City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of the Council to be held on 21 February 2019

Document V

Subject:

2019/20 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2019/20, 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 the General Fund and unallocated reserves should be maintained at their current levels over the period of the 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 2019/20, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's financial outlook up to 2020/21 and beyond.

The Council is setting its budget for 2019/20, and making decisions about savings for 2020/21, which will require implementation action to be undertaken during 2019/20.

It should be noted that the process aligns with years three and four of the four year financial strategy which commenced in 2017/18 and which sought to align our finances to the outcomes in the Council Plan 2017-2021.

For the past three budget rounds, the Council's S151 Officer has concluded that the General Fund reserve at a level of £10.8m and 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 for the Council to set the budget for 2019/20. However, it should be noted that there are significant and uncertain medium term risks to the Council's financial position that require mitigating actions to start to be identified during the 2019/20 financial year.

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.

2019/20 Onwards Budget Appraisal

Context

- In setting a four year plan commencing in 2017/18, 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 a number of significant changes since the plan was adopted, the risks of those changes and how they impact on the delivery of the 2019/20 budget and our longer term financial and reserve strategies.

2018/19 Projected Position

- The Q3 monitoring report presented to Executive on 5 February 2019 forecasts a £0.4m overspend for 2018/19.

- Whilst this signals a likely continuation in the Council's ability to broadly manage its finances within budget, year on year, it does also mask a number of significant in year financial challenges and has only been possible via the inclusion of fortuitous one-off income items.

- The Council has well established procedures for measuring progress against agreed savings plans and these are reported in the quarterly monitoring reports. 2018/19 marks the second year where approximately half (48% projected for 2018/19, 49% actual in 2017/18) of agreed savings will not be delivered on schedule. This clearly represents cause for concern and the formulation of the 2019/20 budget, outlined in further detail below, has been done so with this track record in mind.

- Alongside the non-delivery of savings, the Council has also faced unanticipated financial pressures in Waste and Children's Services. In the latter, this is both in relation to a sharp increase in the number of Looked After Children (LAC) and costs associated to the 'Inadequate' OFSTED inspection judgement reported in October 2018.

- In response to these challenges, various one-off measures have been deployed including the sizeable revenue impact of slippage on the capital programme. Latterly, the more positive projected year end position has only become possible due to one-off fortuitous income items around Social Care, Business Rates and a VAT refund.

- We have also instigated a number of improvements to the financial control environment including monthly reporting at Corporate Management Team and a fortnightly panel approval process for filling vacancies, agency staff and external contractor expenditure.

- This serves to show the Council has deployed appropriate arrangements to manage the 2018/19 challenge, however it also highlights a number of issues to take heed of in future budget setting, particularly around optimism bias in the formulation and planning of savings proposals and the subsequent timing and resources required to deliver them.

Funding and Resources

- Over the last year we have been required to amend our assumptions around future funding, with Members being regularly updated on developments around the Fair Funding Review and 75% Business Rates localisation. Whereas the original four year plan was predicated on comparative resources related to Revenue Support Grant (RSG) equalling nil by 2020/21, the current budget is predicated on that figure being approximately £20m, a £14m reduction from 2019/20. Whilst the Government has signalled that "austerity is over", the uncertainties around the quantum of Local Government funding once Brexit, and the subsequent Comprehensive Spending Review, is settled dictate prudence is still required when it comes to predicting external funding levels. It is also important to note this figure plays a key part in determining the size of future budget gaps from 2020/21 onwards.

- Following our inclusion in a 100% Business Rates Pool Pilot in 2018/19, the successful bid for the North and West Yorkshire Business Rates Pool to become a 75% pilot in 2019/20 is welcome, and has unlocked resources that will help the Council meet short term expenditure pressures outlined in further detail below.

- Council Tax remains our most stable and reliable revenue stream and will account for 53% of our net expenditure requirement in 2019/20, up from 35% in 2010/11. As a historically low taxing authority, it continues to be important to maximise the on-going benefit of increases in the Band D rate as and when they are available and this budget proposes the maximum allowable increase in the general rate (2.99%).

