

# Report of the Director of Finance to the meeting of Executive to be held on 7th December 2021

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## **Subject:**

**Proposed Financial Plan and Budget proposals for 2022/23**

## **Summary statement:**

This report sets out the update on budget decisions and Council Tax including new proposals for consultation with the public, interested parties, staff and Trade Unions 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 a full Equality Impact Assessment have been produced for all budget proposals and full consultation with relevant groups will be undertaken. The outcome of consultation will be considered and reported upon before the 2022/23 budget is approved.

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## **Portfolio:**

**Leader of Council and Corporate**

## **Overview & Scrutiny Area:**

**Corporate**

## 1. SUMMARY

- 1.1 This Financial plan updates the Medium Term Financial Strategy (MTFS) adopted by the Executive on September 7<sup>th</sup> 2021. It sets out the update on budget decisions and Council Tax including new proposals for consultation with the public, interested parties, staff and Trade Unions for 2022-23. There will be no new redundancies as a result of these proposals.
- 1.2 In summary the revenue budget proposals for 2022-23 are;
- A Council Tax increase of 1.99% in line with the Chancellor's Comprehensive Spending Review assumptions.
  - An Adult Social Care precept increase, currently forecast at 1% in line with the Chancellors Comprehensive Spending Review assumptions.
  - A £50 Council Tax discount for working age Council Tax Reduction Scheme recipients for one year only to cushion the withdrawal of the Government's Council Tax Hardship Grant for low income households. The scheme would cost £1.6m in 2022-23.
  - Council Tax support for care leavers by extending the 100% discount for Care Leavers scheme up to the age of 25 (from 21), at a cost of £52k.
  - Previously agreed Welfare Advice/Customer Services savings of £350k would also be deferred by a further year to help provide additional support to low income households.
  - No new redundancies or cuts to services arising from these proposals.
  - £552k of new investment into Children's Short Breaks.
  - £10.5m to address existing Children's and Adult Social Care pressures.
  - £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.
  - The intent to continue to focus on the delivery of efficiencies and cost effective service delivery whilst improving outcomes.
- 1.3 Regarding the Capital Investment Plan (CIP), a number of new investments are proposed including Vehicle replacements (£3m), Property Programme improvements (£2m), IT equipment upgrades (£6m), and Climate Change investments to help move the Council's estate to net zero (£2m). This will supplement other energy efficiency schemes already in the CIP.
- 1.4 These issues are expanded upon in the paragraphs below.

## 2. MAIN MESSAGES

### Local Context

- 2.1 Since 2011 national spending cuts, increasing demand and rising costs have meant the Council has needed to find over £300m in reductions, savings and extra income to balance the books by 2021-22. This has been challenging and required some tough decisions to be taken.
- 2.2 But through good financial management, hard work and responsible leadership, a balanced budget was set in February 2021 for 2021-22 that required minimal additional cuts and invested in our priorities.

2.3 While budget pressures, particularly around Adult and Children's Social Care remained, as well as uncertainty around Local Government finance, prior to Covid, the Council's finances were in a relatively stable position.

### **Impact of COVID-19**

2.4 COVID-19 has however had a significant impact on Council finances including;

- Additional costs – for example in procuring PPE, securing food supplies, communications, supporting the care sector, community engagement, outbreak management, infection control and additional waste costs amongst others.
- Loss of income in fees and charges from sports facilities, theatres, parking and museums amongst others.
- Reduced council tax and business rates collection.

2.5 The social and economic impact has generated increased demand for services and support and placed budgets under pressure;

- The numbers of children in care is the higher than ever.
- Missing school through the need to self-isolate caused additional risks to vulnerable children.
- The viability of the residential care market is under threat as a result of under-occupancy.
- Our specialist domestic abuse service has experienced significantly higher referrals.

2.6 The significant impact of Covid on the 2020-21 and 2021-22 budget has been largely mitigated through central government Emergency Covid Support Grant and other Covid related funding.

2.7 However, Covid-19 is expected to continue to impact in the next financial year and beyond. To date, no specific government funding has been proposed to offset costs and loss of income next year, and the signs are that the Government doesn't expect to provide any additional Covid related funding into 2022-23.

2.8 The Qtr 2 Finance Position Statement for 2021-22 outlined expected additional costs and losses associated with Covid of c£74m in 2021-22, and although this is mostly being covered by additional Government support in 2021-22, there is a high likelihood that there will be continued Covid related costs and income losses that will recur in 2022-23 and beyond when Covid funding has run out.

