City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 7th November 2023

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Subject:

Medium Term Financial Strategy update 2024/25 to 2026/27.

Summary statement:

This Medium-Term Financial Strategy (MTFS) update sets out the forecast financial resources available to the Council to support the delivery of its key priorities as set out in the Council Plan 2021-2025.

The Council has a consistent track record of delivering balanced budgets in challenging circumstances which have required it to make savings of over £350m since 2011 in the face of national austerity measures, rapidly increasing costs, and rising demand particularly for social care. However, these factors and the volatile external environment mean that resources are now under unprecedented pressure which is unsustainable without significant and urgent additional funding and national policy reforms.

This revised forecast identifies for planning purposes a financial gap of c£29m in 2024-25, reducing to £7.7m in 2025-26 and £7.7m in 2026-27 for services delivered by the Council.

The Bradford Children's and Families Trust (BCFT) which is a company wholly owned by the Council has forecast an additional financial gap including inflation of £42.1m in 2024-25, £40.7m in 2025-26 and £43.0m in 2026-27.

The combined forecast gap for Council and Children's Trust services stands at £71.4m in 2024-25, reducing to £48.4m in 2025-26 and £50.7m in 2026-27.

The Housing Revenue Account also faces additional pressures which will require mitigation and there are future risks associated with the Dedicated Schools Grant.

Equality & Diversity:

Services and investment delivered or commissioned by the Council plays a significant part in addressing inequality, improving well-being and widening access to opportunities and the report sets out clearly the need for equality to be considered as part of the Budget Strategy. As in previous years a full Equality Impact Assessment will be produced for all budget proposals and full consultation with relevant groups will be undertaken. The outcome of consultation will be considered and reported on before the 2024-25 and subsequent budgets are approved.

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Director of Finance & IT

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Overview & Scrutiny Area:

Corporate

1. Introduction

1.1 The Medium-Term Financial Strategy (MTFS) forms part of the Council's planning and performance framework and provides the context for the more detailed budgeting process.

1.2 The MTFS is refreshed each year to give a rolling 3-year assessment of the fiscal environment, after the close of the previous year, and before the budgeting proposals for the following year. Given the high levels of uncertainty about funding for local government and associated reforms, this forecast will need to be refreshed prior to setting the 2024-25 budget in February 2024 as further information becomes available. In early December 2023 a report will be provided that will outline both the estimated impact on Council finances of the Chancellor's Autumn Statement, and the savings proposals to bridge the budget gap. In early January 2023 there will be a report setting the Council Tax and Business Rates base for the 2024-25 year, and then in February 2024, the final budget proposals will be published in advance of Budget Council.

1.3 This report provides a background and overall MTFS forecast summary. This is then followed by an outline of the financial implications of the Bradford Children's and Families Trust 3-year draft business plan. The Council received the proposed business plan at the end of September 2023, and further due diligence and funding certainty for the Council is required prior to the Council being able to agree it as part of the Council Budget setting in February 2024. The financial implications are however very likely to be significant and more than the Council could fund alone.

1.4 The report also highlights potential future issues associated with the Dedicated Schools Grant high needs block.

1.5 Further detail about the Council's MTFS gap and how it was derived is then outlined in Appendix 1 which comprises four sections.

1. Purpose, priorities, and principles
2. Medium Term Financial Forecast and Gap Analysis
3. The financial implications of the Childrens Trusts Business Plan
4. Risks associated with the forecast.

This is followed by Annex A that provides the current cost structure, savings approved to date, and Council reserves to provide context.

1.6 Appendix 2 then provides additional detail in relation to future risks associated with the Dedicated Schools Grant which will need to be managed in the near term.

1.7 Appendix 3 then provides additional detail in relation to future risks associated with the Housing Revenue Account which will need to be managed in the near term.

