City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 5th March 2024 and Council to be held on 7th March 2024

AP

Subject:

2024/25 Budget Proposals, Forecast Reserves, Risks, Overall Financial Position and Emerging Financial Strategy– Section 151 Officer Assessment under s25 of the Local Government Act 2003.

Summary statement:

This report assesses the adequacy of forecast levels of reserves, the risks associated with the budget, the overall financial position of the Council, the developing financial strategy and actions needed and being taken to secure the Council's long term financial stability and the robustness of the proposed budget for 2024/25.

It concludes that assuming that provided that:

- the current and planned actions are successfully concluded;
- the Government supports the Council with a "minded to" Capitalisation Direction (CD) and will agree to do so in future years;
- the recommendations in this report are agreed and actioned in full;

then the overall estimates are sufficiently robust for the Council to set a balanced budget for 2024/25.

It should be noted that:

- this assessment is the result of emerging and recent work. The situation will change and the estimated financial position and solutions will require continual development and refinement and will likewise vary as the year progresses;
- the s151 officer is not minded to issue a s114 notice at this point working on the basis that the above assumptions will be supported and seen through on time and in full;
- given the extremely challenging financial situation the Council finds itself in, which it has in recent months started to address, if the recommendations are not agreed, or if the assumptions are not delivered as assumed then very serious consideration will

be given to the issuing of a s114 notice.

EQUALITY & DIVERSITY:

The Equality and Diversity issues arising from the new budget proposals are analysed in the reports accompanying the budget documentation presented to Executive on 11th January 2024 and 5th March 2024. The outcome of consultation with the public, relevant groups and trade unions is reported in the Revenue Estimates report.

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1. SUMMARY

This report assesses the adequacy of forecast levels of reserves, the risks associated with the budget, the overall financial position of the Council, the developing financial strategy including actions needed and being taken to secure the Council's long term financial stability and the robustness of the proposed budget for 2024/25

Reserves

In recent years the Council has utilised reserves of:

- £110m in 2022/23
- £49m of budgeted reserves in 2023/24

Reserves have reduced from a high of £256m in 2020/21 to c£78m of reserves now. The remaining c£78m reserves include c£33m of General Fund reserve balance, with the remainder being required for specific purposes that the Council is committed to.

Thus the reserves available to support the budget in 2024/25 are practically speaking £nil and none are proposed to be used. The Council will need to build up its reserves in future years and only utilise them in future for one off purposes.

Risks

A full risk assessment is shown in Appendix 1. This identifies that there are many risks facing the Council and that there are proposals for mitigating them which will need to be enacted as set out in the analysis.

Overall Financial Position

The Council faces:

- a 2023/24 budget that is currently forecasted to overspend by circa £75m;
- having no reserves it can appropriately utilise to support the budget;
- a CD in 2023/24 of £80m;
- a CD in 2024/25 of £140m;
- a CD that will continue through to 2029/30 that may total c£450m;
- an emerging Dedicated Schools Grant (DSG) deficit it will also need to resolve.

Emerging Financial Strategy

In order to address the current forecast financial position that the Council finds itself in there will need to be a seven part financial strategy covering:

- large, recurrent and robust:

    - revenue savings;
    - asset sales;
    - reductions in the capital programme;
    - income increases;

    all the subject of an enhanced and accelerated budget process for 2025/26. The actual mix of these will be kept under review and will vary as work is undertaken.

    - a complete grip on revenue expenditure through the use of expenditure control panels;
    - a full review of the financial management and finances of the Council;
    - investment in core functions to facilitate the recovery of the Council;

    over a 5 year period

This will be combined with a review of the deliverability of the 2024/25 planned budget savings.

2024/25 Budget

The Council is setting its budget for 2024/25 including proposed revenue savings and some proposed investment in service delivery predominantly to provide for cost-of-living inflationary increases; additional Treasury management costs resulting from higher borrowing and also the demand pressures and improvement activity within Children's Social Care and demand for Adults Social Care.

The budget also assumes that prior approved investments, savings and mitigations that impact in 2024/25 will be fully implemented as required during 2024/25.

In line with assumptions in the Government's Autumn Statement the proposals include an increase to the Council Tax and Adult Social Care precept by 4.99% that will raise c£11.6m.

2. BACKGROUND

Under Section 25 of the Local Government Act 2003, when the Council sets the budget, the Council's Section 151 Officer (Finance Director) is required to report on:

- the robustness of the estimates made for the purposes of the calculations, and
- the adequacy of the proposed financial reserves.

This report comments on the revenue and capital estimates in the proposed budget, the risks, emerging financial strategy and the overall financial position of the Council.

3. OPTIONS

This report does not set out alternative options. Legislation requires the Council to have regard to this report and the assessment when setting the budget.

4. FINANCIAL & RESOURCE APPRAISAL

The financial estimates underpinning this assessment are set out in the separate reports to this Executive on planned revenue and capital spending.

