City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 21 February 2023 and Council to be held on 23 February 2023

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Subject:

2023/24 Budget Proposals and Forecast Reserves – Section 151 Officer Assessment.

Summary statement:

This report assesses the robustness of the proposed budget for 2023/24, the adequacy of forecast levels of reserves and associated risks.

It concludes that the estimates are sufficiently robust for the Council to set a balanced budget for 2023/24.

The report also provides commentary on the financial resilience of the Council over the medium term.

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 31 January 2023 and 21 February 2023. 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.

Christopher Kinsella
Director of Finance

Portfolio:

Leader of Council and Corporate

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report assesses the robustness of the proposed budget for 2023/24, 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 2023/24, which includes proposed revenue savings and some proposed investment in service delivery predominantly to provide for cost-of-living inflationary increases, and also the demand pressures and improvement activity within Children's Social Care. The budget also assumes that prior approved investments and savings that impact in 2023/24 will require implementation action to be undertaken during 2023/24.

It should be noted that this proposal is a single year budget, pending clarity about fair funding, business rates and other outstanding national reviews of local government finances and reforms of both adults and children's social care. A single year budget also enables an assessment of the longer-term impact of cost-of-living increases 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 (MTFS) will be updated, and resources will continue to be aligned to achieve the outcomes in the Council Plan.

For 2022/23 the Council's then S151 Officer concluded that the General Fund reserve should be increased from £15.0m to £19.5m in line with External Audit guidance to represent 5% of the Council's Net Revenue Budget. Accordingly, as a result of an increase in the Net Revenue budget in 2023-24 to a level of £453.3m, the General Fund reserve will need to be increased to £22.7m.

In line with assumptions in the Governments Autumn Statement the proposals include an increase to the Council Tax and Adult Social Care precept by 4.99% that will raise c£11m.

The Council's budget is proposed to be balanced by the use of reserves which is also in line with Central Government expectations. The use of these reserves results in reduced future financial resilience than was previously the case, and the extent of reserve use is not sustainable in the longer term, and will require careful management and monitoring.

This report concludes that the estimates are sufficiently robust for the Council to set a balanced budget for 2023/24. However, it should be noted that there are risks and pressures to the Council's financial position beyond 2023/24 that require mitigating actions to continue to be implemented and monitored during the 2023/24 financial year to achieve a sustainable on-going position.

Delivery of the Council's transformation programme will be an essential element in the approach to mitigating these pressures, however it is unlikely that the programme alone will deliver a sustainable position over the medium term without a shift in national funding policy based on local needs and resources, and a resolution to national issues around demand and funding for Social Care. The Council must therefore continue to work with the LGA and relevant professional bodies to make the case to Government for a sustainable funding

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settlement.

Independent analysis indicates that the reviews and reforms of local government finance such as the Fair Funding Review, and Business Rates reset, would benefit the Council by £32m a year. Much of this gap is due to the unequal distribution of Council tax across the country, and that the growth nationally in Business Rates has not been redistributed by Government as previously intended. Continued deferral of reforms has a significant adverse impact to the Council and the District, and the implementation has been delayed again by Government to 2025 at the earliest.

2. BACKGROUND

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

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

This report comments on the revenue and capital estimates in the proposed budget. The assessment is informed by extensive review, scrutiny and 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.

2023/24 Budget Appraisal

<u>Context</u>

In setting the 2023-24 budget it is important to recognise the context and consequence of austerity measures implemented since 2011/12; the impact of Covid 19, the cost of living crisis and inflation on Council resources and demand for services; and the current uncertainties of national local government funding arrangements.

In the period from 2011/12 to 2022/23 the Council has already had to take measures to reduce costs and increase income amounting to over £310m.

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In the current financial year, the Council is forecast to overspend by £37.6m. This is driven by significant national issues including the cost-of-living crisis, and demand and cost pressures in Children's and Adults Social Care. Additional core budget allocation has been invested in Children's Services over the past 3-years and the proposed budget includes further investment to manage demand pressures and support the improvement programme. The council has delivered a number of mitigating actions and the expectation is that the forecast overspend in 2022-23 will reduce by the year end.