2. BACKGROUND

2.1 This Medium-Term Financial Strategy (MTFS) sets out the forecast financial resources available for the Council to deliver its key priorities as set out in the Council Plan 2021-2025 based on assumptions made from the relevant data available.

2.2 The key outcomes that underpin the financial planning of the Council are:

- Better skills, more good jobs and a growing economy
- Decent homes
- Good start, great schools
- Better health, better lives
- Safe, strong and active communities
- A sustainable district
- An enabling council

2.3 The MTFS has been developed within a volatile and unpredictable external environment influenced by factors such as war in Ukraine, Brexit, demand pressures, national policy and the impending general election. These high levels of uncertainty make financial planning challenging.

2.4 It should also be noted that there are several 'once-in-a generation' opportunities available for Bradford that must be prioritised as key enablers of growth. These include developing the legacy of City of Culture and ensuring that the promised new station for the city and mass transit proposals for the region are taken forward at pace.

2.5 Since 2011, the Council has already had to deliver over £350m of budget reductions due to national austerity measures, increasing costs and rising demand particularly for social care. Cutting costs and increasing income while continuing to meet the needs of residents and businesses has required difficult decisions and placed services under pressure. Nevertheless, a robust and prudent approach to financial management and the use of resources meant that immediately prior to the Covid pandemic Council finances had achieved a degree of relative stability.

2.6 There has since been a rapid deterioration in the position amid significant inflationary pressures, rapidly increasing demand for and costs of Children's Social Care and considerable uncertainty around local government funding, and the Council's current financial position is unsustainable and requires the development of an emergency financial improvement plan.

Context

2.7 **Austerity.** The Council has had to deliver over £350m of budget reductions since 2011 because of national austerity measures, increasing demand for social care services and rising costs. Bradford has been disproportionately affected by the impact of national spending cuts. Analysis by the Special Interest Group of Metropolitan Authorities (SIGOMA) demonstrated the disproportionate cuts suffered by the most deprived authorities compared to those more affluent authorities and specifically highlighted the disparity between cuts seen in Bradford (28%) and Surrey (8%).

2.8 Aside from Children's Social Care, all other Council services already benchmark as below average cost, indicating relatively limited opportunities to make further large-scale reductions to spending without severe consequences for service delivery. The largest department, Adult Social Care, has very low benchmark spend and has had a recent positive peer review.

2.9 **Inflation.** Inflationary pressures on both pay and prices have occurred on a scale not seen since the 1970s, requiring an additional £28m to balance the budget for 2022-23 and a further £58m to be factored into the budget for 2023-24. The Local Government Association forecast that inflation, energy costs and projected increases to the National Living Wage will add £2.4 billion in extra cost pressures onto council budgets this year alone, rising to £3.6 billion in 2024-25.

2.10 **Children's Social Care.** Soaring growth in demand for, and the costs of Childrens Social Care is a national phenomenon which is also being experienced particularly acutely in Bradford.

2.11 Recently published Government statistics demonstrated that nationally, Council spending on Children's Social Care doubled in the decade to 2022-23 from £6.6bn to £12.8bn including an increase of 6.3% in 2021-22. The Children's Funding Alliance have identified a £1.6bn annual shortfall in funding while the Independent MacAlister review of Children's Social Care has called for an additional £2.6bn over five years to deliver much needed reform and highlighted a system under extreme stress. The Competitions and Markets Authority identified a dysfunctional market for children's residential care in which a small number of providers can make excessive profits as local authorities compete for limited spaces.

2.12 Bradford has seen big increases in demand for children's social care, more complex cases and challenges in recruitment and retention. The numbers of children in care rose by 61% between 2012 to 2022 while the rate of children in need increased by more than 60% over a similar period. Residential fees are up from £3,600 a week in 2020-21 to around £6,000 per week now. Challenges in recruitment and retention require the use of agency staff to fill the gap. We have also invested to drive improvements, but the situation is such that additional national investment and market reforms are urgently needed.

