/23 financial year model, on a term time only basis and incorporating assumptions about on-costs, is £16.78. This represents a 4.25% increase on the £16.10 that was used in the 2021/22 model.

The Band 4 values are calculated on assumptions on both support assistant time (where bespoke means 1:1 and group time is in groups of 1:2) and teacher time in group sizes of 1:12, 1:8 and 1:6. The cost per hour assumption for support assistant time within the 2022/23 financial year model is £16.78 as in Band 3. The cost per hour assumption for teacher time in the model is £48.56. This represents a 7.83% increase on the £45.03 that was used in the 2021/22 model.

2.4 Each EHCP will be funded at the band value that provides the closest fit for meeting the cost of the needs of the child or young person. In the model, the closest fit may also be found by combining ('stacking') more than one band value. The facility to combine values means that the SEND Panel can use the model in a flexible way to find a very close fit for the funding especially of children and young people with significant secondary needs as well as those that require additional functional support both within and outside of the standard taught school day where this is not already funded within a single band value.

2.5 It is helpful to continue to highlight the main differences between our current Banded Model and our previous Ranges Model that was used up to 31 March 2020:

- The Banded Model does not have a 7th step (the equivalent of the previous Range 7). It is expected that stacking will deliver a level of support higher than the single band 4H, where this is necessary. Specific transition arrangements are in place for Range 7 EHCPs that existed at 1 April 2020.

- The Panel can 'stack' values (meaning an EHCP can be allocated more than one value) in order to find a close fit.

- The Banded Model does not use primary need as a marker for the placement of an EHCP into a band. Placement is based on assessed level of need.

- Whereas the previous Ranges Model defined need in terms of 1:1 hours of support, the Banded Model uses a provision mapping approach and a combination of bespoke time and time in smaller groups.

- The values allocated by the Banded Model are significantly increased on those allocated by the Ranges Model. These increases are the result of two main adjustments; a) refreshing the assumptions about the salaries of support assistants and teachers - the Banded Model uses estimates of salaries and on-costs for 2022/23; b) allowing the top-up model to compensate for the fixed £6,000 Element 2. Because the £6,000 Element 2 has not increased since the implementation of the national model in 2013/14, and has not increased in 2022/23 vs. 2021/22, the annual increase in the costs of support from increased salaries must be met solely by the top-up element otherwise there is an annual erosion of funding in real terms. This is the reason why the % increases in top-up funding on their own are significantly higher than inflation / pay award. However, when top-up funding is added to the fixed £6,000 Element 2, or to the fixed £10,000 place-element in the case of specialist settings, the true total % increases in funding available to meet need are reduced.

- The Banded Model works alongside a clarified / amended approach to the sharing of the cost of specialist equipment.

2.6 To highlight how the Banded Model continues to be the same or similar to the previous Ranges Model:

- Decisions on the application of the Banded Model – which of the 6 bands an EHCP is placed in and whether an EHCP is given more than one band value - continue to be taken by Bradford Council's SEND Panel with reference to the evidence submitted through the EHCP assessment process. Appeals and disputes also continue to be resolved through the Panel process.

- In all steps within the model, the school / provider, with the exception of EHCPs for 2, 3 and 4 years olds (pre-reception) in mainstream not specialist provision, is expected to contribute Element 2 funding currently at a value of £6,000 to the cost of additional needs.

- The bottom 'threshold' for the 1st step of Band 3 (3 Low) is the same as the Ranges Model. The Banded Model itself has not changed the threshold at which EHCP funding can initiate nor has it changed the points of access to an EHCP. It simply has changed the options that are available to the SEND Panel to use to ensure that an EHCP is appropriately and accurately funded.

- For the top-up funding of post 16 high needs students with EHCPs in the Further Education sector, it has been agreed previously with the relevant providers that, as, on average, colleges deliver around 60% of the hours delivered by schools, colleges are funded for the vast majority of students at 60% of the Banded Model value for the primary need of the student. The exceptions are students with the primary need of sensory impairment (Hearing / Visual), where funding continues to be allocated on an actual cost basis. Due to the specific support needs of these students in Further Education, and the diverse nature of their curriculum choices, it is not possible to formularise this funding element. This approach to funding is continued in the application of the Banded Model in 2022/23. The national post 16 settlement for the 2022/23 academic year includes funding to support additional learning time (up to 40 hours) for students, as part of COVID-19 recovery. We expect that our high needs funding model will adjust to support the cost of the delivery of this additional learning time for students with high needs in receipt of top up funding in the Further Education sector and in other applicable post 16 settings, using the High Needs Block supplement funding allocated by the DfE. We will discuss this further with applicable providers.

- The 'technical framework' is the same for the operation of the Banded Model during the year e.g. the monthly re-calculation of EHCP funding from the census of EHCPs on roll on 10th of each month.

- An assessment place (which was Range 4D) has become Band 4L. This funds EHCPs placed in specialist provisions until a final determination of band from the Panel is received. Funding is changed at this point if this is different from 4L. Band 4L also continues to be used to more permanently fund placements in the Early Years ESPs that are attached to maintained nursery schools.

A reminder of the transition from the previous Ranges Model

3.1 It is helpful to remind providers of how we moved from the Ranges Model to the now established Banded Model and what protections continue to be in place. All EHCPs in place at 1 April 2020 were automatically transferred on to the new Banded Model system at 1 April 2020 as follows:

Range		Band
Range 4A	became	Band 3L
Range 4B	became	Band 3M
Range 4C	became	Band 3H
Range 4D	became	Band 4L
Range 5	became	Band 4M
Range 6	became	Band 4H
Range 7	became	Protected 7

3.2 Most existing EHCPs on an on-going basis will remain within the band they were transferred to. The SEND Panel will continue to review, through the annual review process, individual EHCPs where the banding may be disputed, where there are obvious existing inaccuracies or where the needs of the child or young person have changed.

3.3 The Banded Model operates under the guarantee that, for EHCPs in place at 1 April 2020, the EHCP will not ever drop to a lower valued band unless the SEND Panel agrees that the needs of the child or young person are reduced when compared against the needs presented to the Panel in the original EHCP determination. This guarantee remains until the pupil reaches the end of year 11. This guarantee does not extend to assessment places that were funded at 1 April 2020 (as these pupils did not yet have EHCPs).

3.4 The Banded Model retains a transitional 'Protected 7' band, which will continue to fund EHCPs that we graded at Range 7 under the old model. These Range 7 pupils will stay funded by the Protected 7 band unless an annual review gives them a higher level of funding using the new model (via stacking), when the pupil would be transferred onto the new model at this point, or where the pupil's needs are agreed to have reduced when compared against the needs presented to the Panel in the original EHCP Range 7 determination. This guarantee remains in place until the pupil reaches the end of year 11. The value of Protected 7 will be uplifted each year by the same % that is applied to Band 4H.

Page 65

Summary of Place-Plus and how this works for different providers in Bradford

	Pre-16	**Pre-16**	**Post-16**	**Post-16**		
Type of Provision	**Place (Core) Funding**	**Top-Up Funding (Pupil-Led Need)**	**Place Funding**	**Top-Up Funding (Pupil-Led Need)**	**Setting-Led Need Factors**	**Additional Support Measures**
Mainstream primary & secondary (maintained schools, academies and free schools)	Element 1 is included within the per-pupil funding allocated through the local school funding formula (NFF-based). Element 2 - the first £6,000 of additional support cost – is also already delegated with the school's formula funding allocation. Notional SEND defines the value of funding already allocated.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is allocated to and retained by the school.	Element 1 (based on the 16-19 national funding formula) plus Element 2 (£6,000) based on the number of places to be commissioned.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is allocated to and retained by the school.	None.	SEND Funding Floor supports Element 2 cost in pre-16 provisions.
Mainstream early years (nursery schools, classes and PVI providers)	Element 1 is included within the per-pupil funding allocated through the local EYSFF. Early Years SEND Inclusion Grant allocates Element 2 (£6,000) for eligible low level emerging	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers.	n/a	n/a	None.	Early Years SEND Inclusion Grant (EYIF). DAF Grant.

	SEND (non-EHCP) as agreed by Panel. Element 2 is allocated to early years EHCPs in addition to top-up.	Uses the Banded Model. The top-up funding is allocated to and retained by the school or provider.				
School-led Resourced Provisions (mainstream primary & secondary)	Elements 1 & 2 are allocated through a combination of per-pupil funding allocated through the local school's funding formula plus £6,000 per place for places occupied by pupils on roll in October in the previous year and £10,000 per place for the remainder of places agreed to be commissioned. Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for the actual total composite occupancy across the year.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is allocated to and retained by the school.	Element 1 (based on the 16-19 national funding formula) plus Element 2 (£6,000) based on the number of places to be commissioned. Both Elements 1 and 2 are retained by the school.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is allocated to and retained by the school.	Small Setting Protection. 3% Cash Budget Protection.	Teacher Pay and Teacher Pensions Grants.

Page 66

	Both Elements 1 and 2 are retained by the school. Element 1 is set at a minimum of £4,000 per agreed place.					
Local Authority-led Sensory Need Resourced Provisions (mainstream primary & secondary). .	Elements 1 & 2 are allocated through a combination of per-pupil funding allocated through the local school's funding formula plus £6,000 per place for those occupied by pupils on roll in October in the previous year and £10,000 per place for the remainder of places agreed to be commissioned. The host school retains Element 1, set at a minimum of £4,000 per agreed place. Element 2 funding is retained by Bradford Council. This currently requires host schools to repay Element 2 back to the Council.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is retained by Bradford Council.	Element 1 (based on the 16-19 national funding formula) plus Element 2 (£6,000) based on the number of places to be commissioned. The host school retains Element 1. Element 2 funding is retained by Bradford Council. This currently requires host schools to repay Element 2 back to the Council.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is retained by Bradford Council.	Small Setting Protection. New Services Delegation.	Teacher Pay and Teacher Pensions Grants.

	Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for the actual total composite occupancy across the year.					
Local Authority-led Resourced Provisions SEMH (mainstream primary & secondary).	Element 1 is allocated through a combination of per-pupil funding allocated through the local school's funding formula plus £4,000 (or the higher MFL value) for places to agreed to be commissioned but not occupied by pupils on roll in October in the previous year. The host school retains Element 1, set at a minimum of £4,000 (or the higher MFL value) per agreed place.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is retained by Bradford Council.	Element 1 (based on the 16-19 national funding formula) plus Element 2 (£6,000) based on the number of places to be commissioned. The host school retains Element 1. Element 2 funding is retained by Bradford Council.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. The top-up funding is retained by Bradford Council.	Small Setting Protection. New Services Delegation.	Teacher Pay and Teacher Pensions Grants.

Page 68

	Element 2 funding is calculated at £6,000 per commissioned place and is retained by Bradford Council.					
Early Years Enhanced Specialist Provisions (maintained nursery schools)	Elements 1 & 2 are allocated through a combination of per-pupil funding allocated through the local EYSFF plus £6,000 per FTE commissioned place. Both Elements 1 and 2 are retained by the school. Additional Element 1 funding is paid using EYSFF rates for any FTE places not occupied in the EYSFF termly censuses. Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for the actual total	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model. All EYESP places funded at a minimum Band 4L (assessment places). The top-up funding is allocated to and retained by the school.	n/a	n/a	Small Setting Protection.	Teacher Pay and Teacher Pensions Grants.

Page 69

	composite occupancy across the year.					
Maintained Special Schools & Special School Academies	Elements 1 and 2 are combined in a fixed £10,000 per place, based on an agreed number of places to be commissioned. Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for the actual total composite occupancy across the year. Retained by the school.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers. Uses the Banded Model.. The top-up funding is allocated to and retained by the school.	£10,000 per place based on an agreed number of places. Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for actual total composite occupancy across the year. Retained by the school.	Uses the Banded Model.	Split Sites. Post 16 Element 1 enhancement. New Services Delegation. Small Setting Protection. 3% Cash Budget Protection.	Teacher Pay and Teacher Pensions Grants.
PRUs & AP Academies (funding provision for pupils permanently excluded).	Elements 1 and 2 are combined in a fixed £10,000 per place, based on an agreed number of places to be commissioned. Retained by the PRU.	Agreed per-pupil top-up paid by the commissioning local authority. Allocated in 'real time' during the year. Changes for starters and leavers.	n/a	n/a	No specific additional factors – setting-led need costs are to be covered within the calculation of the Day Rate.	Teacher Pay and Teacher Pensions Grants

	Additional place-funding is allocated in real time where occupancy is exceeded, with an end of year reconciliation to ensure no overall overpayment of additional place-led funding for the actual total composite occupancy across the year.	Uses the Day Rate Model. The top-up funding is allocated to and retained by the PRU / AP Academy.				
Hospital Education, Tracks and Medical Home Tuition.	The funding of the centrally managed services operates outside the Place-Plus mechanism, working within the discrete allocation provided for this service within our HNB. This will be subject to annual review to incorporate any changes in the DfE's funding methodology and requirements.	n/a	n/a	n/a	None.	Teacher Pay and Teacher Pensions Grants.
Further Education Institutions, special institutions and ILPs (post 16)	n/a	n/a	Element 1 (based on the 16-19 national funding formula) plus Element 2 (£6,000) based on the number	Agreed per-pupil top-up paid by the commissioning local authority.	None.	None.

			of places to be funded. Additional place-funding (element 2 only) can be allocated in year where occupancy exceeds agreed places, with an end of year reconciliation to ensure no overall overpayment. Both Elements 1 and 2 are retained by the institution.	Allocated in ‘real time’ during the year. Changes for starters and leavers. Uses the Banded Model. Typically, values are funded at 60% for most placements. Higher cost placements (low incidence high need) are typically funded on an actual cost basis.		
Independent Schools	The place funding system doesn’t operate in independent schools.	Agreed per-pupil top-up paid by the commissioning local authority.	The place funding system doesn’t operate in independent schools.	Agreed per-pupil top-up paid by the commissioning local authority.	None.	Teacher Pensions Grant (for EHCPs).

