

Appendix A: How Council Services Relate to Outcomes

Council services have been categorised into the outcomes as follows.

Better health, better lives

- Sports Facilities
- Adult social care
- Children's specialist services
- Benefits payments
- Public Health

A great start and good schools for all our children

- Educational Achievement services
- Early Childhood services

Better skills, more jobs and a growing economy

- Skills for work
- Planning
- Transport
- Highways
- Economic Development
- Culture

Decent homes that people can afford to live in

- Housing development
- Housing strategy and operations

Safe, clean and active communities

- Waste collection and disposal
- Neighbourhood services
- Parks and woodlands
- Youth service
- Customer services

A well-run Council

- Democratic functions
- Support services: Finance, human resources, information and communication technology, property costs, legal services, commercial and procurement, tax collection, debt management

Non service, fixed and other costs not allocated to individual outcomes

- Capital financing
- Specific grant funding not attributable to a service
- Other costs not attributable to a specific outcome.

Appendix B: Commentary on Financial Context

Funding and Other Income

The Council's medium term funding outlook is dominated by the decline, ultimately to zero by 2020/21, of the general Revenue Support Grant from central government.

At that point, all Council services are funded by: local sources of taxation (Council Tax and Business Rates); a large range of fees, charges and contributions from local individuals and organisations; and specific grants from Government.

Taxation

Council Tax continues to increase, both from growth in the number of properties, and from proposed 1.99% tax rises annually. An additional 2% is proposed to be added to Council Tax specifically to fund adult social care. Without it, adult social care spending would have to be reduced further.

Business Rate growth remains fragile. Actual tax yields in the last two years have been below plan, principally due to revaluations and appeals over which the Council has no control. The plan assumes Business Rates growth of around 2% per year through the multiplier (indexation) mechanism.

Compared with other Councils, Bradford's Council and Business Rate Tax yield is weak. If we divide the total tax yield by the population, the value of the tax base per capita is lower than in other places. This reflects household composition, the fact that Bradford has one of the lowest Council Tax rates in the country, and the relatively low growth in the value of the business rate tax base. This is an important aspect of the financial position because a large proportion of Council spending is driven by the needs of individuals. As the cost of services driven by individual needs rises, as a result of demographic changes and supply-chain inflation, a weak per-capita tax base does not keep pace with this increase. Unless individualised costs can be contained, funding is squeezed for the universal services such as waste collection, highways infrastructure, and culture and leisure services which are important for households and the District as a whole.

Bradford remains dependent on the top-up grant paid via central government's mechanism which redistributes collected business rates from areas with lower needs to areas with higher needs. In 2017/18, the Top Up is £58m, rising to an estimated £63m by 2020/21. The business rate system is being reformed by Government, likely in 2020 – but whether Bradford will be better or worse off cannot be predicted. In addition, the Government's 2017 business rate revaluation will affect the balance between retained business rates and the top-up: this is not reflected in the estimates but it expected to have a neutral overall effect.

Specific Grants

The largest single specific grant is the Dedicated Schools Grant (DSG) which the Council distributes directly to schools (£419m for non-academy schools in 2016/17). Some of the DSG is, with the agreement of schools, used to pay for services provided by the Council. For 2017/18 and beyond, this amount is reduced, reflecting

a change in the role of the Council, and a “sector-led” model under which more of the total resource available is controlled directly by schools.

The Council receives funding through the Better Care Fund (BCF), used to pay for a range of health and social care initiatives (not all spending on social care is channelled through the BCF). Over the next 4 years, the Better Care Fund will grow £1.5/9.8/17.2/17.2m to 2020/21. All this growth will be directed to the adult social care budget.

The grant for Public Health is estimated at £43/42/41/41m to 2020/21. This budget proposes a redirection of the grant away from current purposes, towards the wider determinants of health provided by the mainstream operations of adult social care and children’s services.

Other specific grants to be used for their designated purposes are shown in Table 6.

Table 6 – Estimated specific grants

	Estimated Grant				
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Housing Benefit	178,434	178,434	178,434	178,434	178,434
Public Health	44,015	42,930	41,814	40,727	40,727
Building Schools for the Future PFI grant	27,301	27,301	27,301	27,301	27,301
Improved Better Care Fund	0	1,566	9,880	17,156	17,156
New Homes Bonus	11,154	9,073	6,354	6,139	6,242
Returned New Homes Bonus	0	2,045	0	0	0
Education Services Grant	6,350	1,682	500	500	500
S31 business grants	6,102	6,110	6,245	6,279	6,367
Housing Benefit and Council Tax administration	3,125	2,825	2,525	2,225	1,975
Other grants	17,135	21,231	21,144	21,085	21,028
Sub total	293,616	293,197	294,197	299,846	299,730
	Estimated Schools Grant ¹				
	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Dedicated Schools Grant	378,487	377,556	377,074	374,467	374,467
Pupil premium	26,225	26,225	26,225	26,225	26,225
6 th Form Funding	14,783	14,783	14,783	14,783	14,783
Sub total	419,495	418,564	418,082	415,475	415,475
Total Specific grants	713,111	711,761	712,279	715,321	715,205
Estimated cumulative movement on specific grants reduction/(increase) shown in Table 2		1,350	832	(2,210)	(2,094)

¹ Schools grants will reduce as schools convert to academy status. As these monies are passported through to schools and offset by the grant. No forecast reduction in schools grants have been factored in. The total Dedicated Schools Grant, Pupil Premium and 6th Form Funding for all schools including academies is estimated at £572m for 2017/18. Academy-related funding is out of scope for the purposes of these budget proposals.

Other Local Income

Individuals and businesses pay a wide range of fees, charges and contributions towards the cost of services. Amounting to c £140m in 2016/17 they include, for

example, school meals, contributions to the cost of personal care, parking charges, planning fees, sports centre visits, theatres tickets, burial fees, and many others. The Council seeks to maximise these sources of income while ensuring that prices satisfy regulatory requirements. These contributions have the financial effect of reducing the level of general subsidy required from taxation. In many cases, the Council competes with other suppliers. This proposed budget assumes that aggregate income from these sources will rise typically by 0.5%. It also proposes to generate income from investment property.

Expenditure

With aggregate funding decreasing, the key financial management challenge is to reduce the net cost of services.

The characteristics of the costs base are such that, at its simplest, if the Council wants to pursue all its aims and remain financially viable, it must:

- contain the historical increase in the costs of social care, ensuring that services are the most appropriate for individual needs, whilst dealing with the pressure on costs arising from population growth and an ageing society. This budget is predicated on the assumption that gross nominal spending on adult social remains broadly steady, despite such pressures, and despite the added inflationary effect of the National Living Wage
- recognise that demographic growth will also likely add to the number and cost of Looked After Children
- meets its historical liabilities, principally relating to debt servicing and pensions
- Having set aside sufficient budget for social care, within the constraints of what can be afforded:
 - Support the needs of pre-school and school age children to achieve in life and learning
 - Invest in physical and electronic infrastructure, transport, skills and business growth to support the economy
 - provide universal services, leisure and cultural services which keep communities safe, clean and active
 - enable the provision of decent and affordable homes
 - maintain an effective and accountable democratic and leadership function which allows the Council to influence and deliver results in partnership with others
 - minimise the cost of overheads whilst maintaining effective governance and control.

The proposed budget seeks to balance those requirements.

More analysis of the Council's cost base is included in the Council's Medium Term Financial Strategy.