<u>Context</u>

4.1 In the current financial year, the Council is forecast to overspend by circa £75m. This is driven by significant national issues including the cost-of-living crisis, demand and cost pressures in Children's and Adults Social Care. This is combined with a very clear need to accelerate financial savings to address this gap and prevent it recurring in future years. Additional core budget allocation has been invested in Children's Services over the past 4-years and the proposed budget includes further investment to manage demand pressures and support the improvement programme. To supplement this the Council now has an emerging financial strategy to enable it to address the challenges it faces.

4.2 By way of background the Council as all Councils have has faced diminishing government support since 2011/12; the cost of living crisis and inflation on Council resources and demand for services; and the current uncertainties of national local government funding arrangements. In the period from 2011/12 to 2023/24 the Council has taken measures to reduce costs and increase income amounting to over £350m. This will need to accelerate and increase in future years to secure the Council's financial stability.

Use of Reserves

4.3 The Council has used its previously healthy reserve balances over recent years to fund, by way of example, the growing demand from Children's Social Care and the impact of inflation in place of reducing expenditure to deal with these matters.

4.4 Reserve levels are however now at a level which can be reduced no further, and they will have to be rebuilt in the coming years.

4.5 The reserves held within the balance sheet include:

- reserves not available to the Council; for example, schools reserves;
- grant reserves held for specific purposes;
- statutory reserves held and ring-fenced for particular identified requirements;
- earmarked reserves, which are set aside for designated purposes and for specific liabilities and risks;
- the General Fund Reserve; which is essentially the Council's backstop for unforeseen risks and pressures. The reserve is currently inadequate and will need to be built up in future years.

4.6 Although some grant reserves and legally committed earmarked reserves will be drawn down in 2024-25 in line with those activities, subject to a review of the activities they are planned to support, there are no plans to use reserves to support the Council's budget in 2024-25. In the coming years, reserves will need to be rebuilt and this will be reflected in the emerging Medium Term Financial Strategy and multi year improvement plan.

Risks

4.7 Risks and mitigations have been analysed and set out in Appendix 1. The risks are extensive and their resolution will depend on government support through the CD and enhanced and accelerated budget processes along with improved financial management

Overall Financial Position

4.8 The Council's overall financial position is one of an unsustainable budget with a £75m overspend in 2023/24, a structural deficit as at 31 March 2024 of £120m, practically speaking no reserves that can be utilised, under performance in previous years in identifying and delivering revenue savings, an extensive capital programme with planned major borrowing, little generation of capital receipts to minimise borrowing, no financial ability to fund the change and transformation that will be needed and a range of financial management improvements needed to ensure the Council's financial sustainability. All of which culminates in the need for a CD of £220m to allow it to finance the overspent 2023/24 revenue budget, balance the 2024/25 budget and address the systemic weaknesses in its Council wide budget and financial management.

4.9 While the CD will provide breathing space for the Council this will itself increase debt and be an additional charge on the revenue budget.

4.10 Taken together these lead to the emerging financial strategy set out below that will enable the Council to become financially sustainable.

Emerging Financial Strategy

4.11 The emerging financial strategy is the result of an initial analysis of the Council's financial position and the preparation of the levers the Council can use to correct the position and set itself on a path to financial sustainability.

4.12 The vast majority if not all of this work will depend solely upon the Council taking action. While the CD provides greater flexibility on the use of its resources and spreads this over 20 years, it brings with it no additional resource rather it increases the Council's debt and costs the Council additional financing expenditure.

4.13 Part of the financial strategy will be to seek additional/revised funding but this is unlikely to materialise in any significant way or any immediate timescale.

4.14 As noted in the summary there are seven levers within the Council's financial strategy, the first four of which require large, recurrent and robust reductions in expenditure/increases in income. This strategy will be combined with a review of the deliverability of the 2024/25 planned budget savings.

Revenue savings

4.15 The Council needs to save in the region of circa £35m per annum every year for 5 years. In 2025/26 this is estimated at £40m

4.16 The Council does not have a track record of delivering substantial revenue savings in full in recent years, inevitably delivery becomes more challenging after easier to deliver savings have been made:

- 2022/23 budgeted £13.6m savings, delivered £5.6m (roll forward £8m);
- 2023/24 budget £38m savings, forecast delivery at Q3 £27.5m;
- work is currently ongoing to verify the 2024/25 budgeted savings;

4.17 In order to give the Council the best chance of achieving this the revenue budget process has been revised and will include for 2025/26 a plan to identify all savings by 30/9/24. The benefits of this timeline include:

- improved practice – it represents improved practice and will allow Bradford to demonstrate that;
- implementation – it gives more time for implementation than achieved for the 24/25 process and thus should enable more secure delivery;
- consultation – as below;

- longer term planning – by getting 2025/26 into a financially balanced position by 30/9/24 it then frees up more time for longer term transformational approaches to be effected.

4.18 The process will be continuous and start from the 7 March 2024. **Purely as a guide**, this means identifying **as an average** £5.7m per month from March to September 2024 inclusive for the £40m needed for 2025/26.

4.19 Final Scrutiny will take place in October/November and Executive in December to approve proposals, allowing 3+ months for consultation/further consideration/implementation etc.