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% budget pass-through 3&4 year old EYSFF (excluding one off monies); Must be greater than 95%:	97.2%
% spend 3&4 year old EYSFF on supplements - SEND & Deprivation (excluding one off monies); Cannot exceed 10%:	8.0%

	Description	Unit Value (£)			Unit Applied	Number of Units (Universal)			Number of Units (Extended)			Anticipated Budget (£)			
		PVI	Nursery School	Primary Nursery Class		PVI	Nursery School	Primary Nursery Class	PVI	Nursery School	Primary Nursery Class	PVI	Nursery School	Primary Nursery Class	TOTAL
1. EYSFF (3 & 4 year olds): Base rate	Universal Base Rate Applicable to all Providers	£4.39	£4.39	£4.39	per hour	3,743,434	365,785	1,030,803	1,236,346	71,100	201,554	£21,861,232	£1,917,922	£5,410,050	£29,189,203

2. EYSFF (3 & 4 year olds): Other formula factors		Description	Unit Value (£)			Unit Applied	Number of Units (Universal & Additional 15 hours)			Anticipated Budget (£)			
			PVI	Nursery School	Primary Nursery Class	Unit Applied	PVI	Nursery School	Primary Nursery Class	PVI	Nursery School	Primary Nursery Class	TOTAL
2. Supplements	Variable 1 Deprivation (Mandatory)	All providers (variable rate) calculated using a 3 year rolling average of Index of Multiple Deprivation (IMD) scores. INDICATIVE ONLY	£0.75	£0.75	£0.75	per hour	1,835,491	201,615	472,017	£1,371,672	£150,668	£352,740	£1,875,081
	Variable 2 Deprivation (Mandatory)	Rates include a weighting, to allocate additional funding to providers that have above average levels of deprivation as measured by IMD. INDICATIVE ONLY	£0.17	£0.17	£0.17	per hour	2,492,288	319,477	676,582	£428,120	£54,879	£116,222	£599,221
		Description	PVI	Nursery School	Primary Nursery Class	Unit Applied	PVI	Nursery School	Primary Nursery Class	PVI	Nursery School	Primary Nursery Class	TOTAL
3. Maintained nursery school (MNS) lump sums		1) Nursery Schools Sustainability Top-Up: this funding tops up each school to a minimum level of funding based on that school's specific circumstances, taking into account premises, rates, insurance, base allocations, mainstreamed grants. 2) Additional lump sums allocate the MNS Supplement to ensure that the base per hour rate of funding for each nursery school is £5.98 & the deprivation rate is the same as that used in 2016/17 + 3.3%.		Variable		lump sums		7			£1,266,994		£1,266,994
TOTAL FUNDING FOR EARLY YEARS SINGLE FUNDING FORMULA (3 & 4 YEAR OLDS):													£32,930,499

EYSFF (2 year olds)	Description	Unit Value (£)			Unit Applied	Number of Units			Anticipated Budget (£)			
		PVI	Nursery School	Primary Nursery Class	Unit Applied	PVI	Nursery School	Primary Nursery Class	PVI	Nursery School	Primary Nursery Class	TOTAL
4. Base Rate(s) per hour, per provider type	Universal Base Rate Applicable to all Providers	£5.55	£5.55	£5.55	per hour	1,020,102	126,948	66,600	£5,661,569	£704,561	£369,630	£6,735,760
TOTAL FUNDING FOR EARLY YEARS SINGLE FUNDING FORMULA (2 YEAR OLDS):												£6,735,760

5. SEN Inclusion Fund (funded directly to providers)		Description	Anticipated total budget (£)			
			PVI	Nursery School	Primary Nursery Class	TOTAL
(a) 3 & 4 Year Olds (Mandatory)	(ai) Funding allocated from EY Block	Funding for Early Years SEND Inclusion (element 2 replication) - allocated using agreed criteria and method. See Early Years Technical Statement on Bradford Schools Online	£183,051	£75,000	£141,949	£400,000
	(aii) Funding allocated from HN Block	EY SEND Inclusion is 100% funded from the Early Years Block				

(b) 2 Year Olds (if applicable)	**(bi) Funding allocated from EY Block**	Funding for Early Years SEND Inclusion (element 2 replication) - allocated using agreed criteria and method. See Early Years Technical Statement on Bradford Schools Online	£66,667	£10,000	£23,333	£100,000
	(bii) Funding allocated from HN Block	EY SEND Inclusion is 100% funded from the Early Years Block				
TOTAL FUNDING FOR SEN INCLUSION FUND (TOP-UP GRANT ELEMENT):						**£500,000**
6. Early years contingency funding		**Description**	**Anticipated total budget (£)**			
3 & 4 Year Olds		no contingencies are held				£0
2 Year Olds		no contingencies are held				£0
7. Early years centrally retained funding		**Description**	**Anticipated total budget (£)**			
3 & 4 Year Olds		Maintained Nursery Schools de-delegated funds; PVI Area SENCOs; Local Authority Early Years and EYSFF function capacity				£398,648
2 Year Olds		no central funds for 2 year olds are held				£0
TOTAL FUNDING FOR EARLY YEARS CENTRAL EXPENDITURE:						**£398,648**
8. Early years pupil premium			**Anticipated total budget (£)**			
3 & 4 Year Olds						£436,605
TOTAL FUNDING FOR EARLY YEARS PUPIL PREMIUM:						**£436,605**
9. Disability access fund			**Anticipated total budget (£)**			
3 & 4 Year Olds						£248,000
TOTAL FUNDING FOR EARLY YEARS DISABILITY ACCESS FUND:						**£248,000**

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance & IT to the meeting of Executive to be held on 15 February 2022

BE

Subject:

Capital Investment Plan 2022-23 to 2025-26

Summary statement:

Section A of this report presents the Council's Capital Investment Plan 2022-23 to 2025-26.

Section B presents an updated Capital Strategy for 2022-23. This strategy underpins the spending proposals within the Capital Investment Plan.

Section C presents the Investment Strategy for 2022-23.

Equality & Diversity:
The budget proposals set out clearly the need for equality to be considered as part of the Budget Strategy. As in previous years full Equality Impact Assessments have been produced for all budget proposals and full consultation with relevant groups has been undertaken. The outcome of consultation will be considered and reported upon before the 2022-23 budget is approved.

The Capital Investment Plan supports the delivery of Council priorities.

Chris Chapman
Director of Finance & IT

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Portfolio:

Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

1.1 This report proposes the Council's Capital Investment Plan (CIP) from 2022-23 to 2025-26. The report also includes for 2022-23: The Capital Strategy (Section B) and the Investment Strategy (Section C).

1.2 This report is part of the overall 2022-23 budget proposal for the Council which also includes:

- The Council's Revenue Estimates for 2022-23 (Document BC)
- Allocation of the Schools Budget 2022-23 Financial Year (Document BD)
- Section 151 Officer's Assessment of the proposed budgets (Document BF)

2. OVERVIEW

2.1 **SECTION A** of this report outlines the 2022-23 to 2025-26 Capital Investment Plan (CIP). This includes:

- Capital Investment Plan - Background
- The Capital Schemes
- Minimum Revenue Provision (MRP)
- The Prudential Indicators

Section A currently does not include anything relating to a Council HRA and the CIP will be reviewed again once a decision has been made.

2.2 **SECTION B** of this report sets out the 2022-23 Capital Strategy. This includes:

- Guiding Principles
- Governance Framework for Capital Decisions
- Capital Resources to support Capital Expenditure
- Commercial Property Investments
- Loans to External Organisations
- Asset Management Planning
- Risks
- Prudence, Affordability, Sustainability
- Skills & Knowledge
- Capital Strategy Actions

2.3 **SECTION C** updates the 2022-23 Investment Strategy.

SECTION A: CAPITAL INVESTMENT PLAN 2022-23

3. CAPITAL INVESTMENT PLAN - BACKGROUND

3.1 The Capital Investment Plan (CIP) is the Council's budget for expenditure on long-term infrastructure items, such as buildings and vehicles. These items are one-off, so need to provide value to the Council across a number of financial years; the items are also paid for across different financial years.

3.2 Expenditure in the CIP therefore differs significantly from that in Revenue Estimates – these estimates present ongoing expenditure, such as salaries, used up and funded within one financial year.

3.3 The CIP is governed by statutory requirements set out in the 2003 Capital Regulations. The key points are:

- Capital expenditure within the CIP provides benefits to Council residents that lasts for more than one financial year, such as a new sports centre.

- The construction process, for example a new sports centre, can also stretch across a number of financial years. For these reasons the CIP budget is presented as a rolling programme across a number of future years.

- Capital expenditure can only be funded from a limited number of sources: external grants (designated by the grant provider as for a capital purpose); funding provided by the Revenue Estimates (Direct Revenue Financing); funding from reserves and borrowing.

- All the above funding sources involve paying for capital expenditure directly and immediately, except when borrowing is required. The borrowing principal and the related interest charges are repaid gradually through successive Revenue Estimates. The impact of the borrowing principal and interest payments are known technically as capital financing charges.

- There are some further points to note around capital financing charges. The provision of funding for the principal repayments is governed by strict rules. These rules determine how this funding is identified and set aside within successive years of the Revenue Estimates. The rules are known technically as the Minimum Revenue Policy (MRP). This funding is set aside irrespective and unrelated to the actual principal repayments, which is managed within the Council's Treasury Management Strategy.

- Interest charges on the borrowing are charged to the Revenue Estimates based on the year to which these relate.

- Capital Expenditure is monitored using what are called Prudential Indicators. These aim to measure and weigh the Council's level of indebtedness and any impacts on the Revenue Estimates for future generations. This check is due to the importance of ensuring value from capital expenditure: it significantly impacts both on service provision and finances for many years in the future.

- Updates to the Prudential and Treasury Management Codes were published by CIPFA in December 2021. The Department for Levelling Up Housing and Communities (DLUHC) had tightened up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and closed access to all PWLB borrowing if such schemes are included in a council's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

3.4 One other point about borrowing is the overall purpose from the Council's perspective. One purpose is to fund one-off expenditure to deliver an ongoing improvement to service provision for the residents' districts (The Council calls this Corporate Borrowing).

3.5 Sometimes the purpose of the one-off expenditure is to enable the same service provision to be delivered more efficiently: for example, the Council could purchase vehicles as opposed to paying to rent them. Such borrowing schemes are known as "Invest to Save" because the capital financing costs are mitigated by the savings they generate in the Revenue Estimates.

4. THE CAPITAL SCHEMES

4.1 As noted above, the CIP is always a rolling programme, because it continues across financial years. Therefore, the starting point for the proposed 2022-23 CIP is the quarter 3 monitoring position for the 2021-22 CIP. This is shown in Table 1 below:

Table 1: Quarter 3 Capital Investment Plan

Scheme Description	**Q2 Re-profiled Budget 2021-22**	**Changes**	**Re profile Budget 2021-22**	**Spend 31 Dec 2021**	**Budget 22-23**	**Budget 23-24**	**Budget 24-25 onwards**	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m
Health and Wellbeing	2.0	0.1	2.1	0.5	1.9	7.0	0.1	11.1
Children's Services	23.3	-1.6	21.7	11.5	12.2	5.4	0.2	39.5
Place - Economy & Development Services	26.9	0.1	27.0	9.8	33.9	17.9	9.1	87.9
Place - Planning, Transport & Highways	46.4	5.5	51.9	22.0	66.2	60.4	71.2	249.7
Place - Other	21.3	0.5	21.8	8.5	18.9	27.1	23.5	91.3
Corp Service – Estates & Property Services	13.6	16.0	29.6	13.1	2.3	3.5	9.5	44.9
TOTAL - Services	**133.5**	**20.6**	**154.1**	**65.4**	**135.4**	**121.3**	**113.6**	**524.4**
Reserve Schemes & Contingencies	5.9	1.9	7.8	0	61.2	111.3	97.8	278.1
TOTAL	**139.4**	**22.5**	**161.9**	**65.4**	**196.6**	**232.6**	**211.4**	**802.5**

4.2 In order to draw up the 2022-23 CIP proposed changes are:

- Ongoing schemes continued for the additional 2025-26 year added to the CIP.
- New schemes for CIP.

4.3 The first change is the ongoing schemes continued into 2025-26. These are detailed below:

- Replacement of Vehicles - £3m
- Property Programme - £2m
- General contingency for unforeseen capital expenditure - £1m

4.5 The new schemes proposed for the CIP are set out and described in Table 2 below.

Table 2: New proposed schemes for the 2022-23 CIP

Proposed Scheme	Total Budget £000	Description / Benefit
Corporate Resources		
PCS1 IT Core Device Refresh Programme	6,800 (3,400 22-23 and then 1,700 for remaining 2 years)	• This is to continue with the core IT Refresh Programme. Successful delivery means a new fit for purpose, streamlined and modern, device offering will now be provided by IT Services.
PCS2 Carbon Net Zero projects within Council Estate	2,000 (500 per annum for next 4 years	• Improving the insulation, electrical capacity or heating plant and circulation of Council buildings to support the strategic asset planning process and deliver net zero infrastructure at sites where there will be a long term council presence.
PCS3 Relocation of Baildon Library	1,445	• This is the relocation of Baildon Library from the Ian Clough Hall site into the former Baildon Social Club. It would improve the library facilities and allow for the eventual demolition and sale of Ian Clough Hall site which does not meet current standards.
PCS4 Property Programme	8,000 (2,000 additional per annum for next 4 years)	• This additional funding required to complete high priority works on the Council's property estate. The planned works would improve the Councils retained estate, and reduce the continued high level of backlog maintenance, ensuring operational buildings remain compliant and fit for purpose.
Place		
PCS5 Bereavement Strategy	6,700	• Additional funding to deliver the Bereavement Strategy. The additional costs will be funded by corporate borrowing.
TOTAL	**24,945**	

4.6 In addition to the schemes above there are other possible schemes that are at a very early stage of development. Further work and investigations will be completed and they will be brought to Executive for approval. Schemes currently being considered are:

- St James Market Relocation
- Towns Fund
- Leeds Airport Land proposed development

4.7 The proposed new schemes in Table 2 are at different stages as regards the development of the relevant business cases. Points to note are:

- The 2022-23 Property Programme have already been subject to a detailed business case and approved by the Project Advisory Group. The total cost of the proposed Programme is £4m and this will be funded by the £2m included in Reserves and an additional £2m proposed in this report.

- The relocation of Baildon Library has already been subject to a detailed business case and approved by the Project Advisory Group and Executive. The total cost is £1.445m and this will be funded by a mixture of corporate borrowing and the generation of a corporate capital receipt from the disposal of the Ian Clough Hall site.

- The additional for the Bereavement Strategy has been approved by PAG and Executive.

- The remaining schemes are subject to further work and a detailed, costed business case. The new schemes are held in a Reserves & Contingencies section of the CIP and as such cannot be released to budget managers until the presentation of full project appraisals to the Project Appraisal Group and approval from Executive.

4.8 Changes to the Prudential Code mean that it is no longer possible to invest in schemes, that are solely income generating ones. The CIP includes Strategic Acquisitions (£43.5m) and any new approved schemes for this budget will need to meet the new Code requirements. Also any new scheme would still need to be invest to save on the funding.

4.9 The proposed 2022-23 to 2025-26 Capital Investment Plan is a rolling programme including the quarter 3 2021-22 capital budget, with the addition of the new schemes detailed in table 2. This is set out in Appendix 1, along with a funding analysis.

4.10 The proposed CIP includes £833m of capital investment in the District. The profile of capital expenditure will continue to be updated as projects develop through the stages and/or if the resourcing position changes.

5 MINIMUM REVENUE PROVISION (MRP) POLICY

5.1 It is a statutory requirement for Full Council to set the Minimum Revenue Provision (MRP) policy each year. As noted, it is a technical term but refers to the rules governing how much funding is set aside from successive Revenue Estimates each year to repay debt.

5.2 The overall purpose of the policy is to charge the costs of capital schemes to current and future years in proportion to the amount of service benefit delivered in each year. The aim is to allocate costs between time periods and different generations in a fair and reasonable way. This means:

- Costs are charged only when schemes are in operation and not in the construction phase.

- Costs are generally allocated over the expected timespan in which any scheme is operational.

- The policy only relates to the repayment of borrowing: the elements of schemes funded directly, for example by grants or revenue contributions, do not cause any future funding pressures on the Revenue Estimates.

5.3 The proposed policy is set out in Appendix 2. There are no changes compared to last year, the policy will be reviewed and updated as required once a decision has been taken on the implementation of a Housing Revenue Account.

5.4 The main elements of the policy set out in Appendix 2 are set out below:

- Pre 2008 debt, which cannot be distinguished against specific assets, is being repaid over 50 years on an equal instalment basis.

- Some debt taken out between 2008 and 2012 is currently being repaid on an annuity basis. This reflects policy and regulations during this period.

- All other debt is repaid on an equal life basis: as determined by the expected lifespan of each individual asset.

- The policy also provides some discretion to the Section 151 officer in determining debt repayments. However, this is subject to the relevant scheme meeting targets.

6. PRUDENTIAL INDICATORS

6.1 The Prudential Indicators are calculated on the basis that the CIP in future years is delivered in full and that there is no slippage.

6.2 The 2003 Capital Regulations authorise Councils to borrow for a capital purpose only. This is subject to tests of sustainability and affordability, using the Prudential Indicators. CIPFA published the revised Prudential and Treasury Codes on 20th December 2021 and has stated that formal adoption is not required until the 2023-24 financial year. Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023-24 Reports.

