



## **Report of the Director of Finance to the meeting of Executive to be held on 4 February 2020.**

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### **Subject:**

### **2020-21 BUDGET UPDATE**

### **Summary statement:**

On 2 January 2020 the Executive approved budget proposals for consultation as required with the public, interested parties, staff and the Trade Unions.

This report provides the Executive with an update on national announcements and local decisions. It also identifies issues and uncertainties which could still have a bearing on the final size of the funding gap for future financial years.

Executive will need to have regard to this report when considering the recommendations to make to Council at their meeting on 18 February 2020.

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### **Portfolio:**

### **Leader of Council**

### **Overview & Scrutiny Area:**

### **Corporate**

## **1. SUMMARY**

- 1.1 This report provides an update on the budget following the Financial Plan Update 2020/21, that was considered at Executive on 2 January 2020.
- 1.2 The Financial Plan Update 2020/21 presented next year's budget proposals for consultation.
- 1.3 This report compares the Proposed Financial Plan with the Provisional Local Government Settlement and any updates.
- 1.4 The Provisional Local Government Settlement is subject to the outcome of a consultation which ends on 17 January and the confirmation of the Final Settlement. This report is based upon officers' assessment of the Provisional Local Government Settlement, informed by financial analysts.
- 1.5 The overall impact of the Provisional Settlement and local funding issues is potential additional funding of £1.515m, which will be set aside within the Transition and Risk Reserve to manage a number of cost pressures.

## **2. MAIN MESSAGES**

- 2.1 The Provisional Local Government Settlement published on 20 December 2019 had several announcements that will affect Bradford Council. The Settlement is open for consultation until 17 January.
  - Confirmation of the Council Tax Referendum limit at 3.99% (a Council Tax Precept limit of 1.99% and an Adult Social Care Precept of 2%);
  - Confirmation of Bradford's £10.160m additional allocation for Social Care;
  - A new guarantee to continue the Social Care increase for the term of the current parliament;
  - Ending of the Leeds City Region and North Yorkshire 75% business rate pool;
  - Confirmation that 2020-21 is the final full year of the New Homes Bonus, but also an announcement that there would be no national surplus to distribute.
- 2.2 The Council Tax Referendum Limits are per the Financial Plan.
- 2.3 The Provisional Settlement proposed that Town and Parish Councils are not subject to referendums on Council Tax increases above set limits.
- 2.4 Further the Provisional Settlement confirmed the £10.160m increase in total Social Care funding that was announced in the Technical Consultation. After minor changes to the different funding streams, overall compared to the Financial Plan, Bradford has an additional £0.354m.
- 2.5 The Winter Pressures Grant is included within total Social Care funding discussed

above. The Provisional Settlement announced that this grant will be merged into other Social Care Funding Streams in 2020-21. The effect will be to remove some ring-fencing but this is not expected to have a significant impact.

- 2.6 As noted, the Social Care increases will continue for the term of the current parliament. It is unclear whether this increase will be in cash (nominal) terms or uplifted for inflation. A nominal ongoing increase has been added to the revised budget – this also improves the Medium Term Financial Plan position.
- 2.7 This ongoing funding is welcome because demographic and demand pressures within Adults and Children's Social care continue to present challenges. The Financial Plan highlighted that these challenges were a national issue.
- 2.8 The Provisional Settlement confirmed that the current 2019-20 financial year will be the last year of the Leeds City Region Business Rate Pool.
- 2.9 The Provisional Settlement confirmed the eventual end of the New Homes Bonus scheme, with the final tranche received in 2023-24. There was also no national surplus to distribute, against the expectations in the Financial Plan. This absence of a national surplus, offset by some other data improvements, caused a £0.470m funding reduction for Bradford.

### **3. OTHER ANNOUNCEMENTS**

- 3.1 The Provisional Settlement also announced a “real terms increase” for the Public Health Grant. Individual Authority allocations were not announced. However, a real terms increase would be consistent with the assumptions in the Medium Term Financial Plan.
- 3.2 There was a small change to the expected indexation applied to the Spending Funding Assessment. This led to a very minor reduction to the amounts for the Revenue Support Grant and Top Up Grant, which will be compensated with a specific grant.
- 3.3 The Schools funding announced in the Provisional Settlement was in line with Proposed Financial Plan. This included the High Needs Block for Special Education Needs and Disability (SEND).

