Report of the Assistant Director Finance and Procurement to the meeting of Executive to be held on 20 February 2018 and Council to be held on 22 February 2018

Document BC

Subject:

2018/19 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2018/19, the adequacy of forecast levels of reserves and associated risks.

It concludes that the estimates are sufficiently robust for the Council to set the budget. It also concludes that unallocated reserves should be maintained in the range of £12-15m over the period of the current financial strategy to ensure the continued financial resilience of the Council.

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Overview & Scrutiny Area: N/A

1. SUMMARY

This report assesses the robustness of the proposed budget for 2018/19, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's financial outlook up to 2020/21.

The Council is setting its budget for 2018/19, and making decisions about savings for 2019/20, which will require implementation action to be undertaken during 2018/19.

It should be noted that the process aligns with years two and three of the four year financial strategy constructed this time last year that sought to align our finances to the outcomes in the Council Plan 2017-2021.

For the past two budget rounds, the Council's S151 Officer has concluded that unallocated reserves in the range of £12-15m is adequate and this report concurs with that view. That said, where opportunities arise to exceed this level, these should be exploited given the continued uncertainty in the local government finance environment.

The report concludes that the estimates are sufficiently robust, in the context of its £357m net expenditure and available contingencies, for the Council to set the budget for 2018/19. However, it should be clearly noted that there remains risk around the delivery of some major savings programmes, in particular related to Demand Management in Adult Social Care, and organisational focus is required to ensure these deliver the required financial savings, as well as the desired outcomes for service users.

2. BACKGROUND

Under Section 25 of the Local Government Act 2003, when the Council sets the budget, the Council's S151 Officer 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 assessment is informed by extensive personal involvement in the development of the proposed budget.

3. OPTIONS

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

4. FINANCIAL & RESOURCE APPRAISAL

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

2018/19 Onwards Budget Appraisal

Context

- In setting a four year plan this time last year, the organisation signalled its intent on managing the longer term financial sustainability of the authority, reducing the recurrent cost base within anticipated resources by 2020/21. This would see £110m of savings delivered over the four years, set against modest increases in Council Tax and Business Rates and a projected zero Revenue Support Grant (RSG) in the final year. The £110m of savings would be on top of £218m delivered during the period from 2011/12 to 2016/17.

- The following sections seek to highlight the changes since the plan was adopted, the risks of those changes and how they impact on the delivery of the 2018/19 budget and our longer term financial and reserve strategies.

2017/18 Projected Position

- The Q3 monitoring report presented to Executive on 6 February 2018 forecasts a £0.6m overspend for 2017/18, with the working intention that further mitigating actions will result in expenditure being contained within budget by the year end.

- The Council has well established procedures for measuring progress against agreed savings plans and these are reported in the quarterly monitoring reports. In previous years, we have typically reported no more than 15% of the total value of savings off target for a given year. 2017/18 has seen a marked increase in this figure with 51% of savings (£23.5m) reported off track, which presents a cause for concern should non-delivery of this magnitude become a recurring theme.

- Mitigations in year include one off funding, slippage on the capital programme and associated revenue budgets and full application of corporate contingencies.

Funding and Resources

- The financial plan is still predicated on the council receiving zero Revenue Support Grant (RSG) in 2020/21. This may be subject to change given the announcement of the move to a 75% Business Rates scheme in the December 2017 settlement. However, a number of risks inherent in the operating environment remain, including historic damping, the transfer of further responsibilities and the impact of Brexit on overall public finances to move away from this assumption at this time.

- The successful bid for the Leeds City Region Business Rates Pool to become a 100% pilot was welcome, and whilst it is only for one year at this time, it has unlocked resources that will help the Council meet short term expenditure pressures outlined in further detail below. Whilst the pool pilot has been provided on a ‘no detriment’ basis, i.e. no council should be worse off as a result of its involvement in a pilot, business rates remains the more volatile of our local taxation revenue streams with significant resources applied to provisions for backdated valuation appeals.

- With the anticipated removal of RSG and the volatility of business rates, Council Tax remains our most stable and reliable revenue stream. It will account for 52% of our net expenditure requirement in 2018/19, up from 35% in 2010/11. As a historically low taxing authority, it is important to maximise the ongoing benefit of increases in the Band D rate as and when they are available and this budget proposes maximum increases in both the general and social care precept element (5.99% in total). The budget also makes provision for growth of £750k which includes investment in a Housing and Development Delivery team, designed to unlock stalled sites and accelerate growth, above and beyond the assumed annual growth in the taxbase of 750 Band D properties.