6.3 One key Prudential Indicator, is a measure of the Council's outstanding debt. Outstanding debt is the Council's cumulative borrowing less any funding for debt repayment set aside within the Revenue Estimates. This Prudential Indicator is called the Capital Financing Requirement (CFR). The indicator is shown in Table 3a below:

Table 3a: Capital Financing Requirement (CFR)

	2020-21 Actual £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Opening Capital Financing Requirement	**711**	**699**	**755**	**831**	**920**	**956**
Increase in borrowing	12	81	103	122	73	38
Less MRP and other financing movements	-24	-25	-27	-33	-37	-41
Closing Capital Financing Requirement	**699**	**755**	**831**	**920**	**956**	**953**

6.4 Table 3a shows:

- The actual CFR at 31 March 2021 was £699m. This figure is also shown in the Council's statement of accounts and has been externally audited.
- The CFR is projected to increase, peaking at £956m at 31 March 2024-25. There is an increase when borrowing in year for a capital purpose is more than the amounts set aside to fund the principal repayments.
- The borrowing is estimated (apart from 31/03/2021) based on the proposed 2022-23 CIP, as set out in Appendix 1.
- Outstanding debt increases when new borrowing is higher than the principal payments charged to the Revenue Estimates.

6.5 When the Council borrows cash, this is nearly always from the Public Works Loan Board (PWLB). However, cash borrowing is significantly lower than the CFR. A reconciliation between the CFR and the Council's loans is shown below in the Prudential Indicator for the external debt projection:

Table 3b: External Debt Projection

	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
Capital Financing Requirement	**699**	**755**	**831**	**920**	**956**	**953**
Private Finance Initiative	-155	-147	-139	-130	-121	-111
External Borrowing	**-336**	**-341**	**-436**	**-537**	**-587**	**-596**
Under-borrowing	208	267	256	253	248	246
Available for Investment (inc earmarked reserves)	319	300	260	250	250	250
External Investments	-163	-110	-50	-50	-40	-40
Working Capital	52	77	46	53	38	36
	208	**267**	**256**	**253**	**248**	**246**

6.6 Regarding Table 3b above:

- External borrowing increases generally when the CFR increases but remains lower than the CFR.

- The amount by which External debt is lower than the CFR is called under-borrowing. For example, under-borrowing is estimated to be £267m at 31 March 2022.

- The reasons for the under-borrowing are reconciled in the above table. One significant reason is that some of the borrowing is in the form of a lease arrangement (the Private Finance Initiative) rather than cash. The other is that the Council borrows from its own internal earmarked reserves, rather than borrowing, because it is less expensive. As Council usable reserves are forecast to reduce over future years in line with planned commitments, the internal borrowing will also reduce resulting in external borrowing that will need to be required to fund the CFR.

6.7 As noted, the increase in the CFR drives the increase in external debts. This CFR increase in turn is caused by that part of the CIP funded from borrowing. The element of the CIP funded from borrowing is shown in the performance indicator below:

Table 3c: Analysis of Capital Spend Requiring Borrowing

	31/03/21 Actual £m	**31/03/22 Estimate £m**	**31/03/23 Estimate £m**	**31/03/24 Estimate £m**	**31/03/25 Estimate £m**	**31/03/26 Estimate £m**
Total Capital Spend	64	162	203	242	145	78
Capital Spend not funded from borrowing	52	81	100	120	72	40
Capital spend funded from borrowing	**12**	**81**	**103**	**122**	**73**	**38**

6.8 Another Prudential Indicator measures the impact of the Capital Financing Costs (debt repayments and interest) on the Revenue Estimates. This impact measures the annual costs as a ratio as the Net Expenditure Requirement shown in the 2022-23 Revenue Estimates (Document BC).

6.9 This Indicator is called the ratio of capital financing costs to the Net Revenue Stream. The indicator is shown in Table 4 below, together with a separate analysis for Invest to Save schemes:

Table 4: Ratio of Capital Financing costs to the Net Revenue Stream

	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Total Capital Financing Costs	**57.2**	**59.9**	**66.2**	**70.6**	**75.4**
Projected Net Revenue Stream	385.4	391.3	407.2	416.8	425.0
Ratio: Capital Financing costs to Net Revenue Stream	**14.8%**	**15.3%**	**16.3%**	**16.9%**	**17.7%**
Invest to Save element of Total Capital Financing Costs	5.8	6.8	10.3	12.3	15.8
Invest to Save contribution to Ratio to Net revenue Stream	1.5%	1.7%	2.5%	2.9%	3.7%

6.10 Key points about the above Prudential Indicator are:

- The estimated ratio of capital financing costs to the Net Expenditure Requirement increases between 2021-22 and 2025-26.
- Most of the increase in the ratio is driven by borrowing for Invest to Save schemes. Such schemes should generate mitigating savings which are not shown in the Prudential Indicator.
- The Prudential Indicator reflects a number of assumptions including: that interest rates are 2.0% in 2021-22, 2.2% in 2022-23, 2.3% in 2023-24, 2.4% in 2024-25, 2.5% in 2025-26 and 2.6% in 2026-27. The costs shown are particularly sensitive to unforeseen changes to interest rates.
- A reconciliation between the Prudential Indicator and the capital financing costs shown in the Revenue Estimates Budget is also shown in the table below:

Table 5: Capital Financing Costs in the Revenue Estimates Budget

		2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Total Capital Financing Costs		**57.2**	**59.9**	**66.2**	**70.6**	**75.4**
Direct Funding Schemes		0.1	1.0	1.0	1.0	1.0
PFI interest virement		-16.5	-15.9	-15.2	-14.6	-13.9
PFI virement		-8.1	-8.6	-8.8	-9.0	-10.1
Prudential borrowing virement		-5.8	-6.8	-10.8	-12.5	-16.4
Corporate Capital Financing Costs within Revenue Estimates		**26.9**	**29.6**	**32.4**	**35.5**	**36.0**

6.11 Items of expenditure such as PFI interest and the PFI Lease virement are treated as capital expenditure under accounting rules and therefore come within the remit of the Prudential Indicator. However, this expenditure is already included elsewhere in the Revenue Estimates.

6.12 Similarly, borrowing for self-financing schemes is being funded from services, as set out in the Prudential borrowing virement shown in Table 5 above.

6.13 All the Prudential Indicators, including additional analysis, are set out fully in Appendix 3 of this report.

6.14 An increase in capital spend funded by borrowing generates a requirement to take out new loans and increases the corporate revenue capital financing costs (Table 5).

6.15 To pay for the additional corporate borrowing additional budget will be set aside in the MTFS update. This will impact on Revenue budgets and any additional costs for schemes already in the plan will also have to be considered. The proposed CIP means that the Council Prudential Indicators are increasing and uncertainty over costs means there will need to be a detailed review considering the affordability of the programme.

6.16 For any new schemes the additional increase in debt cost should be met from schemes that generate savings, or avoid revenue costs or provide income streams. The Council will continue to pursue external funding through capital grant opportunities.

7 FINANCIAL & RESOURCE APPRAISAL

7.1 The finance and resourcing implications are set out in the body of this report.

8 RISK MANAGEMENT AND GOVERNANCE ISSUES

8.1 The risk implications are set out in the body of this report.

9 LEGAL APPRAISAL

9.1 The report complies with the Council's statutory obligations and the requirement to follow statutory guidance.

10 OTHER IMPLICATIONS

10.1 SUSTAINABILITY IMPLICATIONS

There are no direct sustainability implications arising from this report, sustainability implications are considered as part of individual capital project appraisals

10.2 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct impacts arising from this report

10.3 COMMUNITY SAFETY IMPLICATIONS

There are no direct impacts arising from this report

10.4 HUMAN RIGHTS ACT

None

10.5 TRADE UNION

None

10.6 WARD IMPLICATIONS

None.

10.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

10.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

10.9 NOT FOR PUBLICATION DOCUMENTS

None

11 RECOMMENDATIONS

11.1 Executive are asked to note the contents of this report and to have regard to the information contained within this report when considering the recommendations to make to Council on the CIP for 2022-23.

11.2 Commitments against reserve schemes and contingencies can only be made after a business case has been assessed by Project Appraisal Group and approved by Executive.

11.3 Delegated authority is given to Section 151 Officer to repay debt on an annuity basis, for chosen properties purchased during or after 2018-19. Delegated authority could only be exercised if two conditions are met:

1. the asset retains or increases its value;
2. the return from the capital scheme is sufficient to repay the capital sum invested.

11.4 The proposed 2022-23 MRP policy set out in Appendix 2 is approved

11.5 Specific approval be given for the following schemes previously approved by Executive to commence following a detailed review by Project Appraisal Group:

- The 2022-23 Property Programme has a proposed total cost of £4m and this will be funded by the £2m allocated and an additional £2m.

- Baildon Library – The £1.445m scheme is for the relocation of Baildon Library from Ian Clough Hall. The scheme will be funded by corporate borrowing and generate c£1m in corporate capital receipts.

12 APPENDICES

Appendix 1: The 2022-23 to 2025-26 Capital Investment Plan
Appendix 2: Proposed Minimum Revenue Policy and Prudential Indicators
Appendix 3: Supporting Tables for the Capital Strategy

Capital Strategy 2022-23

1 CAPITAL STRATEGY (BACKGROUND)

1.1 The Council's Capital Strategy is a policy framework for the development; management and monitoring of its capital investment plan.

1.2 In respect of timeframes, the strategy is also both a plan for the current year and the long-term, with emphasis on the next ten years.

1.3 The strategy is the means by which the Council ensures compliance with mandatory statutory guidance contained in the Prudential Code for Capital Finance in Local Authorities. The headline message delivered by the Code is the requirement for the Council to consider key judgement criteria of Prudence, Affordability and Sustainability when making and reviewing decisions about the use of its capital resources.

1.4 The simple purpose of the strategy is also to ensure that capital expenditure is deployed in such a way as to maximise the provision of the services needed by Council residents. Delivering this purpose involves selecting and project managing capital schemes; while coordinating their implications for risk, treasury and resourcing.

1.5 Capital Expenditure is defined as expenditure on the acquisition, creation or enhancement of assets that have a useful life or more than one year. This means items of expenditure on buildings, vehicles and substantial equipment. Local Government also has the statutory right to include within this definition, expenditure on assets owned by third parties, or loans given to third parties.

1.6 Capital expenditure schemes are also constructed, financed and used to deliver services across multiple financial years; so each one is a substantial commitment by the Council.

1.7 CIPFA published the revised Prudential and Treasury Codes on 20th December 2021. The changes look to strengthen the requirements regarding borrowing for commercial projects to ensure Local Authorities are not borrowing in advance of need, with a view to primarily making a profit / financial return.

1.8 The Council does not currently have any capital investments which fall within this commercial category and the current CIP does not have any commercial schemes. The new Code does not introduce restrictions on councils borrowing for purposes essential to their core aims, such as for housing and regeneration projects, or for treasury management purposes.

1.9 Other changes are to ensure Local Authorities' capital investment remains sustainable and to facilitate these two new prudential indicators together with the replacement of an existing indicator have been proposed as set out below:

- New prudential indicator: external debt to net revenue stream ratio
- New prudential indicator: income from commercial and service investments to net revenue stream
- Replacing "Gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

1.10 These changes will be reflected in the Treasury Management Strategy and be reflected as appropriate when developing future capital programmes. Formal adoption is not required until the 2023-24 financial year.

2 GUIDING PRINCIPLES

2.1 To ensure the efficient use of all of its assets the Council will not permit any project to be included in its Capital Investment Plan (CIP) unless it furthers its strategic priorities and objectives. These strategic priorities include the statutory duties that Councils are responsible for undertaking.

2.2 Overall, the following principles will apply to all capital investment decisions:

I. They should reflect the priorities identified in the Council Plan and its supporting strategies.
II. They will be prioritised by availability of resources and allocated funding, and supported by a business case review.
III. Priority will be given to schemes financed from capital grants or Invest to Save income streams.
IV. The cost of financing each capital scheme will be incorporated into the relevant annual policy, resources strategy and budget (e.g. Capital Investment Plan 2022-23 to 2025-26).
V. Commissioning and procuring for capital schemes will be legally compliant, which will be established by early and appropriate due diligence.

3 LINKS TO COUNCIL POLICIES, STRATEGIES AND OBJECTIVES

3.1 The Council's **Capital Plan** covers a four-year period: the latest proposed in this report will cover 2022-2026. The proposed commitments in the programme reflect the Council Plan:

i. Better Skills, More Good Jobs and a Growing Economy
ii. Decent Homes
iii. Good Start, Great Schools
iv. Better Health, Better Lives
v. Safe, Strong and Active Communities
vi. A Sustainable District
vii. An Enabling Council

4 GOVERNANCE FRAMEWORK FOR CAPITAL DECISIONS

4.1 The Council's relevant democratic decision-making and scrutiny processes are set out in its Constitution and include:

i. A **Council Plan** which sets out strategic priorities.
ii. Approval of the **Capital Strategy, Treasury Management Strategy and Capital Investment Programme,** including the prudential indicators referred to within them.
iii. The current **Capital Investment Plan (CIP).** Each scheme in the CIP is approved by both the Executive and Full Council. The CIP is monitored by the appropriate responsible officer, finance and the Project Appraisal Group (PAG) in order to detect and deal with any variances to the plan. Updates are reported to the Executive on a regular basis.

iv. The Council's **Financial Regulations**. Under these regulations the PAG will assess unfunded capital expenditure proposals. Schemes funded from capital grants or Direct Revenue Financing can be progressed and approved directly by the Director of Finance & IT. Any new capital expenditure proposals that are not wholly funded from capital grants or by the proceeds of sale of land must be either financed directly from the Revenue Estimates or be formally authorised from an identified capital scheme or approved additional borrowing.

v. A mandatory **Capital Business Case** to identify the projected running costs and financing costs of the relevant asset and assess its affordability.

vi. The **Project Appraisal Group (PAG)**. Currently its membership comprises finance, legal, procurement, project management and property expertise and it is chaired by the Director of Finance & IT. Its prime responsibility is to review the Capital Business Case.

vii. Investment assets are subject to specific approval processes, involving the Investment Advisory Group, discussed below.

viii. There is also discussion and a review underway to develop the support provided around project delivery as well as processes around contract management.

5 CAPITAL RESOURCES TO SUPPORT CAPITAL EXPENDITURE

5.1 Proposed future schemes are set out in the **Capital Investment Plan 2022-23**, due to be considered by Full Council on 17 February 2022.

5.2 Schemes not funded directly by grants, receipts from asset disposals or reserves generate **Capital Financing Costs**, which have to be paid for out of the annual Revenue Estimates (Document BC for 2022-23). Capital Financing Costs derive from the cumulative effect of previous years' borrowing to fund capital investment; net of amounts previously paid. These costs are not impacted by the current year capital expenditure: they can only be matched against service benefit when the related asset is operational.

5.3 **Invest to Save (self-financing) schemes** generate savings or additional income in the Revenue Estimates which offset the Capital Financing Costs**.** Such schemes and their related savings or additional income are projected to have an increasing impact on the Revenue Estimates and the Medium Term Financial Strategy in future years.

5.4 **Corporate Borrowing schemes do not generate savings or additional income in the Revenue Estimates.** Such schemes are chosen for their direct delivery of service provision. Of course, in practice individual schemes can generate some savings or additional income but also require a corporate borrowing contribution.

6 COMMERCIAL ACTIVITY AND PROPERTY INVESTMENTS

6.1 A commercial property investment strategy was approved by Executive on 4 April 2017. This permitted investment in commercial property both to create long term income generation; or to promote economic development, service provision and regeneration within the District.

6.2 Since 2017, the former Ministry of Housing, Communities and Local Government

(MHCLG) announced a number of changes in relation to borrowing for commercial property investments. These are summarised below:

- From 1 April 2018, Local Authorities were required to approve an Investment Strategy at Full Council. The definition of Local Authority investments was also updated to include investment property and loans to third parties and related companies.

- It was also announced (1 April 2018) that Local Authorities were no longer able to borrow in advance of their Capital Financing Requirements, solely for the purpose of investment yield. The impact was to restrict commercial investment where Councils' actual cash or finance lease borrowing was equal to their underlying need to borrow for a capital purpose (The Capital Financing Requirement). This did not apply to Bradford Council. Bradford internally borrowed from earmarked reserves, so that actual borrowing is below the Capital Financing Requirement (See Table 3b Capital Investment Programme 2022-23 to 2025-26)

- On 10 September 2019, the MHCLG increased the interest rate on borrowing by 1%. The reason given for this increase was to reduce the level of borrowing by Local Authorities for the purpose of acquiring commercial property portfolios.