### **Revenue Budget Proposals**

3.1 Since the £13.4m MTFs financial gap for 2022-23 was reported to Executive in September 2021, there have been a number of events that have materially changed the financial outlook.

- In September 2021, the government announced national reforms to Social Care that will be funded by a 1.25% increase in National Insurance Contributions for both employers and employees. Although this will result in additional Social Care related income to the Council, it will also result in a broadly equivalent amount of additional Social Care related expenditure. Further the Council will

also have to fund the additional National Insurance Contribution rates.

- In November 2021 the Chancellor also set out a 3-year Comprehensive Spending Review (CSR) that outlined new additional funding for Local Government.
- The CSR however also outlined higher inflationary assumptions resulting from increases in National Living Wage; National Insurance Contribution increases, and higher general inflation (CPI) driven in part by higher energy prices.

- 3.2 Although Bradford's share of the amounts outlined in the CSR won't be known until publication of the Provisional Settlement (expected early December 2021), we forecast that the additional funding will help bridge the £13.4m gap that was identified in the MTFs, but will provide very limited scope for new investments.
- 3.3 Further, it should be noted that there are significant demographic and other pre-existing pressures in Children's and Adults Social Care that were not included in the £13.4m MTFs gap, and that these will need to be addressed as outlined in 3.17 below in order to set a balanced and deliverable budget.
- 3.4 Although the CSR provided councils with some welcome certainty about Government funding over the next 3 financial years, the Council is still recommended to set a one-year budget given the high levels of uncertainty relating to Covid recovery and demands in Children's and Adults Social Care.
- 3.5 To balance the 2022-23 budget it is proposed that Council Tax is increased by 1.99% in 2022-23, in line with the Chancellor's CSR assumptions, resulting in an extra £29.83 per Band D property. This will raise an additional £4.2m.
- 3.6 The Chancellor's CSR also made assumptions that councils would increase Adult Social Care Precepts in future years. If, as appears likely, the Government allows for additional Social Care precept, it is proposed that this will also be increased.
- 3.7 Indicatively, a 1% Social Care precept would result in an extra £14.99 a year per Band D property per year. This will raise an additional £2.1m
- 3.8 We also forecast growth in the Council Tax base of c1,400 Band D equivalent properties raising an extra c£2.1m.
- 3.9 To help mitigate the impact of Council Tax and Adult Social Care precept increases, it is proposed that a £50 discount to Council Tax bills will be applied to working age Council Tax Reduction Scheme recipients in 2022-23 at a one off cost of c£1.6m. The Government provided one off funding during the pandemic for Council Tax hardship schemes in 2020-21 and 2021-22, where discounts of £150, and £100 respectively were provided. This Government funding has now ended, but this budget proposal would see the continuation of a discount for a further year for the c32,000 working age Council Tax Reduction Scheme recipients.
- 3.10 Additional support is also proposed to help care leavers with paying their Council Tax. Care leavers aged 21 or over currently receive a Council Tax discount of up to 50% up to the age of 25. Through this budget it is proposed that the discount is increased to 100% exemption. Additionally, it is proposed to extend Council Tax support to care leavers up to age 25 who no longer live in the district. On current case numbers the total cost of this proposal is £52k.

- 3.11 Overall, Council Tax would still remain very low compared to other West Yorkshire Councils and Metropolitan Councils. Bradford's Band D Council Tax is around 8% lower than the average for Metropolitan Authorities, and some 80% of properties are below Band D.
- 3.12 The amount that the Council can raise from Council Tax and the Social Care precept is lower than for many comparable authorities, and is insufficient to keep pace with increasing demand and rising costs. Indicatively a 2.99% increase in Council Tax and Adult Social Care precept raises an additional c£6.4m (£8.5m including growth in the Tax base), where inflationary costs will add an additional c£22.4m extra per year in 2022-23.
- 3.13 The Business Rates base is also expected to reduce in 2022-23 mainly as a result of appeals. Work is ongoing to calculate the base for 2022-23, but early indications are that the base will have reduced during 2021-22. A further report setting the Council Tax and Business Rates base will be provided in January 2022.
- 3.14 To further support low income families, the previously approved Welfare Advice/Customer Services savings of £350k would also be deferred for an additional year in order to retain capacity and support low income families.
- 3.15 Strong, disciplined and responsible financial management over recent years means that the Council is able to make budget proposals for 2022-23 that avoid the need for job cuts, and there will therefore be no new redundancies as a result of the proposals in this plan.
- 3.16 However, aside from addressing existing pressures in Children's and Adults Social Care, the scope for new revenue investments above those already planned in prior years is also very limited.
- 3.17 In order to set a balanced and deliverable budget for 2022-23, existing demographic and demand led pressures will need to be addressed as outlined below.
- Children's Services. There have been significant increases in the number and cost of placements over recent financial years. The number of placements has additionally increased over the period of the pandemic. In 2020-21 and 2021-22 Covid grant of £8.4m and £16.2m respectively has been used to help fund the additional cost of placements. The Government has confirmed no additional Covid grant will be forthcoming, however, it is forecast that costs will continue into 2022-23 (and perhaps beyond). The service is implementing a sufficiency strategy which is expected to start to address costs, however it is expected there will be a financial impact in 2022-23.
  - Adult Social Care have also had significant delays to the delivery of Adult Social Care demand management savings as a result of the pandemic, and these are also likely to impact in 2022-23.
  - To help mitigate the above, and set a deliverable budget in 2022-23, £7.5m of additional funding would be provided to Children's Social Care, and £3m provided to Adult Social Care.

