

Report of the Director of Finance to the meeting of Executive to be held on 6 December 2016

AJ

Subject:

Proposed Financial Plan 2017/18-2020/21

Summary

This report sets out

- initial draft budget and Council Tax proposals for consultation with the public, interested parties, staff and Trade Unions for 2017/18 and 2018/19
- indicative budget plans to 2020/21, to allow the further development of spending proposals to keep the Council effective and financially sustainable.

Stuart McKinnon-Evans
Director of Finance

Portfolio:

Leader of Council

Report Contact:
Stuart McKinnon-Evans,
Director of Finance
Phone: (01274) 432800
E-mail: Stuart.McKinnon-Evans@bradford.gov.uk

Overview & Scrutiny Area:

Corporate



1. SUMMARY

This report sets out

- initial draft budget and Council Tax proposals for consultation with the public, interested parties, staff and Trade Unions for 2017/18 and 2018/19
- indicative budget plans to 2020/21, to allow the further development of spending proposals to keep the Council effective and financially sustainable

2. MAIN MESSAGES

This report makes proposals about the Council's revenue and capital spending plans from 2017/18 to 2020/21. For the first time, the Council is publishing a financial plan which shows how the estimated revenue budget deficit over 4 years will be closed.

The plan is the financial component of the Council Plan 2016 - 2020, and aligns resources with priorities.

It reflects the purposes, priorities and ambitions set out in the Council Plan. The proposals seek to reconcile the contradictions between: citizens' expectations and requirements for services and the Council's ambitions to do the right things for the District; statutory and other obligations; and the money available.

The plan is borne out of an extensive process of outcome-led planning, which focussed on the level of investment the Council intends to make in the activities and services which are most effective in delivering the Council's priorities.

The report makes detailed proposals, for consultation, about spending in 2017/18 and 2018/19.

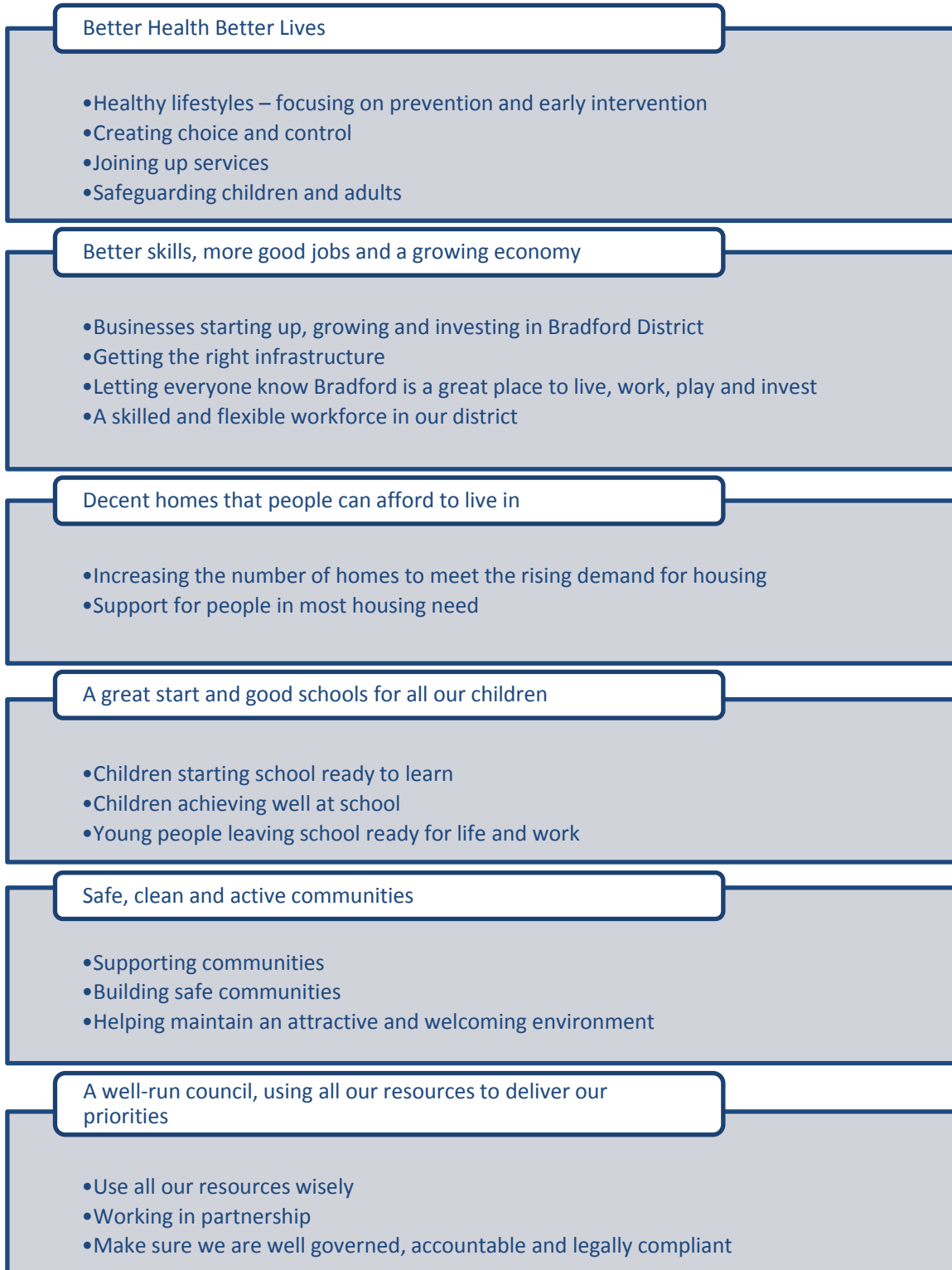
For 2019/20 and 2020/21, it indicates the level of affordable spending on Council priorities, and signals the need for continuing engagement with stakeholders in developing plans and proposals for those years.