- On 11 March 2020, the Government rescinded the 1% interest increase but only for borrowing related to the construction of social housing. The Government also announced a consultation on Local Authorities' commercial property portfolios.

- On 26 November 2020, the MHCLG rescinded the 1% increase on all borrowing from the PWLB. However, at the same time, the results of the consultation were that councils seeking to borrow from the PWLB will now have to confirm they are not borrowing primarily for yield at any point or from any source for a period of 3 years. Compliance is monitored by reviewing capital plans; in Bradford's case, the Capital Investment Programme 2022-23 to 2025-26.

6.3 As a result, Bradford can no longer invest in commercial property solely to create income generation. The prior criteria for investment in strategic acquisitions (see Criteria B below) has now been updated (see Criteria A below):

Criteria A

i A proven ability to promote economic development, service provision and regeneration within the District.

Criteria B

i. Risks associated with the investment

ii. The likelihood of being able to sell the investment in extremis

iii. The location of the investment, with preference being firstly within the District and secondly within the Leeds City Region

iv. The security of direct rental payments, with consideration given to the reliability of tenants

v. The income stream from the investment, current and potential

vi. The potential increase to the capital value of the investment

vii. The sector in which the investment is made, e.g. retail or warehouses

viii. The detailed business case for investment

7 LOANS TO EXTERNAL ORGANISATIONS

7.1 The Council may make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a strategy for local regeneration and economic growth. In such cases, a realistic assessment of potential policy gains could justify the loan even when liquidity and security considerations might indicate that it is not prudent.

7.2 In such cases, a cost may be chargeable to the Revenue Estimates, either in accordance with the Council's Minimum Revenue (MRP) Policy or, alternatively, an expected credit loss model in line with IFRS 9 (financial instruments) would be required.

7.3 Loans to external organisations are covered under the Council's MRP policy because as noted above, they fall within the Local Authority definition of capital expenditure. The Council's MRP Policy sets out that the Capital Financing Costs can only be fully met from the loan repayments under the following conditions:

- The loan repayment schedule covers the full cost of the original loan.
- That there continues to be confidence that loan repayments will be repaid.
- That the external organisation adheres to the loan schedule.

7.4 In addition, a loan to an external organisation may reduce the interest income received into the Revenue Estimates. This will happen when the interest charged on the loan is less that the amount that would be received from an alternative investment.

7.5 Technical accounting rules many also require applying the credit loss model. This calculates a nominal cost to the Council equivalent to the monetary value of the difference between the interest charged on the external loan and the commercial rate. However, currently the Council is entitled to make an adjustment, so that there is no real impact in the Revenue Estimates.

8 ASSET MANAGEMENT PLANNING

8.1 The Council Estate Management Service manages its existing assets to reduce costs and maximise service benefit according to objectives listed in the Estates Strategy, which is currently being reviewed and updated to link to this Capital Strategy and to quantify the cost of repair and maintenance costs against the savings from extending the lives of Council buildings from 2022-23 onwards. In addition, the Council is proposing to increase its funding in the Property Programme by an additional £2million per annum for the next five years which would improve the Council's estate and reduce its backlog maintenance.

8.2 The review will also cover disposals of buildings. As noted, the receipt from such disposals are a regulated funding source for the Capital Investment Programme. The fact that the property has been sold, can also reduce the repair and maintenance on the Council's estate. Table 5 (in Appendix 3) summarises the Council's achievements in rationalising the estate between 2009-10 and 2019-20.

8.3 The Council's Estates Strategy, including disposals of buildings, has been delayed due to the pandemic. Further the pandemic has had a significant impact of estates usage, some of which will be temporary. This includes the closure of buildings, the repurposing of assets, changes in priorities and a reduction in the occupancy rates of office space. All the above will be considered as part of a comprehensive review of the Estates Strategy in 2022-23.

9 RISKS

9.1 In considering the Capital Investment Programme 2022-23 to 2025-26 and the Capital Strategy, there are a number of key risks. These are summarised below:

- **Interest rates are higher than expected**. The current estimate of capital financing costs is based on interest rate forecasts. Such forecasts are inherently subject to change. Such changes could significantly increase capital financing costs.
- **Overspends**. The capital projects could overspend, or alternatively the expected funding may be lower than expected. This will reduce value for money and increase the future costs charged to the Revenue Estimates.
- **Project delivery impaired**. As well as the financial impacts, poor project delivery reduces the quality of service provision for residents.
- **Unanticipated Revenue Consequences of Capital Investment**. There could be additional costs in the Revenue Estimates that are not fully anticipated in the Business Case; for example, additional repair and maintenance costs.
- **Obsolete assets**. Technological changes, changes in Local Government or different choices could make an asset obsolete, reducing the expected service provision. If this causes a reduction in the expected life of the asset, debt repayments may need to be made out of the Revenue Estimates over a shorter period of time.
- **Invest to Save schemes rely on over-optimistic revenue projections**. The revenue savings or income generation forecasted from a scheme may not materialise. This is a particular risk, because as noted above, budget projections for the Revenue Estimates are increasingly reliant on such forecasts.
- **Change to regulations**. The Government may change current regulations, so that the financial impact of debt and borrowing on the Revenue Estimates could increase.
- **Committed Capital Expenditure**. During the construction phase, new information may become available, for example as a result of a site investigation or other circumstances, which prevents a scheme progressing. In such circumstances, the committed costs add no value and are written off against the Revenue Estimates.
- **The value of property reduces and/or it is more difficult to dispose of property.** The anticipated capital receipts in the CIP are over-optimistic, more borrowing is required and Capital Financing Costs increase.
- **Actual or prospective loans to external parties are not repaid.** If external loans are not repaid, they will have to written off, with the cost charged directly against the Revenue Estimates. Such write offs could increase costs unexpectedly.
- **Change in Government Policy.** There are assumptions in the CIP that some Government grants are recurring. If these assumptions are incorrect, the Council will have to choose between reducing service provision or using additional financial resources.

9.2 The policy framework in the Capital Strategy aims to mitigate the risks identified above. Other risk mitigations are set out in the proposed Capital Strategy actions.

10. PRUDENCE, AFFORDABILITY, SUSTAINABILITY

10.1 As noted, the updated Prudential Code for Capital Finance in Local Authorities issued in December 2021 requires the Council to consider the key judgement criteria of Prudence, Affordability and Sustainability when considering the Capital Programme.

10.2 Some considerations around this are:

- At 1 April 2021, the Council had £1,022m of long-term assets, when valued according to their potential to provide service provision to the Council. Outstanding debt on these assets is £699m.
- The CIP 2022-23 to 2025-26 proposes £833m of new capital expenditure: funded by £419m of capital grants and miscellaneous items; £223m of Invest to Save borrowing; and £196m of corporate borrowing. Individual schemes are detailed in Appendix 1 by department and analysed according their individual funding requirements.
- Current interest rates are low by historical standards. However, these interest rates fluctuate and the Bank of England at its meeting on 16th December 2021 raised interest rates to 0.25%. Further increases are forecast.
- Other potential risks are outlined in the Risk section above (see 9 Risks).
- The CIP is a rolling programme. Current schemes include those approved as part of the budget process last year and individual schemes progressed, developed and approved at Executive during the current financial year. Each scheme's contribution to the Council's service provision and its resource requirement is assessed individually.
- The Prudential indicators set out in Appendix 3, Table 4, show the ratio of capital financing costs to the net revenue requirement increasing from 14.8% to 17.7% between 2022-23 to 2025-26.
- The increase in the ratio of capital financing costs is mitigated within the Medium Term Financial Strategy by: savings and income generation from the Invest to Save schemes; some technical accounting adjustments also impact on the profile of the repayments of debt for the Public Finance Initiative.

10.3 Overall the Capital Financing Requirement (CFR) of £699m will be paid for from Capital Financing Costs charged to future revenue estimates. The proposed CIP 2022-23 to 2025-26 requires substantial new borrowing, increasing the CFR and the amount of funding set aside from future revenue estimates.

10.4 The projected CFR and Capital Financing Costs are shown in detail by the Prudential Indicators. These are used to test the affordability of the proposed CIP.

10.5 Most of the Council's long-term borrowing is from the PWLB; which was £297.8m at 1 April 2021. Also Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £19.1 million interest free loans to fund the £45 million approved street lighting replacement scheme in the Council's capital plan. To date the Council has received £1.7m from Salix loans.

10.6 A further £154.9m of borrowing relates to the private finance initiative with a private company and will be repaid from future contracted lease payments.

10.7 Borrowing decisions are made on a cash flow basis so are not directly aligned with the Capital Financing Costs charged to the Revenue Estimates. In practice, the Council's earmarked reserves are used to reduce actual borrowing. This is because borrowing costs are higher than the interest the Council received on its investments. The relationship between the CFR, earmarked reserves and other assets and liabilities is summarised in Table 5, Appendix 3.

11 SKILLS AND KNOWLEDGE

11.1 The Council has professionally qualified staff across a range of disciplines including finance, legal and property. A programme of continuous professional development (CPD) is undertaken and employees attend courses on an ongoing basis to keep abreast of new developments and skills. The Council establishes project teams from all the professional disciplines across the Council as and when required.

11.2 The Council uses external advisors where necessary in order to complement the knowledge its own officers hold. Some of these advisors are contracted on long-term contracts or are appointed on an ad-hoc basis when necessary. The Council currently employs Link Asset Services as treasury management advisors and PWC as VAT advisors. This approach ensures the Council has access to specialist expertise when needed to support its staff, commensurate with its risk appetite.

11.3 Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Director of Finance.

12. CAPITAL STRATEGY ACTIONS

12.1 These are intended to align the Council's operations with the CFR, and are listed in Schedule 2 of the Capital Strategy Appendix 3. The Actions represent the programme for implementation of the Capital Strategy, which as a high-level document omits much operational detail in favour of a strategic overview of how the Council will manage and optimise its use of its capital assets.

Investment Strategy 2022-23

INVESTMENT STRATEGY

1. BACKGROUND:

This strategy document sets out the Council's annual Investment Strategy as is required by the 3rd Edition of the Section 15 guidance on local government finance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 in 2018. It covers the budget year 2022-23 onwards. The overall objective of the strategy is to provide high-level guidance on acquiring and managing investments in order to improve the financial resilience of the Council, the income base for its services and to ensure that its financial assets are applied efficiently for the benefit, improvement or development of the area through the acquisition, retention and management of good quality investments and the granting of loans.

The 2011 Localism Act provides a general power of competence which permits local authorities to do anything they consider likely to promote or improve the economic, social and environmental well-being of their area. This means that the annual Investment Strategy closely links to the Council's Economic Strategy in order to deliver economic growth, tackle inequality and create change in the area that benefits everyone.

This Investment Strategy also provides an update for recent announcements. The former Ministry of Housing, Communities and Local Government (MHCLG) has determined that councils seeking to borrow from the PWLB can no longer incur capital expenditure primarily for yield at any point or from any source for a period of 3 years.

CIPFA published the revised Prudential and Treasury Codes in December 2021 and formal adoption is required for the 2023-24 financial year. Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023-24 Investment Strategy.

2. INVESTMENTS – DEFINITION

The section 15 guidance issued on 1 April defined investments as including both financial assets and commercial property, held primarily for yield.

The guidance was issued in part as a response to the increasing investment of Local Authorities in commercial property. As such, commercial property was specifically identified as falling within the terms of the guidance and this strategy.

Most of the Council's commercial property portfolio is historic, with just two additional investments in recent times and none in 2020-21. At 1 April 2021, this investment property portfolio was valued at £46.1m (2020-21 audited statement of accounts), a small proportion of overall long-term assets of £1,021.9m.

The definition of an investment also covers loans made by the Council to one of its wholly-owned companies, a joint venture, or to a third party. However, this strategy does not cover investments managed within the treasury management scheme of delegation. These are considered within the annual Treasury Management Strategy.

3. KEY STRATEGIC PRINCIPLES

This Investment Strategy sets objective criteria for any investment. These are listed below:

i. Is within the General Power of Competence (2011 Localism Act)
ii. Transparency and democratic accountability
iii. Contribution
iv. Use of indicators
v. Security, Liquidity and Yield
vi. Investment Limit

3.1 Transparency and democratic accountability:

The Council is required to prepare at least one annual Investment Strategy that contains the details specified in the 2018 guidance and is approved by full Council.

3.2 Contribution to Council's overall purposes:

Investments made by local authorities can currently be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other Investments, which are not held for treasury management purposes.

Investments held for treasury management purposes usually comprises short term lending to banks, financial institutions and other local authorities, when the Council has a cash surplus. These are managed within Treasury Management Strategy, so do not need to be considered within this Investment Strategy.

Other investments previously made by the Council are property investments and loans to third parties. Future decisions will be assessed on the contribution made, using the criteria set out below. A key measure of contribution will be the delivery of service provision, as set out in the General Power of Competence within the Localism Act: therefore. the supporting business case assessment should demonstrate that the investment forms part of a project in the Council's Plan or some other formal statement of the Council's strategic or policy aims.

The full criteria to measure contribution and make investment decisions (as included in the Capital Strategy is set out below:

Criteria A

i. A proven ability to promote economic development, service provision and regeneration within the District.

Criteria B

i. Risks associated with the investment
ii. The likelihood of being able to sell the investment in extremis

iii. The location of the investment, with preference being firstly within the District and secondly within the Leeds City Region
iv. The security of direct rental payments, with consideration given to the reliability of tenants
v. The income stream from the investment, current and potential
vi. The potential increase to the capital value of the investment
vii. The sector in which the investment is made, e.g. retail or warehouses
viii. The detailed business case for investment

i. Falls within the General Power of Competence (where an investment is classified as contributing to regeneration or local economic benefit)
ii. Yield
iii. Regeneration
iv. Economic benefit/business rates growth
v. Responding to local market failure
vi. Treasury management
vii. Invest to Save Schemes capacity to reduce costs or generate additional income from an asset (including a sensitivity analysis to test the robustness of the expected savings).

All business case proposals for investments will be evaluated by the Project Appraisal Group, including using the key strategic principles and the contribution criteria.

As noted, the Council can no longer invest in commercial property primarily for yield. However, yield is an important criteria where service provision can be financed, or partly financed by savings or income generation. This is also consistent with the Capital Strategy, which aims to encourage the identification of Invest to Save (or self-financing) schemes.

3.3 Investment indicators:
The Council proposes to adopt a system of quantitative indicators to guide and inform investment decisions relating to Other Investments. The Council initially adopted the indicators proposed within the Guidance. These indicators will be reported upon and reviewed following the new guidance that was issued in December 2021.

The Council's proposed range of indicators (Section 7) will allow members and other interested parties to understand the total exposure from borrowing and investment decisions. They will cover both the Council's current position and the expected position assuming all planned investments for the following year are completed. They will not take account of Treasury Management investments which will continue to be reported within the Treasury Management report.

3.4 Security, Liquidity and Yield:
In this context, Security means protecting the capital sum invested from loss; and Liquidity means ensuring the funds invested are available for expenditure when needed. Yield is the expected return of the investment over its lifetime, and can be expressed either in financial terms or as the achievement of policy or strategic aims.

In considering Other Investments, the balance between security, liquidity and yield will be considered as part of the business case, alongside the contribution the Other Investment can make to achieving policy objectives.

3.5 Investment Limit
The Council will from time to time set one or more Investment Limits and keep them under review. The Council will use prudential borrowing to fund Other Investments / strategic acquisitions. Currently interest rates remain at a low level and the rental income / Contribution from Other Investments should more than cover the associated debt costs, whilst also providing a net yield to support the Council's revenue budget. The Council has the ability to fix interest over the long-term which removes the risk of interest rate volatility.