- 3.18 Additionally, the Executive approved the Children's Short Breaks strategy during 2021-22, and this new investment will have a recurring cost of £552k per year from 2022-23.
- 3.19 Further, a number of previously approved investments will also have an impact in 2022-23. These are detailed in Appendix B.
- 3.20 Inflationary increases for Pay, Energy Costs, Contract Prices, National Living Wage and National Insurance Contributions, will also be provided. Inflationary increases will be weighted towards Social Care as these areas are most impacted by National Living Wage increases for example. The impact of the above inflationary pressures will be c£22.4m in 2022-23.
- 3.21 £3m of reserves will be drawn down to fund the 2025 City of Culture event preparation should the District win the competition as previously approved by Full Council, and a further £1.25m will be required for the potential Regeneration opportunity approved by Full Council.
- 3.22 The remaining Gap of c£9.4m would be bridged by the use of one off reserves.
- 3.23 As noted previously, the Provisional Settlement is planned to be published by the Government in early December 2021. Should the settlement be more favourable than currently forecast, then reserves will not be required to the same extent.
- 3.24 The new Minister at the Department for Levelling Up, Housing and Communities (DLUHC) has for example signalled a change in the direction of travel away from Business Rates retention, and these changes applied nationally, coupled with the Levelling up agenda should benefit the Bradford district.
- 3.25 Additionally, although there have been announcements about national Social Care reforms with the promise of additional funding, what it means financially for the Council is currently unknown.
- 3.26 Further, a number of grants including the New Homes Bonus and Lower Tier Services grant are planned to be withdrawn by the DLUHC, and no announcements have yet been made about how this funding will be reallocated. It is however likely that the Council will benefit and announcements are expected as part of the Provisional Settlement.
- 3.27 As outlined previously, there remains much uncertainty about how long Covid will continue to impact for, and how quickly income levels for services like Theatres, Sports Facilities and Car Parking return to pre pandemic levels. The Government is not planning to provide any additional Covid related financial support into 2022-23, and consequently should there be continued Covid related expenditure or income shortfalls in 2022-23, these will have to be covered by Council resources/ reserves, or other mitigating actions. Maintaining relatively robust levels of reserves is therefore recommended given the high levels of uncertainty. Additional information on the Councils reserves is provided in Appendix C.

## **Maintaining Grip....Reset... Transform**

- 3.27 To ensure that the Council's revenue budget is sustainable across the medium term a programme of effective financial 'housekeeping' and transformation will continue, providing further effective and strong financial management.
- **Maintaining Grip**, given COVID and the changes to our working practices we need to ensure we continue to have a management grip on key components e.g. reduce agency spend, remove long standing vacancies, review procurement spend, review previous investments
  - **Reset**, further looking at resetting the budget aligned to changing circumstances e.g. fit for purpose structures, service integration where appropriate, review long standing contracts.
  - **Transform**, progressing transformation activity, where the business case exists e.g. Early help & prevention, commissioning and procurement, business support review, demand management.
- 3.28 The above are being developed to ensure that the Council remains sustainable in the medium term.

## **Doing the right things for the District**

- 3.29 Overall, the strategy for the revenue budget avoids cuts, increases grip and provides challenge to the way we do things. It invests in priorities and in preparing the district for recovery from the impact of COVID.
- 3.30 The Council awaits the outcome of the Government's Provisional Settlement and its deliberations over the future of local government finance and the levelling up agenda. If sufficient resource is not forthcoming to support the priorities set out in this financial plan, reserves will be deployed in order to protect local services, support social and economic resilience and recovery and to build a better future.
- 3.31 The use of reserves is the right thing to do in the long-term interests of Bradford District, however this cannot be sustained beyond the short-term. In order to place Council finances and services on a sustainable footing and to attract new investment to the District our services will need to continue to transform, greater certainty and stability is required in government funding and opportunity and infrastructure must be improved. We continue to lobby and position the District's interests with regional and national stakeholders and Government in order to secure the resources and investment we need.