3. ALIGNING RESOURCES TO PRIORITIES

The Council's investment plans are focussed on people, places and delivering progress and not Council departments. The proposals are aligned to the priority outcomes and activities identified in the Bradford District and Council Plans as the areas where investment, improvements and progress will make the biggest difference to the District's future well being and prosperity.

Those priority outcomes are summarised at Figure 1.

Figure 1 – The Council’s Priority Outcomes



The Council has been talking to people and partners about what matters most and the part they can play in delivering shared priorities. What has emerged is a broad consensus that Bradford, as the youngest city in the UK, should offer all our young people the chance to access good education, skills and employment and to realise their potential. The Council’s overriding determination to work with others to ensure this is the case cuts, across our proposals for every priority outcome.

4. MAKING OUR INVESTMENT CHOICES

- 4.1 The Council has to look ever more closely at the ways in which it uses resources in order to maximise their impact on priorities. All services have to examine how they can change the way they do things, increase efficiency, work collaboratively with others and develop creative solutions to the District's challenges. Business as usual is not an option and this is reflected in our investment planning which demands significant changes in all aspects of our work.

Making the most effective investments with diminishing resources inevitably means that some areas of activity will no longer be viable in their current form. Some will have to be scaled back or cease entirely. Even priority activities will see budget reductions and will have to be run differently.

4.2 OUTCOME-LED PLANNING AND BUDGETING PROCESS

The proposed spending plans are the result of an extensive and iterative process of reviewing and planning across all Council services. The process:

- Identified the most important results (outcomes) that the Council seeks to achieve to deliver its headline priorities
- Reviewed the activities the Council currently undertakes in pursuit of those results, to see which are the most effective, which activities can be reshaped to deliver the same or better results, and which activities can be curtailed
- Identified unavoidable liabilities
- Assessed the deliverability and acceptability of possible changes from the status quo
- Identified the level of resources that can be afforded for each outcome.

The result of this process is the proposed budget – the net expenditure the Council will incur each year.

The Council Plan 2016/20 provides more information about how resources will be prioritised on the things that will have the biggest positive impact on the district and citizens over the next four years.

For reference, Appendix A summarises how Council functions relate to the outcomes.

5. CONTEXT FOR THE PROPOSED FINANCIAL PLAN

- 5.1 The proposals have been developed in a very challenging financial environment. Budgets continue to shrink as the Government reduces its financial support to local authorities. Yet demand for services, particularly for social care, is increasing each year and costs keep rising.

The Council retains hugely important responsibilities relating to the care of vulnerable children and adults. Meeting the cost of these responsibilities inevitably limits the resources available for investment in other services and activities. Decisions have to be made about where to invest resources to make the biggest

difference to our priority outcomes.

Over the last six years the Council has budgeted for more than £250m in savings and increased Council tax. This proposed plan shows that further savings of £81.6m will be required, after taking account of taxation increases, the net effect of changes in specific grants, and the consequences of inflationary and demographic pressures on the costs of services.

5.2 **Medium Term Financial Outlook**

The proposed spending represents a balanced financial plan over 4 years, closing the revenue budget gap identified in the Medium Term Financial Strategy (MTFS). The MTFS estimates:

- the changes in funding relating to taxation, specific grants, and locally paid fees and charges
- the impact on the current (“baseline”) budget of inflation, demographic demand for services, past budget decisions, government policy changes, and service-specific factors
- the resultant revenue account deficit that needs to be closed by budget decisions.

The assumptions in the Medium Term Financial Strategy approved by Council on October 18 2016 have been refreshed to reflect the latest intelligence on inflation, the demographic impact on the demand for adult social care services and for Looked After Children.

Further commentary on the financial context is provided at Appendix B.

5.3 **Government Fiscal Policy and Autumn Statement**

The Chancellor’s Autumn Statement confirmed that he will leave unchanged for now the fundamental government departmental spending plans set in the 2015 Spending Review. He announced an increase the National Living Wage, which is consistent with our proposed financial plan. He also announced investment in transport and digital infrastructure which may, once details are unveiled, increase capital spending in the District.

5.4 **Key Challenges and Ambitions**

As the balance of funding for local services shifts from Government to the Council, improving quality of life and sustaining local services will increasingly rely on our collective ability to reduce dependency on high cost care services and expensive interventions, to collaborate across organisational boundaries, and to generate inclusive economic growth in which everyone can share. In these ways we can maximise the resources for other services and infrastructure.

In particular, we have to capitalise on our youth, energy and vitality by making sure that our young people are connected to economic opportunities. Bradford’s future

well-being and prosperity depends on success in providing our young people with access to good education, skills and jobs so they can be productive citizens.