Provision of £43 million has been included in the capital programme, phased across the programme and funded by prudential borrowing. Any new approved schemes for this budget will need to meet the new Prudential Code requirements. A small £0.7m budget is also included, as part of the Leeds City Region Revolving Investment Fund.

4. GOVERNANCE ARRANGEMENTS
The Council has set up an Investment Advisory Board to consider specific business cases in relation to investing in Other Investments / strategic acquisitions. The core group consists of:

- Leader of the Council – (Chair)
- Cllr Alex Ross Shaw – portfolio holder for Regeneration, Planning & Transportation
- A representative nominated by the Leader of the Conservatives
- Cllr Jeanette Sunderland – Leader of Liberal Democrat & Independent Group
- Strategic Director of Corporate Resources
- Strategic Director of Place
- Director of Finance & IT / s151 Officer
- Assistant Director Estates & Property
- City Solicitor / Monitoring Officer

Other officers will attend as relevant to the specific business case.

5. RISK ASSESSMENT

Any capital expenditure falling within the definition of investment (but excluding Treasury Management) will be risk assessed as follows:

i. Whether, and if so, on what terms the Council uses external advisors as treasury management advisors, property investment advisors or any other relevant persons. In each case such engagements will be on the Council's standard terms and conditions unless there is an agreed exception, as is provided for under No. 20 of the Council's Contract Standing Orders.

ii. The outcome of any monitoring by the Council of the quality of advice provided by its external advisors.

iii. To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies, and the reliability of such ratings given the current degree of engagement between the rating agency and the market under assessment.

iv. Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.

v. What other sources of information are used to assess and monitor risk.

vi. Any specific property-related risks – covenant strength, lease period/s, condition, maintenance costs, etc.

Risk Assessment will be undertaken as part of business case considerations and regularly reviewed.

6. CAPACITY, SKILLS AND CULTURE

The Investment Strategy Guidance requires that Councillors and Officers involved in investment decisions need the appropriate capacity, skills and information to enable then to take an informed decision as to whether or not to enter into a specific investment. As part of this, the Council will procure specialist legal and financial support as required.

7. PRUDENTIAL INDICATORS

As noted above, the Council has a historic portfolio of investment property. This has been expanded recently with two investments in property, with the intention of making a profit that will be spent on local public services. These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Overall Return

	2020-21 **£m**
Rental income	-2.43
Service charges	-0.1
Repairs and Maintenance	0.16
Capital Financing costs & other	0.68
Total return	**-1.69**
Source 2020-21 Statement of Accounts	

The value of the Council's investment property as at 31 March 2021 was £46.1m, making a return of 3.6%. The historic investment property has been revalued upwards above its purchase cost, so taking this into account, the return would be higher. This means historic spend on investment property is supporting the current revenue estimates.

The Council also recently completed an additional two investments in the Bradford area, no new acquisitions were completed in 2021-22. The NCP Car Park was one of the new acquisitions and in the 2020-21 accounts it was revalued downwards.

Debt to Net Service Expenditure (NSE) Ratio

This indicator measures the gross debt associated with recent property investment as a percentage of the Council's net expenditure requirement, where the Net Expenditure Requirement is a proxy for the size and financial strength of a council.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Gross Debt	10,463	10,190	9,916
Net Service Expenditure	441,115	385,400	391,307
Debt to NSE Ratio	2.4%	2.6%	2.5%

The indicator shows the proposed debt level for the Council's two recent investments. It shows that the debt ratio from investment in a property portfolio will be approximately less than 3% of the Council's net revenue budget if the investment in these properties is funded solely from borrowing. There is no specific debt that can be identified against the Council's historic portfolio. No additional investments are assumed in the indicator at present, in the light of DLUCH guidance.

Income to NSE Ratio

This indicator measures the Council's dependence on the income from property investments to deliver core functions.

The income generated from all property investments will fund 0.7% of the Council's' net service expenditure over the medium term. This shows that the Council's reliance on income from property investments is low.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Commercial Income	2,530	2,700	2,900
Net Service Expenditure	441,115	385,400	391,307
Commercial Income to NSE Ratio	0.6%	0.7%	0.7%

Investment Cover Ratio

This indicator measures the total net income from the two property investments compared to interest expense.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Investment Cover Ratio	1.3	1.4	1.2

The indicator shows that net income from property investments is expected to be slightly higher than the interest expense. This is after a reduction in NCP income.

Loan to Value Ratio

This indicator measures the amount of debt compared to the total asset value. In the period immediately after purchase it is normal for the directly attributable costs of purchasing commercial property investments to be greater than the realisable value of the asset (for example, because of non value adding costs such as stamp duty and fees). The Loan to value ration should gradually decrease, reflecting the assumption that property values will remain constant while borrowings will be repaid. The table below reflects the change for the NCP Car Park value and the revaluation downwards.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Loan to value Ratio	2.3	2.2	2.2

Target Income Returns

This indicator shows net revenue income compared to equity and is a measure of the achievement of the property portfolio.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Target Income Returns	2.9%	3.2%	2.8%

Gross and Net Income

The net income targets are included in the Council's financial projections. The achievement of target income streams will be managed as part of the Council's standard budget monitoring process. Targets are dependent upon further investments being made. The indicator shows the proposed debt level for the Council's two recent investments.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Gross Income	586	615	565
Net Income	310	339	289

Operating Costs

Operating costs relate to the cost of the Council's internal Estate Management function in relation to managing assets acquired under the property investment strategy.

Additional operating costs may be incurred as a result of the purchase of investment properties. Any such costs will be factored into financial appraisals as part of the purchase assessment to ensure that target net rates of return are achieved. This indictor may therefore be revised if further investments are made.

	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Operating Costs	400	400	400

Vacancy Levels and Tenant Exposures

	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Void periods	0%	0%	0%

The target of 0% reflects the strong tenant covenant strengths that will be required under the property investment strategy. Void periods will be factored into financial appraisals as part of the assessment criteria where relevant, therefore this indicator may be revised once investments have been made.

Appendix 1

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Health and Wellbeing											
CS0237a	Great Places to Grow Old	300	1,900	6,961	124	0	9,285	0	0	9,285	9,285
CS0237c	Keighley Rd Residential Care Valley View	295	0	0	0	0	295	295	0	0	295
CS0373	BACES DFG	419	0	0	0	0	419	0	0	419	419
CS0239	Community Capacity Grant	910	0	0	0	0	910	910	0	0	910
CS0311	Autism Innovation Capital Grant	19	0	0	0	0	19	19	0	0	19
CS0312	Integrated IT system	80	0	0	0	0	80	80	0	0	80
CS0523	Electrical work at residential homes	50	0	0	0	0	50	0	0	50	50
Total - Health and Wellbeing		**2,073**	**1,900**	**6,961**	**124**	**0**	**11,058**	**1,304**	**0**	**9,754**	**11,058**
Children's Services											
CS0249	Schools DRF	500	0	0	0	0	500	500	0	0	500
CS0287	S106 Education	0	0	0	0	0	0	0	0	0	0
CS0022	Devolved Formula Capital	800	0	0	0	0	800	800	0	0	800
CS0030	Capital Improvement Work	138	100	100	100	100	538	538	0	0	538
CS0240	Capital Maintenance Grant	4,489	3,070	1,000	0	0	8,559	8,559	0	0	8,559
CS0244a	Primary Schools Expansion Programme	1,220	1,234	0	0	0	2,454	2,454	0	0	2,454
CS0244b	Silsden School	6,775	465	0	0	0	7,240	7,240	0	0	7,240
CS0244c	SEN School Expansions	5,400	2,600	1,684	0	0	9,684	9,684	0	0	9,684
CS0362	Secondary School Expansion	1,000	3,298	2,616	0	0	6,914	6,914	0	0	6,914
CS0421	Healthy Pupil Capital Grant	43	0	0	0	0	43	43	0	0	43
CS0436	Children's Homes	404	0	0	0	0	404	0	0	404	404
CS0488	Digital Strategy	960	0	0	0	0	960	0	0	960	960
CS0500	TFD	0	1,400	0	0	0	1,400	0	0	1,400	1,400
								0			
Total - Children's Services		**21,729**	**12,167**	**5,400**	**100**	**100**	**39,496**	**36,732**	**0**	**2,764**	**39,496**

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Place - Housing											
CS0237b	Keighley Rd Extra Care Fletcher Court	62	0	0	0	0	62	0	0	62	62
CS0145	S106 monies Affordable Housing	0	0	0	0	0	0	0	0	0	0
CS0308	Afford Housing Programme 15 -18	391	0	0	0	0	391	391	0	0	391
Total - Housing		**453**	**0**	**0**	**0**	**0**	**453**	**391**	**0**	**62**	**453**
Place - Economy & Development											
CS0136	Disabled Housing Facilities Grant	5,085	3,234	4,392	2,028	5,753	20,492	8,294	0	12,198	20,492
CS0137	Development of Equity Loans	750	1,989	535	0	0	3,274	1,727	0	1,547	3,274
CS0144	Empty Private Sector Homes Strat	850	831	0	0	0	1,681	0	0	1,681	1,681
CS0299	CPO Monies to be held	0	0	0	0	0	0	0	0	0	0
CS0250	Goitside	0	0	0	178	0	178	0	0	178	178
CS0496	Town Fund Keighley & Shipley	828	0	0	0	0	828	828	0	0	828
CS0084	City Park	192	0	0	0	0	192	0	0	192	192
CS0085	City Centre Growth Zone	1,393	0	0	0	0	1,393	0	0	1,393	1,393
CS0291	One City Park	9,533	15,186	9,514	600	0	34,833	7,500	15,133	12,200	34,833
CS0228	Canal Road	100	0	0	0	0	100	0	0	100	100
CS0507	Conditioning House & High Point	1,439	0	0	0	0	1,439	1,439	0	0	1,439
CS0241	Re-use of Frmr College Builds Kghly	355	0	0	0	0	355	0	0	355	355
CS0266	Super connected Cities	829	0	0	0	0	829	0	0	829	829
CS0265	LCR Revolving Econ Invest Fund	658	0	0	0	0	658	658	0	0	658
CS0345	Develop Land at Crag Rd, Shply	43	0	0	0	0	43	0	0	43	43
CS0107	Markets	21	0	0	0	0	21	0	0	21	21
CS0363	Markets Red'mnt - City Cntr	3,794	11,702	3,458	525	0	19,479	3,800	5,364	10,315	19,479
CS0363b	Markets Red'mnt - City Cntr Public Realm	596	1,000	0	0	0	1,596	0	0	1,596	1,596
CS0411	Parry Lane	127	0	0	0	0	127	0	0	127	127
Total - Place - Economy & Development		**26,593**	**33,942**	**17,899**	**3,331**	**5,753**	**87,518**	**24,246**	**20,497**	**42,775**	**87,518**
Place - Planning, Transportation & Highways											
CS0131	Keighley Town Centre Heritage Initiative	151	0	0	0	0	151	151	0	0	151
CS0178	Ilkley Moor	14	0	0	0	0	14	14	0	0	14
CS0285	Blight Sites	166	251	250	250	250	1,167	0	0	1,167	1,167

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
CS0071	Highways S106 Projects	493	0	0	0	0	493	493	0	0	493
CS0372	Countryside S106 Projects	355	0	0	0	0	355	355	0	0	355
CS0091	Capital Highway Maintenance	349	0	0	0	0	349	349	0	0	349
CS0095	Bridges	100	0	0	0	0	100	100	0	0	100
CS0096	Street Lighting	69	0	0	0	0	69	69	0	0	69
CS0099	Integrated Transport	69	0	0	0	0	69	69	0	0	69
CS0172	Saltaire R/bout Cong& Safety Works	279	0	0	0	0	279	279	0	0	279
CS0282	Highways Strategic Acquisitions	176	0	0	0	0	176	176	0	0	176
CS0293	West Yorks & York Transport Fund	15,004	20,877	40,000	30,000	20,770	126,651	126,651	0	0	126,651
CS0396	WYTF Corr Imp Projects	2,287	2,000	3,000	3,000	0	10,287	10,287	0	0	10,287
CS0296	Pothole Funds	2,737	3,429	0	0	0	6,166	6,166	0	0	6,166
CS0306a	Strategic Transport Infrastructure Priorities	465	500	0	0	0	965	0	0	965	965
CS0302	Highways Prop Liab Redn Strat	47	0	0	0	0	47	47	0	0	47
CS0319	Challenge Fund	587	500	0	0	0	1,087	1,087	0	0	1,087
CS0323	Flood Risk Mgmt.	0	0	0	0	0	0	0	0	0	0
CS0329	Damens County Park	106	0	0	0	0	106	0	0	106	106
CS0370	LTP IP3 Safer Roads	527	0	0	0	0	527	527	0	0	527
CS0386	Cycling & Walking Schemes LTP3	17	0	0	0	0	17	17	0	0	17
CS0398	Bfd City Centre Townscape Heritage	828	790	1,000	0	0	2,618	2,445	0	173	2,618
CS0430	Hwys Maint Fund Oct18	216	0	0	0	0	216	216	0	0	216
CS0432	Steeton/Silsden Crossing	45	0	0	0	0	45	45	0	0	45
CS0423	Highways IT upgrade	50	0	0	0	0	50	0	50	0	50
CS0433	Gain Lane / Leeds Rd Junction	29	0	0	0	0	29	29	0	0	29
CS0450	CILS payments	8	0	0	0	0	8	8	0	0	8
CS0453	IP3 Safer Roads 19-20	48	0	0	0	0	48	48	0	0	48
CS0434	Smart Street Lighting	2,399	11,852	14,128	13,000	2,706	44,085	0	44,085	0	44,085
CS0455	IP4 projects	2,166	0	0	0	0	2,166	2,166	0	0	2,166
CS0456	WY Integrated UTMC Centre	106	0	0	0	0	106	106	0	0	106
CS0464	Ben Rhydding Railway Station Car Park	261	0	1,042	750	0	2,053	2,053	0	0	2,053
CS0467	Transforming Cities Fund (TCF)	5,496	2,633	0	0	0	8,129	8,129	0	0	8,129
CS0469	IP4 Safer Roads 20-21	342	0	0	0	0	342	342	0	0	342
CS0470	IP4 Safer Roads 21-22	0	932	0	0	0	932	932	0	0	932
CS0483	LTP grant 2021	40	0	0	0	0	40	40	0	0	40
CS0486	Active Travel Fund Programme	721	1,000	0	0	0	1,721	1,721	0	0	1,721

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
CS0494	City Centre Bollards	125	0	0	0	0	125	0	0	125	125
CS0502	Corridor Improvement Prog (CIP2)	565	0	0	0	0	565	565	0	0	565
CS0499	Buck Mill Footbridge	0	0	0	0	0	0	0	0	0	0
CS0477	CCTV Infrastructure	969	0	0	0	0	969	0	0	969	969
CS0512	Naturalising Bradford Beck	400	1,400	1,000	450	0	3,250	1,625	0	1,625	3,250
CS0513	Purchasing 185 Carlisle Road	190	0	0	0	0	190	0	0	190	190
Total Place - Planning, Transportation & Highways		**39,002**	**46,164**	**60,420**	**47,450**	**23,726**	**216,762**	**167,307**	**44,135**	**5,320**	**216,762**
Dept of Place - Clean Air Zone											
CS0471	Clean Air Zone	12,842	20,000	0	0	0	32,842	32,842	0	0	32,842
Total Place - Clean Air Zone		**12,842**	**20,000**	**0**	**0**	**0**	**32,842**	**32,842**	**0**	**0**	**32,842**
Dept of Place - Waste, Fleet & Transport											
CS0060	Replacement of Vehicles	3,000	3,000	0	0	0	6,000	0	6,000	0	6,000
CS0517	Electric vehicles	451	39	308	65	18	881	0	0	881	881
CS0435	Sugden End Landfill Site	85	0	0	0	0	85	0	0	85	85
CS0415	Shearbridge Depot Security	89	0	0	0	0	89	0	0	89	89
CS0359	Community Resilience Grant	8	0	0	0	0	8	8	0	0	8
CS0497	Climate Change Initiatives – Vehicles	25	120	0	0	0	145	145	0	0	145
CS0503	Environmental Delivery Works	123	125	0	0	0	248	0	0	248	248
CS0516	Wash Bay Ramps	33	0	0	0	0	33	0	0	33	33
Total Place - Waste, Fleet & Transport		**3,814**	**3,284**	**308**	**65**	**18**	**7,489**	**153**	**6,000**	**1,336**	**7,489**
Dept of Place - Neighbourhoods & Customer Services											
CS0066	Ward Investment Fund	35	0	0	0	0	35	0	0	35	35
CS0466	Parks Depots	24	0	0	0	0	24	0	0	24	24
CS0378	Customer Services Strategy	146	0	0	0	0	146	0	0	146	146
CS0506	Ilkley Parking	75	0	0	0	0	75	0	75	0	75
CS0510	Ilkley Footbridge	50	0	0	0	0	50	0	0	50	50
Total Place - Neighbourhoods & Customer Services		**330**	**0**	**0**	**0**	**0**	**330**	**0**	**75**	**255**	**330**

