City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 15 February 2022 and Council to be held on 17 February 2022

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Subject:

2022/23 Budget Proposals and Forecast Reserves – S151 Officer Assessment

Summary statement:

This report assesses the robustness of the proposed budget for 2022/23, 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. The report also provides commentary on the financial resilience of the Council over the medium term and the level of reserves held.

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 1 February 2022 and 15 February 2022. 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.

Chris Chapman
Director of Finance & IT

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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 2022/23, 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 2022/23, which has no additional proposals for revenue savings or investments; however, the budget assumes that prior approved investments and savings that impact in 2022/23 will require implementation action to be undertaken during 2022/23.

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. A single year budget also enables an assessment of the longer term impact of Covid and potential changes to service demands and requirements which may need to be reflected in future year budget allocations. As these issues evolve 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. This year sees a departure from this. The General Fund reserve has been increased to £19.5m in line with External Audit guidance to represent 5% of the Council Net Revenue Budget. The Unallocated Reserve will be drawn upon to mitigate cost pressures arising from increased demand levels, impacted by Covid, specifically within Children Services and Health & Wellbeing.

Where opportunities arise to retain reserves 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 2022/23. 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 2022/23 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.

2022/23 Onwards Budget Appraisal

Context

- In setting the budget it is important to recognise the context and consequence of austerity measures implemented since 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 2022/23 budget and our longer term financial and reserve strategies.

2022/22 Projected Position

- The Q2 monitoring report presented to Executive on 2 November 2021 forecasts a £3.2m overspend for 2021/22.

- 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 non-achievement of 2021/22 savings targets is predominantly as a result of Covid. Non achieved savings will carry forward and their will need to be targeted activity to realise these savings where possible and service demands enable.

- The ongoing impact of Covid upon the District and upon Council services, whether through increased demand metrics, increased expenditure pressures or lost revenue is currently the main 'unknown' area likely to create budget pressures, particularly in the absence of any Covid grants provided to the Council for 2022/23. The Council has earmarked reserves for continuing demand pressures in Social Care as part of the 2022/23 budget proposal.

- The Council has available further reserves with a number of earmarked reserves not being needed in the next few years and this therefore provides assurance about the ability to manage any unplanned financial pressures over the medium term.

- 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. Additional resources have been allocated to Children Services to help manage demographic demand pressures.

- 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 the governance arrangements for the approval of Capital schemes/projects through enhanced Project Appraisal Group guidance and review; formal capital monitoring reviews 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. Monthly budget monitoring reports include mitigation actions to address underlying budget variances and balance budgets.

- 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.

<u>Funding and Resources</u>

- 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 2022/23, with the Medium Term Financial Strategy updated based on current best assumptions, given 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 56% of our net expenditure requirement in 2021/22, 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 (1%). This equates to a weekly rise of £0.86p for a Band D property.

Formulating the 2022/23 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. The Budget proposals for 2021/22 and the proposals for utilisation of Covid Grants included 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. These proposals will continue to ensure we effectively manage resources to achieve council objectives and protect essential services.

- 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 theme has continued and budget proposals for 2022/23 do not propose any new savings and additionally defer proposed Welfare Advice savings. This strategic decision recognises the Council's 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 "Maintaining 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 2022/23 budget makes provision for inflationary pressures; including Pay (2%); Energy Costs (5%); Contract Prices (4%) and Price inflation (4%). National living Wage increases for Social Care and other workers (a 6.6% increase from £8.91 to £9.50 per hour for over 23s), and the cost of National Insurance Contribution increases have been provisioned within the budget. The impact of the above inflationary pressures will be c£22.4m in 2022-23

- The 2021/22 Pay Award is still not settled, if it gets settled at a higher rate than the 2% included within the budget this will create a structural cost pressure for the Council given each 1% in pay equates to c.£2.6m.

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

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, this is however within budget levels. 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, 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. The index has not been updated and therefore reliance on data that is two years out of date, considering the change over the past two years, is not considered to add value at this point.

The 2019 index showed Bradford Council was in a relatively resilient position, with the main concern being the proportion of its budget allocated to Children and Adults services.

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 2022/23 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. The 2022/23 is not predicated on the delivery of new budget cuts which removes an area of risk.
However, Members need to be mindful of the significant challenges that remain in 2022/23

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. The 2022/23 budget proposal will increase the General Fund Reserve to £19.5m and utilise the Unallocated Reserve to support and mitigate the impact of demand changes that have arisen as a result of the Covid pandemic and other demographic / demand changes.

As can be seen in the Budget Appraisal above, the financial challenges facing the Council are significant and put into context, the General Reserve is sufficient to fund only 2 weeks of Council activity.

Therefore, the projected levels for 2022/23 and beyond remain adequate ***only if***

- The 2022/23 budget is delivered to plan
- Prior years savings are delivered
- Demographic pressures are managed
- Early help and prevention and locality models are successful in addressing costs and demands and delivering effective service models
- 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 2022/23 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 SUSTAINABILITY IMPLICATIONS

Sustainability implications are identified in the budget reports as presented to Executive on 7 December 2021, 4 January 2022, 1 February 2022 and 15 February 2022.

7.2 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.

7.3 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.

7.4 HUMAN RIGHTS ACT

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

7.5 TRADE UNION

The statutory requirement to consult with Trade Unions under S188 Trade Union and Labour Relations (Consolidation) Act 1992 where 20 or more redundancies are proposed within a 90-day period does not arise in respect of the new budget proposals for 2022/23 as these new proposals have no staffing implications.