2.13 **Adult Social Care.** Bradford's adult social care services are relatively low cost but there is considerable rising demand driven by population growth, complexity of cases and deprivation. Large numbers of people are making the transition from Children's to Adults Services with high care and support needs. Increasing demand sits alongside challenges in recruitment and retention as competitive wages for care workers are increasingly unaffordable for Councils. These ongoing cost, demand and workforce capacity pressures reflect wider national trends.

2.14 **Reserves**. The Council has made use of its reserves on an exceptional scale to balance the budget in 2022-23 and 2023-24. This was in line with statements from Government that councils should use reserves. However, reserves are now depleted, and this approach cannot be sustained.

2.15 **Council Tax.** Financial pressures are compounded by Bradford's low tax base – Band D council tax is significantly below the Metropolitan average. Council Tax revenues are approximately £20m below the average of other Metropolitan Councils on a pro rata basis. The Band D rate in Bradford is c£135 per year below the Metropolitan Council average, and £400 below the highest. Bradford currently ranks as having the 30th lowest Council Tax out of the 36 Metropolitan Councils; is the lowest in West Yorkshire and 2nd lowest in the Yorkshire and Humber region.

National Policy has seen big increases the proportion of the Council budgets funded via Council tax compared to Government grants. This means that Bradford Council can raise less money for vital services than wealthier parts of the country. Many recent policy changes nationally permit councils to raise council tax e.g., through the social care precept. However, a 5% increase in the Bradford district per dwelling raises only half the amount raised in Elmbridge in Surrey relative to size. So indicatively, if 5% raises £11m in Bradford, it would raise £22m in Elmbridge pro rata. That risks a postcode lottery. Year on year, the gap between richer councils and poorer ones gets bigger. The disproportionate impact of this approach is heightened by the Government's limit on percentage increases in Council tax – a 5% increase in Bradford raises less than the equivalent increase where Council tax is already higher, so the gap increases year on year.

2.16 **Delayed Reforms of Council Funding.** Independent analysis from Local Government finance experts has identified that had the Government implemented Local Government funding reforms in 2020-21 as planned, Bradford would now be c£32m per year better off.

MTFS Forecast

3.1 This revised forecast identifies for planning purposes a total forecast financial gap of £71.4m in 2024-25, reducing to £48.4m in 2025-26 and £50.7m in 2026-27. This includes both services delivered by the Council and those delivered through Bradford Children's and Families Trust (BCFT), a company owned wholly by the Council.

3.2 Council services are forecast to face a financial gap of c£29.3m in 2024-25, reducing to £7.7m in 2024-25 and £7.6m in 2025-26 for services delivered by the Council. It should be noted however that the main reason for the reduced gap in 2024-25 is due to the assumption that the Government implements its long-delayed Business Rates reset and Fair Funding review as it is current government policy. Should the implementation be delayed again as is likely then this would increase the gap in 2025-26 by c£18m.

3.3 The Bradford Children's and Families Trust (BCFT) which is a company wholly owned by the Council has forecast an additional financial gap including inflation of £42.1m in 2024-25; £40.7m in 2025-26 and £43.0m in 2026-27.

3.4 Further, there is a future deficit risk associated with the Dedicated Schools Grant that has also been highlighted in Appendix 2 of this report. There is currently a statutory override, meaning that the Councils General Fund is not impacted by DSG deficits, however, the statutory override is due to end during the period of the MTFS, and there is a growing risk of future high needs block deficits that needs to be addressed.

3.5 The Housing Revenue Account is also facing pressures that will have to be mitigated. These are outlined in Appendix 3.

3.6 The forecasts are based on assumptions which are detailed in Appendix 1 and include:
- Council tax increases – 4.99% including Adult Social Care Precept.
- Estimated impact of pay awards, energy costs and inflation.
- Demographic growth
- Implementation of current Government policy on financial reform and fair funding.