5.5 Managing the Costs of Care

The costs of both adults and children's social care are increasing as a result of rising prices but also growth in the numbers of older and younger people and people who have disabilities. The proposed financial plan assumes that by 2020/21 demographic changes add £14.6m to annual costs, in the absence of mitigating action.

To reduce the escalating costs of adult care services we have to work with individuals, families and partners to shift resources and emphasis from high cost models of care to helping people to stay well throughout their lives and intervening earlier when people have problems. The proposed plan is to ensure that the care people receive is appropriate to their needs, by promoting ways of helping them to remain independent. More people will be supported to live in extra care housing rather than institutions like residential and nursing homes.

Health and care services need both acute services and those that keep people out of hospital and improve quality of life. Effective working with health services to create an integrated system that supports peoples' health, well-being and care across the District will be critical to designing services that work more effectively.

Public health spending has been comprehensively reviewed. The proposals signal a shift in investment from traditional clinical models of delivery to the prevention of illness and support for well-being, particularly in the early years of life which is the key to reducing future demand and sustaining good lifelong outcomes.

Bradford compares well to similar cities in terms of the proportions of children who enter care but the overall numbers are rising as a result of an increasing population. The re-direction of some public health funding into early support for children and families will allow us to invest in the future of our children through the development of a comprehensive and District wide early help system, aimed at reducing the numbers of children who enter the care system, improving their quality of life and ultimately their life chances.

Other measures that we are proposing to implement include increasing our capacity to care for children within the District, assessing fostering fees against the benchmarks of comparable authorities, and securing Government funding to support innovation around looked after children and disabled children with complex care needs.

5.6 Supporting Our Children and Young People

Realising the full potential of all our children and young people means providing appropriate support at all stages of their development and our proposals prioritise our available resources to that end from the earliest stages of life. The plans will ensure that the Council both meets its mandatory duties and supports and empowers parents, provides quality information and advice, and targets the most

vulnerable and disadvantaged so that all our children can start school in good health and ready to learn.

While schools themselves are leading the school improvement agenda, the Council will make sufficient resources available to ensure that all children have a school place and that the learning needs of vulnerable children are met. Strong relationships with education leaders will enable us to influence collaboration between schools. An estimated £570m of funds flow to the District's schools through the Dedicated Schools Grant (DSG) and related grants. Of this, some £420m is within the scope of the Council's accountable resources, with the remaining £150m going to academies – this proportion will change if more schools convert to academies. The Council will advocate for children and promote the development of all schools as community facilities. Council investment will also enable us to promote actively the Education Covenant that sets out the things that everyone can and should do to improve educational achievement.

The Council will maintain a youth service targeted at those individuals and groups where it can make the most difference and this will be integrated into a wider range of support for young people including youth offending, and early help services promoting healthy lifestyles and choices. The Council's direct contributions will complement the wide ranging work with young people that is undertaken by the voluntary and community sector.

We will continue to collaborate with schools and business to deliver employment focussed skills and education meeting the needs of our employers.

Resource constraints and our legal and moral obligations means that the primary focus for the delivery of services has to be on those children, young people and families who are most vulnerable and at risk and in greatest need of support. Overall, the Council's role will be prioritised to early years and post 16 activity with targeting of inequalities and the most vulnerable and those furthest from the labour market. We will continue to advocate and influence on behalf of all our children, ensuring support is there when it is needed.

Our commitment to keep investing in the well-being of children and young people, which requires interventions to reduce poverty, target children in their early years of life, improve education, support economic opportunity and develop productive and active citizens, means that larger budget reductions have had to be proposed for other areas of activity than might otherwise have been the case.

5.7 An Inclusive Economy

Bradford has a globally connected £9.2 billion economy sitting at the heart of the northern economy and characterised by an entrepreneurial spirit, a significant manufacturing sector and a cultural offer with international appeal. It has latent potential which Council leadership and investment can unlock, working with businesses and communities.

If the economy is to work for everyone, we need to secure investment in the development of people as well as physical infrastructure. Our priorities include developing a skilled and flexible workforce, supporting business start-ups and

attracting investment, expanding digital and transport infrastructure including lobbying hard for a high speed rail stop and promoting the District to potential investors, visitors and workers. However, investment in the early years of life and in helping people to keep themselves well and active should also play an important part in delivering inclusive growth.

Bradford faces complex challenges but it is also home to significant assets including a rapidly growing, highly entrepreneurial and globally connected economy with high levels of exports, a strong manufacturing sector and a burgeoning and innovative digital industry. Further and higher education is strong and the University has advanced rapidly in recent years. We have a vibrant cultural offer with a visitor economy worth £550m a year.

5.8 Taking Account of All our Resources

Working together with individuals, families, communities and each other, our public services, voluntary and community sector and businesses can achieve far more than any single organisation working alone. So, we must harness all the District's resources in pursuit of our shared objectives.

Our greatest success stories are down to the people and organisations working closely together and pooling resources in pursuit of shared goals; Born in Bradford, our multi-agency programme to reduce infant mortality; Better Start Bradford working with families and young people, the development of a digital health enterprise zone; Get Bradford Working; Industrial Centres of Excellence; securing additional resources for school places, city centre regeneration, bringing the national museum of Rugby League to Bradford – all these are fine examples of what can be achieved through collaboration.