## **Capital Investment Plan and new Capital Investment Proposals**

- 4.1 The Capital Investment Plan (CIP) shows budget spend on infrastructure items, such as housing, roads, Council land and buildings, sports centres and vehicles. Technically, the definition for inclusion in the CIP is that the spend delivers a service benefit lasting more than one year: for example, a new-build sports centre.
- 4.2 The CIP differs from the other (revenue) budget items listed in this report, which relate to day to day spend. An example of day to day spend are the salaries of employees who run sports centres. Being periodic, these costs fit easily into an annual budget cycle.

4.3 In contrast, individual projects in the CIP tend to be one-off and sometimes the build phase cuts across annual budget cycles: so are planned over multi-year periods, updated incrementally at each annual budget for any changes. The current CIP position (prior to any update for the 2022-23 budget cycle), was reported in the Qtr 2 Finance Position Statement for 2021-22 and is shown below:

**Table A – Capital Investment Plan Quarter 2 2021-22**

Directorate	Budget 2021-22 £m	Budget 2022-23 £m	Budget 2023-24 £m	Budget 2024-25 onwards £m	Total £m
Health and Wellbeing	2.0	3.2	3.9	1.9	11.0
Children's Services	23.3	13.7	5.4	0.2	42.6
Place - Economy & Development Services	26.9	42.3	10.2	8.5	87.9
Place - Planning, Transport & Highways	46.4	139.3	40.1	15.7	241.5
Place – Other	21.3	16.0	10.4	2.1	49.8
Corp Service – Estates & Property Services	13.6	4.6	1.3	1.9	21.4
<b>TOTAL – Services</b>	<b>133.5</b>	<b>219.1</b>	<b>71.4</b>	<b>30.3</b>	<b>454.2</b>
Reserve Schemes & Contingencies	5.9	106.9	92.5	59.6	264.9
<b>TOTAL</b>	<b>139.4</b>	<b>326.0</b>	<b>163.8</b>	<b>89.9</b>	<b>719.1</b>

4.4 The CIP is funded from a number of different sources, with the remainder leaving a borrowing requirement, as set out below:

**Table B – Capital Investment Plan Quarter 2 2021-22 Funding**

	Grants £m	Capital Receipts £m	Revenue £m	Borrowing £m	Total £m
Total	339.8	11.5	7.6	360.2	719.1

4.5 Some funding sources, such as specific capital grants and capital receipts, directly fund the expenditure in the CIP; this avoids borrowing and has no implication for the revenue budget. However, a small element of the CIP is funded directly from Revenue budget, which does have a direct cost implication for the revenue budget.

4.6 A larger funding element is provided from borrowing which generates Capital Financing costs. It is here that there are additional costs within the revenue budget - allocated to Non service, in other lines of this report.

4.7 Capital Financing costs include the allocation of the borrowing amount across revenue budget years: the borrowing amount is usually apportioned over future revenue budgets in equal amounts, for as long as the building or vehicle is expected to be in use - this is known generally as depreciation but is called the Minimum Revenue Provision (MRP) within Local Government.

4.8 Capital Financing costs also include interest on the borrowing amount. These costs are time specific and charged to revenue as they fall.

4.9 The Council already has a significant capital programme and focus is on delivering current planned schemes.

4.10 Incremental changes to the CIP for the 2022-23 budget cycle will include the continuation of on-going capital programmes. The changes also include new proposals relating to priority outcomes in the Council Plan. Infrastructure investment through the capital programme plays a key role in supporting our efforts to achieve a net zero carbon District and city region.

4.11 Proposals for inclusion in the Council's revised Capital Programme comprises:-

The rolling programme- this includes the on-going investment that is needed to continue existing services and commitments. The following amounts have been included in the 2025-26 programme:

- Replacement of Vehicles - £3m. This is a nominal figure that is allocated each year
- Property Programme - £2m
- General contingency for unforeseen capital expenditure - £1m

4.12 There are a few proposals for further capital investment. It is proposed, in accord with previously approved best practice, that these be identified as 'reserve' schemes, pending the presentation of full project appraisals to the Project Appraisal Group for review before seeking Executive approval. A brief description of these proposals and their benefits is given in the Table below.