### **4 GRANT FUNDING**

- 4.1 A number of allocations for ongoing specific grants are still to be announced. They could cause some further small changes to funding amounts.
- 4.2 Authorities are also expecting announcements on allocations from a new Pothole Fund. Any such allocations are ring-fenced to Highway improvements.
- 4.3 There has been a separate announcement that the Troubled Families Grant will continue for a further year: this is in line with the assumptions in the Proposed Financial Plan.
- 4.4 The Provisional Settlement is one year only. The expected implementation date for the delayed Fair Funding Review and the new Business Rates Retention scheme is

still expected in 2021-22. However, their impact on the Medium Term Financial Strategy is difficult to predict with any certainty.

## **5. LOCAL FUNDING ISSUES**

- 5.1 At the meeting of the Executive held on 7 January 2020 the Council Tax base for 2020/2021 was approved as a total number of Band D equivalent properties of 144,350. This was already reflected in the Proposed Financial Plan.
- 5.2 The provisional Business Rates Base was also approved at Executive on 7 January. The final Business Rates Base will be completed for the end of January and the final budget documents updated accordingly.
- 5.3 Discussions are taking place around the new West Yorkshire Business Rates Pool. The new Pool will redistribute within West Yorkshire a proportion of Business Rates that would otherwise be paid back to the Government. Overall, it is expected that Bradford could receive £0.788m from the New Pool if the decision of the new 'pool' Committee is to allocate to Councils rather than utilise at a West Yorks regional level.
- 5.4 The rate of Employer's pension contributions is also lower than expected, saving an additional £0.800m.

## **6 Other Pressures**

- 6.1 Compared to the Financial Plan, there have also been a number of upward pressures. These potentially relate to:-
  - the Pay Award, budget provision has been made for a 2% increase. Each additional 1% award above this figure costs £2.3m
  - the National Living Wage, our current salary bandings are above the new rates, so we are not directly impacted. However, a number of our care contracts will be impacted with additional costs up to £0.5m
  - SEND travel, there is an expected increase in SEND travel, which may be offset through savings from reducing out of district placements. The impact is currently being assessed.
- 6.2 The quarter 3 budget monitoring identified the continuing pressures on Children's social care. However, this is currently being managed within the overall Council budget.
- 6.3 The total amount in the Capital Investment Programme (CIP) increased by £4m between quarter 2 and quarter 3 - from £550.1m in quarter 2 to £554.1m in quarter 3. The proposed new schemes for the 2020-21 CIP are also being developed. The impact of these changes will be worked through and considered for the final capital budget presented to Executive and Full Council in February.

## **7 Potential Effect of Items Highlighted in this Report**

- 7.1 The overall impact of the Provisional Settlement and local funding issues is £1.515m additional funding. Potentially this could be subject to a proposal to transfer the increased funding into Risk and Transition Reserves – this could fund the pressures around the Pay Award, the National Living Wage and SEND travel.

An overall position is set out in Appendix A.

- 7.3 As noted, the £10.160m increase for Social Care will continue for the term of the current parliament. Appendix A highlights that this increase can now be factored into an updated Medium Term Financial Plan.
- 7.4 The 2020-21 CIP in the Proposed Financial Plan will be updated for the changes in the quarter 3 Financial Position Statement.

## **8. OTHER MATTERS TO TAKE INTO CONSIDERATION**

- 8.1 At 31<sup>st</sup> December 2019 reserves stand at £204.3m (Council £177.1m and Schools £27.2m); within this total, unallocated reserves stand at 10.3m.
- 8.2 It is recommended that unallocated reserves are maintained at their current level given the underlying budgetary pressures facing the Council.
- 8.3 In separate reports to this meeting the Executive will consider feedback received to date from the on-going consultation processes on the budget proposals which includes feedback received from the public, interested parties and key stakeholders. The Trade Unions will also consider the equality implications of the proposals. (Budget Proposals 2020-21 Consultation Feedback & Trade Union Feedback on Executive Budget Proposals).
- 8.4 In proposing the final budget the Executive will need to have due regard to the information contained within this report, the consultation feedback received to date and the public sector equality duty as set out in section 149 Equality Act 2010.

## **9 RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 9.1 The uncertainties regarding the funding that will be available to the Council are considered within this report. In particular, the results of the Fair Funding Review and the Business Rates review are now expected to impact 2021-22 onwards.

## **8. LEGAL APPRAISAL**

- 8.1 It is necessary to ensure that the Executive have comprehensive information when considering the recommendations to make to Council on a budget for 2020/21 at their meeting on 18 February 2020. It is a legal requirement that Members have regard to all relevant information and the information in this report is considered relevant in this context.