4.20 Initial plans on areas that could be targeted will include:

The Basics

Full cost recovery of fees and charges
Income collection and bad debt reviews
Expenditure control panels for **all** expenditure
Budget and actual data cleansing to ensure robust budgets

More Fundamental

Departmental initiatives – stop, reduce, defer
Commercial strategy – develop new income streams
Contract reviews – contract register analysis and review, third party spend
Benchmarking analysis

Tactical

Service Redesign
ICT initiatives
Devolve to partnerships, community
Council re structure

Strategic

Whole Council approach
Zero Based Budgeting (ZBB) – depends on financial and service data cleanse above
One front door
One data and insight

4.21 Leadership, co-ordination etc will be by the Interim s151 reporting to the Chief Executive.

4.22 Delivery of proposals, business cases and robust action plans will be the responsibility of Strategic Directors in accordance with the agreed timetable and process working very closely with the Finance Team/Interim s151 as necessary.

Asset Sales

4.23 The sale of assets will generate capital receipts which can be used to finance the CD without incurring revenue financing costs. An initial disposal programme is reported elsewhere on this agenda and represents the first stage in a planned programme of assets disposals.

Reductions in the capital programme

4.24 The current capital programme totals £1,236m over five years from 2023/24 to 2027/28, of which £712m, 57.6%, is borrowing.

4.25 This will cost approximately £38.6m in MRP and interest per year based on the average borrowing rate of 4.5%.

4.26 Each £1m reduction in the programme would save approximately £2.2m over an average asset live of 40 years. It is planned to undertake this review in the same timeframe as the preparation of the 2025/26 revenue budget savings

4.27 In 2023-24 the Council made use of capital receipt flexibilities that allow for qualifying revenue expenditure to be funded from capital receipts. This was a deviation from the previous policy of using capital receipts to support only the capital investment plan and consequently reduce the borrowing requirement. In 2024-25 the Council is not currently planning on doing this as the benefits of these flexibilities are already part of the Council's Exceptional Financial Support request.

4.28 The Government is however currently consulting on changes to the capital receipts flexibilities that are open to all councils without the need to apply for Exceptional Financial Support, and if these proposed changes prove to be financially beneficial then the Council will seek to take advantage of these.

4.29 One of the proposals for example includes allowing councils to borrow from the Public Works Loan Board (PWLB) at prevailing rates less 0.4% for Transformation activity. This is 1.4% less than the rate the Council would otherwise be borrowing at under the Bradford specific capitalisation directive.

4.30 A recommendation to Budget Council is thus made to delegate powers to the s151 to ensure that the Council achieves the most advantageous financial position that derives from proposals that are not yet agreed by Government.

Income increases

4.31 As well as reducing expenditure the Council will need to consider increasing income.

Expenditure control panels

4.32 It is proposed to introduce expenditure control panels with effect from 1 April 2024 which will in essence introduce a process whereby all expenditure irrespective of funding source is subject to challenge by a Departmental panel as to whether the expenditure is essential and then onto a further panel which will bring a further degree of challenge. The fundamental question being not is the expenditure within budget but irrespective of the budget is it absolutely essential that the expenditure takes place

A full review of the financial management and finances of the Council

4.33 The focus of the recent and immediate work has been on the Council's budgets, however to supplement this there is a wide range of work that it will be necessary to undertake to provide assurance to the Council over time that it can place reliance on the state of other financial issues/functions. If there are issues identified that then impact on the CD these will need to be assessed and resolved. Examples include:

- a restructured financial service, enhance overall financial control and reduce fragmentation;
- an enhanced programme of training and development at all levels and throughout the Council;
- resolving a projected DSG deficit from 2025/26. This will require actions to address the deficit and get it back to a balanced position;
- building up the Council's general reserves, sinking funds, specific reserves such as dilapidations etc along with a reserves strategy;
- preparation and capability building for the imminent SAP upgrade/migration project and to ensure full utilisation of system integration;
- automation of processes such as Capita to SAP posting, bank reconciliations, system reconciliations, clearing holding accounts;
- an accelerated closure of accounts process;
- quality assurance processes;
- better understanding of group accounts, pensions, and VAT;
- enhanced cash flow and balance sheet management;
- a culture of challenge, total ownership and rigour;
- improved financial standards;
- improved budget and actuals data and ownership;
- staffing resource succession planning etc;
- a review of income and debt management.

Investment in core functions to facilitate the recovery of the Council

4.34 To allow the Council to successfully identify and deal with the scale of change needed to secure the Council’s sustainable financial future it will be necessary to invest in transformation expenditure, including financing the possible cost of staff reductions, ICT, core functions such as project management, finance and others without which the Council will struggle to drive the level of change needed.

4.35 The IT infrastructure by way of example needs investing in both to continue to have its ageing key systems supported and invest in automation to make efficiencies. £10m has been added in for this for 2024-25, and investment of this scale will need to happen in subsequent years.

4.36 Considering the challenges associated with delivering £45m of savings and mitigations by the Council and the Trust in 2024-25; demand pressures, and historically low reserve levels, £20m has also been added as a contingency.