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Dept of Place - Sports & Culture											
CS0151	Building Safer Communities	26	0	0	0	0	26	26	0	0	26
CS0487	Alhambra Theatre Lift	2	0	0	0	0	2	0	0	2	2
CS0129	Scholemoor Project	0	0	18	0	0	18	0	0	18	18
CS0162	Capital Projects - Recreation	860	0	0	0	0	860	785	0	75	860
CS0229	Cliffe Castle Restoration	85	0	0	0	0	85	85	0	0	85
CS0347	Park Ave Cricket Ground	0	0	0	0	0	0	0	0	0	0
CS0004	S106 Recreation	10	0	0	0	0	10	10	0	0	10
CS0501	Parks Development Fund	500	0	0	0	0	500	500	0	0	500
CS0367	King George V Playing Fields	0	0	1,020	0	0	1,020	700	0	320	1,020
CS0504	Cricket Nets	190	0	0	0	0	190	190	0	0	190
CS0404	Sports Pitches	1,029	0	0	0	0	1,029	912	0	117	1,029
CS0489	Playable Spaces	1,120	1,398	0	0	0	2,518	350	0	2,168	2,518
CS0403	Bereavement Strategy	7,916	8,350	3,690	329	0	20,285	0	7,000	13,285	20,285
CS0277	Wyke Community Sport Hub	4,294	2,147	0	0	0	6,441	2,474	0	3,967	6,441
CS0508	Theatres Website	45	0	0	0	0	45	45	0	0	45
CS0245	Doe Park	297	0	0	0	0	297	297	0	0	297
CS0459	Ilkley Lido Tank	369	0	0	0	0	369	0	0	369	369
CS0461	Shipley Gym extension & equipment	71	0	0	0	0	71	0	0	71	71
CS0458	Doe Park Drainage	40	0	0	0	0	40	0	0	40	40
CS0468	Bowling Pool extension	20	0	0	0	0	20	0	0	20	20
CS0356	Sedbergh SFIP	427	0	0	0	0	427	0	0	427	427
CS0354	Squire Lane	0	3,600	22,100	21,410	1,700	48,810	20,000	19,410	9,400	48,810
CS0482	Marley Replacement Pitch	15	0	0	0	0	15	15	0	0	15
CS0498	Libraries IT Infrastructure	198	0	0	0	0	198	0	60	139	198
CS0509	Libraries (Equipment/Shelving)	200	0	0	0	0	200	200	0	0	200
Total Place - Sports & Culture		**17,714**	**15,495**	**26,828**	**21,739**	**1,700**	**83,476**	**26,589**	**26,470**	**30,418**	**83,476**
Corp Resources - Estates & Property Services											
CS0094	Museum Store	0	500	0	0	0	500	0	0	500	500
CS0333	Argus Chambers / Britannia Hse	189	0	0	0	0	189	0	0	189	189
CS0443	Property Programme 19-20	143	0	0	0	0	143	0	0	143	143
CS0475	Property Programme 20-21	934	0	0	0	0	934	0	0	934	934

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
CS0511	Property Programme 21-22	2,270	0	0	0	0	2,270	0	0	2,270	2,270
CS0460	Mitre Court CPU Property & Equip	1,665	0	0	0	0	1,665	250	0	1,415	1,665
CS0230	Beechgrove Allotments	0	148	0	0	0	148	148	0	0	148
CS0408	Top of Town - purchase 21 St Johns St	325	0	0	0	0	325	0	0	325	325
CS0050	Carbon Management	582	0	0	0	0	582	0	0	582	582
CS0420	Electric vehicle charging (Taxi Scheme)	379	0	0	0	0	379	379	0	0	379
CS0495	Bradford LAD Scheme	421	600	400	0	0	1,421	1,421	0	0	1,421
CS2000	DDA	62	59	50	0	0	171	0	0	171	171
CS0381	Godwin St	570	0	0	0	0	570	570	0	0	570
CS0409	Coroner's Court and Accommodation	2,930	500	0	0	0	3,430	0	0	3,430	3,430
CS0457	Simpson Green - roof	13	0	0	0	0	13	0	0	13	13
CS0445	Core IT Infrastructure	1,756	497	580	0	0	2,833	0	0	2,833	2,833
CS0505	ISG new Equipment	15	0	0	0	0	15	0	0	15	15
CS0515	IT – End to End	330	0	0	0	0	330	0	0	330	330
CS0514	Birksland - Mail & Print Machine	72	0	0	0	0	72	0	0	72	72
CS0520	Regeneration Opportunity	16,500	0	2,500	5,500	4,000	28,500	4,000	0	24,500	28,500
CS0521	Buttershaw Youth Centre	30	0	0	0	0	30	0	0	30	30
CS0522	Children's Homes Capital Works	390	0	0	0	0	390	0	0	390	390
Total Corp Resources – Estates & Property Services		**29,576**	**2,304**	**3,530**	**5,500**	**4,000**	**44,910**	**6,768**	**0**	**38,142**	**44,910**
Reserve Schemes & Contingencies											
CS0395z	General Contingency	201	1,000	1,000	1,000	0	3,201	0	0	3,201	3,201
CS0411z	Parry Lane	0	0	0	0	0	0	0	0	0	0
CS0395b	Changing Places Toilets	80	0	0	0	0	80	0	0	80	80
CS0397z	Property Programme	0	2,000	2,000	2,000	0	6,000	0	0	6,000	6,000
CS0399z	Strategic Acquisition	0	10,000	10,000	10,000	13,460	43,460	0	43,460	0	43,460
CS0400z	Keighley One Public Sector Est	0	0	9,500	4,000	4,500	18,000	0	18,000	0	18,000
CS0402z	Canal Road Land Assembly	0	450	0	0	0	450	0	0	450	450
CS0401z	Depots	0	500	2,000	500	0	3,000	0	0	3,000	3,000
CS0485z	Advanced Fuel Centre & Vehicles	916	2,298	896	1,000	920	6,030	64	5,466	500	6,030
	2018-19 Schemes										
CS0404z	Sports Pitches	-117	403	4,248	4,250	0	8,784	2,383	0	6,401	8,784
CS0489z	Playgrounds	0	1,087	2,750	0	0	3,837	1,035	0	2,802	3,837
CS0405z	City Hall	500	0	5,000	3,000	3,500	12,000	2,000	5,000	5,000	12,000

	Scheme Description	Revised 2021-22 Budget as at Q3	2022-23 Budget	2023-24 Budget	2024-25 Budget	2025-26 Onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
CS0407z	Affordable Housing	0	0	8,000	10,724	10,500	29,224	14,430	14,794	0	29,224
CS0408z	Top of town	0	0	2,675	0	0	2,675	0	0	2,675	2,675
CS0381z	Godwin St (fmr Odeon)	1,500	5,000	3,000	2,000	0	11,500	0	11,500	0	11,500
	2020-21 Schemes										
CS0060z	Vehicles	0	0	3,000	3,000	0	6,000	0	6,000	0	6,000
CS0060zb	Electric vehicles/ New street cleansing	423	500	0	0	0	923	0	923	0	923
CS0472z	District Heating	250	0	4,752	6,702	2,611	14,315	6,459	2,871	4,985	14,315
CS0473z	Renewable Energy (Solar Farm)	0	500	3,000	1,500	0	5,000	2,000	3,000	0	5,000
CS0476z	Additional Building controls	750	0	500	500	750	2,500	0	0	2,500	2,500
CS0474z	Transforming cities fund	0	19,037	44,090	9,444	0	72,571	72,571	0	0	72,571
CS0480z	Flood Alleviation	200	0	0	0	0	200	200	0	0	200
CS0481z	City Centre Regeneration Fund	0	9,500	0	0	0	9,500	0	9,500	0	9,500
CS0471z	Clean Air Zone	0	0	0	0	0	0	0	0	0	0
CS0445z	Core IT Infrastructure 20-21	506	0	0	0	0	506	0	0	506	506
CS0484z	New Reserve	0	2,000	0	0	0	2,000	0	0	2,000	2,000
	2021-22 Schemes										
CS0373z	BACES	300	750	750	750	750	3,300	0	0	3,300	3,300
CS0488z	Lap tops for Children	0	1,100	1,100	0	0	2,200	0	0	2,200	2,200
CS0244z	SEND	500	2,000	3,000	500	0	6,000	0	0	6,000	6,000
CS0482z	Marley Playing Field	200	300	0	0	0	500	0	0	500	500
CS0436z	Children’s Home	1,572	1,577	0	0	0	3,149	250	2,653	246	3,149
CS0445x	IT	0	1,220	0	0	0	1,220	0	0	1,220	1,220
	Relocation of Baildon Library	0	1,000	445	0	0	1,445	1,000	0	445	1,445
	2022-23 Schemes										
	IT Programme	0	3,400	1,700	1,700	0	6,800	0	0	6,800	6,800
	Vehicles	0	0	0	0	3,000	3,000	0	3,000		3,000
	Property Programme	0	2,000	2,000	2,000	4,000	10,000	0	0	10,000	10,000
	Contingency	0	0	0	0	1,000	1,000	0	0	1,000	1,000
	Bereavement - additional	0	0	5,000	1,700	0	6,700	0	0	6,700	6,700
	Energy efficiency	0	500	500	500	500	2,000	0	0	2,000	2,000
Total - Reserve Schemes & Contingencies		7,781	68,122	120,906	66,770	45,491	309,070	102,392	126,167	80,511	309,070
TOTAL - All Services		**161,907**	**203,378**	**242,252**	**145,079**	**80,788**	**833,404**	**398,724**	**223,344**	**211,336**	**833,404**

Appendix 2: Minimum Revenue Policy (Proposed 2022-23)

1.1 The Local Government Act 2003 requires the Council to make a provision for the repayment of borrowing used to finance its capital expenditure, known as the Minimum Revenue Provision (MRP).

1.2 The MRP is the amount of principal capital repayment that is set aside each year in order to repay the Capital Financing Requirement (CFR) based on the requirement of statutory regulation and the Council's own accounting policies.

1.3 The Council is required to state as part of its budget process the policy for determining its MRP. 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. In 2018-19 the MRP policy for PFI assets was brought into line with the main MRP Policy and the charge of the principal to the revenue account is now over the life of the school building assets.

d) Asset lives are reviewed on an ongoing basis to match the MRP charge to the Revenue Estimates with the service benefit derived from the asset.

e) Where the Council has made property investments [or an invest to save investment] during or after 2018-19, the Section 151 Officer may choose to repay debt over the asset life using the annuity method. This is subject to an in house valuation that the investment property has retained or increased in value. Further it is subject to the condition that the in-year yield is above the average for Treasury Investments and this is expected to continue into the future.

f) Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, on the basis of a business case and risk assessment, this approach may be amended at the discretion of the Director of Finance & IT.

1.4 The CFR represents the amount of capital expenditure that has been financed from borrowing, less any amounts that the Council has set aside to repay that debt through the MRP. 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.

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

1.6 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 the Public Works Loan Board and banks, but also the liability implicit in PFI and other finance leases. IFRS 16 is due to be implemented from the 1 April 2022 and as a result, more of the Council's leases will be treated as finance leases. Therefore, more of the costs of these leases will be included in capital financing costs for the purposes of calculating the Prudential Indicator.

1.7 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 of capital schemes.

1.8 Loans to third parties for a capital purpose can be repaid with the repayments providing the following conditions are met: the capital scheme is self-financing; that there is overall confidence that the loan will be repaid; that the third party adheres to the agreed repayment schedule.

APPENDIX 3: CAPITAL STRATEGY TABLES

Table (i)

Asset Balance Sheet values as at 31 March 2021

Category	Value as at 31 March 2021 £'000
Council Dwellings	32,142
Land & Buildings	555,978
Vehicles, Plant, Furniture & Equipment	23,271
Infrastructure	237,911
Community Assets	54,279
Surplus Assets	12,861
Assets Under Construction	21,153
Heritage Assets	37,698
Investment Property	46,102
Intangible Assets	246
Assets held for sale	225
Total	**1,021,866**

Source: Statement of Accounts 2020-21

Table (ii)

Capital Investment Plan 2022-23

	2021-2022	2022-2023	2023-2024	2024-25	2025-26	2026-27 onwards	Total
Funding:	£m	£m	£m	£m	£m	£m	£m
Grants	75	94	112	68	35	1	385
Miscellaneous	6	6	8	4	5	0	29
Borrowing	81	103	122	73	38	2	419
Total Spend:	**162**	**203**	**242**	**145**	**78**	**3**	**833**

Table (iii)

Split of Invest to Save Borrowing

	2021-2022	2022-2023	2023-2024	2024-25	2025-26	2026-27 onwards	Total
Funding:	£m	£m	£m	£m	£m	£m	£m
Borrowing: Invest to Save	24	53	59	55	30	2	223
Borrowing: Other	57	50	63	18	8	0	196
Total borrowing estimate	**81**	**103**	**122**	**73**	**38**	**2**	**419**

Table (iv)

Capital financing costs

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
MRP, excluding PFI	20.0	22.8	28.5	32.1	36.1
MRP PFI, finance lease	4.6	4.6	4.6	4.6	4.6
Old West Yorkshire Waste debt	0.2	0.2	0.2	0.2	0.2
Interest on external borrowing	15.9	16.4	17.8	19.3	20.8
Interest on PFI	16.5	15.9	15.3	14.6	14.0
Premium on debt repayment	0.3	0.3	0.3	0.3	0.3
Investment income	-0.3	-0.3	-0.5	-0.5	-0.6
Total Capital Financing Costs	**57.2**	**59.9**	**66.2**	**70.6**	**75.4**
Projected Net Revenue Stream	385.4	391.3	407.2	416.8	425.0
Ratio to Net Revenue Stream	**14.8%**	**15.3%**	**16.3%**	**16.9%**	**17.7%**
Invest to Save element of Total Capital Financing Costs	5.8	6.8	10.3	12.3	15.8
Invest to Save contribution to Ratio to Net Revenue Stream	**1.5%**	**1.7%**	**2.5%**	**2.9%**	**3.7%**

Table (v)

Backlog maintenance

Backlog maintenance	**2009-10**	**2017-18**	**2019-20**
Operational Estate £ms	83	46	44
Non-Operational £ms	13	8	8
Total Backlog maintenance £ms	**96**	**54**	**52**
Operational Estate size GIAm2 000s	319	228	231
Non-Operational Estate size GIAm2 000s	27	37	33
Total	**346**	**265**	**264**

Table (vi):

Capital Financing Requirement 31 March 2021

Balance Sheet	31/03/2021 £m
Capital financing Requirement	**699**
Private finance Initiative & Leasing	-155
External Borrowing	-336
Underlying Borrowing Requirement	**208**
Investments Held	-163
Earmarked Reserves	242
General Fund Balance	57
Capital Grants Unapplied	38
Provisions/Collection Fund	-19
Working capital (deficit) / surplus	53
Under-Borrowing	**208**

Table vii:

Projected increased in Capital Financing Requirement

	2020-21 Actual £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Opening Capital Financing Requirement	**711**	**699**	**755**	**831**	**920**	**956**
Increase in borrowing	12	81	103	122	73	38
Less MRP and other financing movements	-24	-25	-27	-33	-37	-41
Closing Capital Financing Requirement	**699**	**755**	**831**	**920**	**956**	**953**

Table viii:

External debt indicators

Operational boundary

	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Total	850	840	930	960	960

Authorised limit

	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Total	852	860	940	970	970

Table ix

Capital Strategy Actions

Measure	Current Position	Potential Position
Total Borrowing related to long term assets	As at 31-03-2021 £336m total borrowing is 33% of long terms assets of £1,022m.	CIP2022-23 to 2025-26 has £196m of Corporate Borrowing and £223m of Invest to Save (self-financing borrowing), totalling an assumed increase of £419m in borrowing to £755m. Assuming this increases long term assets also by £419m to

		£1,441m, this is 52% of long term assets.
Total Borrowing costs as a percentage of net budget	For 2020-21 borrowing costs of £51.2m plus Invest to Save borrowing costs of £6.7m, totalling £57.9m are 13.1% of net budget	At 2022-23 borrowing costs of £53.1m plus invest to save of £6.8m total £59.9m. 15.3% of the net revenue budget.