<u>Formulating the 2023-24 budget</u>

Due to the uncertainties over future local government financing, a one-year budget has been proposed for 2023/24.

Governance

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

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

This demonstrates that the Council has deployed appropriate arrangements to mitigate identified risks, and ensure effective monitoring and governance processes are in place to identify, manage and address budget challenges promptly and effectively.

Investments

One of the Council's key functions in terms of managing its finances is securing value for money from its activities, as measured on an annual basis by our external auditors. The Budget proposals for 2023/24 propose investment in critical areas of activity including significant additional resources for Children's (£57m) and Adults Social Care (£5m). The proposals also sustain services to communities and investment in the regeneration of the district for example the delivery of City of Culture 2025, Keighley and Shipley Towns Funds, Darley Street Market; One City Park; Bradford Live and other regeneration programmes.

Inflation and Demographic Growth Pressures

The proposed 2023/24 budget includes £58.4m to cover the estimated costs of inflation, this total is equivalent to approximately 13% of the Council's Net Revenue Budget. This is inclusive of an estimated 4% pay award for 2023-24 and a catch up for a higher than budgeted pay award in 2022-23. There are also inflationary increases on contracts linked mainly to CPI, amounts to cover the increase in national living Wage for Social Care and other workers (a 9.7% increase from £9.50, £10.42 per hour for over 23s), increases in the Energy budget for Council buildings and street lighting, transport fuel costs, and inflation on Fees and Charges. The amount required for inflationary pressures is extraordinarily high given the current economic climate, and price volatility.

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

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.

£2.7m has also been budgeted to pay for the cost of demographic growth on Council services, primarily in Adults and Children's Social Care.

Funding Changes

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

Savings

The revenue estimates propose a further £36m of savings for 2023-24 including significant savings to be made through the management of vacant posts which will inevitably impact on Council capacity.

A number of financial adjustments are proposed, and are in process; ostensibly these do not impact directly on frontline service delivery however some of them may have an effect on long term financial resilience and organisational capacity.

<u>Resources</u>

Council Tax

Council Tax remains our most stable and reliable revenue stream and will account for 52% of our net expenditure requirement in 2023/24, up from 35% in 2010/11. This budget proposes the maximum allowable increase in Council Tax without recourse to a local referendum including the Social Care precept of 4.99%. This equates to a weekly rise of £1.48p for a Band D property. The proposed budget for Council Tax will be £233.291m in 2023-24 including a £0.138m deficit from 2022-23 that will have to be repaid in 2023-24.

Business Rates

The Business Rates budget has been set based on information at the end of December 2022, and submitted to Government in line with statutory guidelines. The Council will pay itself £58.249m from the Collection Fund in 2023-24, and will also have to repay a deficit of £2.067m from 2022-23.

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Government Grant

The Council will receive £40.3m of Revenue Support Grant, and £74.971m of Business Rates Top up grant, as outlined in the Final Local Government settlement.

Having taken into account the investments, pressures and resources outlined above, a financial gap of £44.299 remains in 2023-24 and it is proposed that the gap is bridged through the one-off use of reserves.

Use of Reserves

The Council's financial strategy over recent years 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.

A number of earmarked reserves have been used in 2022/23 for their identified purposes. Further reserves have been reviewed against current budget priorities with some being released to support the 2023-24 budget position.

The reserves held within the balance sheet include:

- Reserves not available to the Council; for example, schools reserves
- Grant Reserves held for specific purposes.
- Statutory reserves held and ring-fenced for particular identified requirements
- Earmarked reserves, which are set aside for designated purposes and for specific liabilities and risks
- The General Fund Reserve; which is essentially the Council's backstop for unforeseen risks and pressures. The reserve is held at 5% of the Council net revenue budget.

The proposed use of £44.3m of reserves in 2023/24 represents a short term response to unprecedented levels of inflation and other cost pressures.