<b>Proposed Scheme</b>	<b>Total Budget £000</b>	<b>Description / Benefit</b>
<b>Corporate Resources</b>		
PCS1 IT Core Device Refresh Programme	6,800 (3,400 22-23 and then 1,700 for remaining 2 years)	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
PCS2 Carbon Net Zero projects within Council Estate	2,000 (500 per annum for next 4 years)	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>TOTAL</b>	<b>8,800</b>	

## **5. BUDGET ENGAGEMENT AND CONSULTATION, AND EQUALITY IMPACT**

- 5.1 The intention of this consultation is to provide the people of the district with opportunities to provide their views on the budget proposals, to help shape and inform final decisions. The budget consultation will seek comments on proposals for the financial year 2022/2023. Given the uncertain nature of the Council's settlement figure, it is anticipated that this will be a dynamic consultation and as information becomes available changes to the budget may be made.
- 5.2 The consultation will be open from 8 December 2021 to 19 January 2022. The consultation will comprise of a survey enabling individuals and organisations to comment on the proposals of their choosing. Dependent on any Covid-19 restrictions, public consultation meetings will be held in each constituency area or offered virtually. Responses can also be provided online or by writing to the Council using a freepost address. Social media (Twitter and Facebook) and the Council's app will also be used to promote the consultation.
- 5.3 Consultees will be encouraged to comment on the proposals and also any impacts they feel might be felt by particular groups of people (in line with the Public Sector Equality Duty). For transparency, the Council's consideration of these impacts will be shared through accompanying equality impact assessments
- 5.4 Should the proposals be accepted, equality assessments will be undertaken as part of identifying and delivering those proposals. In the event that amendments are proposed to previously agreed savings or where agreed savings are looking to be deferred, equality assessments will continue to be updated and published as projects develop. This will be done independently of the current 2022/2023 budget process.
- 5.5 The outcome of the consultation will be presented to the Council's Executive on 1st February 2022. The Executive will then give consideration to the feedback and any equality impacts as they finalise their budget proposals on 15<sup>th</sup> February 2022 in advance of Budget Council on 17<sup>th</sup> February 2022. It is worth noting that in addition to the current formal budget consultation, other engagement and consultation activities will continue to be run separately by Council Services on budget changes agreed in previous years.

## **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 6.1 The financial plan assumes that remaining savings that are currently behind plan will be either fully back on track by 2022-23, or mitigated through proposals in this report.
- 6.2 The Local Government Financial Settlement could have an effect on the current assumptions underpinning this financial plan. There could be changes to the actual forecast flow of specific grants or a revision to the assumptions.
- 6.3 The extent to which Covid continues to impact on the economy and the Council is also a significant unknown.
- 6.4 Additionally, the impact of any changes to international trading conditions and the national economy could feed through into additional pressures for the Council.
- 6.5 Consultation outcomes may mean that specific proposals cannot be delivered or need adjusting.

## 7. LEGAL APPRAISAL

- 7.1 The Local Government Act 2003 s25(2) imposes a duty on authorities when making a budget calculation to have regard to a report of the chief finance officer as to the robustness of the estimates and the adequacy of the proposed reserves. This is the “S151 officer report” which will be presented to Executive on 15 February 2022.
- 7.2 Authorities are required to monitor and review from time to time during the year their income and expenditure against their budget, using the same figure for financial reserves. If having conducted this review, it appears to the authority that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and be ready to take action if overspends or shortfalls in income emerge. This is a statutory duty. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action as they consider necessary.
- 7.3 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.

7.4 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).

## **OTHER IMPLICATIONS**

### **8 EQUALITY & DIVERSITY**

Each proposal is subject to an equality assessment, with any proposals showing impacts being published on the Council's web site.

<https://www.bradford.gov.uk/your-council/council-budgets-and-spending/equality-impact-assessments/>

Feedback on the equality assessments will be sought through the consultation process, and will then be updated accordingly.

The consultation provides the opportunity for the Council to better understand the consequences for individuals with different protected characteristics likely to be affected by changes.

Elected Members must consider the Equality Assessments in full as part of the proposal development and then again as part of their final budget recommendations post consultation.

### **9 SUSTAINABILITY IMPLICATIONS**

Addressing and prioritising investment and action on the Climate Emergency is central to creating a more prosperous, healthy and resilient district. This reflects one strand of the Council and District's response to the UN Sustainable Development Goals. Ensuring the long-term well-being of the district is a central objective of the Council.