The voluntary and community sector has been adversely affected by reductions in public spending yet it continues to represent a significant resource. We will carry on working closely with our not-for-profit partners, supporting them where appropriate to transition to new arrangements, and making the best use of their expertise in our own reforms.

The Council has looked to ensure that our proposals recognise all of the District's resources and assets wherever they are, for example, our schools, health services, the Police, parish councils and community groups. The aim is that our activities and investments across the District complement and support each other, that work is not duplicated and that, where possible, if the Council has to reduce or cease activity then it does so in the knowledge that there continues to be some level of capacity across the District albeit reduced.

Some of the changes proposed will depend on support from communities and businesses in order to succeed. More of us will need to be actively involved in helping to run local facilities, playing our part in improving education and keeping communities safe and clean, recycling recoverable materials, properly looking after our health or in working to provide apprenticeships, jobs and skills and to attract investment.

5.9 **Leading, Influencing and Negotiating**

The Council's ability to lead, influence and negotiate across all types of relationships, both within the District and looking outwards, is going to assume increasing importance in delivering improvements in quality of life and in attracting investment to generate the inclusive and sustainable economic growth that the District needs.

The activity of other organisations will often have greater direct impact on local outcomes than that of the Council but we will not abdicate responsibility for those outcomes or simply sit back and watch events unfold. Public opinion tells us that local people value the Council's role as the District's democratically accountable leader and advocate, holding others to account while supporting them to succeed.

We will use our unique position to influence, support and work collaboratively with communities, businesses and public services. Together we will work to promote the District to external partners, investors and the talented people that we want to live and work here as an attractive place where ambition, fairness and opportunity are valued, culture celebrated and effort and enterprise rewarded.

We will use our role as a local commissioner of services and consumer of goods to secure social value delivering wide social, economic and environmental benefits to the District.

The Council will deliver strong and vocal leadership, promoting the District's interests and what it offers to regional and national economies to ensure that it gets the resources, opportunities and investment in social and physical infrastructure it requires to prosper and be in greater control of its own destiny. We will position Bradford at the heart of the northern economy and the inclusive growth agenda, making collaboration with others work in the District's interests.

Accordingly, the proposals allow the Council to retain an effective, democratically accountable leadership supported by right-sized functions developing the right policies, commissioning the right services, and influencing others to achieve shared ambitions.

6. PROPOSED SPENDING LEVELS FOR 2017/18 TO 2020/21

6.1 Revenue Spending

This budget sets out proposed and indicative spending plans from 2017/18 to 2020/21.

For 2017/18 and 2018/19, the proposed total spending level by outcomes, and the associated detailed proposed changes from current spending, are recommended for formal consultation, in order that Council in February 2017 can set a firm budget for 2 years.

For 2019/20 and 2020/21, indicative planning totals of the budget for each overarching outcome are shown, together with a commentary on the principal changes and reforms that the Executive are advised could be necessary to ensure

a balanced financial plan to 2020/21 (see Section 12). These potential reforms are not proposed to be subject to formal consultation in this budget round. However, we wish to begin, and in some cases continue, discussion with stakeholders to develop options in preparation for setting detailed budgets in future budget rounds.

This approach enables the Council to have a rolling 2 year firm budget and a rolling 4 year indicative spending plan.

Proposed and indicative gross and net revenue pending by outcome in each year is summarised in Tables 1a and 1b.

Table 1a – Planned Gross Spending by Outcome

	Current Gross	Proposed for Consultation		Indicative for Further Development	
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Better health better lives	449.2	438.5	435.0	435.1	431.5
A great start and good schools for all our children	507.6	506.9	506.4	503.0	500.3
Better skills, more jobs and a growing economy	96.3	93.2	91.3	89.9	88.7
Decent homes that people can afford to live in	3.5	3.5	3.5	3.6	3.7
Safe, clean and active communities	63.9	62.2	61.8	61.5	61.2
A well-run Council	92.8	88.3	86.9	86.8	85.1
Non service, fixed and unallocated	52.3	68.0	63.8	61.6	59.0
Total	1,265.6	1,260.6	1,248.7	1,241.5	1,229.5

Table 1b – Planned Net Spending by Outcome

	Current Net Budget	Proposed for Consultation		Indicative for Further Development	
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Better health better lives	179.1	167.1	155.4	148.5	145.0
A great start and good schools for all our children	20.4	19.7	19.1	15.7	12.9
Better skills, more jobs and a growing economy	47.3	44.0	42.0	40.5	39.1
Decent homes that people can afford to live in	2.9	3.0	3.0	3.0	3.1
Safe, clean and active communities	40.7	38.9	38.5	38.2	37.8
A well-run Council	59.8	55.2	53.8	53.6	51.9
Non service, fixed and unallocated	27.9	49.2	51.2	51.6	48.9
Total	378.1	377.1	363.0	351.1	338.7

Further details on how the proposed and indicative spending plans lead to a balanced revenue budget are shown in Table 2 below.