- The national Fair Funding review, stage one of which is now open for consultation, presents the opportunity to address some of the deficiencies in the current funding system. Key to the Council will be ensuring our historic underfunding, economic deprivation and demand led pressures in both Adults and Children's services are appropriately accounted for. Future reports to Council will provide feedback on the developing themes of the review and how they may affect our funding outlook.

Expenditure Pressures

- The original four year plan was predicated on 1% year on year pay increases, which was the right assumption at the time, given the pattern of pay offers from 2010 onwards. Since the June 2017 election, and after we prepared our annual Medium Term Financial Plan (MTFP) refresh, public sector pay has come to the fore, particularly in the health sector, with higher than average pay offers reported. The Local Government sector has followed suit with a 2 year pay offer which signals that the era of below inflation pay increases may be drawing to a close. This creates structural cost pressures for the Council given each 1% in pay equates to c.£2.1m. In addition, the move to the National Living Wage locks in further cost both to our budget and the wider supply chain on which we rely. Both of these issues will require further assessment at the next MTFP refresh in July 2018, as we set out the scale of the fiscal challenge up to 2024/25.

- The estimates make provision for total inflationary increases to our cost base of c.£13.9m, which have also increased from the time we set the original plan, and careful monitoring of external forces on prices will become a theme of our financial planning, in particular as the impacts of Brexit become known.

- Managing demand remains a key issue. The budget makes annual provision of £3.6m year on year growth for support for our most vulnerable residents. We have seen a sharp increase in the Looked After Children population during 2017/18, and our future financial planning needs to be mindful of whether this growth will be repeated in future years.

- The issue of demand is not confined to Bradford, with most if not all social care authorities reporting strain in Adults or Children's care, or both. The challenge for this Council, with its comparatively low taxbase and strong efficiency performance, will be in maintaining discretionary services whilst managing this demand and the existing savings delivery programme.

Savings Plans

- Earlier sections of this paper refer to the 2017/18 in year challenge related to savings delivery. In order to present a balanced budget for 2018/19, we have been required to reprofile and in some cases write off proposals where they are no longer deemed to be deliverable in 2018/19 or beyond. This isn't unusual in managing a longer term financial plan and clearly forms part of producing a credible budget in any given year. These actions equate to £24m and it has been made possible by bringing forward other savings, making one-off adjustments to our capital financing budget in 2018/19, based on the current projected pace of delivery on the programme, as well as reducing some central contingencies to a still acceptable level. It should be reiterated that these measures have been used to reduce the 2017/18 overspend and would therefore not be available to mitigate unforeseen cost pressures in 2018/19.

- Whilst these actions have been acceptable and proportionate in this budget, the organisation cannot reasonably afford to repeat this in future budget cycles. Continued use of one off resource to mitigate non delivery of savings in order to balance budgets, which in turn erodes the financial health of an organisation, is clearly bad practice and is the prime reason for the severe financial strain being reported elsewhere in the sector at this time.

- The current savings programme, up to 2020/21, contains sizeable proposals that need to be delivered in their entirety over the remaining three years of the plan, including changes to our Early Help offer, alternative delivery models for our Place based services and most notably Demand Management in Adult Social Care.

- The latter, which is projected to deliver £32m in savings over the plan, and which we have reprofiled as part of the measures outlined above is crucial in the context of its proportionality to the overall savings we need to deliver by 2020/21. Managing demand in the care system and ensuring the right care is provided at the right time and place is clearly a sound strategy and firm organisational focus will be required to ensure the projected financial quantum is aligned to those improved outcomes for our residents.

- The full list of savings proposals have been developed with Executive members and management teams, which building on the extensive outcome led work in 2016, started in early summer 2017.

- All savings are allocated to a Strategic Director and progress measured through departmental Budget Delivery Boards and the overall Council Plan Delivery Board.

- In presenting two years of proposals, there is currently a projected gap of £3.5m in 2019/20 requiring further mitigation. This structural pressure will ultimately need to be met by ongoing savings.

Other Considerations

- 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. As part of this process, the Forum has recommended adopting the new National Funding Formula for the allocation of formula funding to primary and secondary schools from April 2018.

- In terms of Capital, the budget makes provision for a modest and affordable increase in our capital financing budget to cover the cost of a number of new significant regeneration projects designed to stimulate the local economy.

- Continuing developments in the integration of health and social care, which will likely be further impacted by the Green Paper due in summer 2018, may bring consequences to our longer term financial planning assumptions not currently factored in.

- Building on this last point, 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.