3.7 Some emerging issues are also yet to be quantified but represent a future risk. Potentially significant issues include Job evaluation and grading, and treasury management costs.

3.8 In addition to the fair funding review there are also several national reforms that will impact on the forecast:

- The Autumn Statement on the 22nd of November, and the subsequent Local Government Settlement.
- Additional responsibilities in relation to providing free food waste collection to every household in the district on a weekly basis from 2026. Early estimates are that this would cost c£12m in set up/ capital costs for new bins; vehicles, and sealed container units, with ongoing annual running costs of c£2m. Additional burdens are supposed to come with additional government funding, so the impact is not reflected in the MTFS, but the extent of this is not yet known.
- Additional responsibilities for school attendance and SEND.
- Social Care reforms

3.9 Given the high levels of uncertainty around funding, inflation, national policy and demand, assumptions must be kept under review and revised as appropriate throughout the budget planning process, and in advance of setting the budget at Budget Council in February 2024. Appendix 1 section 3.1 details the key uncertainties associated with the forecast.

Bradford Childrens and Families Trust

4.1 Like councils across the country, Bradford, has seen increasing caseloads, more children entering care creating subsequent pressure on staffing levels with a need to employ agency staff, and high numbers of very complex cases. These factors, alongside dysfunctional market conditions for residential care and the need to drive improvements locally, have led to increasing pressure on the Children's Social Care budget and required new investment to be made to keep pace.

4.2 Following an Ofsted "Inadequate" rating for Children's Social Care services in September 2018, Bradford's Children's Social Care had a government appointed advisor, followed by a government appointed commissioner who has been in place since 2021 leading Children's Social Care improvement.

4.3 Since 1st April 2023, Children's Social Care provision has been provided by the Bradford Children's and Families Trust following a directive from the then Secretary of State Nadhim Zahawi and the Department for Education (DfE) that this would be the most appropriate vehicle for improvement. The Council has made significant additional investment to secure those improvements both prior to, and in preparation for the formation of the Trust.

4.4 BCFT is a company wholly owned by the Council and managed by highly respected children's social care leaders.

4.5 Overall, the gross expenditure (the total amount spent before deducting income from non-Council sources) for Childrens Social Care provision in Bradford has increased by over £100m per year between 2018-19 and 2022-23, and the Trust forecasts this rising by a further c£56m to £242.8m in 2023-24 as outlined below.

	2018/19 Actuals £ms	2019/20 Actuals £ms	2020/21 Actuals £ms	2021/22 Actuals £ms	2022/23 Actuals £ms	2023/24 Forecast £ms
Gross Expenditure	83.9	99.5	114.7	139.5	186.8	242.8
Income	-7.6	-12.5	-28.4	-31.5	-14.0	
Total	**76.3**	**87.0**	**86.3**	**108.0**	**172.7**	
Non-Service Managed costs	3.7	5.3	6.0	11.6	8.6	
Total incl Non-Managed costs	**80.0**	**92.3**	**92.3**	**119.6**	**181.3**	

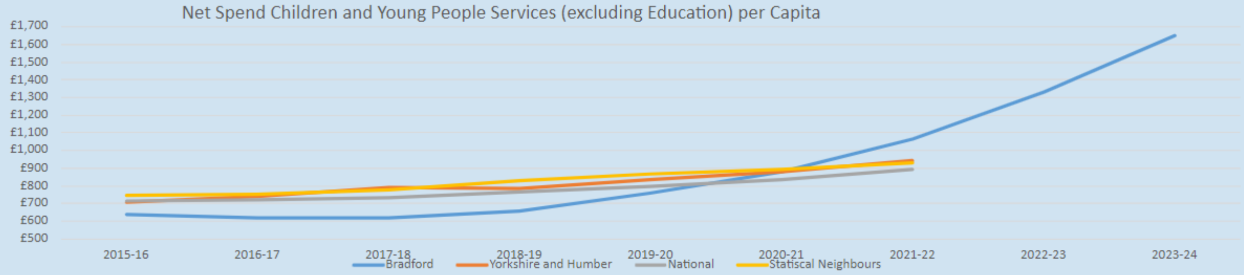
Includes £10.8m of expenditure supported by a one off DfE grant. Excludes SLAs.