Other Considerations

The Council continues to proactively transform its approach to service delivery including continuously reviewing its service provision levels and priorities.

The Council is working towards establishing the Bradford Children and Families Trust as a wholly owned local authority company. The Trust will have operational responsibility for children's social care. The budget proposals provide significant additional resourcing for Children's Social Care.

The Council is opening a Housing Revenue Account (HRA) from 1 April 2023 in line with the s74 direction from DLUHC ceasing. The direct impact upon the general fund has been

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assessed and reflected in budget proposals. The HRA will provide options for the Council to lead housing development and directly influence the market. The HRA is a ring fenced account but there may be options to maximise funding opportunities within those constraints.

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 some provision for additional investment in capital schemes. The increase in the Capital Investment Programme will incur some additional borrowing with a consequential increase in our capital financing budget. Further capital challenge sessions will ensure the programme is affordable and debt repayments remain within MTFS budget levels. The Council increased its capital investment programme in the past three financial years whilst PWLB rates were at historic low levels.

Regarding Capital Financing, it is recommended that the Council changes its Minimum Revenue Provision from a straight line method to an annuity method. This will bring cost savings in the early years, but will increase the costs in the longer term.

Further, for the first time, the Council will also make use of capital receipt flexibilities that allow for qualifying revenue expenditure to be funded from capital receipts. This is a deviation from the previous policy of using capital receipts to support only the capital investment plan and consequently reduce the borrowing requirement.

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

<u>Section 151 Officer's assessment</u>

Given the approaches to the use of resources and related issues set out in this paper, it is concluded that the estimates are sufficiently robust for Council to set a deliverable and balanced budget for 2023/24.

Members can be assured that a number of risks have been mitigated. For example, focused budget mitigation actions have been identified, many have been delivered already, and others are being reviewed on a regular basis by CMT. Revenue and capital budgets have been reviewed and subjected to challenge, reserves have been reviewed and, where appropriate, maintained or released to support the budget process. Investment in Children's and Adults Social Care has been made to meet rising costs and demands, and additional budget has been made available to meet inflationary pressures.

The budget proposal for 2023/24 includes £22.4m of funding changes, reduced contingencies, changes to capital financing, and £36m of cost savings including £10m from managing vacancies with some posts remaining unfilled for longer.

The 2023/24 proposed reserve use of c£44.3mis historically high, however the projected levels for 2023/24 remain adequate assuming

- The 2023/24 budget is delivered to plan
- Savings identified in previous years are delivered
- Response to demographic pressures are managed as planned
- Prevention and early help and locality models are successful in addressing costs and demands whilst continuing to deliver effective service models
- Potential liabilities are managed within the balance sheet's provisions and reserves
- Local sources of taxation and other income continue as planned.
- Identified budget mitigation and the transformation programme are delivered on time in order to protect future years MTFS.

It is therefore concluded that:

The reserves are adequate for the 2023/24 proposed budget, however given the level of reserves likely to be required to balance the 2022/23 revenue budget, this will leave limited unallocated reserves to support significant budget overspends and budgets beyond 2023-24 should the Council continue to face financial pressures on a similar scale.

Given the unprecedented levels of uncertainty and volatility in which the proposed budget is set, it is inevitable that there will be a number of risks to its delivery. These risks along with mitigating actions are identified in Appendix 1 to this report.

The financial challenges in future years beyond 2023/24 call for continued action, and the investment in the transformation programme will prove to be a vital contribution to this endeavour. The longer-term financial resilience depends on successfully implementing the cost improvement plans and potential future Government funding and reforms.

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

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7.1 SUSTAINABILITY IMPLICATIONS

Sustainability implications are identified in the budget reports as presented to Executive on 14 December 2022, 31 January 2023 and 21 February 2023.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

No direct implications arising from this report.

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 2023/24 as these new proposals do not lead to the potential for 20 or more redundancies.