Summary

Given the remedial measures applied to the financial plan in 2018/19, it is concluded that the budget estimates are sufficiently robust in the context of an overall net expenditure requirement of £357m and available contingencies. However, given the experience in 2017/18 of non delivery of savings, careful and regular monitoring of the revised savings delivery programme will be required so that appropriate actions can be made including the identification of replacement recurring cost reductions where necessary.

Reserves

The Council's financial strategy during the period of austerity has been to maintain the strength of the balance sheet in order to provide resilience in a turbulent environment, whilst reducing the recurrent net cost base. The Council adopted and has adhered to a policy on the use of reserves which has served it well.

The balance sheet includes:

- Unallocated Corporate Reserves
- reserves set aside for designated purposes and for specific liabilities and risks.

Previous budget decisions, including setting aside funding for transformation, means that Unallocated Corporate Reserves currently sit at £14m (3.9% of the proposed net expenditure budget for 2018/19), and these are not projected to change over the remaining three years of the plan. Recent policy has suggested a balance of between £12-15m is acceptable and this remains a reasonable assumption.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant. To reiterate, non delivery of savings of the magnitude seen in 2017/18 on a continued basis, coupled with rising demand and further reduced resources could ultimately create a financially unsustainable organisation.

In this context, the projected Unallocated Corporate Reserves for 2018/19 and beyond remain adequate ***only if***

- the significant risks to the delivery of the proposed savings from previous and new decisions can be managed

- the indicative spending plans in future years are developed, agreed and implemented
- The amount of contingency in the annual base budget remains adequate
- Potential liabilities are manageable within the balance sheet's provisions and reserves
- Local sources of taxation and other income turn out as planned (with particular focus on Business Rates volatility).

It is therefore concluded that:

- the reserves are adequate for the 2018/19 proposed budget
- the Council has a clear reserves plan for the medium term
- the key to financial resilience now lies firmly in successfully implementing plans.

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

The Equality and Diversity issues arising from the new budget proposals are analysed in the reports accompanying the budget documentation presented to Executive on 6 February and 20 February 2018, plus addenda presented at the meeting. The Interim Trade Union feedback on the budget proposals is documented and reported in a similar way. The Trade Union feedback and the feedback from the public engagement and consultation programme on the proposals previously approved by Budget Council in February 2017 was fully considered by Council at that time.

8. RECOMMENDATIONS

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

- the estimates presented to Council are sufficiently robust, in the context of the overall £357m net expenditure requirement and available contingencies

- the reserves are adequate for the 2018/19 proposed budget, and will be drawn on in accordance with proposed plan and reserves policy, recognising that estimates will be subject to review as part of the rolling planning cycle

- the projected corporate reserves to 2020/21 would, on current estimates, be adequate, subject to the implementation of the rest of the proposed financial plan.

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 be amended or added to if a decision was proposed that lead to the Council's reserves falling below their recommended 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.

9. APPENDICES

9.1 Appendix 1: Risk-Based Assessment

10. BACKGROUND DOCUMENTS

- Proposed Financial Plan updated 2018/19 – 2020/21 - Executive Report 5 December 2017 (Doc AJ)

- 2018/19 Budget Update– Executive Report 6 February 2018 (Doc AT)

- Consultation Feedback and Equality Assessments for the 2018/19 and 2019/20 Council Budget Proposals – Executive Report 6 February 2018 (Doc AV) and the addendum to that report circulated to Executive on 6 February 2018

- Interim Trade Union Feedback on the Council's Budget Proposals for the 2018/19 and 2019/20 Council Budget - Executive Report 6 February 2018 (Doc AW) and the addendum to that report circulated to Executive on 6 February 2018

- The Council's Revenue Estimates 2018/19 – Executive report 20 February 2018 (Document AZ)

- Allocation of the Schools Budget 2018/19 Financial Year – Executive Report 20 February 2018 (Document BA)

- Council's Capital Investment Plan 2018/19 to 2021/22 – Executive report 20 February 2018 (Document

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2018/19 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.