## **9. OTHER IMPLICATIONS**

### **9.1 EQUALITY & DIVERSITY**

The equality implications are considered in a separate report to be presented to this meeting of the Executive.

### **9.2 SUSTAINABILITY IMPLICATIONS**

There are no direct sustainability implications resulting from this report.

### **9.3 GREENHOUSE GAS EMISSIONS IMPACTS**

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

### **9.4 COMMUNITY SAFETY IMPLICATIONS**

There are no direct community safety implications resulting from this report

### **9.5 HUMAN RIGHTS ACT**

There are no Human Rights implications resulting from this report

### **9.6 TRADE UNION**

As noted, Trade Union feedback on the budget proposals is considered in a separate report to be represented to this meeting of the Executive.

### **9.7 WARD IMPLICATIONS**

There are no direct Ward or area implications resulting from this report.

### **9.8 IMPLICATIONS FOR CORPORATE PARENTING**

None identified.

### **9.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT**

None identified.

## **10. 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 a budget for 2020/21 at their meeting on 18 February 2020.

## **12. BACKGROUND DOCUMENTS**

**Document AB** - Proposed Financial Plan 2020/21Executive Report 2 January 2020

**Document AI** – Calculation of Bradford's Council Tax Base and Business Rates Base for 2020/21 Executive Report 7 January 2020

**Document AT** – Financial Position Statement for Third Quarter Executive Report 4 February 2020

## APPENDIX A: SUMMARY OF FINANCIAL IMPLICATIONS

<b>Summary Position</b>	02-Jan-20	Settlement impact	Budget	<b>Comment</b>
			2020/21	
	£000	£000	£000	
2019/20 Base Budget	359,911		359,911	
Reversal of non recurring investment	-6,267		-6,267	
Full year effect of Recurring pressures	8,559		8,559	£0.5m will need to be reinstated 2021-22
<b>Sub total</b>	<b>362,203</b>	<b>0</b>	<b>362,203</b>	
<b>FUNDING CHANGES</b>				
Local Council Tax Support & Housing Benefit				
Admin Grant	250			
BCF Uplift	-2,000	-297	-2,297	
New Homes Bonus	919	-150	769	
Independent Living Fund	57	-57	0	
Improved BCF	0		0	
Returned New Homes Bonus	-620	620	0	
New social care support grant	-10,160	-43	-10,203	<b>£10.2m ongoing for term of current parliament</b>
s31 grants	4,972	-175	4,797	
Public Health Grant Uplift	-1,200		-1,200	"real terms increase" announced
		0		
		0		
	<b>-7,782</b>	<b>-102</b>	<b>-7,885</b>	
<b>INDEXATION</b>				
Pay Award incl NLW	5,156		5,156	
Contract Price Indexation	6,868		6,868	
Income	-448		-448	
Employers LGPS Contribution	0	-800	-800	
Increased income target for bus lane fines	-800		-800	
		0		
Base Net Expenditure Requirement	365,197	-902	364,294	
Adult demographic growth	1,600		1,600	
Children's Demographic growth	625		625	
Additional profile of Children's demographic	13,000		13,000	
One off pressures Table 7	7,298		7,298	
		0		
Existing savings in 4 year plan	-17,396		-17,396	
Savings reduced	2,020		2,020	
Travel assistance reduced and re-phased	-2,210		-2,210	
Capital financing and central budget adjustments	3,095	-788	2,307	New Pool
Cost reduction Revs and Bens as a result of Universal Credit	0		0	
New Savings proposals	-330		-330	
		0		
	0		0	
Release of overprovision from previous years (MRP)	6,520		6,520	
Apprenticeship levy reduction	0		0	
		0		
	0		0	
<b>Net Expenditure Requirement</b>	<b>379,419</b>	<b>-1,690</b>	<b>377,728</b>	
<b>RESOURCES</b>				
Localised Business Rates	-66,085		-66,085	
Collection fund surplus	-980		-980	
Top Up Business Rate Grant	-69,376	117	-69,259	
RSG	-34,666	58	-34,608	
Further austerity cuts 2.5% to 19/20 SFA and then further flat £1m p.a.			0	
Transfer to reserve for MRP overprovision	0		0	
Pre agreed Use of Reserves - earmarked and Transitional Table 3	-900		-900	
Proposed Use of reserves	-1,300	1,515	215	
Council Tax Income	-206,112		-206,112	
<b>Total resources</b>	<b>-379,419</b>	<b>1,690</b>	<b>-377,728</b>	