Report of the Director of Finance to the meeting of Executive to be held on 16 February 2021 and Council to be held on 18 February 2021

DI

Subject:

2021/22 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2021/22, 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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Portfolio:

Leader of Council and Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report assesses the robustness of the proposed budget for 2021/22, the adequacy of the forecast levels of reserves and associated risks in the context of the Council's medium term financial outlook.

The Council is setting its budget for 2021/22, including proposals for savings and proposals for investment which will require implementation action to be undertaken during 2021/22.

It should be noted the proposal is a single year budget, pending clarity of future national local government settlement data and any progression of fair funding, business rate and other outstanding reviews of local government finances. As this evolves the Council's Medium Term Financial Strategy will be updated and resources will continue to be aligned to achieve the outcomes in the Council Plan.

For the past five budget rounds, the Council's S151 Officer has concluded that the General Fund reserve at a level of £15.0m and unallocated reserves in the range of £10-15m is adequate and this report concurs with that view, subject to specific earmarked reserves being identified and maintained where relevant. 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 2021/22. However, it should be noted that there are significant and uncertain medium term risks to the Council's financial position that require identified mitigating actions to continue to be implemented and monitored during the 2021/22 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 review, scrutiny and personal involvement in the development of the proposed budget.

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

2021/22 Onwards Budget Appraisal

<u>Context</u>

- In setting the budget it is important to recognise the context and consequence of austerity measures implemented in 2011/12; the impact of Covd19 and difficulties in forecasting the future impacts of Covid19 on Council resources; and the current uncertainties of national local government settlement and funding arrangements.

- In the period from 2011/12 to 2021/22 the Council has had to take measures to reduce costs and increase income amounting to over £300m.

- The following sections seek to highlight changes to the Council's Medium Term Financial Strategy, the risks of those changes and how they impact on the delivery of the 2021/22 budget and our longer term financial and reserve strategies.

<u>2020/21 Projected Position</u>

- The Q3 monitoring report presented to Executive on 2 February 2021 forecasts a £0.4m underspend for 2020/21.

- 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 in year financial challenges and has only been possible via the inclusion of both fortuitous and managed one-off items.

- The Council has well established procedures for measuring progress against agreed savings plans and these monitoring reports are presented and discussed monthly to CMT and quarterly to Executive. In this financial year, the impact of Covid has been significant against individual budget lines, therefore monitoring reports included additional detail to report both Covid related variances and non-Covid related variances; and to report on the additional Covid funding received by Central Government and any additional expenditure / investment commitments made.

- In prior years the achievement of savings represented cause for concern and additional monitoring and governance processes introduced during 2019/20 have ensured a higher proportion of planned savings are delivered, the Q3 report forecasts 70% will be delivered, with a number of those not delivered having been constrained by the Covid pandemic.

- Alongside the non-delivery of savings, the Council has continued to face financial pressures in Waste and Children's Services. In the latter, this is both in relation to a sharp increase in the number of Children Looked After and costs associated to the 'Inadequate' OFSTED inspection judgement reported in October 2018. Additional core budget allocation has been invested in to these areas over the past two financial years, which should help mitigate these pressures in future years.

- Budget variances have been reduced through management action to reduce expenditure and increase income in other areas, and through a number of one-off fortuitous items such as a VAT refund, savings on interest and capital financing costs and savings against Corporate contingencies.

- Improvements introduced to the financial control environment, such as extended use of Business Intelligence reporting and the production of enhanced monthly reporting at Departmental Management Team level; enhancements to Capital approval processes through enhanced Project Appraisal Group approval processes; formal capital monitoring processes including challenge sessions chaired by the Leader of the Council; combined with prompt and effective management action to manage budgets within overall approval levels have improved the effectiveness of financial governance, reporting and performance.

- This serves to show the Council has deployed appropriate arrangements to mitigate identified risks, address optimism bias from prior years, and ensure effective monitoring and governance processes are in place to identify, manage and address budget challenges promptly and effectively.

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 Business Rates localisation. Uncertainties over local government financing continue, both in the quantum of funding and in distribution mechanisms, therefore prudence is still required when it comes to predicting external funding levels. For these reasons a one-year budget has been set for 2021/22, with the Medium Term Financial Strategy updated based on current best assumptions, considering the significant uncertainty over future national funding levels and distribution mechanisms.

- Council Tax remains our most stable and reliable revenue stream and will account for 55% of our net expenditure requirement in 2020/21, 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 (1.99%) and the application of the Social Care precept (3%). This equates to a weekly rise of £1.37 for a Band D property.