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 2023/24 budget that would give rise to TUPE. The proposed establishment of the Bradford Childrens and Families Trust. Which is not a budget proposal in itself, will involve TUPE transfer and consultation has taken place regarding this transfer arrangement.

The financial position and the proposals were explained at a recent Trade Union briefing and the formal commencement of the budget consultation on 6 December 2022. Further Consultation was held via service based level 2 and level 3 OJC meetings. Trade Union feedback relating to these budget proposals for 2023/24 will be collated and will be reported at Executive in February 2023 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

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In general terms, where the proposed savings directly affect services to the public, the impact will typically be felt across all wards.

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The budget proposals include investment in Children Services.
The budget proposal is built within the context that Children's Services will transfer to the Bradford Children's and Families Trust with effect from 1 April 2023 as part of the continued improvement planning for the service.

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 to set a balanced and deliverable budget in 2023-24.

- the reserves are adequate for the 2023/24 proposed budget. The level of reserves has reduced substantially to support the Council budget and in line with Central Government expectation that Councils should use their reserves

- the projected corporate reserves, on current estimates, are adequate in the short term, subject to the implementation of the rest of the proposed financial plan, however they do not represent a sustainable solution to addressing budget pressures beyond 2023-24.

- the Medium Term Financial Strategy will be updated and reported to Executive as clarity on future local government funding, reforms of adult and social care and other relevant issues are 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 have to be amended if a decision was proposed that leads to the Council's reserves reducing below their recommended General Fund balance level. In addition, any other amendments would be considered against the scale of the overall budget and depending upon the extent and nature, may result in a revised statement.

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10. APPENDICES

10.1 Appendix 1: Risk-Based Assessment

11. BACKGROUND DOCUMENTS

Executive reports and supporting information / working papers

- 21st February 2023 Revenue Estimates Report for 2023-24
- 21th February 2023: Capital Investment Plan 2023-24 to 2026-27
- 21th February 2023: Allocation of the Schools Budget for 2023/24 Financial year
- 31st January 2023: 2023-24 Budget Update Report and Addendum
- 3rd January 2023: Calculation of Bradford's Council Tax Base and Business Rates Base for 2023-24
- 14th December 2022: Proposed Financial Plan and Budget Proposals for 2023-24
- 1st November 2022: Quarter 2 Finance Position Statement for 2022-23
- 6th September 2022: Medium Term Financial Strategy Update 2023/24 to 2025/26
- 5th July 2022: Finance Position Statement for 2022-22
- 5th July 2022: Quarter 1 Finance Position Statement for 2022-23
- 5th April 2022: Quarter 4 Finance Position Statement for 2022-23
- 15th February 2022: The Council's Revenue Estimates for 2022/23
- 15th February 2022: Capital Investment Plan 2022-23 to 2025-26
- 15th February 2022: Allocation of the Schools Budget for 2022/23 Financial year
- 15th February 2022: 2022/23 Budget Proposals and Forecast Reserves – s151 Officer Assessment and Addendum
- 1st February 2022: Quarter 3 Finance Position Statement 2021/22
- 1st February 2022: 2022/23 Budget Update Report

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APPENDIX 1

Risk-Based Assessment of Potential Events Affecting the Proposed 2023/24 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, local tax bases 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 holds additional but limited reserves that could be drawn upon in the short term to enable a short-medium term approach to any future funding reductions if they occur.	Low / Medium Indications 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 short term if other activities take place as planned.
Demand for services increase placing pressure on budgets	Demand for services may increase both in terms of general service demands, especially in Children's Services, and specific post Covid and recently cost of living related demand pressures. MTFS includes provision for general demand pressures such as demographics and additional budget provision for services where demand is currently forecast to increase or generate an upward pressure on budgets, for example Children Services and SEND.	Medium / High MTFS includes allocation of budget to reflect key demographics and spend pressures.