Risk Event	**Description and Mitigation in Place**	**Residual Risk Rating (Likelihood/Impact) and Contingency**
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Taxation streams are unstable	Collection Rates, bad debt provisions, appeals provisions, rateable property and the cost of the Council Tax Reduction Scheme are all volatile and 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 years plans.	High/Medium Contingency provided through adjustment of plans for subsequent years.
Other income streams unstable	Non-taxation income streams remain less volatile than in previous years. NHS funding streams may be at risk in the wake of current financial control difficulties. Past performance suggests that unplanned income may materialise, offsetting generally the risks against the aggregate net revenue budget. The Council is becoming more successful a securing competitive grants.	Low/Low 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
Member support for the budget diminishes	The Executive and individual Portfolio Holders, have been involved at a very detailed level in the development of the proposals. The financial plan reflects the Council Plan which has also had significant member input.	Low/Low Contingency provided through adjustment of plans for subsequent years
Plans for implementation of	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. The impact of the plans	Medium/Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
changes are not robust	has been tested in consultation. The degree of risk in each individual proposed change varies, and requires continuous project management. The proposals in Adult Services require changes in staff attitudes to assessing and meeting needs, client behaviour, and supply side response. In Children's Services, the changes are wide-reaching and comprehensive, and external resource has already been procured to assist. Implementation requires dedicated project management resource (which continues to be funded in the budget). Lessons learned from previous years suggest that not having fully worked up plans at the beginning of the year hampers delivery- this risk is not yet fully mitigated at the time of this assessment.	Mitigation provided through continuous improvement of plans.
Planning is 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	Low/Low
Implementation of change is poorly controlled, or compromised by insufficient internal capacity	From 2011/12 to 2017/18, the Council has managed to implement savings of around £233m. Looking at performance in 2017/18, 49% of specific savings plans are forecast to convert into actual savings on time (compared with 87% in 2016/17). Given the cumulative impact of the savings since 2010, it will be increasingly hard to find mitigating savings. The degree of risk varies across Departments. The standard "7 Keys" programme and project management method, which has been adopted across Departments, will continue. There is a risk that the multiple impact of discrete changes on individuals or single organisations is not apparent until implementation, with unintended consequences that may need addressing.	Medium/High Compensating action to reduce net costs Non-recurrent funds are available to pay for change management, to reduce the risk of insufficient capacity Contingency in base budget.

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
Risks to timely implementation of changes to packages of care in adults and children services	The programme of change for Adult Services continues to be risk-laden in view of: the proportionate value of savings in relation to the overall savings programme to 2020/21; the interconnectedness of the changes; the number and range of stakeholders to be consulted and managed; the statutory framework; the close links between local decisions and nationally-sponsored policy and thinking on new models of health and social care; the financial challenges faced by businesses in the social sector; and recent actual experience of managing change. The package of proposals to reform entitlements to and methods of transporting children with high needs to and from school has not yet yielded the intended financial benefits. The proposals from Children's Services will require a significant project management effort, with a package of reforms that include a fundamental rethink about care arrangements for children with needs for specialist services; the rapid move to school-led improvement; and new ways of working with schools to deliver some special educational needs services. These risks will be monitored through project management.	High/High Use of dedicated programme management resource Continued collaboration with NHS and other partners Learning from developments in other local authorities Adoption of higher risk appetite in the assessment of individual cases Use of external support/expertise
Uncertainties over the integration of health and social care, including delays in developing new models of care to support changes to service delivery	The future of adult social care is heavily influenced by national policy on integration. Work to develop "accountable care systems" could run slower than is necessary to inform/support local changes, with potential adverse financial and client impacts. Governance mechanisms including the Health and Wellbeing Board and supporting bodies are in place, allowing shared planning with NHS partners, and joint participation in nationally led initiatives. Negotiations continue over the distribution of the Better Care Fund. Financial pressures in the NHS could trigger higher degrees of organisational change, which divert leadership attention away from job of managing client demand which lies at the heart of the adult services changes required to deliver the budget.	High/Medium The Council may have to make unilateral changes if the pace of change is too slow
Changes related to	Consultation with Trade Unions commenced on 27 November 2017,	Low/Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
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staff cannot be implemented to plan	and has continued since. Implementation will focus on avoiding compulsory redundancy. The voluntary redundancy framework has proved to be effective, though there is a need to ensure that the skill base of the workforce is maintained. The total number of staff that could be at risk from this proposed budget is 85 FTE for 2018/19, and 68 for 2019/20 (in addition to 107 FTE for 2018/19 arising from decisions of 2017 Budget Council). Staff related changes account for c 1.5m, or 31% of total net budget changes in 2018/19.	Compensating action to reduce net costs Vacancy Management Contingency provided in base budget
Changes related to external suppliers cannot be implemented to plan	The new budget proposals foresee a reduction to spending with external suppliers of £2.2m or 43% of total net budget changes in 2018/19. Past experience suggests that through individual contract negotiation budgets can be managed through a combination of volume and price; and increasingly through re-commissioning for revised levels of service. Suppliers of adult social care continue to show signs of financial stress, including from the anticipated impact of the National Living Wage. Additional funding for Adult Services will be available from the extra 3% increase in Council Tax.	Low/Medium Compensating action to reduce net costs Additional 3% Council Tax rise to support adult social care costs Contingency provided in base budget
Changes related to income generation cannot be implemented to plan	The proposed budget assumes aggregate income from non-taxation sources rises by c 0.5% annually as a result of inflation. Targeted increases in income in 2018/19 are £1.3m or 26% of total net budget changes in 2018/19. The revised policy for social care charges is subject to an extended consultation period, resulting in delays in implementation.	Low/Low Compensating action to reduce net costs Contingency provided in base budget
Customer/ citizen behaviour is inconsistent with plan	Some budgets require significant degrees of change in behaviour and expectations on the part of service users and their representatives; and continuing consultation processes may pose risks to implementation. Experience to date says the most sensitive areas are in Adult Services; in Children's specialist services, and in local everyday services such as parking, public conveniences, and community amenities.	Medium/Medium Compensating action to reduce net costs Contingency provided in base budget