Formulating the 2019/20 Budget

- One of the Council's key functions in terms of managing its finances is securing value for money from its activities, something which is measured on an annual basis by our external auditors. Given the challenges we have experienced in delivering agreed savings in 2017/18 and 2018/19, in order to satisfy this requirement it was clear that corrective action was required to our budget strategy, firstly in terms of base budget expenditure in 2019/20 and for later years, a subsequent realignment of that expenditure, proposals for which will be formulated during the coming year.

- On the former, this has required us to:

  - rebase the Health and Wellbeing budget to reflect new trajectories for the Demand Management savings programme. These revisions have been well supported by external expertise but do mean that the total savings from the programme will now be £20m compared to £32m in the original plan.

  - implement a number of structural corrections to Children's Services around LAC, SEND and the response to the OFSTED judgement. On the latter, there is a mixed approach between recurring (pay and supervisory capacity) and non-recurring expenditure (improvement work), with the expectation that much of the investment is provided on an 'invest to save' basis as the Council implements a more effective and efficient system to support the district's vulnerable children.

  - amend elements of the Place budget in relation to Waste and Street Lighting.

- In making the budget balance and mindful of recent progress against delivery, services were not asked to identify further savings beyond those already identified in the original plan. The main reasons for this are capacity, both in services and corporately, something the Council needs to be mindful of in the coming years, and timing; good transformation can take between two and three years to stick and seeking new cuts in an unplanned fashion would just exacerbate issues experienced during 2017/18 and 2018/19. Instead, we have deployed a number of short term technical savings outlined in more detail in the reports to create time for more robust and deliverable plans to be put in place.

- Alongside this, changes to our Minimum Revenue Provision policy were approved by Council in July 2018. As well as contributing to short and medium term budget savings, the change in policy also released £53.5m in useable resources onto the balance sheet to provide increased resilience to help manage the various uncertainties outlined in this and the other budget papers.

Other 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 that time, assumptions around public sector pay have evolved and 2019/20 will be the second year of a two year pay deal. 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.

- The estimates make provision for total inflationary increases to our cost base of c.£13.7m, 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.

2019/20 Savings Plans

- Earlier sections of this paper refer to the challenges in delivering existing savings and the approach to setting the 2019/20 budget. Underpinning the process has been a significantly improved iterative check and challenge process, which has included Executive Members and management teams, and has focussed on the robustness and deliverability 2019/20 savings plans. This commenced during the summer of 2018 and was completed at the end of January 2019.

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

2020/21 Savings and Medium Term Outlook

- In presenting two years of proposals, there is currently a projected gap of £28m in 2020/21 requiring further mitigation, which is after the identification of £17.4m of new savings outlined in the papers. Over the medium term, this gap reduces to between £20-25m as the timing effects of Demand Management programme in Health and Wellbeing materialises.

- Clearly this gap is sizeable and reflective of the significant uncertainty in the funding environment set out earlier in this paper. It is however not insurmountable provided the Council continues to proactively transform its approach to service delivery including making potentially difficult decisions about service provision levels, clearly refines and aligns its outcomes to resources in the next iteration of the Council Plan and maximises the current opportunity afforded by its resilient balance sheet.

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.

- 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 delayed Green Paper, 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 steps set out in the earlier sections of this paper, it is concluded that the estimates are sufficiently robust for Council to set the 2019/20 budget. However, Members need to be mindful of the significant challenges that remain in 2020/21 and beyond, which will require proactive work in the coming year to ensure the longer term financial sustainability of the authority.

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:

- The General Fund Reserve
- Unallocated Corporate Reserves
- reserves set aside for designated purposes and for specific liabilities and risks.

The first two reserves are essentially the Council's backstop for unforeseen risks and pressures. Previous budget decisions, including setting aside funding for transformation, means that the General Fund Reserve sits at £10.8m and Unallocated Corporate Reserves currently sit at £14.5m, and these are not projected to change over the remaining years of the plan.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant and put into context, the combined total of the two reserves is less than the current projected budget gap for 2020/21.