Formulating the 2021/22 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, and budget pressures identified in 2019/20 it was clear that budget re-alignment would be required to ensure we effectively manage resources to achieve council objectives and protect essential services. The Budget proposals for 2021/22 include a number of key proposals to mitigate the worst impacts of the COVID-19 pandemic on our children and young people and our economy, to support communities, care for vulnerable adults and build workforce capacity; including:

- £6.5m to support the District's most vulnerable children.
- £0.5m to improve commissioning of services for vulnerable adults.
- £2.4m to raise educational attainment, to help children to catch up in the wake of the COVID-19 pandemic.
- £1.0m to help improve skills and employability in response to increased unemployment, by supporting skills development through Bradford's Skills House.
- £1.0m to meet demand and market price volatility pressures in Waste Services.
- £1.25m for Workforce Development to ensure that the workforce has sufficient capacity and skills to sustain services, build local leadership and reduce inequality.

- In delivering a balanced budget a strategic decision was taken to seek to limit new savings proposals for 2021/22, and defer a number of planned savings for a further year. This was mainly recognising our role in aiding and supporting the District's socio-economic recovery at a macro level, and the negative impact cuts to essential services would entail and partly in recognition of the difficulty in forecasting future demand levels across a number of services due to the impact of Covid. In combination with a programme of "Grip...Reset...Transform" activity and further progression of early help and prevention this will enable the Council to re-frame ambitions and service delivery to best secure outcomes in line with budget availability.

Other Expenditure Pressures

- The 2021/22 budget assumes pay awards at 2% pending further national negotiation on this issue. The current MTFS assumes pay awards of 2% to all employees in subsequent years. Should pay rates be settled at a higher rate this will create a structural cost pressure for the Council given each 1% in pay equates to c.£2.3m.

- The 2021/22 budget assumes inflationary increases of 2% in line with CPI forecasts, combined with pressures upon social care contracts and other contracts. The MTFS makes provision for total inflationary increases to our cost base in future years of 2% with additional amounts to account for National Living Wage increases. Should inflation be higher this will create a structural cost pressure for the Council given each 1% in prices equates to c.£2.0m.

Other Considerations

- There is still a high degree of uncertainty over local government funding, both in quantum and allocation mechanisms; and in medium term impacts of Covid, especially upon Council Tax and Business Rate revenues. However, based on current assumptions and indications, the Council's Medium Term Financial Strategy and flexibility of earmarked reserves will enable the council to continue to plan effectively over a medium term. This is further enabled if 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.

- 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 additional investment in capital schemes. The increase in the Capital Investment Programme will incur some additional borrowing with a consequential 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. It is noted PWLB rates are currently at a low level which makes it a good point to invest, further aiding recovery.

- 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.

CIPFA Financial Resilience Index

CIPFA (Chartered Institute of Public Finance and Accountancy, the professional public sector accountancy body) issued their Financial Resilience Index in December 2019 (this year's data is not yet available). The index provides an assessment of an authority's financial resilience across a number of indicators relative to other authorities.

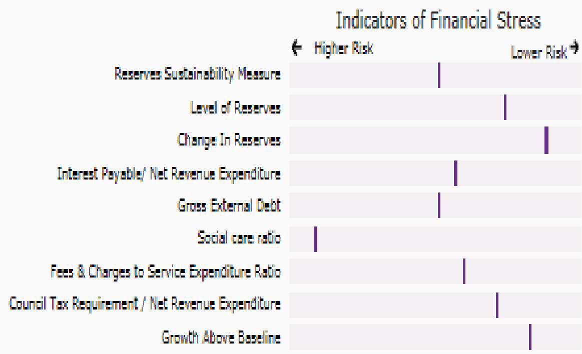
The index shows Bradford Council is in a relatively resilient position, with the main concern being the proportion of its budget allocated to Children and Adults services.

An extract of the index results for the Council, with comparison to all Metropolitan Authorities is shown below. The 2019-20 index is expected to continue to show the Council to be in a relatively good position, as through prudent financial management we have maintained reserves at a consistent and prudent level.