Significant transformation will be required across the organisation, in our partnership working and across the district's communities to act rapidly and wisely over the next five to 20 years. We will need to learn to live and work differently, to create a district fit for our children and grandchildren. The Council is committed to partnership working that supports and protects the most vulnerable in our society as we build an inclusive and prosperous district. The budget and the resources it allocates to our core priorities and services and the specific allocation for environmental action is part of the Council's commitment to community involvement and supporting a more just and resilient district.

## **10 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.

## **11 HUMAN RIGHTS ACT**

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

## **12 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 do not give rise to any proposed redundancies.

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

Senior management will be explaining the financial position and the proposals in more detail to the Trade Unions at the Trade Union meeting to be arranged for early December 2021. Further Consultation will continue as required at Departmental consultation meetings and at OJC1 on 20th January 2021. Any Trade Union feedback will be collated and will be reported at Executive in February 2022.

We will share the proposals with the Trade Unions at the start of December after the Executive meeting as they are entitled to be consulted and comment even on the proposals that do not have workforce issues. If there are any questions they can raise them at their departmental meetings. Any feedback we will collate and feed in as stated above.

All employees will be briefed on the budget proposals through line management and key communications/Bradnet that will be cascaded accordingly.

## **13 WARD IMPLICATIONS**

In general terms 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.

## **14. NOT FOR PUBLICATION DOCUMENTS**

None.

## **15. RECOMMENDATIONS**

15.1 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 Council Tax and Social Care precept for 2022/23 set out at in section 3.5 to 3.7.
- Approve for consultation as required with the public, interested parties, staff and Trade Unions the proposed one off Council Tax support initiatives for 2022/23 as set out in section 3.9 and 3.10.
- Approve for consultation as required with the public, interested parties, staff and Trade Unions amendments to previously agreed savings proposals for 2022/23 set out in section 3.14
- Approve for consultation as required with the public, interested parties, staff and Trade Unions the one off investments to address existing pressures as set out in section 3.17.
- Approve for consultation as required with the public, interested parties, staff and Trade Unions the recurring investments as set out in section 3.18.
- Note the proposed use of reserves as set out in section 3.21 and 3.22.
- Approve for consultation the proposed new capital schemes as set out in section 4.11 and 4.12 of this report.
- Approve the consultation mechanisms and processes set out in section 5.

## **33. APPENDICES**

Appendix A: Proposed Council Budget 2022 - 23

Appendix B: Previously approved revenue investments that impact on 2022-23.

Appendix C: Council Reserves

## **34. BACKGROUND DOCUMENTS**

- Qtr 2 Finance Position Statement – Executive - 2<sup>nd</sup> November 2021
- Medium Term Financial Strategy 2022/23 to 2024/25 – Executive – 7<sup>th</sup> September 2021
- Qtr 1 Finance Position Statement – Executive 6<sup>th</sup> July 2021
- 2020-21 Finance Position Statement – Executive 6<sup>th</sup> July 2021
- The Council's Revenue Estimates for 2021/22 – updated – Budget Council 18<sup>th</sup> Feb 2021

## Appendix A- REVENUE BUDGET 2022-23

- 1.1 The table below shows the 2022-23 budget requirement based on the budget proposals outlined within this report. An analysis of changes since the Medium Term Financial Strategy was reported to the Executive in September 2021. Further detail explaining the changes are provided in Table 2.

**Table 1**

	<b>2022/23 per MTFS in Sept 2021</b>	<b>Change since MTFS</b>	<b>2022/23 Budget Proposals Dec 2021</b>
Cumulative gap			
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	6,388	0	6,388
Existing Pressures in Children's and Adults Social Care	0	10,500	10,500
New Investments for Consultation(Child Short Breaks)	0	552	552
Inflation	13,409	8,964	22,373
Demographic Growth	1,925	0	1,925
Funding Changes	3,735	(17,591)	(13,856)
Base Net Expenditure Requirement	407,862	2,425	410,287
One Off investments (Council Tax Support)	0	1,652	1,652
Existing approved savings that impact on future years	(5,839)	350	(5,489)
Capital financing and central budget adjustments	600	(3,000)	(2,400)
Cost reductions in Revs & Bens due to Universal Credit	(75)	75	0
<b>Net Expenditure Requirement</b>	<b>402,548</b>	<b>1,502</b>	<b>404,050</b>
<b>RESOURCES</b>			
Localised Business Rates	(63,131)	1,000	(62,131)
Top Up Business Rates Grant	(70,990)	0	(70,990)
Revenue Support Grant	(34,806)	0	(34,806)
Assumed additional RSG replacing New Homes Bonus	(1,114)	0	(1,114)
Council Tax Income	(217,109)	(4,249)	(221,358)
Use of reserves	(2,000)	(2,250)	(4,250)
Use of reserves to balance the budget	0	(9,400)	(9,400)
<b>Total resources</b>	<b>(389,151)</b>	<b>(14,899)</b>	<b>(404,050)</b>
<b>Budget shortfall/(surplus)</b>	<b>13,397</b>		<b>0</b>