Table 2: Summary Medium Term Financial Position 2017/18 – 2020/21

CUMULATIVE FOUR YEAR FORECAST

	2017-18 Forecast £'000	2018-19 Forecast £'000	2019-20 Forecast £'000	2020-21 Forecast £'000
NET EXPENDITURE				
2016/17 Base Budget	378,045	378,045	378,045	378,045
Reversal of non recurring investment	(1,478)	(2,643)	(2,643)	(2,643)
Full Year effect of recurring pressures	1,200	1,200	1,200	1,200
Sub total	377,767	376,602	376,602	376,602
FUNDING CHANGES (as per Table 7)	1,350	832	(2,210)	(2,094)
INFLATION	15,997	25,479	36,172	49,506
Basic Net Expenditure Requirement	395,114	402,913	410,564	424,014
Demographic Pressure in Adults	2,934	5,927	8,979	12,094
Adult Social Care costs funded by existing BCF	4,189	4,189	4,189	4,189
Children's demographic pressure	625	1,250	1,875	2,500
Apprenticeship levy	1,000	1,000	1,000	1,000
One off pressures	1,005	0	0	0
Transitional funding	(745)	(980)	(980)	(980)
Public Health reduction in expenditure due to grant cut	(1,085)	(2,201)	(3,288)	(3,288)
Termination costs	8,842	4,500	4,500	4,500
Transformation Fund	2,500	2,500		
2016/17 Budget decisions	(24,263)	(24,263)	(24,263)	(24,263)
Amended 2016/17 Budget Decisions	5,653	5,653	5,653	5,653
Replacement 2016/17 budget decisions for consultation/amendment	(4,615)	(5,055)	(5,055)	(5,055)
New Budget proposals for 2017/18 and 2018/19 for consultation	(13,990)	(32,382)	(32,382)	(32,382)
Indicative savings required for 2019/20 and 2020/21 to achieve a balanced budget	0	0	(19,706)	(49,271)
Net Expenditure Requirement	377,164	363,051	351,086	338,711
RESOURCES				
Localised Business Rates	(72,097)	(76,238)	(77,763)	(79,318)
Top Up Business Rate Grant	(58,162)	(59,877)	(61,791)	(63,645)
Revenue Support Grant	(62,849)	(48,539)	(34,054)	0
Use of Reserves	(16,790)	(3,486)	5,422	(4,500)
Council Tax Income	(167,266)	(174,911)	(182,900)	(191,248)
Total Resources	(377,164)	(363,051)	(351,086)	(338,711)
Budget Shortfall	0	0	0	0
Memorandum				
Council tax base	134,255	135,005	135,755	136,505
Council Tax Band D (proposed 3.99% increase †)	£1245.88	£1,295.59	£1,347.28	£1,401.03

† includes 2% social care precept

6.2 Capital Spending

The Council's existing Capital Investment Plan totals £264m over 4 years, including items brought forward in the existing plan and investment requirements which have emerged during 2016/17. The plan is revised on a quarterly basis, to reflect rescheduling of expenditure and new expenditure funded by the receipt of capital grants.

For the purpose of this budget consultation round, additional items are proposed as indicated in Table 3 below, totalling £11/10/10/10m.

Table 3 – Capital Investment Plan 2017-2021

SUMMARY - CAPITAL INVESTMENT PLAN 2017-2021

	2017-18	2018-19	2019-20	2020-21
	£'000s	£'000s	£'000s	£'000s
Service				
Adult & Community Services	14,951	3,914	1,313	0
Childrens Services	26,820	16,460	1,045	0
Environment & Sports	25,205	6,919	16,726	3,000
Estates & Property Services	1,893	0	0	0
Economic & Development Services	34,573	10,129	6,942	0
Planning, Highways & Transport	10,529	43,814	0	0
Reserves & Contingencies				
General Contingency	2,000	2,000	2,000	2,000
Wyke Manor Sports Facility	493	0	0	0
Essential Maintenance	2,000	2,000	2,000	2,000
Bradford City Centre Townscape Heritage	2,750	0	0	0
Depot Strategy	0	3,000	0	0
Bereavement Strategy	0	17,000	0	0
Previously Approved Total	121,214	105,236	30,026	7,000
New Items				
Strategic Acquisition - Investment Property	10,000	10,000	10,000	10,000
School Meals Central Production Unit	750	0	0	0
Canal Road Land Assembly	0	450	0	0
Customer Services Strategy	250	0	0	0
Proposed Revised Total	132,214	115,686	40,026	17,000

7. PROPOSED CHANGES FROM CURRENT BUDGETS AND SERVICE LEVELS

The proposed budget signals changes from the baseline budget and from current service levels. The total changes are shown in Table 4.

Table 4 – Changes to current budget by outcome (cumulative basis)

	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Better health, better lives	11,028	22,191	32,479	47,458
A great start and good schools for all our children	458	1,077	4,918	8,215
Better skills, more jobs and a growing economy	1,775	4,197	6,714	9,480
Decent homes that people can afford to live in	32	76	76	76
Safe, clean and active communities	100	1,490	2,863	4,707
A well-run Council	597	3,351	5,038	8,986
Non service, fixed and unallocated	0	0	0	2,731
Total *	13,990	32,382	52,088	81,653

**Please note totals may not add up due to rounding*

The detailed proposed changes for each service affected for 2017/18 and 2018/19 are itemised at Appendix C. These proposed changes are the subject of formal consultation in this budget round.

Decisions made by Budget Council in February 2016 which affect 2017/18 totalled £24.3m (Appendix D).

It is proposed that five of these decisions, totalling £5.65m in savings, will be amended and replaced by new and amended proposals. Appendix E details those which require new consultation. Appendix F details amended proposals which do not require consultation as they reflect just a reduction in the original savings target.