4.6 The considerable increase in expenditure has resulted in benchmark spend per head of children population going from low to very high over recent years and is now significantly higher than other similar benchmark councils.

Net Spend on Children and Young People Service per Capita

As a result of high Agency staff costs, and the growth in Child Looked After placements (particularly Residential Care placements), net spend on Children and Young People per capita, has grown significantly in recent years.

Local Authorities	16-17	17-18	18-19	19-20	20-21	21-22	% Growth 16-17 to 21-22	Estimated 22-23	Estimated 23-24
Bradford	£619	£621	£659	£756	£877	£1,067	72.4%	£1,335	£1,648
Yorkshire and Humber	£742	£753	£785	£832	£875	£946	27.5%		
National	£718	£735	£762	£794	£834	£895	24.7%		
Statistical Neighbours	£752	£776	£829	£867	£887	£928	24.6%		



Please note estimated 2023-24 net spend per capita is £1,648

4.7 Indicatively, based on the c142,000 children in the district, if Bradford's net-spend on Children and Young people per child in 2021-22 (£1,067) were at the same level as Statistical Neighbours in 2021-22 (£928), it would have spent c£20m less per year.

4.8 Benchmark data from other councils for 2022-23 (published in December 2023) and 2023-24 is not yet available but given the rapid growth in both spend and spend per child in Bradford in 2022-23 (£1,335) and 2023-24 (£1,648) per the Trust's Quarter 2 forecast, this excess spend in comparison to benchmarks is now likely to be significantly greater than £20m.

4.9 With the active engagement of the DfE, and agreement between the Council and the

Trust Board, a contract price for Childrens Social Care services of £170.3m was agreed, and the DfE also provided £10.8m of one-off grant to help the Trust pay for additional running costs and transformation capacity, giving a net total of £181m at the outset (exclusive of SLAs and other minor contract variations).

4.10 The contract sum provided is in keeping with independent analysis undertaken by Children's Social Care specialists Newton that identified that an ongoing budget requirement for a district the size of Bradford to be between c£151m for an above average performing service and up to c£177m for a worse than average is reasonable for a service operating in a steady state context, with a mid-point of £163.5m. The model does not take account of the specific trajectory, trends or momentum of spend that a local authority might be expecting.

4.11 Against the £181m budget the Trust is now forecasting that they will overspend by £45.2m in 2023-24 due mainly to agency staffing levels; external residential care and fostering placements that are significantly above contracted values and significantly higher than benchmarks.

4.12 The Trust has produced a 3-year business plan that outlines their financial gap over the MTFS period, and as their current spend is significantly above benchmarks and what independent analysis suggests it should be for a district with Bradford's demographic, the Trust's plan is to take actions that will both improve practice and reduce costs closer to benchmark levels over time.

4.13 Recent Ofsted monitoring reports into Childrens Social Care outlined continuing improvements in practice, and the recently appointed Chief Executive who is a very highly respected leader in the Childrens Social Care sector is establishing a new team and embedding working processes in the Trust to help deliver improvements and real terms (adjusting for inflation) reductions in spend.

4.14 The table below outlines the financial gap derived from the Trust's Quarter 2 Finance Report for 2023-24, and the Trust's 3-year business plan from 2024-25 to 2026-27, both of which have been received by the Council in late September 2023.