4.37 These improvements will all be subject to business case approval in 2024-25.

2024/25 Budget

Savings

4.38 The revenue estimates include a further £16.8m of savings for 2024-25

4.39 Further, the BCFT Business Plan predicts that they will be able to reduce spend in comparison to 2023-24 by c£17.7m when adjusted for inflation in 2024-25; Adult Social Care have identified mitigating actions totalling £10m to stop their overspend recurring in 2024-25, and the Home to School Transport Service have also identified c£0.9m of mitigations to stop 2023-24 overspends recurring in 2024-25.

4.40 When combined the quantum of savings and mitigating actions required to be delivered in 2024-25 totals circa £45m, which will be challenging to deliver.

4.41 Enhanced challenge and monitoring processes are being put in place to provide assurance about delivery and early sight of issues. The first action will be to review the plans for 2024/25 to ensure that they are realistic and can delivered. Any non delivery will need to be absorbed within existing cash limited Departmental budgets.

Governance

4.42 The Council’s financial management, reporting and governance processes continue to ensure that senior Leadership has the financial data and analysis to enable effective management decisions. Monthly budget monitoring reports include mitigation actions to address underlying budget variances and balance budgets.

4.43 The Corporate Management Team, Executive members, and senior officers have been heavily involved in the development of the budget proposals.

4.44 The Chief Executive has also established an emergency financial response governance process which includes all CMT members and other senior officers to identify new savings opportunities, and monitor implementation. This is being further enhanced through the accelerated budget process, expenditure control panels etc

Investments

4.45 The Budget proposals for 2024/25 propose recurring investment in critical areas of activity including significant additional resources for Children's Social Care provided by the Bradford Children & Families Trust (£42m), and Children's Social Care related costs for legal and transport that are provided by the Council. £4m has also been provided for Adult Social Care which is on top of amounts for inflation and demographic growth.

4.46 Recurring pressures in Treasury Management of c£17.3m have also been included in the budget to take account of higher interest rates, higher MRP costs, and the financing costs linked to Exceptional Financial Support.

4.47 The grading review will also help address staffing pay related issues and cost c£10m.

4.48 £7.5m has been included to increase capacity and capability in core Corporate services that will be central to returning the Council to a financially sustainable position.

4.49 £5.9m has been used to add back under delivered savings from prior years to stop the under delivery recurring again in 2024-25. These and other investments are detailed in the Revenue Estimates Report.

4.50 The proposals also sustain services to communities and investment in the regeneration of the district for example the delivery of City of Culture 2025, Keighley and Shipley Towns Funds, Darley Street Market; One City Park; Bradford Live and other regeneration programmes.

Inflation and Demographic Growth Pressures

4.51 The proposed 2024/25 budget includes £37m to cover the estimated costs of inflation in the Council and the Bradford Children and Families Trust. This is inclusive of an estimated 4% pay award for 2025-26 and a catch up for a higher than budgeted pay award in 2023-24. There are also inflationary increases on contracts linked mainly to CPI, amounts to cover the increase in national living Wage for Social Care and other workers, and inflation on Fees and Charges. The amount required for inflationary pressures is high given the current economic climate, and price volatility.

4.52 If the pay award is settled at a higher rate than the 4% included within the budget this will create a structural cost pressure for the Council given each 1% in pay equates to c.£2.6m.

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

4.54 £2.0m has also been budgeted to pay for the cost of demographic growth on Council services, primarily in Adults and Waste Services.

Funding Changes

4.55 The proposed budget also takes account of funding changes announced by the Government in the Final Local Government Settlement that will see increases in funding for Social Care, and compensation from Government for their decision to support businesses by freezing the Business Rates multiplier for small businesses.

Resources

4.56 Council Tax
This budget proposes the maximum allowable increase in Council Tax without recourse to a local referendum including the Social Care precept of 4.99%. For a Band D property this equates to an annual rise of £80.89, and a weekly rise of £1.56p for a Band D property. The proposed budget for Council Tax will be £246.583m in 2024-26 and a £3.394m surplus from 2023-24 that will be a one off benefit in 2024-25.

4.57 Business Rates
The Business Rates budget has been set based on information at the end of December 2023, and submitted to Government in line with statutory guidelines. The Council will pay itself £61.506m from the Collection Fund in 2024-25, and will also receive a surplus of £2.228m from 2023-24.

4.58 Government Grant
The Council will receive £43m of Revenue Support Grant, and £78.579m of Business Rates Top up grant, as outlined in the Final Local Government settlement.

Housing Revenue Account

4.59 The Council opened a Housing Revenue Account (HRA) on 1 April 2023 in line with the s74 direction from DLUHC ceasing. The direct impact upon the general fund has been assessed and reflected in budget proposals. The HRA will provide options for the Council to lead housing development and directly influence the market. The HRA is a ring-fenced account but there may be options to maximise funding opportunities within those constraints. In the first year of operation, the HRA is forecast not to balance without the use of HRA reserves which are nearing depletion. There are a number of areas that are planned to make the HRA sustainable without the use or reserves in 2024-25, and these include reducing the void rates, and getting improved value out of contracts. The Council’s HRA is very small relative to other councils.