CIPFA Financial Resilience Index

Tier: Upper | Authority: Bradford | Comparator Group: Metropolitan Districts | Year: 2018-19

Results Breakdown



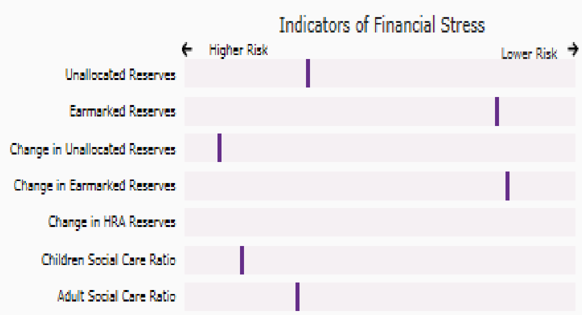
Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	2.79	100.00	100.0
Level of Reserves	14.41%	52.76%	79.94%
Change In Reserves	-51.85%	35.04%	120.16%
Interest Payable/ Net Revenue Expenditure	1.28%	4.98%	23.90%
Gross External Debt	£126,722k	£478,567k	£3,742,582k
Social care ratio	45.20%	67.87%	79.63%
Fees & Charges to Service Expenditure Ratio	5.43%	9.16%	13.84%
Council Tax Requirement / Net Revenue Expenditure	33.00%	55.21%	69.99%
Growth Above Baseline	-1.00%	4.00%	25.00%

Auditors VfM Assessment	Children's Social Care Judgement
Unqualified	Inadequate

CIPFA Financial Resilience Index

Tier: Upper | Authority: Bradford | Comparator Group: Metropolitan Districts | Year: 2018-19

Results Breakdown



Indicator	Min	Indicator Value	Max
Unallocated Reserves	2.19%	4.38%	17.13%
Earmarked Reserves	9.00%	48.38%	70.73%
Change in Unallocated Reserves	-81.55%	-51.18%	696.22%
Change in Earmarked Reserves	-63.30%	60.73%	247.39%
Change in HRA Reserves	-42.57%	na	293.83%
Children Social Care Ratio	15.81%	28.48%	41.88%
Adult Social Care Ratio	24.58%	39.39%	46.29%

<u>Summary</u>

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 2021/22 budget.

Members should have assurance that a number of prior risks have been mitigated in part, for example, capital estimates are now more accurate, monthly budget monitoring at CMT has improved management of the budget, the MTFS position is more favourable, key reserves have been maintained and some underlying budget pressures have been addressed wholly or for the next 12-months.

However, Members need to be mindful of the significant challenges that remain in 2021/22 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 reserves held within 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 reserves held within the balance sheet include:

- 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 remains unchanged at £15.0m and Unallocated Corporate Reserves currently sit at £10.3m, and the MTFS will propose retaining these reserves at this level.

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 sufficient to fund only 24 days of Council activity.

Therefore, the projected levels for 2020/21 and beyond remain adequate ***only if***

- The 2021/22 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 effectively implemented, and especially the focus on early help and prevention addresses rising costs and demands in Children's services
- 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 2021/22 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

7.1 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 2 February 2021 and 16 February 2021. 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 prior years was fully considered by Council at that time.

7.2 SUSTAINABILITY IMPLICATIONS

Sustainability implications are identified in the budget reports as presented to Executive on 1 December 2020, 5 January 2021, 2 February 2021 and 16 February 2021.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

The budget proposals for both revenue and capital investment include Climate Emergency impacts, more detail will develop in due course as these schemes progress.

7.4 COMMUNITY SAFETY IMPLICATIONS

Where there are any community safety implications arising from individual budget proposals these will be covered in the consultation exercise. Any implications arising from the consultation will be presented to subsequent meetings of the Executive.

7.5 HUMAN RIGHTS ACT

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

7.6 TRADE UNION

The statutory requirement to consult with Trade Unions under S188 Trade Union and Labour Relations (Consolidation) Act 1992 where 20 or more redundancies are proposed within a 90-day period does not arise in respect of the new budget proposals for 2021/22 as these new proposals have no staffing implications.

The Council previously declared a proposed 111 FTE reductions for 20 /21 and commenced consultation with the Trade Unions on those on 26 November 2018 in accordance with the requirements of Section 188 Trade Union and Labour Relations (Consolidation) Act 1992.

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

Where a proposal gives rise to a transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006, trade union consultations will be carried out in accordance with those regulations. It should be noted there are no proposals within the 2021/22 budget that would give rise to TUPE.

The financial position and the proposals were explained at a Trade Union briefing on 1 December 2020 formally commencing the consultation. Further Consultation was held via service based level 2 and level 3 OJC meetings. Any Trade Union feedback relating to these budget proposals for 2021/22 will be collated and will be reported at Executive in February 2021 as an addendum to the budget report.