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
External stakeholder groups resist and delay change	Experience over the last 5 years suggests that where change affects groups who have the capacity to organise challenge to the implementation of agreed budget decision, the result can be delay, which inhibits the timely delivery of savings	Medium/Low Stakeholder management as part of implementation Contingency planning
Demographic changes place unplanned burden on resources	The proposed budget has been increased to account for £2.9m of demographic growth in Adult Services, and £0.6m from Looked After Children. The Schools budgets (funded by the DSG) reflect the latest pupil census. It is expected that demographic growth and changes in the composition of the population will continue to lead to service pressures, which may need to be factored into future plans.	Low/Low Contingency provided through adjustment of plans for subsequent years
Insufficient inflation allowance is provided in the plan	Expenditure budgets have been selectively inflated at indices appropriate for the relevant line. Where appropriate, budget managers will need to absorb unfunded inflation through reducing consumption of goods and services. Pay budgets have been inflated to reflect the current status of negotiation on national pay awards. The impact of potential greater inflationary pressures in the economy on the medium term outlook will need to be managed.	Low/Low Compensating action to reduce net costs
Capital investment is poorly controlled	The level of contingency in the capital plans is in line with historically consistent levels. Some individual projects have yet to reach full business case stage, so their cost will need to be monitored. Recent experience suggests that capital projects take longer to implement than implied by the financial plan; but the revenue budget implications tend to be favourable. That said, we have calculated a one-off sum related to capital financing in order to allow us to reprofile agreed savings.	Low/Low Close monitoring is required to ensure that schemes do not overspend Contingency provided through adjustment of plans for subsequent years
Sources of funds for capital investment do not materialise	In addition, to the capital receipts expected to be released as a result of specific schemes, the Capital Investment Plan assumes £3.5m of general capital receipts from emerging sales of Council property.If they do not materialise, the plan (or individual projects	Low/Low Contingency provided through adjustment of plans for subsequent years

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	within in which are dependent on receipts) will need to be reviewed.	
Interest Rates are higher than anticipated over the life of the plan	Should there be sharp rate rises, this would have a corresponding impact on the capital 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. Regular updates are received and form part of our monitoring processes.	Medium/Medium Compensating action to reduce net costs Reprofiling and reprioritisation of the capital plan
The baseline budget is structurally compromised	The proposed budget is set using the 2017/18 baseline as amended for specific changes. The 2017/18 outturn shows a combination of overspend pressures and compensating underspends. Not all these variances have been adjusted for in the 2018/19 budget, in order to maintain financial discipline.	Medium/Medium Strategic Directors can use their delegated budgets flexibly
Changes in school funding and in school structures created unforeseen and unfunded liabilities	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 inflation-driven costs; the impact of the National Funding Formula on individual schools; conversions to academies. No additional provision has been made in the budget for these risks	Medium/Medium Support for/intervention in individual schools On-going dialogue with Regional Schools Commissioner Engagement with Bradford Schools Forum
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
Governance arrangements with	Governance arrangements at District level were re-tuned during 2016. Reforms continue in the education governance landscape.	Low/Low

Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
external parties are not fit for purpose	The Health and Wellbeing Board and supporting arrangements are in place, though the pace of development is often overtaken by national NHS developments. At regional level, Combined Authority governance is bedded in, though further changes may evolve in the wake of the fluid devolution agenda. These factors do not increase financial risk as much as absorb leadership and management attention.	