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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	Additional uncertainty caused post Covid and with ongoing cost of living impacts impacting businesses and citizens; eg potential significant business restructuring, such as impact of pandemic on office space & retail, Brexit impact 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.	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 and further impacted by cost of living with Leisure, Theatre and Parking revenue being impacted. NHS funding streams may be at risk in the wake of current financial difficulties. Past performance suggests that unplanned income may materialise, offsetting generally some of the risks against the aggregate net revenue budget. Fees and Charges reviews take account of potential impact on customer resistance / revenue streams	Medium / Medium Contingency provided through in-year budget control. Continuous dialogue with NHS partners over funding flows More active bidding for external funds Close monitoring of trading and general fees and charges revenues
Non-payment of 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	Low / Low Contingency provided through bad debt provision.

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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
	processes and recovery action. Debt management review is seeking where possible for services to be paid at point of service/order. Where not possible, charges will be raised through debtor invoice processes enabling effective monitoring and tracking of debt to enable recovery	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 Bad debt provision already reduced by £1.6m as part of existing 2022/23 budget mitigation plans
Plans for implementation of savings are not delivered.	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 tested in consultation, with non-delivered savings being predominantly as a result of Covid or over ambitious levels being proposed previously. Implementation requires a dedicated project management resource and the Corporate Transformation team have driven weekly highlight reporting through CMT for the current budget mitigation plan	Medium / Medium Mitigation provided through continuous improvement of plans and regular monitoring reports through CMT. Risk reduced as no additional savings proposed for 2021/22 and 2022/23. 2023/24 proposals include c£10m of vacancy review/ abatement factor savings. This will require close monitoring throughout 2023-24.
Plans for implementation of transformation and change projects do not deliver expected outcomes	Transformational activity within Adults, Children's, Early Help and Prevention and localities are progressing and a strong pipeline of change projects has been identified. Identified CMT Budget Mitigation plans developed initially through workshops in April and May 2022 led to weekly highlight reporting through CMT and significant reduction in forecast budget gap for 2022/23 and into MTFS period	Low / Low Transformational plans developed and transformation programme re-established building upon the effective CMT Budget Mitigation plans and weekly highlight reports into some detail.

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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 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 and recent CMT budget mitigation plan
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. Director of Health & Wellbeing role as part of ICS will support system and council budget planning across systems. Negotiations continue over the distribution of the Better Care Fund.	Medium / Low Dialogue and collaboration on joint funding with health partners is in progress. Impact judged as low as budget is not predicated on integration

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 related to staff cannot be implemented to plan	2023/24 budget proposals includes £10m to derive from a vacancy review/ abatement factor that will require both existing vacancies to be held for longer, and staff not being replaced when they leave. Any implementation of current planned savings will focus on avoiding compulsory redundancy.	Low/Medium Use of voluntary redundancy and vacancy management to mitigate impacts.
The establishment of the children's trust places additional financial pressures	The budget proposals provides for substantial increase in the Children's Services budget with a £57m proposed uplift, demographic funding and inflation funding. Demand management data has been produced that evidences the budget position, based on the assumptions included Planned and in place recruitment will reduce agency numbers providing a direct saving There will be additional cost of the trust management team and potentially in retained council functions eg Intelligent Client Function over and above MTFS assumptions Contract price negotiations in train and dialogue planned with DFE/DLUHC over the level of additional funding they may be prepared to contribute to facilitate an effective trust mobilisation and into delivery	Medium/Medium The position reflects the current circumstances. Effective dialogue / negotiation with the Trust and productive funding discussions with DFE/DLUHC would reduce the risk.
The HRA business plan may be financially unviable	The Council is opening a HRA from 1 April 2023 in line with the s74 direction status. The Council has engaged advisors and developed a business plan for the HRA. A report to Council Executive in November set out the current position and advised the financial risk around the rent cap level which was currently out to consultation. This	Low/Low The establishment of the HRA will be financially viable following the rent cap outcome. The Council has option to increase