A briefing for all employees on the budget proposals has been issued through line management and key communications/Bradnet and will be cascaded accordingly.

7.7 WARD IMPLICATIONS

In general terms, where the proposed cuts affect services to the public, the impact will typically be felt across all wards. Some proposals could potentially have a more direct local impact on individual organisations and/or communities. It is expected that the consultation process will allow an analysis of local impacts to inform final decisions.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. 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 2021/22 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
- the Medium Term Financial Strategy will be updated and reported to Executive as clarity on future local government funding is received.

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.

10. APPENDICES

10.1 Appendix 1: Risk-Based Assessment

11. BACKGROUND DOCUMENTS

Executive reports and supporting information / working papers

- 2nd February 2021: Capital Investment Plan (includes Capital and Investment Strategies) 2021 to 2024-25
- 2nd February 2021: Quarter 3 Finance Position Statement 2020/21
- 2nd February 2021: 2021/22 Revenue Estimates
- 5th January 2021: Calculation of Bradford's Council Tax Base and Business Rates Base for 2021/22
- 1st December 2020: Proposed Financial Plan and Budget Proposal for 2021/22
- 9th November 2020: Covid19 Response, Resilience, Recovery
- 9th November 2020: Quarter 2 Finance Position Statement 2020/21
- 8 September 2020: Medium Term Financial Strategy Update, 2020/21 to 2022/23
- 7th July 2020: Finance Position Statement for 2019/20
- 7th July 2020: Quarter 1 Finance Position Statement for 2019/20
- 9th June 2020: Building a Better Future: Living with Covid19 and laying the foundations for a better future
- 30th April 2020: The Response to Covd19 and the Forecast Financial Impact on the Council including Decisions Taken using Emergency Powers
- 24th March 2020: Quarter 4 Finance Position Statement for 2019/20
- 18th February 2020: The Council's Revenue Estimates for 2020/21
- 18th February 2020: The Council's Capital Investment Plan for 2020/21 – 2023/24
- 18th February 2020: 2020/21 Budget Proposals and Forecast Reserves – s151 Officer Assessment
- 4th February 2020: 2020/21 Budget Update
- 4th February 2020: Quarter 3 Finance Position Statement for 2019/20

Plus

- Monthly Change Programme Reports to CMT
- Monthly Finance position statements to CMT
- Medium Term Financial Strategy / Budget Working Papers

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2020/21 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
Outcome of Central Government reviews such as fair funding review and/or business rate review 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 and other factors upon Councils and address prior funding streams which have seen Met/ Unitary Councils adversely impacted more than others. The MTFS reflects current funding patterns and future year budgets are not predicated on assumptions of large funding increases or upon large savings. Our MTFS budget is therefore consistent with current budget. The Council additionally has reserves that could be drawn upon in the short to medium term to enable a medium term approach to any future funding reductions if they occur.	Low / Medium Indication are that funding revisions would be beneficial. The MTFS has prudent assumptions, whilst the level or reserves, including earmarked reserves, enables impacts to be managed over a medium term
Financial impact of Covid exceeds government funding	Covid has had a significant impact on Council finances in terms of additional direct expenditure (egPPE); lost revenue (eg from closed Theatres and Leisure facilities); additional investment requirements (eg to protect the vulnerable) and medium term impacts upon the collection fund. Ongoing infection control measures, Lateral Flow Testing facilities and measures to protect the vulnerable, support communities, support businesses and keep essential services running continue to impact. Various funding allocations have been received from Central Govt and further funding was announced as part of the Spending	Medium / High Investment decisions taken to mitigate the worst implications and support future recovery action. Funding to date has met direct cost implications.