8. NON-RECURRENT SPENDING

The proposed budget includes non-recurrent spending on

- Implementing change: £5m in total has been included to support implementation. This fund will be used to support the delivery of those changes which are more complex, higher risk, and where additional, temporary resource is required
- Restructuring costs, principally to meet potential employee and contract termination costs. The proposed budget includes £22.3m.

9. USE OF RESERVES

The balanced plan is achieved partly through the use of existing reserves. Proposed movements in reserves are summarised in Table 5.

Table 5 – Proposed Use of Reserves

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total
Use of Reserves per Table 2	(16,790)	(3,486)	5,422	(4,500)	(19,354)
Pre agreed use of reserves	(355)	(120)	(120)		(595)
Redundancy costs	(8,842)			(4,500)	(13,342)
Transformation costs	(2,500)	(2,500)			(5,000)
To close budget gap	(5,093)	(866)			(5,959)
Forecast replenishment of reserves			5,542		5,542
	(16,790)	(3,486)	5,422	(4,500)	(19,354)
Pre agreed use of reserves					
Transitional Fund	(235)				(235)
Financial Services Vat reserve	(120)	(120)	(120)		(360)
	(355)	(120)	(120)		(595)
Proposed redirection of earmarked reserves	Redundancy	Transformation	To close Gap	Reserves replenished	Total
Managed severance reserve	(4,093)				(4,093)
Repairs and renewals reserve	(3,449)	(1,511)	(2,610)		(7,570)
Waste collection and disposal reserve			(2,026)		(2,026)
Transformation programme		(124)			(124)
Care Act reserve	(1,300)	(1,700)	(1,323)		(4,323)
Culture company		(100)			(100)
Art Fund		(12)			(12)
Customer services strategy reserve		(750)			(750)
Facilities Management service improvement reserve		(515)			(515)
Business support centre reserve		(72)			(72)
District elections reserve		(216)			(216)
2020/21 redundancy funded through surplus in 2019/20	(4,500)				(4,500)
Replenishment of reserves in 2019/20				5,542	5,542
	(13,342)	(5,000)	(5,959)	5,542	(18,759)

10. TAXATION

The proposals assume Council Tax will rise by 3.99% annually, comprising a 2% annual increase to fund social care costs, and 1.99% increase in the basic Council Tax.

The increases equate to additional funding each year of c £6.7m each year.

11. IMPACT ON EMPLOYMENT LEVELS

The new budget proposals for 2017/18 and 2018/19 will reduce staffing levels. Current estimates are that 118 full-time equivalent posts in 2017/18 and a further 107 in 2018/19 will be removed as a result. These figures are additional to the 139 FTE post reductions set out in last year's budget proposals, and subsequently amended during consultation to 191.

12. THE NEED FOR CONTINUING REFORM IN 2019/20 and 2020/21

The indicative financial plan for 2019/20 and 2020/21 shows net spending continuing to reduce necessitating further savings in 2019/20 of £19.7m rising to £49.0m in 2020/21 on top of those proposals included for consultation. Although no proposals are being presented for formal consultation, the conclusions of the outcome-based planning process are that further changes and reforms will be required to enable the Council to remain financially sustainable.

Some of these changes will flow from the continuation or extension of the specific proposals for 2017/18 and 2018/19. Other suggested changes are not presaged by the detailed budget. In due course they will require development for the purposes of consultation. Below, in the interests of transparency, we set out the functions and activities that will need to be reviewed.

12.1 Great Start Goods Schools

In the next two years, education services provided by the Council will be reshaped as consequence of reductions in the Dedicated Schools and Education Services Grants. Beyond that, it is likely that further changes will be required to ensure available funds are targeted at the most effective school improvement activities. We will continue to engage with our stakeholders on these reforms which are fundamentally changing the role of the local authority.

The longer term intention for early years is to review our delivery of early help services for children and young people, and to develop a coherent pathway. This review will look at a range of services including those within the Council - for example, School Nursing and Health visiting, Early Help including Family Centres, and Early Years including Children's Centres. We will be working with partners to also look at how services not directly delivered by the Council can fit within this offer. This is the right direction from a pedagogical and pragmatic perspective. We will collaborate with stakeholders to develop options, so that, subject to consultation, the remodelled services will be ready for commissioning by 2019. The next phase of development for the functions carried out by Children's Centres will be part of the combined services (following the end of the current arrangements in July 2019).

12.2 Better Health Better Lives

The Council currently commissions welfare advice services, and will review their scope and size before 2020/21. Diminishing overall funds will require a re-think with our partner organisations to strike the right balance between building capacity for people to support themselves and meeting individuals' direct needs. In addition,

we will keep under review the level of public health-grant funded expenditure on other services including health checks and dementia services, within the context of related NHS funding.

As part of the wider redesign of adult services and health services, under the concept of integrated accountable health and care services, we intend to review, for 2019/20, the out of hospital care programme, including how temporary accommodation is provided to people who are homeless on discharge from hospital.

12.3 Safe Clean and Active Communities

Although there are no additional changes to the Youth Service for the next 2 years, our planning concludes there is a need to move to a more integrated area-based approach to prevention and early intervention for young people. This approach will be designed in conjunction with Youth Offending and Families First services, and applies youth work methodology and skills to a wide “Early Help” offer across the District.