Schools Budgets

4.60 The proposed allocation of the Dedicated Schools Grant (DSG) has been the subject of extensive and detailed development, scrutiny and ratification by the Schools Forum and its working groups.

4.61 It is understood that, nationally, around £3bn of deficits are currently being held in DSG accounts across local authorities. Demand-led high needs spending pressure is the root cause of these deficits. The ‘statutory accounting override’ that is currently in place means that these deficits are set aside from Council accounts, but are still to be dealt with and may come back into Council accounts in the near future (in 2026/27). Two thirds of local authorities are now within the DfE’s high needs ‘intervention’ programmes – the Safety Valve Programme and the Delivering Better Value Programme. Bradford has not yet needed to engage with these programmes. It has been successful so far in managing the DSG account, remaining in surplus whilst also responding to demand-led pressures and creating more specialist places (despite lack of success in securing a new special school free school). However, due to expected continued demand-led growth, and an insufficient high needs DSG settlement from Government, it is forecast that there will be a significant downturn in the DSG position from April 2024.

4.62 The planned Schools Budget for 2024/25 as proposed (as recommended by the Schools Forum) forecasts an overspend of £23m on 2024/25 DSG income. On this basis, the DSG account reserve will reduce from an estimated £30m at the end of 2023/24 to a surplus of £7m at the end of 2024/25. Where demand-led growth continues in high needs at similar rates, the DSG account will be in deficit at the end of the 2025/26 financial year.

4.63 In recent years structural changes have been delivered and a number of mitigations have been applied, which roll forward within the 2024/25 planned budget and which have contributed so far to the success in delivering a balanced High Needs Block budget and in securing carry forward DSG surplus resilience reserves. A number of the actions that have already taken place feature in the DfE’s recommendations to local authorities that are within the Safety Value and Delivering Better Value intervention and support programmes. The much more challenging forecasted position for 2024/25 onwards is the result of an expectation of the continued significant growth in numbers of EHCPs alongside other demand-led spending pressures and the reduction in the annual increases in High Needs Block income that the Council has received / expect to receive within the DSG settlements.

4.64 A deficit in the DSG account is potentially significant for the Council’s overall financial position. Mitigations will continue to be discussed with the Schools Forum. As discussed with the Schools Forum, one of the new mitigating actions is to request advice and support from the DfE in the management of the future position. This will be instigated after the budget has been set by the Council.

Health and Social Care

4.65 Continuing developments in the integration of health and social care may bring cost consequences for our longer term financial planning. It is important to acknowledge the growing interdependencies in public sector finances, and in particular Health, and the way that we use our funds, and partners use theirs, will have an increasing bearing on outcomes in the district.

City of Culture.

4.66 The Council has previously committed £10m towards City of Culture (£7m revenue and £3m capital), and the budget includes the last year of contributions towards it.

New burdens.

4.67 The Government is also looking at Waste reforms to incorporate food waste and move towards consistent collection in the near term. The financial consequences of this are not yet known, and it is currently assumed that new burdens would also result in new funding.

Section 151 Officer's assessment

4.68 It is concluded that assuming that:

- the current and planned actions are successfully concluded ie that the emerging financial strategy is agreed and implemented in full
- the Government supports the Council with a "minded to" Capitalisation Direction and will agree to do so in future years
- the recommendations in this report are agreed and actioned in full

then the overall estimates are sufficiently robust for the Council to set a balanced budget for 2024/25.

4.69 Given the unprecedented level of financial challenge that the Council currently faces, there is however significant uncertainty and volatility in which the proposed budget is set, it is inevitable that there will be a number of risks to its delivery. These risks along with mitigating actions are identified in Appendix 1 to this report.

The financial challenges in future years beyond 2024/25 call for continued very significant action undertaken at pace, and the investment in the transformation programme will prove to be a vital contribution to this endeavour. The longer-term financial resilience depends on successfully implementing the cost improvement plans.

4.70 Related to this the s151 officer is not minded to issue a s114 notice at this point working on the basis that the above assumptions will be supported and seen through on time and in full. Nevertheless given the extremely challenging financial situation the Council finds itself in, and has in recent months started to address, if the recommendations are not agreed and the assumptions are not delivered as assumed then very serious consideration will be given to the issuing of a s114 notice.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The potential impacts of the identified risks have been modelled in Appendix 1 to this paper. This risk analysis will be used to inform management action during the year. The existing and proposed governance mechanisms to manage the budget are examined as part of the risk assessment.

6. LEGAL APPRAISAL

This assessment is made in accordance with the requirements of the Local Government Acts 1972 and 2003. The Council's Constitution provides that each year, before the budget is determined the s151 Officer will produce a report for the Executive showing ongoing commitments and a forecast of the total resources available to the Council to enable the Executive to determine any financial strategy guidelines

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

No direct implications arising from this report.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

No direct implications arising from this report.

7.3 COMMUNITY SAFETY IMPLICATIONS

No direct implications arising from this report.