Therefore, the projected levels for 2019/20 and beyond remain adequate ***only if***

- the 2019/20 budget, with its focus on corrective action and more robust planning, is delivered to plan

- indicative savings, spending and transformational plans in future years are developed, agreed and implemented in order to mitigate against the projected medium term structural budget gaps
- 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.

It is therefore concluded that:

- the reserves are adequate for the 2019/20 proposed budget
- the Council has a clear reserves plan for the medium term
- the key to financial resilience 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 5 February and 19 February 2019, 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 2018 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
- the reserves are adequate for the 2019/20 proposed budget

- the projected corporate reserves, on current estimates, are adequate in the medium term, subject to the implementation of the rest of the proposed financial plan and identification of further proposals to mitigate the projected structural gap of £20-25m.

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 2019/20 – 2020/21 - Executive Report 4 December 2018 (Doc Z)

- 2019/20 Budget Update– Executive Report 5 February 2019 (Doc AQ)

- Consultation Feedback and Equality Assessments for the 2019/20 and 2020/21 Council Budget Proposals – Executive Report 5 February 2019 (Doc AR) and the addendum to that report circulated to Executive on 5 February 2019

- Interim Trade Union Feedback on the Council's Budget Proposals for the 2019/20 and 2020/21 Council Budget - Executive Report 5 February 2019 (Doc AS) and the addendum to that report circulated to Executive on 5 February 2019

- The Council's Revenue Estimates 2019/20 – Executive Report 19 February 2019 (Document AZ)

- Allocation of the Schools Budget 2019/20 Financial Year – Executive Report 19 February 2019 (Document BA)

- Council's Capital Investment Plan 2019/20 to 2022/23 – Executive Report 19 February 2019 (Document BB)

- Qtr 3 Finance Position Statement for 2018/19 – Executive Report 5 February 2019 (Document AT)

- The Council's Revenue Estimates 2019/20 (as amended) – Council Report 19 February 2019 (Document U)

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2019/20 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 year's 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. This process has been	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	strengthened via iteration for the 2019/20 process. The impact of the plans has been tested in consultation. The degree of risk in each individual proposed change varies, and requires continuous project management. Implementation requires dedicated project management resource (which continues to be funded in the budget). .	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 2018/19, the Council has managed to implement savings of around £255m. Looking at performance in 2018/19, 52% of specific savings plans are forecast to convert into actual savings on time (compared with 51% in 2017/18). 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 impacts of discrete changes on individuals or single organisations are 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.
Risks to timely implementation of changes to packages of care in adults and children	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 in the medium term up to 2022/23; the interconnectedness of the changes; the number and range of stakeholders to be consulted and managed; the statutory framework;	High/High Use of dedicated programme management resource

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
services	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.	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 "integrated 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 the 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 staff cannot be implemented to plan	Consultation with Trade Unions commenced on 26 November 2018, 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. Staff related changes account for c £8.1m, or 54% of the total budget changes in 2019/20.	Low/Low Compensating action to reduce net costs Vacancy Management Contingency provided in base budget
Changes related to	The new budget proposals foresee a reduction to spending with	Low/Medium

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 suppliers cannot be implemented to plan	external suppliers of £5.8m or 38% of total net budget changes in 2019/20. 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.	Compensating action to reduce net 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 2019/20 are £1.2m or 8% of total net budget changes in 2019/20.	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
External stakeholder groups resist and delay change	Experience 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 £1.5m 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

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
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 plus £1.1m from a specific scheme. If they do not materialise, the plan (or individual projects within in which are dependent on receipts) will need to be reviewed.	Low/Low Contingency provided through adjustment of plans for subsequent years
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	The proposed budget is set using the 2018/19 baseline as amended	Medium/Medium

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
budget is structurally compromised	for specific changes. The 2018/19 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.	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 external parties are not fit for purpose	Governance arrangements at District level were re-tuned during 2016. Reforms continue in the education governance landscape. 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.	Low/Low