## Reconciliation of major changes from the MTFs

1.2 The table below provides a reconciliation of the major changes from the £13.4m Financial gap outlined in the MTFs in September 2021.

£13.4m	Financial Gap per the MTFs in September 2021.
+£10.5m	Existing Pressures – Children’s and Adults Social Care demand pressures.
+£0.6m	New Investments – Children’s Short Breaks investment
+£4.4m	Inflation - Impact of revised inflationary assumptions (4% CPI per CSR rather than 2%). NLW increases already previously assumed.
+£4.5m	Inflation - Impact of increased National Insurance Contribution rates.
-£0.6m	Funding Changes – higher Better Care Fund uplift than budgeted for in 2021-22 (£1.1m rather than the £0.5m budgeted for).
-£0.9m	Funding Changes – Estimate of redistributed amounts following the withdrawal of the Lower Tier Services Grant. Funding remains in the Local Government financial envelope, but no announcement about replacement funding has yet been made.
-£1.3m	Funding Changes – estimate of Public Health Grant uplift
+£1.3m	Funding Changes – estimate of spend of Public Health Grant uplift on e.g Agenda for Change uplifts.
-£16.0m	Funding Changes – Estimate of the Councils share of the £1.5bn increase in Local Government Grant nationally. If this is distributed via a needs based formula, then the Council would likely receive more. The funding allocation won’t be known until the Provisional Settlement.
+£1.6m	One off pressures – Cost of £50 Council Tax discount scheme for Council Tax Reduction Scheme recipients & increasing discount for Care Leavers aged up to 25.
+£0.35m	Amendments to previously agreed savings – Defer £350k Welfare Advice saving by one year.
-£3m	One off Capital Financing costs saving in 2022-23 as a result of delays to capital expenditure.
+£1m	Resources – Reduction in the Business Rates base. £2m is currently forecast as a result of appeals and other changes to the base. 49% of the reduction is the Councils share. The numbers will be updated as part of the Council Tax and Business Rates Tax Base Setting Executive report in January 2022, and finalised in advance of the 2022-23 budget.
-£2.2m	Resources – Additional amount raised from Council Tax/ Adult Social Care following the 1% Adult Social Care precept uplift assumed in the Chancellors CSR.
-£2.1m	Resources – Additional amount raised from Council Tax and Adult Social Care precept following revised assumptions about growth in the Tax base from 142,000 Band D equivalent properties to c143,400
-£2.25m	Resources – Increased use of reserves following approval of the City of Culture bid and Regeneration Opportunity.
-£9.4m	Resources – Amount to be balanced by the use of reserves pending the publication of the Provisional Settlement.

## **Appendix B 2022-23 Impact of previously approved investments and savings (Not for consultation)**

- 1.1 A number of investments have been previously approved that will have a budget impact in 2022-23, and these are detailed below.

### **2 Better skills, more good jobs and a growing economy**

- 2.1 **Culture Investment (£3.0m growth in 2022-23)** The next 3 years are critical in positioning Bradford as a cultural powerhouse in the UK. The district has been shortlisted for the 2025 City of Culture, and this funding will be required to prepare should the district win. The investment was previously approved by Full Council.
- 2.2 **Skills House (£1.019m growth in 2022-23).** The investment will enable Skills House to help mitigate the impact of unemployment on individuals and the wider district. The Skills house investment was approved as part of the 2021-22 budget, but was funded by Covid Grants in 2021-22. Base budget will be required from 2022-23 as planned.
- 2.3 **Regeneration Opportunity (£1.25m growth in 2022-23)** previously approved by Full Council.

### **3 Better Health, Better Lives**

- 3.1 **Adults Commissioning Team (£0.5m growth in 2022-23)** – At present, the adults team commissions care valued at c£140m from 500+ care providers.

The team was inadequately resourced to undertake all of the commissioning activity required to deliver the large transformation programme and contribute to demand management savings (£8.5m in 2021-22). Sustained investment is required in order for the Council to meet its statutory duties and create modern Social Care options for people.