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
	Review. The duration of Covid related impacts and the length of subsequent recovery will determine whether funding has been sufficient to meet all financial implications.	
Demand for services increase placing pressure on budgets	Demand for services may increase both in terms of general service demands and specific Covid related demands. 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. Covid funding has been allocated to seek to mitigate impacts whilst seeking to protect the vulnerable, support businesses and communities and keep essential services running. In responding to Covid the focus has been on supporting recovery post Covid.	Medium / Medium MTFS includes allocation of budget to reflect key demographics and spend pressures. Covid response and investment has considered mitigating impact and supporting recovery
Taxation streams are unstable	Additional uncertainty caused by Covid and potential post Covid impacts; eg potential significant business restructuring, e.g impact of pandemic on office space & retail, Brexit impact e.g on services. Lower impact of housebuilding on Council Tax 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. (Note: Impact of Covid assessed in row above)	Medium/Medium 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
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 and planned change to ICS. Past performance suggests that unplanned income may materialise, offsetting generally the risks against the aggregate net revenue budget. The Council is becoming more successful at securing competitive grants. (Note: Impact of Covid assessed in row above)	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
Non-payment of debtors leading to additional write-offs	Potential economic downturn may result in additional non-payment of debts over and above existing bad debt provisions. Existing mitigation is through existing debt management processes and recovery action. Where possible services are paid at point of service; or through debtor invoice processes enabling effective monitoring and tracking of debt to enable recovery	Low / Low Contingency provided through bad debt provision. Should a trend be identified MTFS will be adjusted to reflect additional bad debt provision / write off requirements and amendments proposed to provision of services where possible
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 current Council Plan which has also had significant member input.	Low/Low Contingency provided through adjustment of plans for subsequent years
Plans for implementation of savings are not	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. This process has been strengthened further through Change	Low / Low Mitigation provided through continuous

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
robust	Programme Board and monthly CMT budget monitoring report, including specific savings tracker. 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 a dedicated project management resource (which continues to be funded in the budget).	improvement of plans and regular monitoring reports through CMT. Risk reduced as no additional savings proposed for 2021/22
Plans for implementation of change projects do not deliver expected outcomes	Investment made in 2020/21 budget for transformational change has been deferred due to essential Covid related activity. Budget proposals for 2021/22 reference need for implementation of sound financial governance, including through the Grip…Reset…Transform programme, which has been fleshed out into identified projects. Transformational activity within Adults, Childrens, Early Help and Prevention and localities are progressing	Low / Low Transformational plans developed 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 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 Evidenced through high extensive period of need to be flexible to effectively manage Covid related events
Risks to timely implementation of changes to packages of care in	The programme of change for Adult Services is proving effective in ensuring the right level of care is provided at the right time. Change Programme Impacts are being realised through the budget. The residual risk is the requirement for	Medium/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
adults and children services	further demand management activity to be implemented to meet budget savings targets to 2022/23. The programme for change for Childrens and Early Help & Prevention including locality working is starting to evidence achievements. 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 and engagement of Impower to provide external support/expertise/ challenge/ change. The risk is part mitigated as additional budgetary resource included in MTFS for Children's services
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. Progression of ICS model over next year may trigger changes, but could also potentially delay 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. Strategic and operational arrangements improved further over Covid joint working. Negotiations continue over the distribution of the Better Care Fund.	Medium / Low The Council may have to make unilateral changes if the pace of change is too slow Impact judged as low as budget is not predicated on integration
Changes related to staff cannot be implemented to plan	No new staff savings as part of 2020/21 proposals or 2021/22 proposals, which also see some prior savings being deferred. Any implementation of current planned savings will focus on avoiding compulsory redundancy.	Low/Low Use of voluntary redundancy and vacancy management to mitigate impacts. Savings not predicated on staffing reductions
Demographic	The proposed budget has been increased for demographic	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
changes place unplanned burden on resources	growth in Adults and Childrens, with further core budget proposed within Childrens. The waste/refuse collection budget has been increased to reflect demographic and household growth. 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.	Budget provision has been provided to address demographic growth in key areas Further contingency may be needed if growth exceeds budget provision
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 for 2021/22 by 2, and price inflation has been included at 2%. The MTFS includes pay award indexation at 2%, and price indexation (CPI) at 2%. The impact of potential greater inflationary pressures in the economy on the MTFS will need to be managed.	Low/Low Compensating action to reduce net costs
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. Proposals to enhance project management, particularly larger / more complex projects are being developed.	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
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 an annual £2m of general capital receipts from emerging sales of Council property. If they do not	Low/Low Contingency provided through adjustment of plans for subsequent

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
	materialise, the plan (or individual projects within it which are dependent on receipts) will need to be reviewed.	years, and ability to flex the capital programme or borrow relatively cheaply
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.	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital monitoring processes.
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 Re-profiling and reprioritisation of the capital plan Strong link between capital forecast and MTFS
The baseline budget is structurally compromised	The proposed budget is set using the 2020/21 baseline as amended for specific changes. The 2020/21 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.	Low / Low Strategic Directors can use their delegated budgets flexibly Structural budget issues are identified and tracked, and if appropriate reflected in MTFS and budget plans.
Changes in school	Three factors could lead to financial stress in schools, which,	Medium/Medium

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funding and in school structures created unforeseen and unfunded liabilities	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	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	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