7.4 HUMAN RIGHTS ACT

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

7.5 TRADE UNION

As this report details, the Council is facing significant budget challenges and as a result, will be required to make changes to the delivery of services and deliver services at a reduced cost. These proposals will, if adopted, unfortunately result in a reduced requirement for employees to carry out work of particular kinds, and/or a requirement to change the terms and conditions of some employees.

These proposals identify that there is the potential for up to 113 employees to be made redundant. Consultation has taken place since 3 January 2024 on these budget proposals with the recognised Trade Unions as required by Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 ("TULRCA 1992"). The consultation period ran through to 17 February 2024. Briefing and consultation meetings involving members of Corporate Management Team and the recognised Trade Unions were held on 3 January 2024 and 11 January 2024. In addition, departments have held frequent consultation meetings with the recognised Trade Unions at OJC Level 2 and OJC Level 3 meetings during January and February 2024.

The purpose of the consultation with the trade unions has been to explore ways of avoiding redundancy dismissals and to reduce the number of employees who will be dismissed. For any proposed redundancy dismissal, that selection will be in accordance with the Council's Procedure for Managing Workforce Change and alternative employment opportunities will be considered. Every opportunity will be explored to avoid a compulsory redundancy situation.

Feedback from the recognised trade unions is included in Appendix G to the Revenue Estimates Report submitted for the meeting of Executive on 5 March and of Council on 7 March.

7.6 WARD IMPLICATIONS

There are no direct implications arising from this report,

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The budget proposals include proposals that will affect children and young people, and have been subject to equality impact assessments.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

N/A

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. RECOMMENDATIONS

9.1 That Members have regard to this report in setting the budget, and in particular note the conclusions that provided that :

- the current and planned actions are successfully concluded ie that the emerging financial strategy is agreed and implemented in full;

- the Government supports the Council with a "minded to" Capitalisation Direction and will agree to do so in future years;

- the recommendations in this report are agreed and actioned in full;

then the overall estimates are sufficiently robust for the Council to set a balanced budget for 2024/25.

9.2 That Members agree:

- that the level of general reserves is inadequate at £33m and that reserves need to replenished

- that there is accordingly no planned use of reserves to support the 2024/25 budget;

- to required implementation in full of the emerging financial strategy ie that the Council:

    - identifies an estimated £40m of revenue savings for 2025/26;
    - identifies assets to be sold to generate capital receipts;
    - undertakes a review of the capital programme;
    - considers increasing income;
    - operates expenditure control panels as set out in the report from 1 April 2024;
    - undertakes a full review of financial management and finances of the Council;
    - invests in core functions necessary and subject to business cases;

- any non delivery of planned 2024/25 revenue savings will need to be absorbed within existing cash limited Departmental budgets.

9.3 That Members note:

- the assessment of the current financial position of the Council;

- that this assessment is the result of emerging and recent work. The situation will change and the estimated financial position and solutions will require continual development and refinement and will likewise vary as the year progresses;

- the s151 officer is not minded to issue a s114 notice at this point working on the basis that the above assumptions will be supported and seen through on time and in full;

- given the extremely challenging financial situation the Council finds itself in, which it has in recent months started to address, if the recommendations are not agreed, or if the assumptions are not delivered as assumed then very serious consideration will be given to the issuing of a s114 notice

- that the 2024/25 savings are being reviewed for deliverability;

- as with all budgets there is the potential for amendments to be proposed/agreed which could change the overall package of proposals. In that respect, it should be highlighted that this statement would have to be amended if a decision was proposed that leads to the Council's reserves reducing below their recommended General Fund balance level. In addition, any other amendments would be considered against the scale of the overall budget and depending upon the extent and nature, may result in a revised statement.

10. APPENDICES

10.1 Appendix 1: Risk-Based Assessment

11. BACKGROUND DOCUMENTS

Executive reports and supporting information / working papers

- 5th March 2024 Revenue Estimates Report for 2024-25
- 5th March 2024: Capital Investment Plan 2024-25 to 2027-28
- 5th March 2024: Allocation of the Schools Budget for 2024/25 Financial year
- 6th February 2022: Quarter 3 Finance Position Statement 2021/22
- 11st January 2024: 2024-25 Budget Proposals Report
- 9th January 2024: Calculation of Bradford's Council Tax Base and Business Rates Base for 2024-25
- 21st December 2023: Budget Update – Exceptional Financial Support Request February 2023: The Council's Revenue Estimates for 2023/24
- 17th February 2023: Capital Investment Plan 2023-25 to 2026-27
- 17th February 2023: Allocation of the Schools Budget for 2023/24 Financial year
- 17th February 2023: 2023/24 Budget Proposals and Forecast Reserves – s151 Officer Assessment and Addendum

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2024/25 Budget and Beyond

The table outlines: the risk event that could occur and cause the plan to vary; the mitigations that are in place; and an assessment of the potential quantified impact of the individual risk materialising, together with the additional mitigating factors.