Table ix

Capital Strategy Actions

NUMBER	ISSUE	ACTION
1.	Management of the Balance Sheet	A balance sheet projection and analysis is included in the Council's quarterly monitoring reports to Executive and Council. The purpose of this is to monitor the Council's assets and liabilities going forward and report on any increase in liabilities. Further, it would develop the reporting of potential financial risks to the Council in relation to the Capital Investment Plan and other expenditure.
2.	Loans to External Organisations	i. A responsible officer is assigned to monitor all outstanding loans to external organisations and assess on a quarterly basis any risk of non-payment. ii. The rate of interest on loans to external organisations will reflect the level of risk and liquidity of them. Where additional loans are considered, the rate of interest may be above the rate at which the Council can borrow from the Public Works Loan Board. The Capital Strategy proposes that a more detailed policy is drawn up. iii. Loans for regeneration and local growth purposes may be granted at discounted rates (soft loans). Indicators on proportionality and total level of loans by type will be developed by the responsible officer.

		iv. The responsible officer will also maintain a central list of financial guarantees provided to external organisations. v. The purpose is to ensure that the Council's long term debts are fully repaid or any future difficulties are anticipated so mitigating action can be taken. Any loans given to an external organisation used for capital expenditure increase the Council's Capital Financing Requirement. If it looks likely that the loan will not be repaid, additional capital financing costs will be a cost pressure within the revenue estimates.
3.	Forecasts of spend against the Capital Investment Plan	i. Responsible finance officers will arrange departmental meetings to provide accurate capital forecasting of the 2022-23 Capital Investment Plan. As part of this to develop the Council's shared understanding of the critical paths of the capital schemes. ii. The Treasury Management Officer will monitor current interest rates and expectations of future rate increases on a daily basis. iii. The Treasury Management Officer will develop options to contractually borrow in the future at current interest rates. iv. A responsible officer will calculate the sensitivity of Invest to Save schemes to interest rate increases. v. The overall purpose is to enable the Council to take out borrowing at the most optimal time. Accurate forecasting will help the Council understand when borrowing will be required. vi. The purpose of the option to contractually borrow in the future at current interest rates would reduce the risk of interest rates rising. An interest rate rise would increase capital financing costs. Further the calculations for the Invest to Save schemes, embody assumptions about interest rates which may be incorrect.

4.	Investigate borrowing with annuity loans	i. The Treasury Management Officer and Business Advisor Capital will assess the optimal use of annuity loans compared to repayment at maturity loans. ii. The Treasury Management Officer and Business Advisor Capital also consider whether equal instalment of principal loans would be appropriate. iii. The purpose is to take out borrowing in a way which minimises the Council's costs. Repayment at maturity loans require the Council to repay the loan principal at the end of the period of the loan and pay annual interest on the outstanding amount. Annuity loans require the Council to make a uniform payment each year over the whole term of the loan. This method of repayment would align more closely with how capital financing costs are charged in practice to the Revenue Estimates. Such alignment could help the Council manage its cash flow, reducing overall capital financing costs. Annuity loans may be more appropriate where there is an expectation that the size of the Capital Investment Plan reduces in future years. iv. Equal instalments of principal loans require that an equal amount of the principal is repaid each year. The purpose of investigating this option is to ascertain whether this would reduce capital financing costs and improve cash flow.
5.	Review lease arrangements that involve an asset to determine if a purchase arrangement would be more cost effective	i. A responsible officer to review lease arrangements to determine if it would more cost effective to buy any assets outright. ii. The purpose is to ensure that lease arrangements are as cost effective as possible. Further the purpose is to prepare for a likely change in accounting rules which may increase the Council's capital financing costs arising from lease arrangements.
6.	Project Appraisal Group (PAG)	i. Any new proposals which are not funded from capital grants or receipts from the

		sale of land / buildings would have to be: either financed directly from the Revenue Estimates and vired from another capital scheme. ii. The quarterly monitoring of capital spend will be reported to Project Appraisal Group. As part of the Capital Strategy's aim to continually align the Capital Investment Plan with Council strategies, budget challenge sessions will be conducted with senior officers and Councillors during May and June 2022. iii. Key strategies are the Council Plan and the Invest in Bradford Economic Strategy. Project Appraisal Group will assign an officer to participate on refreshing these strategies. This will further improve linkages between the Capital Strategy and other Council strategies. iv. Post completion statements for schemes costing in excess of £10m will be brought to Project Appraisal Group to appraise value for money and achievement against the Council Plan. As part of this, a revised process for evaluating benefits will be developed during 2022-23 by the Business Advisor Capital. v. Project Appraisal Group will determine whether there are opportunities to share expertise in accessing capital grants across the Council. vi. The schemes in the 2022-23 Capital Investment are formerly linked for reporting purposes to the Council's strategies. Capital Financing Costs are modelled over the asset life as standard, under the guidance of the Business Advisor Capital.

		vii. The purpose is to minimise the Council's requirement for borrowing and to streamline the Project Appraisal Group.
7.	Risk Reporting	i. A responsible officer will be assigned to develop the reporting and escalation of risks arising from the Capital Investment Plan and monitoring of balance sheet liabilities. This would involve the Project Appraisal Group, the Section 151 Officer and to align with the Corporate Risk Register as appropriate. ii. The Council's risk appetite is low. This is consistent with the CIPFA Treasury Management Code of Practice which stipulates that investments are prioritised according to security, liquidity and yield, in that order of importance. Subject to careful due diligence, the Council will consider a moderately higher level of risk for capital schemes which meet an important objective in the Council plan and generate significant non-financial benefits for the District. iii. A specific risk as a VAT registered body is the recovery of exempt VAT only up to a value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is essential for the Council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the Council. Each capital investment will be closely reviewed to assess its VAT implications. iv. Inflation risk will be managed through close contract management. Further the Capital Investment Plan includes £2m annual contingency. There is an additional risk contingency for the capital financing costs in the revenue estimates. v. The purpose is to ensure that risks are monitored and escalated appropriately.

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City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 15 February 2022 and Council to be held on 17 February 2022

BF

Subject:

2022/23 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2022/23, 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. The report also provides commentary on the financial resilience of the Council over the medium term and the level of reserves held.

EQUALITY & DIVERSITY:

The Equality and Diversity issues arising from the new budget proposals are analysed in the reports accompanying the budget documentation presented to Executive on 1 February 2022 and 15 February 2022. 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 prior years was fully considered by Council at that time.

Chris Chapman
Director of Finance & IT

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Portfolio:

Leader of Council and Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report assesses the robustness of the proposed budget for 2022/23, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's medium term financial outlook.

The Council is setting its budget for 2022/23, which has no additional proposals for revenue savings or investments; however, the budget assumes that prior approved investments and savings that impact in 2022/23 will require implementation action to be undertaken during 2022/23.

It should be noted the proposal is a single year budget, pending clarity of future national local government settlement data and any progression of fair funding, business rate and other outstanding reviews of local government finances. A single year budget also enables an assessment of the longer term impact of Covid and potential changes to service demands and requirements which may need to be reflected in future year budget allocations. As these issues evolve the Council's Medium Term Financial Strategy will be updated and resources will continue to be aligned to achieve the outcomes in the Council Plan.

For the past five budget rounds, the Council's S151 Officer has concluded that the General Fund reserve at a level of £15.0m and unallocated reserves in the range of £10-15m is adequate. This year sees a departure from this. The General Fund reserve has been increased to £19.5m in line with External Audit guidance to represent 5% of the Council Net Revenue Budget. The Unallocated Reserve will be drawn upon to mitigate cost pressures arising from increased demand levels, impacted by Covid, specifically within Children Services and Health & Wellbeing.

Where opportunities arise to retain reserves these should be exploited given the continued uncertainty in the local government finance environment.

The report concludes that the estimates are sufficiently robust for the Council to set the budget for 2022/23. However, it should be noted that there are significant and uncertain medium term risks to the Council's financial position that require identified mitigating actions to continue to be implemented and monitored during the 2022/23 financial year.

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 review, scrutiny and personal involvement in the development of the proposed budget.

3. OPTIONS

This report does not set out alternative options. Legislation requires the 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.

2022/23 Onwards Budget Appraisal

Context

- In setting the budget it is important to recognise the context and consequence of austerity measures implemented since 2011/12; the impact of Covd19, and difficulties in forecasting the future impacts of Covid19 on Council resources; and the current uncertainties of national local government settlement and funding arrangements.

- In the period from 2011/12 to 2021/22 the Council has had to take measures to reduce costs and increase income amounting to over £300m.

- The following sections seek to highlight changes to the Council's Medium Term Financial Strategy, the risks of those changes and how they impact on the delivery of the 2022/23 budget and our longer term financial and reserve strategies.

2022/22 Projected Position

- The Q2 monitoring report presented to Executive on 2 November 2021 forecasts a £3.2m overspend for 2021/22.

- Whilst this signals a likely continuation in the Council's ability to broadly manage its finances within budget, year on year, it does also mask a number of in year financial challenges and has only been possible via the inclusion of both fortuitous and managed one-off items.

- The Council has well established procedures for measuring progress against agreed savings plans and these monitoring reports are presented and discussed monthly to CMT and quarterly to Executive. In this financial year, the impact of Covid has been significant against individual budget lines, therefore monitoring reports included additional detail to report both Covid related variances and non-Covid related variances; and to report on the additional Covid funding received by Central Government and any additional expenditure / investment commitments made.

- In prior years the achievement of savings represented cause for concern and additional monitoring and governance processes introduced during 2019/20 have ensured a higher proportion of planned savings are delivered. The non-achievement of 2021/22 savings targets is predominantly as a result of Covid. Non achieved savings will carry forward and their will need to be targeted activity to realise these savings where possible and service demands enable.

- The ongoing impact of Covid upon the District and upon Council services, whether through increased demand metrics, increased expenditure pressures or lost revenue is currently the main 'unknown' area likely to create budget pressures, particularly in the absence of any Covid grants provided to the Council for 2022/23. The Council has earmarked reserves for continuing demand pressures in Social Care as part of the 2022/23 budget proposal.

- The Council has available further reserves with a number of earmarked reserves not being needed in the next few years and this therefore provides assurance about the ability to manage any unplanned financial pressures over the medium term.

- Alongside the non-delivery of savings, the Council has continued to face financial pressures in Waste and Children's Services. In the latter, this is both in relation to a sharp increase in the number of Children Looked After and costs associated to the 'Inadequate' OFSTED inspection judgement reported in October 2018. Additional core budget allocation has been invested in to these areas over the past two financial years, which should help mitigate these pressures in future years. Additional resources have been allocated to Children Services to help manage demographic demand pressures.

- Improvements introduced to the financial control environment, such as extended use of Business Intelligence reporting and the production of enhanced monthly reporting at Departmental Management Team level; enhancements to the governance arrangements for the approval of Capital schemes/projects through enhanced Project Appraisal Group guidance and review; formal capital monitoring reviews including challenge sessions chaired by the Leader of the Council; combined with prompt and effective management action to manage budgets within overall approval levels have improved the effectiveness of financial governance, reporting and performance. Monthly budget monitoring reports include mitigation actions to address underlying budget variances and balance budgets.

- This serves to show the Council has deployed appropriate arrangements to mitigate identified risks, address optimism bias from prior years, and ensure effective monitoring and governance processes are in place to identify, manage and address budget challenges promptly and effectively.

<u>Funding and Resources</u>

- Over the last year we have been required to amend our assumptions around future funding, with Members being regularly updated on developments around the Fair Funding Review and Business Rates localisation. Uncertainties over local government financing continue, both in the quantum of funding and in distribution mechanisms, therefore prudence is still required when it comes to predicting external funding levels. For these reasons a one-year budget has been set for 2022/23, with the Medium Term Financial Strategy updated based on current best assumptions, given the significant uncertainty over future national funding levels and distribution mechanisms.

- Council Tax remains our most stable and reliable revenue stream and will account for 56% of our net expenditure requirement in 2021/22, up from 35% in 2010/11. As a historically low taxing authority, it continues to be important to maximise the on-going benefit of increases in the Band D rate as and when they are available and this budget proposes the maximum allowable increase in the general rate (1.99%) and the application of the Social Care precept (1%). This equates to a weekly rise of £0.86p for a Band D property.

<u>Formulating the 2022/23 Budget</u>

- One of the Council's key functions in terms of managing its finances is securing value for money from its activities, something which is measured on an annual basis by our external auditors. The Budget proposals for 2021/22 and the proposals for utilisation of Covid Grants included a number of key proposals to mitigate the worst impacts of the COVID-19 pandemic on our children and young people and our economy, to support communities, care for vulnerable adults and build workforce capacity. These proposals will continue to ensure we effectively manage resources to achieve council objectives and protect essential services.

- In delivering a balanced budget a strategic decision was taken to seek to limit new savings proposals for 2021/22, and defer a number of planned savings for a further year. This theme has continued and budget proposals for 2022/23 do not propose any new savings and additionally defer proposed Welfare Advice savings. This strategic decision recognises the Council's role in aiding and supporting the District's socio-economic recovery at a macro level, and the negative impact cuts to essential services would entail and partly in recognition of the difficulty in forecasting future demand levels across a number of services due to the impact of Covid. In combination with a programme of "Maintaining Grip...Reset...Transform" activity and further progression of early help and prevention this will enable the Council to re-frame ambitions and service delivery to best secure outcomes in line with budget availability.

<u>Other Expenditure Pressures</u>

- The 2022/23 budget makes provision for inflationary pressures; including Pay (2%); Energy Costs (5%); Contract Prices (4%) and Price inflation (4%). National living Wage increases for Social Care and other workers (a 6.6% increase from £8.91 to £9.50 per hour for over 23s), and the cost of National Insurance Contribution increases have been provisioned within the budget. The impact of the above inflationary pressures will be c£22.4m in 2022-23

- The 2021/22 Pay Award is still not settled, if it gets settled at a higher rate than the 2% included within the budget this will create a structural cost pressure for the Council given each 1% in pay equates to c.£2.6m.

- Should general inflation pressures be higher than budgeted this will create a structural cost pressure for the Council given each 1% in prices equates to c.£2.3m.

Other Considerations

- There is still a high degree of uncertainty over local government funding, both in quantum and allocation mechanisms; and in medium term impacts of Covid, especially upon Council Tax and Business Rate revenues. However, based on current assumptions and indications, the Council's Medium Term Financial Strategy and flexibility of earmarked reserves will enable the council to continue to plan effectively over a medium term. This is further enabled if the Council continues to proactively transform its approach to service delivery including making potentially difficult decisions about service provision levels, clearly refines and aligns its outcomes to resources in the next iteration of the Council Plan and maximises the current opportunity afforded by its resilient balance sheet.