12.4 Better Jobs, More Skills and a Growing Economy

We need to establish a sustainable future for our museums and galleries. Our planning indicates that the Council will not be able to afford its current level of spending on these attractions. We wish to engage with potential partners to consider how additional sources of funding can be secured, or how alternative operating arrangements can be put in place.

The Council needs to establish a sustainable future for our library service. Our planning indicates that the Council will not be able to afford its current level of spending on its library service. We will wish to engage with potential partners to consider how additional sources of funding can be secured, or how alternative operating arrangements can be put in place, including the extension of the community managed libraries and the hybrid models of library management.

12.5 Using Resources Wisely

By 2020/21 the Council, through its digital strategy, will be using more automated, self-serve, app-based and on-line services for the public. In addition, we will need an ambitious cost-reduction plan for the Council’s technology services, which will also reflect the move to a smaller organisation over time. To this end we will engage with staff and customers about continuing to digitise our services, at the same time as reducing overall technology and other costs.

We will continue to monitor the consequences of Brexit for current EU funding streams, and take every opportunity to influence and make the most of successor arrangements.

13. ONGOING BUDGET ENGAGEMENT AND CONSULTATION

The Council has duties to consult on the budget proposals for 2017/18 and 2018/19. The consultation is to understand people's views, which can be conscientiously taken into account in finalising the budget in February. It is also an opportunity to increase public understanding of the scale of the financial challenge and why difficult decisions need to be made.

The consultation commences on publication of this report. Pro-active consultation activity will commence following this Executive meeting on 6 December 2016. This activity will then continue until 12 February 2017, the day before papers for the Executive meeting on 21 February are published.

Consultation will take place through discussion at events (some facilitated by partner organisations), on-line, via social media, and by direct mailing, as well as specific consultation where appropriate.

Further detail on the consultation approach is provided at Appendix G.

14. RISK MANAGEMENT

The principal risks to the proposals are:

- 2016/17 financial performance may show that there are structural recurrent deficits in the baseline budget, which will need to be dealt with before the final budget is set in February, particularly in relation to social care. At the mid-year, the risk of a £6m overspend was reported. The proposed budget assumes that this risk will be fully mitigated
- The Local Government Settlement (expected in late December) may imbalance the financial plan, either through changing the actual forecast flow of specific grants, or by requiring revisions to the assumptions underpinning the forecasts. The Council has agreed a 4 year deal with DCLG over the level of RSG, which partly eliminates the risk
- Economic signals are that inflation may begin to rise. It is not expected that public sector pay will rise further than forecasts, but suppliers and households could be affected, which diminishes their real-terms resources
- Consultation outcomes may mean that specific proposals cannot be delivered or need recasting.

15. LEGAL APPRAISAL

15.1 The Council must comply with all legal requirements and local agreements to consult on proposals to change or withdraw services before the Council is asked to make any final decisions.

15.2 The legal requirements for a proper consultation exercise are as follows –

- Consultation must be at a time when proposals are at a formative stage.

- Sufficient reasons for the proposals must be given to allow intelligent consideration and response
- Adequate time must be given for a response
- The product of the consultation must be conscientiously taken into account before the decision is made.

15.3 Section 149 of the Equality Act 2010 (the public sector equality duty) provides that:

- (1) A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- (2) A person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1).
- (3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to –
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- (4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- (5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to –
 - (a) tackle prejudice, and
 - (b) promote understanding.
- (6) Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.
- (7) The relevant protected characteristics are -

age;
disability;
gender reassignment;
pregnancy and maternity;
race;
religion or belief;
sex;
sexual orientation.

Officers have prepared equality impact assessments on the proposals to assist elected members in having regard to this duty.

- 15.4 Section 3(1) Local Government Act 1999 imposes a duty on local authorities to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Section 3(2) requires local authorities to consult representatives of
- persons liable to pay any tax in respect of the authority
 - persons liable to pay non-domestic rates
 - persons who use or who are likely to use services provided by the authority,
 - persons appearing to the authority to have an interest in any area within which the authority carries out functions

for the purpose of deciding how to fulfil the duty imposed by Section 3(1).

- 15.5 Pursuant to Section 188 Trade Union and Labour Relations (Consolidation) Act 1992 (TULRCA 1992) the Council as employer is required to consult the recognised Trade Unions where there is a proposal to dismiss by reason of redundancy (which includes voluntary redundancy) 20 or more employees at an establishment within a period of 90 days or less. If 100 or more employees are at risk of dismissal by reason of redundancy at any one establishment within a period of 90 days or less the consultation must begin at least 45 days before the first of the dismissals takes effect.

- 15.6 Where a proposal gives rise to a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006, trade union consultation will be carried out in accordance with those Regulations.

16. OTHER IMPLICATIONS

16.1 EQUALITY AND DIVERSITY

Each proposal is subject to an initial Equality Impact Assessment, which will be developed through the consultation period.

The consultation provides the opportunity for the Council better to 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.

16.2 TRADE UNION

In accordance with the requirements of Section 188 Trade Union and Labour Relations (Consolidation Act) 1992, consultation with the Trade Unions will commence on 28th November 2016.