The growth in the Adults Commissioning team was planned as part of the 2021-22 budget, and will be on top of the £0.5m invested in 2021-22.

### **4. Safe, Strong and Active Communities**

- 4.1 **Stronger Communities Team (£0.25m growth in 2022-23)** The Stronger Communities service provides an essential role in the district and is a lead for partner agencies and the VCS through building partnerships, coordination of services, facilitation of resources to meet community needs and by commissioning work to meet the Stronger Communities Together Strategy which aims to increase social mobility and equality of opportunity, economic activity, community safety and community cohesion.

The team oversees several grants to the VCS sector in the district and building resilience and vital support across the VCS sector and communities will be supported by this investment.

The £0.25m growth, will be in addition to the £0.25m invested in 2021-22, and will represent the full year effect of the previously consulted on investment.

## 5.1 Enabling Council

5.1 **Microsoft Licences (£0.7m).** The Council's Microsoft licencing needed renewing as it was out of date and unsupported. Non-renewal was not an option. The commitment which was approved in 2021-22, will lead to £0.7m of additional budget requirement in 2022-23.

	2022/23	2023/24	2024/25
Skills House Investment – funded from Covid Grants in 2021/22	1,019	1,019	1,019
Microsoft licences	700	700	700
Adult Commissioning Team expansion	500	1,000	1,000
Stronger Communities Team – remaining full year effect of growth	250	250	250
Culture – remaining full year effect of growth	203	203	203
Legal Services – remaining full year effect of growth	135	135	135
IT Requirement to support Children's Services	(669)	(669)	(669)
City of Culture 2025 funding	3,000	3,000	2,000
Regeneration opportunity	1,250	1,250	-
Recurring Pressures	6,388	6,888	4,638

## Previously Approved Savings

1.1 The table below outlines the savings for future years that have been included within prior budgets. The main saving relates to Adults Demand Management which is planned to deliver £8.4m of budgeted savings in 2021-22 year, followed by an additional £5.5m the in 2022-23. Additionally, the remaining £350k of Welfare Advice savings are proposed to be deferred until 2022-23.

	2022/23	2023/24	2024/25
Adults Demand Management	(5,489)	(5,489)	(5,489)
Remaining Welfare Advice Savings	0	(350)	(350)
Savings included within prior budgets.	(5,439)	(5,839)	(5,839)

## Appendix C Reserves

1.1 The table below provides a summary of the Councils reserve levels at 30<sup>th</sup> September 2021 reserves stood at £290.3m (Council £247.4 and Schools £42.9m). Unallocated reserves stand at £10.7m.

	Closing Balance 2019-20 £m	Closing Balance 2020-21 £m	Opening Balance 2021-22 £m	Net Movement	Balance as at 30 <sup>th</sup> September 2021 £m
Council reserves	207.0	256.5	256.5	-9.1	247.4
Schools Delegated budget	31.9	42.9	42.9	.0	42.9
Total	238.9	299.4	299.4	-9.1	290.3

1.2 The Council has £19.5m of General Fund reserves, and £10.7m of unallocated reserves.

1.3 Overall, reserve levels are expected to reduce significantly in 2021-22, in line with their intended purpose.

1.4 The Council has c£27m of Covid related grants in reserve from 2020-21, which will be drawn down in 2021-22 to fund Covid related expenditure and income losses.

1.5 £4m of reserves were approved to be used to support the recovery from Covid as outlined in the Qtr 1 Finance Position Statement.

1.6 £6.4m of reserves were approved to be used as part of the 2021-22 Council budget.

1.7 Approximately £2.5m of reserves are forecast to be drawn down or repurposed to help mitigate forecast overspends in 2021-22.

1.8 Additionally, a significant portion of the £35m held in the S31 Business Rates Grant Reserve that contains both the Councils share of Section 31 grants and Tax Income Guarantee Scheme compensation will be drawn down at 2021-22 year-end to fund the 2020-21 Collection fund deficits.

1.9 £3m of reserves would be drawn down to support preparation for the 2025 City of Culture preparation should the district win the competition, and £1.25m of reserves would be drawn down to fund the Regeneration opportunity previously approved by Full Council.

1.10 The draw on Unallocated and other reserves to balance the 2022-23 budget could potentially be £9.4m, however this could change dependent on announcements from Government between now and the date that the Councils budget is set in February 2021.

1.11 The Council's strategy for reserves is to use them for:

- Time limited investment in a Council priority;

- Smooth the transition to a lower cost base; and/or
- Complete a delayed project connected to a Council priority.