- 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.

- In terms of Capital, the budget makes provision for additional investment in capital schemes. The increase in the Capital Investment Programme will incur some additional borrowing with a consequential affordable increase in our capital financing budget, this is however within budget levels. It is noted PWLB rates are currently at a low level which makes it a good point to invest, further aiding recovery.

- Continuing developments in the integration of health and social care, 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.

CIPFA Financial Resilience Index

CIPFA (Chartered Institute of Public Finance and Accountancy, the professional public sector accountancy body) issued their Financial Resilience Index in December 2019. The index has not been updated and therefore reliance on data that is two years out of date, considering the change over the past two years, is not considered to add value at this point.

The 2019 index showed Bradford Council was in a relatively resilient position, with the main concern being the proportion of its budget allocated to Children and Adults services.

Summary

Given the steps set out in the earlier sections of this paper, it is concluded that the estimates are sufficiently robust for Council to set the 2022/23 budget.
Members should have assurance that a number of prior risks have been mitigated in part, for example, capital estimates are now more accurate, monthly budget monitoring at CMT has improved management of the budget, the MTFS position is more favourable, key reserves have been maintained and some underlying budget pressures have been addressed wholly or for the next 12-months. The 2022/23 is not predicated on the delivery of new budget cuts which removes an area of risk.
However, Members need to be mindful of the significant challenges that remain in 2022/23

and beyond, which will require proactive work in the coming year to ensure the longer term financial sustainability of the authority.

Reserves

The Council's financial strategy during the period of austerity has been to maintain the strength of the reserves held within 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 reserves held within the balance sheet include:

- The General Fund Reserve
- Unallocated Corporate Reserves
- Reserves set aside for designated purposes and for specific liabilities and risks.

The first two reserves are essentially the Council's backstop for unforeseen risks and pressures. The 2022/23 budget proposal will increase the General Fund Reserve to £19.5m and utilise the Unallocated Reserve to support and mitigate the impact of demand changes that have arisen as a result of the Covid pandemic and other demographic / demand changes.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant and put into context, the General Reserve is sufficient to fund only 2 weeks of Council activity.

Therefore, the projected levels for 2022/23 and beyond remain adequate ***only if***

- The 2022/23 budget is delivered to plan
- Prior years savings are delivered
- Demographic pressures are managed
- Early help and prevention and locality models are successful in addressing costs and demands and delivering effective service models
- 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.

It is therefore concluded that:

- The reserves are adequate for the 2022/23 proposed budget
- The Council has a clear reserves plan for the medium term
- The key to financial resilience 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

7.1 SUSTAINABILITY IMPLICATIONS

Sustainability implications are identified in the budget reports as presented to Executive on 7 December 2021, 4 January 2022, 1 February 2022 and 15 February 2022.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

The budget proposals for both revenue and capital investment include Climate Emergency impacts, more detail will develop in due course as these schemes progress.

7.3 COMMUNITY SAFETY IMPLICATIONS

Where there are any community safety implications arising from individual budget proposals these will be covered in the consultation exercise. Any implications arising from the consultation will be presented to subsequent meetings of the Executive.

7.4 HUMAN RIGHTS ACT

There are no direct human rights implications arising from this report.

7.5 TRADE UNION

The statutory requirement to consult with Trade Unions under S188 Trade Union and Labour Relations (Consolidation) Act 1992 where 20 or more redundancies are proposed within a 90-day period does not arise in respect of the new budget proposals for 2022/23 as these new proposals have no staffing implications.

It should be noted that consultation on workforce implications on budget changes agreed in previous years will continue to take place.

Where a proposal gives rise to a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006, trade union consultations will be carried out in accordance with those regulations. It should be noted there are no proposals within the 2021/22 budget that would give rise to TUPE.

The financial position and the proposals were explained at a Trade Union briefing on 28 November 2021 and on 7 December 2021 formally commencing the consultation. Further Consultation was held via service based level 2 and level 3 OJC meetings. Any Trade Union feedback relating to these budget proposals for 2021/22 will be collated and will be reported at Executive in February 2022 as an addendum to the budget report.

A briefing for all employees on the budget proposals has been issued through Chief Executive briefing, a letter to staff, line management and key communications/Bradnet and will be cascaded accordingly.

7.6 WARD IMPLICATIONS

In general terms, where the proposed cuts affect services to the public, the impact will typically be felt across all wards. Some proposals could potentially have a more direct local impact on individual organisations and/or communities. It is expected that the consultation process will allow an analysis of local impacts to inform final decisions.

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The budget proposals include investment in Children Services and extension to Council Tax exemption for Care Leavers.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

N/A

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. 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
- the reserves are adequate for the 2022/23 proposed budget
- the projected corporate reserves, on current estimates, are adequate in the medium term, subject to the implementation of the rest of the proposed financial plan

- the Medium Term Financial Strategy will be updated and reported to Executive as clarity on future local government funding is received.

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.

10. APPENDICES

10.1 Appendix 1: Risk-Based Assessment

11. BACKGROUND DOCUMENTS

Executive reports and supporting information / working papers

- 1st February 2022: 2022-23 Budget Update Report
- 1st February 2022: Quarter 3 Finance Position Statement 2021/22
- 4th January 2022: Calculation of Bradford's Council Tax Base and Business Rates Base for 2022-23
- 7th December 2021: Proposed Financial Plan and Budget Proposals for 2022-23
- 2nd November 2021: Quarter 2 Finance Position Statement for 2021-22
- 7th September 2021: Medium Term Financial strategy Update 2022/23 to 2024/25
- 6th July 2021: Year End Finance Position Statement for 2020-21
- 6th July 2021: Quarter 1 Finance Position Statement for 2021-22
- 6th July 2021: Medium Term Financial Strategy Update
- 6th April 2021: Quarter 4 Finance Position Statement for 2021-21
- 2nd March 2021: Proposed Investments Utilising Covid Grant
- 16th February 2021: Capital Investment Plan 2021-22 to 2024-25
- 16th February 2021: Allocation of the Schools Budget for 2021/22 Financial year
- 16th February 2021: The Council's Revenue Estimates for 2021/22
- 16th February 2021: 2021/22 Budget Proposals and Forecast Reserves – s151 Officer Assessment
- 2nd February 2021: Capital Investment Plan (includes Capital and Investment Strategies) 2021 to 2024-25
- 2nd February 2021: Quarter 3 Finance Position Statement 2020/21
- 2nd February 2021: 2021/22 Revenue Estimates

Plus

- Full Council – Budget Meeting of the Council – 18 February 2021

Plus

- Monthly Finance position statements to CMT
- Medium Term Financial Strategy / Budget Working Papers

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2022/23 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
Outcome of Central Government reviews such as fair funding review and/or business rate review adversely impact Bradford funding levels	There is little mitigation we can undertake directly as this is an external Central Government review. However, the expectation would be for funding to additionally recognise the impact of deprivation and other factors upon Councils and address prior funding streams which have seen Met/ Unitary Councils adversely impacted more than others. The MTFS reflects current funding patterns and future year budgets are not predicated on assumptions of large funding increases or upon large savings. Our MTFS budget is therefore consistent with current budget. The Council additionally has reserves that could be drawn upon in the short to medium term to enable a medium term approach to any future funding reductions if they occur.	Low / Medium Indication are that funding revisions would be beneficial. The MTFS has prudent assumptions, whilst the level or reserves, including earmarked reserves, enables impacts to be managed over a medium term
Financial impact of Covid exceeds government funding	Covid has had a significant impact on Council finances in terms of additional direct expenditure (egPPE); lost revenue (eg from closed Theatres and Leisure facilities); additional investment requirements (eg to protect the vulnerable) and medium term impacts upon the collection fund. Covid grant funding has ceased whilst the financial implications are expected to continue, for some services, into the medium term.	Medium / High Investment decisions taken to mitigate the worst implications. Funding to date has met direct cost implications. Unallocated reserve being drawn upon to help mitigate impacts

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
Demand for services increase placing pressure on budgets	Demand for services may increase both in terms of general service demands and specific post Covid related demands. MTFS includes provision for general demand pressures such as demographics and additional budget provision for services where demand is currently forecast to increase or generate an upward pressure on budgets. Covid funding has been allocated to seek to mitigate impacts whilst seeking to protect the vulnerable, support businesses and communities and keep essential services running. In responding to Covid the focus has been on supporting recovery post Covid.	Medium / High MTFS includes allocation of budget to reflect key demographics and spend pressures. Covid response and investment has considered mitigating impact and supporting recovery
Taxation streams are unstable	Additional uncertainty caused by Covid and potential post Covid impacts; eg potential significant business restructuring, e.g impact of pandemic on office space & retail, Brexit impact e.g on services. Lower impact of housebuilding on Council Tax 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 year's plans. (Note: Impact of Covid assessed in row above)	Medium/Medium Contingency provided through adjustment of plans for subsequent years.
Other income streams unstable	Non-taxation income streams remain impacted by confidence post Covid with Leisure, Theatre and Parking revenue being impacted. NHS funding streams may be at risk in the wake of current	Medium / Medium Contingency provided through in-year budget control.

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
	financial control difficulties and planned change to ICS. Past performance suggests that unplanned income may materialise, offsetting generally the risks against the aggregate net revenue budget. The Council is becoming more successful at securing competitive grants. (Note: Impact of Covid assessed in row above)	Continuous dialogue with NHS partners over funding flows More active bidding for external funds Close monitoring of trading
Non-payment of debtors leading to additional write-offs	Potential economic downturn may result in additional non-payment of debts over and above existing bad debt provisions. Existing mitigation is through existing debt management processes and recovery action. Where possible services are paid at point of service; or through debtor invoice processes enabling effective monitoring and tracking of debt to enable recovery	Low / Low Contingency provided through bad debt provision. Should a trend be identified MTFS will be adjusted to reflect additional bad debt provision / write off requirements and amendments proposed to provision of services where possible A specific review of debts will be undertaken
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 current Council Plan which has also had significant member input.	Low/Low Contingency provided through adjustment of plans for subsequent years
Plans for implementation of savings are not robust	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. This process has been strengthened further through monitoring at CMT and the inclusion of a savings tracker in monthly DMT/CMT finance reports. The impact of the plans has been	Low / Low Mitigation provided through continuous improvement of plans and regular monitoring reports through CMT.

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
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	tested in consultation, with non-delivered savings being predominantly as a result of Covid. No new cuts are proposed as part of the budget which mitigates the risk of non-delivery. Implementation requires a dedicated project management resource (which continues to be funded in the budget through the Corporate PMO team).	Risk reduced as no additional savings proposed for 2021/22 and 2022/23
Plans for implementation of change projects do not deliver expected outcomes	Investment made in 2020/21 budget for transformational change has been deferred due to essential Covid related activity. Budget proposals for 2021/22 reference need for implementation of sound financial governance, including through the Grip…Reset…Transform programme, which has been fleshed out into identified projects. Transformational activity within Adults, Childrens, Early Help and Prevention and localities are progressing and a strong pipeline of change projects was identified in workshops at CMT, JLT and SLT	Low / Low Transformational plans developed into some detail. Budget does not include a 'targeted' saving from transformation and therefore is not predicated upon achieving an outcome. Transformation is expected to feed into future MTFS and mitigate a level of future savings and /or enable investment in services
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 Evidenced through high extensive period of need to be flexible to effectively manage Covid related events
Risks to timely implementation of changes to packages of care in adults and children	The programme of change for Adult Services is proving effective in ensuring the right level of care is provided at the right time. Change Programme Impacts are being realised through the budget. The residual risk is the requirement for further demand management activity to be implemented to	Medium/High Use of dedicated programme management resource

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
services	meet budget savings targets to 2022/23. The programme for change for Childrens and Early Help & Prevention including locality working is starting to evidence achievements.	Continued collaboration with NHS and other partners Learning from developments in other local authorities and engagement of Impower to provide external support/expertise/ challenge/ change. The risk is part mitigated as additional budgetary resource included in 2022/23 budget proposals for Adults and Children's services
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. Progression of ICS model may trigger changes, but could also potentially delay 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. Strategic and operational arrangements improved further over Covid joint working. Negotiations continue over the distribution of the Better Care Fund.	Medium / Low The Council may have to make unilateral changes if the pace of change is too slow Impact judged as low as budget is not predicated on integration
Changes related to staff cannot be implemented to plan	No new staff savings proposed since 2020/21 budget proposals, and budget proposals in past 2 years have seen the deferral or deletion of some prior savings. Any implementation of current planned savings will focus on avoiding compulsory redundancy.	Low/Low Use of voluntary redundancy and vacancy management to mitigate impacts. Savings not predicated on staffing reductions
Demographic	The proposed budget has been increased for demographic	Low/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 place unplanned burden on resources	growth in Adults and Childrens, with further budget proposals for Adults and Childrens. The waste/refuse collection budget has been increased to reflect demographic and household growth through the MTFS period. 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.	Budget provision has been provided to address demographic growth in key areas Further contingency may be needed if growth exceeds budget provision
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 for 2021/22 by 2%, and price inflation has been included at 4% (energy at 5%). Separate provision has been made for National Insurance levy and National Living Wage, including for contracted arrangements. The impact of potential greater inflationary pressures in the economy on the MTFS will need to be managed.	Low/Low Compensating action to reduce net costs
Capital budgets are insufficient to meet rising costs, including inflationary pressures	Capital budgets are approved with some contingency. Recent experience has evidenced a significant inflationary increase on cost of core materials and capital works. As a result a number of capital budgets have had to be increased. Should this trend continue and prices not revert to prior levels there may be a pressure on budgets across the capital programme. As external funding is generally finite these pressures will result in additional borrowing with a consequential pressure	High/Medium Contingency in budgets Balancing risk with suppliers, eg by asking to price at current prices Value engineering upon tender response

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
	on capital financing budgets.	
Capital investment is poorly controlled	Experience from prior years suggests capital projects take longer to implement than planned with a significant degree of slippage. PAG processes have been updated, and period capital monitoring, including Leader and Portfolio Holder engagement implemented. Proposals to enhance project management, particularly larger / more complex projects are being developed.	Low/Low Close monitoring is required to ensure that schemes do not overspend and deliver to plan. 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 an annual £2m of general capital receipts from emerging sales of Council property. If they do not materialise, the plan (or individual projects within it which are dependent on receipts) will need to be reviewed. A specific Capital Disposal plan is developed annually with specific receipts identified to achieve capital receipt targets	Low/Low Contingency provided through adjustment of plans for subsequent years, and ability to flex the capital programme or borrow relatively cheaply
Capital projects do not deliver expected Invest to Save returns	A number of capital projects have been approved on an Invest to Save basis, with financial benefits forecast to offset capital borrowing costs. If these savings do not materialise the relevant service area will have a budget pressure in meeting these costs. A number of prior projects specifically in sports and leisure have been impacted by Covid as income levels have been impacted. These have been offset by Covid grants but may be impacted further in 2022/23	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital and revenue monitoring processes.
Interest Rates are higher than anticipated over	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	Medium/Medium Compensating action to reduce net

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
the life of the plan	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.	costs Re-profiling and reprioritisation of the capital plan Strong link between capital forecast, Treasury Management and MTFS Appropriate levels of advance borrowing taken where opportunities exist
The baseline budget is structurally compromised	The proposed budget is set using the 2021/22 baseline as amended for specific changes. The 2021/22 forecast outturn shows a combination of overspend pressures and compensating underspends, the most significant of which have been accounted for as part of those specific changes, and where appropriate included within the MTFS, or within budget proposals, for example the proposed use of the unallocated reserve to support Adult and Childrens cost pressures arising through Covid	Low / Low Strategic Directors can use their delegated budgets flexibly Structural budget issues are identified and tracked, and if appropriate reflected in MTFS and budget plans.
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	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the	Low/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
not fit for purpose	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.	
Governance arrangements with 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.	Low/Low