The fundamental underpinning mitigation that applies to all of the risks is the implementation of the Council's underpinning emerging financial strategy, without this strategy being agreed and actioned the Council's position will worsen

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
There is a risk that…		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Outcome of Central Government reviews such as fair funding review and/or business rate review may adversely impact Bradford funding levels	There is little mitigation we can undertake directly as this is an external Central Government review. However, the expectation would be for funding to additionally recognise the impact of deprivation, local tax bases and other factors upon Councils and address prior funding streams which have seen Met/ Unitary Councils adversely impacted more than others.	Low / Medium Indications are that funding revisions and business rates reset would be beneficial.
Demand for services may increase placing pressure on budgets	Demand for services may increase both in terms of general service demands, especially in Children's and Adults Social Care. MTFS includes provision for general demand pressures such as demographics and additional budget provision for services where demand is currently forecast to increase or generate an upward pressure on budgets, for example Children Social Care and SEND.	Medium / High MTFS includes allocation of budget to reflect key demographics and spend pressures.

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There is a risk that…		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	Investing in prevention via the transformation programme, including innovative technology and channel shift to lower cost, more effective methods of delivery, prioritising working with our partners to manage demand across the system and build requirements that meet the demand needs of individual localities.	
Taxation streams may be unstable	Collection Rates, bad debt provisions, appeals provisions, rateable property and the cost of the Council Tax Reduction Scheme are regularly monitored. Business Rates performance continues to be more volatile than Council Tax, with the outcome of appeals significantly reducing the tax yield. In year losses and gains can be handled through the Collection Fund, while variances can be dealt with in future year's plans.	Low/Medium Contingency provided through adjustment of budget plans for subsequent years.
Other income streams may be unstable	Non-taxation income streams remain impacted by economic conditions and further impacted by cost of living pressures. Fees and charges are planned to rise by 6% across many services, and higher where specifically identified. NHS funding streams may be at risk in the wake of current financial difficulties. Past performance suggests that unplanned income may materialise, offsetting generally some of the risks against the aggregate net revenue budget. Fees and Charges reviews take account of potential impact on customer resistance / revenue streams.	Medium / Medium Contingency provided through in-year budget control. Continuous dialogue with NHS partners over funding flows More active bidding for external funds Close monitoring of trading and general fees and charges revenues
Non-payment of	Potential economic downturn may result in additional non-	Low / Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
There is a risk that…		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
debtors may lead to additional write-offs	payment of debts over and above existing bad debt provisions. Existing mitigation is through existing debt management processes and recovery action. Debt management review is seeking where possible for services to be paid at point of service/order. Where not possible, charges will be raised through debtor invoice processes enabling effective monitoring and tracking of debt to enable recovery	Contingency provided through bad debt provision. Should a trend be identified, the MTFS will be adjusted to reflect additional bad debt provision / write off requirements and amendments proposed to provision of services where possible
Plans for implementation of savings may not be delivered.	Each savings proposal is required to be accompanied by a detailed project plan setting out the implementation path. As appropriate, business cases will provide detailed options appraisal and full analysis of costs and benefits. This process has been strengthened further through monitoring at CMT and the inclusion of a savings tracker in monthly DMT/CMT finance reports. The impact of the plans has been tested in consultation, with the Chief Executive, Strategic Directors and Executive members. Implementation requires a dedicated project management resource and the Corporate Transformation team have driven weekly highlight reporting through CMT for the current budget savings plan. Underdelivered savings from 2023-24 have been reviewed and added back – this includes £5m for vacancy and abatement amongst others. A c£20m contingency for the impact of underdelivered savings and mitigations has been proposed.	Medium / High Close monitoring and mitigation provided through continuous improvement of plans and regular monitoring reports through CMT.

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There is a risk that…		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Plans for implementation of transformation and change projects may not deliver expected outcomes	Transformational activity across all departments are progressing and a large pipeline of change projects has been identified. Robust governance and documentation will support decision making including robust business case development as appropriate, using the CIPFA Better Business Case model to provide detailed options appraisal and cost benefit analysis. Project controls will be in place to anticipate potential risks, identify mitigations in advance, and manage issues as they arise should plans have potential for under delivery. Frequent and effective tracking and monitoring will be in place via the corporate transformation team to ensure issues are escalated in a timely way to provide additional delivery confidence.	Medium /High Transformational plans developed and transformation programme re-established building upon the effective CMT Budget Mitigation plans and weekly highlight reports into some detail. Budget does not include a ‘targeted’ saving from transformation and therefore is not predicated upon achieving an outcome. Transformation is expected to feed into future MTFS and mitigate a level of future savings and /or enable investment in services
Planning may be insufficiently flexible to respond to unexpected events	Governance arrangements allow Strategic Directors, under delegated authorities, and in consultation with Portfolio Holders, to flex plans during the year. If necessary, recourse can be had to the Executive to approve changes within the overall agreed budget envelope. Project controls will be in place to anticipate potential risks, identify mitigations in advance, and manage issues as they arise should plans have potential for under delivery. Frequent and effective tracking and monitoring will be in place via the corporate transformation team to ensure issues are escalated in a timely way to provide additional delivery confidence.	Low/Low Evidenced through high extensive period of need to be flexible to effectively manage Covid related events and recent CMT budget mitigation plan.