The new proposals provided to the Trade Unions highlight the areas where staff could be at risk of redundancy and show that the proposed likely full time equivalent (FTE) reductions in a number of areas is calculated to be 118 FTEs reductions for 2017/18 and 107 in 2018/19. This is in addition to the proposed 139 FTEs reductions for 2017/18 about which the Council commenced consultations with the Trade Unions on 23rd November 2015 (and which number was subsequently amended during consultation to 191). Where a proposal gives rise to a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006, trade union consultation will be carried out in accordance with those regulations.

Senior Management will be explaining the proposals in more detail to the Trade Unions at the Trade Union meetings scheduled to take place from the 7th December 2016.

Equality impact assessments (EQIA) are being prepared on all proposals that have a staffing implication, these will be available as part of the consultation process. All information from individual EQIAs will feed into an overall Corporate EQIA.

Staff will also be briefed on the proposals.

16.3 VOLUNTARY AND COMMUNITY SECTOR (VCS)

Given the scope of VCS involvement in the delivery of services, the scale of Council spending with the sector and the size of Government spending cuts, it is inevitable that VCS organisations will be affected by cuts to Council budgets. Work is underway to deliver some of last year's savings proposals which affect VCS organisations as we look ahead to these new proposals.

Some of the initial proposals will require VCS service providers to work differently and, as with all providers of public services, will prompt them further to innovate and prioritise within the resources the Council can afford.

Initial impact assessments suggest that some VCS organisations may only be affected by one proposal but this may be sufficient to affect their viability. A small number may be affected by more than one; and for others it may be the cumulative impact of funding squeezes.

We recognise that some organisations will need to seek alternative funding and that some may consider collaborating or even merging with others to share common costs. We will continue to spend a significant amount of its resources with VCS organisations. The Executive recognises that a vibrant and thriving VCS will be critical if we are going to make progress on the District's priorities with much less public money, and commits to maintaining a constructive, collaborative relationship with the VCS.

16.4 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.

17. CONCLUSIONS

The proposals align resources with priorities. They support economic growth, maintain key universal services, help to manage expensive future demand and support children and young people in their early years, through school and into their participation in the economy. They provide for effective, democratically accountable leadership that helps to influence and shape the District's future.

Despite the financial challenges we will continue to deliver beyond the statutory minimum where possible, and in so doing we will ultimately reduce the cost of people requiring statutory provision.

The proposals demand transformations in the ways that the Council and others work, without which we will be unable to achieve our objectives.

The scope and scale of Council services will change. Services will be delivered from fewer buildings with less face to face contact with the public and more digital and online provision. Some services may be provided through different models of delivery for example, leisure or cultural trusts, others will be dependent on the efforts of volunteers to sustain them and others will cease. Resources will increasingly be targeted at the most vulnerable and disadvantaged. The relationship between public services and citizens will shift to emphasise a shared responsibility for achieving outcomes.

The Council and health services will need to manage demand for care by investing in support to keep people well and independent and the transformation of the health and social care system will be vital if other services are to be sustained.

All this will demand lots of change over a relatively short space of time and resources will need to be allocated to ensure that there is sufficient capacity to deliver that change successfully.

Mature and well developed partnerships have demonstrated that they can deliver and innovate across a range of disparate disciplines and cross-cutting issues.

Taken together, the District's whole resources represent a significant and impressive asset base. If we can all pull together to galvanise our full potential, sharing resources, ideas and responsibility, we can achieve our shared ambitions for Bradford District.

18. RECOMMENDATIONS

18.1 It is recommended that Executive, having considered the Council's public sector equality duty as set out above:

- Approve for consultation as required with the public, interested parties, staff and trade unions the proposed detailed budget changes for 2017/18 and 2018/19 set out at Appendix C, and any revisions to previous decisions set out in Appendix E and Appendix F.
- Approve the proposed non-recurrent spending included in the financial estimates
- Approve for consultation the proposed spending totals for each outcome for 2017/18 and 2018/19, as the basis for a balanced budget
- Approve the proposed use of reserves
- Approve the consultation mechanisms and processes set out in Appendix G
- Approve the proposed indicative spending totals for each outcome for 2019/20 and 2020/21 to inform future planning and engagement with stakeholders, the budgets for 2019/20 and 2020/21 to be subject to detailed formal consultation, however, in future budget rounds
- Authorise Strategic Directors to engage with stakeholders to develop draft plans and options for the reforms and changes required to deliver a balanced budget in 2019/20 and 2020/21 as set out in Section 12.

19. APPENDICES

19.1 **Appendix A:** How Council Services Relate to Outcomes

Appendix B: Commentary on Financial Context

Appendix C: New Draft Savings Proposals Open for Consultation until Full Council on 23 February 2017

Appendix D: Schedule of Decisions of Budget Council February 2016 for information, not subject to consultation

Appendix E New Draft Savings Proposals Open for Consultation until Full Council on 23 February 2017 to Compensate for Unachievable 2016/17 and 2017/18 Savings Agreed by Full Council on 25 February 2016

Appendix F Changes to Previously Agreed 2017/18 Budget Savings Not for Consultation

Appendix G: Consultation Approach

20. BACKGROUND DOCUMENTS

- Council Plan 2016-2020, adopted by Council October 18 2016
- Medium Term Financial Strategy, adopted by Council October 18 2016
- Mid Year Financial Position Statement and Performance Report for 2016/17, approved by Executive November 9 2016