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 28 November 2021 and on 7 December 2021 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 2022 as an addendum to the budget report.

A briefing for all employees on the budget proposals has been issued through Chief Executive briefing, a letter to staff, line management and key communications/Bradnet and will be cascaded accordingly.

7.6 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.

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The budget proposals include investment in Children Services and extension to Council Tax exemption for Care Leavers.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

N/A

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 2022/23 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

- 1st February 2022: 2022-23 Budget Update Report
- 1st February 2022: Quarter 3 Finance Position Statement 2021/22
- 4th January 2022: Calculation of Bradford's Council Tax Base and Business Rates Base for 2022-23
- 7th December 2021: Proposed Financial Plan and Budget Proposals for 2022-23
- 2nd November 2021: Quarter 2 Finance Position Statement for 2021-22
- 7th September 2021: Medium Term Financial strategy Update 2022/23 to 2024/25
- 6th July 2021: Year End Finance Position Statement for 2020-21
- 6th July 2021: Quarter 1 Finance Position Statement for 2021-22
- 6th July 2021: Medium Term Financial Strategy Update
- 6th April 2021: Quarter 4 Finance Position Statement for 2021-21
- 2nd March 2021: Proposed Investments Utilising Covid Grant
- 16th February 2021: Capital Investment Plan 2021-22 to 2024-25
- 16th February 2021: Allocation of the Schools Budget for 2021/22 Financial year
- 16th February 2021: The Council's Revenue Estimates for 2021/22
- 16th February 2021: 2021/22 Budget Proposals and Forecast Reserves – s151 Officer Assessment
- 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

Plus

- Full Council – Budget Meeting of the Council – 18 February 2021

Plus

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

APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2022/23 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. Covid grant funding has ceased whilst the financial implications are expected to continue, for some services, into the medium term.	Medium / High Investment decisions taken to mitigate the worst implications. Funding to date has met direct cost implications. Unallocated reserve being drawn upon to help mitigate impacts

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
Demand for services increase placing pressure on budgets	Demand for services may increase both in terms of general service demands and specific post 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 / High 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.
Other income streams unstable	Non-taxation income streams remain impacted by confidence post Covid with Leisure, Theatre and Parking revenue being impacted. NHS funding streams may be at risk in the wake of current	Medium / Medium Contingency provided through in-year budget control.

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
	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)	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 A specific review of debts will be undertaken
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 robust	Each savings proposal is required to be accompanied by a project plan setting out the implementation path. This process has been strengthened further through monitoring at CMT and the inclusion of a savings tracker in monthly DMT/CMT finance reports. The impact of the plans has been	Low / Low Mitigation provided through continuous improvement of plans and regular monitoring reports through CMT.

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
	tested in consultation, with non-delivered savings being predominantly as a result of Covid. No new cuts are proposed as part of the budget which mitigates the risk of non-delivery. Implementation requires a dedicated project management resource (which continues to be funded in the budget through the Corporate PMO team).	Risk reduced as no additional savings proposed for 2021/22 and 2022/23
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 and a strong pipeline of change projects was identified in workshops at CMT, JLT and SLT	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 adults and children	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 further demand management activity to be implemented to	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
services	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.	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 2022/23 budget proposals for Adults and 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 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 proposed since 2020/21 budget proposals, and budget proposals in past 2 years have seen the deferral or deletion of some prior savings. 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
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changes place unplanned burden on resources	growth in Adults and Childrens, with further budget proposals for Adults and Childrens. The waste/refuse collection budget has been increased to reflect demographic and household growth through the MTFS period. 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 4% (energy at 5%). Separate provision has been made for National Insurance levy and National Living Wage, including for contracted arrangements. 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 budgets are insufficient to meet rising costs, including inflationary pressures	Capital budgets are approved with some contingency. Recent experience has evidenced a significant inflationary increase on cost of core materials and capital works. As a result a number of capital budgets have had to be increased. Should this trend continue and prices not revert to prior levels there may be a pressure on budgets across the capital programme. As external funding is generally finite these pressures will result in additional borrowing with a consequential pressure	High/Medium Contingency in budgets Balancing risk with suppliers, eg by asking to price at current prices Value engineering upon tender response

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		Likelihood: Low <20% <Medium < 50%< High<70% Impact: Low <£2m< Medium < £3m < High < £5m
	on capital financing budgets.	
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 materialise, the plan (or individual projects within it which are dependent on receipts) will need to be reviewed. A specific Capital Disposal plan is developed annually with specific receipts identified to achieve capital receipt targets	Low/Low Contingency provided through adjustment of plans for subsequent 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. A number of prior projects specifically in sports and leisure have been impacted by Covid as income levels have been impacted. These have been offset by Covid grants but may be impacted further in 2022/23	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital and revenue monitoring processes.
Interest Rates are higher than anticipated over	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	Medium/Medium Compensating action to reduce net

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
the life of the plan	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.	costs Re-profiling and reprioritisation of the capital plan Strong link between capital forecast, Treasury Management and MTFS Appropriate levels of advance borrowing taken where opportunities exist
The baseline budget is structurally compromised	The proposed budget is set using the 2021/22 baseline as amended for specific changes. The 2021/22 forecast outturn shows a combination of overspend pressures and compensating underspends, the most significant of which have been accounted for as part of those specific changes, and where appropriate included within the MTFS, or within budget proposals, for example the proposed use of the unallocated reserve to support Adult and Childrens cost pressures arising through Covid	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 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	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the	Low/low

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not fit for purpose	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.	
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