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The Council may have insufficient reserves to manage future uncertainties and volatilities	The Council's reserve levels are at an historic low and will need to be rebuilt in the medium term. The Councils General fund reserve has been increased from c£22m at the start of 2023-24 to c£33m at the start of 2024-25. The budget proposals include the creation of a £20m contingency to mitigate the risk of unfunded pressures and underdelivered savings and mitigations.	Medium/High Identified savings and mitigations need delivering Services need to manage within approved budget
Insufficient inflation allowance is provided in the plan	Expenditure budgets have been selectively inflated at indices appropriate for the relevant budget line with c£37m inflation added to core budgets. This is inclusive of an estimated 4% pay award for 2024-25 and a catch up for a higher than budgeted pay award in 2023-24. There are also inflationary increases on contracts linked mainly to CPI, amounts to cover the increase in national living wage increases for Social Care and other workers, and inflation on Fees and Charges based on CPI. Where appropriate, budget managers will need to absorb unfunded inflation through reducing consumption of goods and services.	Medium/Medium Compensating action to reduce net costs
Capital budgets are insufficient to meet rising costs, including inflationary pressures	Capital budgets are approved with some contingency. Recent experience has evidenced a significant inflationary increase on cost of core materials and capital works. As a result a number of capital budgets have had to be increased. As external funding is generally finite these pressures will result in additional borrowing with a consequential pressure on capital financing budgets.	Medium/Medium Contingency in budgets Balancing risk with suppliers, Value engineering upon tender response

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There is a risk that…		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	The capital investment plan has been reviewed and c£9m of schemes are proposed to be deleted from the programme. A further review will also occur in the near term which will seek to reduce the size of the capital investment plan further.	
Capital investment is poorly controlled	Experience from prior years suggests capital projects take longer to implement than planned with a significant degree of slippage. PAG processes have been updated, and period capital monitoring, including Leader and Portfolio Holder engagement implemented. Capital challenge sessions provide for further Executive member led scrutiny and challenge	Low/Low Close monitoring is required to ensure that schemes do not overspend and deliver to plan. Contingency provided through adjustment of plans for subsequent years
Capital receipts to fund Exceptional Financial Support do not materialise	The Council has developed a c£60m asset disposal plan to help fund the cost of Exceptional Financial Support, and c£35m has been assumed for 2024-25. If they do not materialise, the Council would have to borrow for the difference – this would however result in additional financing costs. Enhanced monitoring processes have been put in place to provide assurance about delivery and early sight of issues.	Medium/Medium
Capital projects do not deliver expected Invest to Save returns	A number of capital projects have been approved on an Invest to Save basis, with financial benefits forecast to offset capital borrowing costs. If these savings do not materialise the relevant service area will have a budget pressure in meeting these costs. Cost of living impacts upon capital costs will impact invest to save return.	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital and revenue monitoring

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		processes.
Interest Rates are higher than anticipated over the life of the plan	Interest rate rises would have a corresponding impact on the capital and EFS financing budget as external borrowing becomes more expensive. This may in turn have an impact on the affordability of the capital programme, in particular in later years. Interest Rates assumed in the budget are based on the latest available information from professional treasury management advisors. Their future year forecasts are that there will be a reduction in interest rates, and these have been reflected in future estimates of the Councils financing costs. Regular updates are received and form part of our monitoring processes and also the timing of when new loans are taken to fund the capital programme including advance borrowing against the programme forecast	Medium/Medium Compensating action to reduce net costs Re-profiling and reprioritisation of the capital plan Strong link between capital forecast, Treasury Management and MTFS Appropriate levels of advance borrowing taken where opportunities exist
The baseline budget is structurally compromised	The proposed budget is set using the 2023/24 baseline as amended for specific changes. The 2023/24 forecast outturn shows a combination of overspend pressures and compensating underspends, the most significant of which have been accounted for as part of those specific changes, and where appropriate included within the MTFS, or within budget proposals, for example the proposed further increased base budget for Children’s Social Care provide by BCFT.	Medium / Medium Strategic Directors can use their delegated budgets flexibly Structural budget issues are identified and tracked, and if appropriate reflected in MTFS and budget plans. c£20m contingency budget c£33m General Fund Reserve
Changes in school funding and in school structures	Three factors could lead to financial stress in schools, which, under some circumstances, could create liabilities for the Council’s budget: the increasing gap between funding and	Medium/Medium Support for/intervention in individual

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created unforeseen and unfunded liabilities	inflation-driven costs; the impact of the National Funding Formula on individual schools; conversions to academies. As outlined in the Schools Budget, reserves are being used in 2024-25, but the Schools budget may go into deficit by 2025-26. Mitigation plans are being formed, and the Council will be liaising with the Department for Education.	schools On-going dialogue with Regional Schools Commissioner Engagement with Bradford Schools Forum Position regarding known conversions and deficits has been provisioned where material and appropriate
Internal governance arrangements are not fit for purpose	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the supporting mechanisms are likewise effective at enabling a mature discussion about the use of local authority and DSG funds to support schools and pupils. Governance arrangements for health and social care are also well established. Internal governance supporting change management also reduces the risk of departmental silo mentality.	Low/low