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
	has now concluded with a rent cap level that will enable a financially viable business plan for the HRA. The Council has identified options to increase stock, improving future viability and also in securing stock that may be suitable for vulnerable adults and children's	future viability and these need progressing from 1 April 2023
The Council may have insufficient reserves to manage future uncertainties and volatilities	A number of earmarked reserves have been drawn down in 2022/23 as part of approved budget plans. Further reserves have been withdrawn and re-prioritised to mitigate in year and MTFS budget gaps. The MRP reserve will be called upon to balance the 2023/24 budget and if overall costs and funding remain as per the MTFS assumptions the reserve will be fully utilised to fund 2024/25 budget proposals. A number of budget mitigation and transformation plans have been identified and these must be delivered to retain some short term reserve flexibility.	Medium/High Current MTFS projections show the reserve position is adequate for 2023/24 but the current rate of drawdown will not be sufficient beyond that. Identified mitigations need delivering Services need to manage within approved budget
Insufficient inflation allowance is provided in the plan	Expenditure budgets have been selectively inflated at indices appropriate for the relevant line with £58.4m inflation added to core budgets. The total being equivalent to 13% of net revenue budget. This is inclusive of an estimated 4% pay award for 2023-24 and a catch up for a higher than budgeted pay award in 2022-23. There are also inflationary increases on contracts linked mainly to CPI, amounts to cover the increase in national living Wage increases for Social Care and other workers (a 9.7% increase from £9.50, £10.42 per hour for over 23s), 118% increases in the Energy budget for Council buildings and street lighting; increases in transport fuel costs, and inflation on Fees and Charges based on CPI. The amount required for inflationary pressures is	Medium/Medium Compensating action to reduce net costs Energy Price Volatility Reserve

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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
	extraordinarily high given the current economic climate, and price volatility. Where appropriate, budget managers will need to absorb unfunded inflation through reducing consumption of goods and services. The impact of potential greater inflationary pressures in the economy on the MTFS will need to be managed.	
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 on capital financing budgets.	High/Medium Contingency in budgets Balancing risk with suppliers, eg by asking to price at current prices Value engineering upon tender response £10m Capital Inflation provision included in 2023/24 budget proposals
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. Capital challenge sessions provide for further Executive member led scrutiny and challenge	Low/Low Close monitoring is required to ensure that schemes do not overspend and deliver to plan. Contingency provided through adjustment of plans for subsequent years
Sources of funds	In addition, to the capital receipts expected to be released as	Low/Low

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Risk Event	Description and Mitigation in Place	Residual Risk Rating (Likelihood/Impact) and Contingency
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for capital investment do not materialise	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	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 from 2022/23 onwards Cost of living impacts upon capital costs will impact invest to save return.	Low / Medium Business plan approval subject to service sign off and PAG approval, before being approved by Executive. Capital and revenue monitoring 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 and also the timing of when new loans are taken to fund the capital programme including advance borrowing against the programme forecast	Medium/Medium Compensating action to reduce net costs Re-profiling and reprioritisation of the capital plan Strong link between capital forecast, Treasury Management and MTFS Appropriate levels of advance borrowing

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		taken where opportunities exist
The baseline budget is structurally compromised	The proposed budget is set using the 2022/23 baseline as amended for specific changes. The 2022/23 forecast outturn shows a combination of overspend pressures and compensating underspends, the most significant of which have been accounted for as part of those specific changes, and where appropriate included within the MTFS, or within budget proposals, for example the proposed further increased base budget for Children's Services and the additional funding for Adults within the 2023/24 budget proposals.	Medium / Medium Strategic Directors can use their delegated budgets flexibly Structural budget issues are identified and tracked, and if appropriate reflected in MTFS and budget plans. General Fund Reserve
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 Position regarding known conversions and deficits has been provisioned where material and appropriate
Internal governance arrangements are not fit for purpose	Constitutional arrangements, internal delegations, and the financial control environment are in place and, from audit testing, are effective. The Schools Forum and the supporting mechanisms are likewise effective at enabling a mature discussion about the use of local authority and DSG funds to support schools and pupils. Governance arrangements for health and social care are also well established. Internal governance supporting change	Low/low

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	management also reduces the risk of departmental silo mentality.	