£ms	2023-24	2024-25	2025-26	2026-27
2023-24 Contract price	170.3	170.3	170.3	170.3
DFE Grant	10.8			
Contract Price + DfE Grant	181.1			
Forecast gap before Inflation	45.2	30.0	21.7	17.1
Total required excluding inflation	226.3	200.3	192.0	187.4

4.15 The Trust Financial Plan is underpinned by the following headline ambitions which will provide financial sustainability in the medium term:

1. **Budget stability by March 2027** - The ambition is to seek budget stability by March 2027 and provide 'good' services within a budget envelope equivalent to the current contract price of £170.3m indexed for inflation.
2. **Children in care numbers reduced to 96 per 10k by 31st March 2027** – This would see reductions from the from 114 per 10k now.

3. **Reducing the cost of Placements –** reducing placements from 1,552 in 2023-24 to 1,344 in 2026-27 would save c£16.4m as outlined below.

TABLE 1: Reduction in number of placements and financial impact

Year	2022-23	2023-24	2024-25	2025-26	2026-27	Total
CIC Per 10,000 at 31st of March - Bradford Target	113	114	108	102	96	
Bradford CIC at 31st of March 2027 Realistic Ambitious	1586	1552	1506	1436	1344	
Net Reduction in CIC in Year		-34	-46	-70	-92	-242
Potential Cumulative Cost Saving in Year - Phased	0	0	£-3.6m	£-10.0m	-£16.4m	

4. **Reduction in Agency Social Worker roles to 20% by 31st March 2026**
5. **Annual Efficiency and budget management programme delivering cash-able and non-cashable savings.**

4.16 Appendix 2 outlines the ambitions in greater depth, and the actions required to achieve them.

Inflation

4.17 Additionally, the Children's Social Care sector and hence the Trust is also seeing some very significant increases in inflation. Aside from the expected pay awards and other non-pay inflation that largely mirror the Councils assumptions, the Trust is also forecasting an increase for placement costs in 2024-25 in line with other cities. This is inclusive of inflation on residential care provision, fostering placements and fostering fees amongst others. The average cost per week of an external residential care placement for example has increased very significantly in recent years as outlined below.

	2019-20	2020-21	2021-22	2022-23	2023-24 per Contract	2023-24 per Trust Qtr 2 forecast
Avg Weekly cost per placement	£3,326	£3,600	£4,800	£5,086	£5,429	£5,997
Avg Yearly cost per placement	£172k	£187k	£250k	£264k	£282k	£312k

4.18 Across the period, the Ofsted inspection regime has been rightly increasingly challenging, and the use of larger homes with a lower cost per week when full was not providing the ability to match children to appropriate settings resulting in an increased number of empty beds.

4.19 Consequently smaller units with a more family-style environment has been the direction of travel across the sector, but this has contributed to increased residential placement cost levels – for example, many more employees are required to staff 3 x 2 bed units than 1 x 6 bed units.

4.20 Since last year, over 16 provision has also been bought into the regulated sector with the resulting increased registration/ regulation impacting on supply in the market and additional costs for suppliers. Though this results in improved practice, the additional cost has fallen to Councils without the provision of an associated increase in funding.

4.21 Further, as a result of supply shortages and increased demand, the scope for external providers to increase prices has risen, leading the Competition and Markets authority to identify profiteering in the sector.

4.22 Overall, the forecast increase in contract sum required for inflationary pressures per the Trust Business plan is outlined below.

	2024-25	2025-26	2026-27
Inflation – Pay	2.7	4.1	5.6
Inflation - Non-pay	9.4	14.9	20.3
Total	12.1	19.0	25.9

4.23 When combined with the Trust forecast funding requirement before inflation, the overall Trust MTFS gap is outlined below.

Financial Years	2024-25	2025-26	2026-27
2023-24 Contract price (excl SLA and True up)	170.3	170.3	170.3
Forecast Requirement Before Inflation	30.0	21.7	17.1
Inflation	12.1	19.0	25.9
Total BCFT funding requirement	212.4	211.0	213.3
Total Annual funding gap	42.1	40.7	43.0
Cumulative funding gap	42.1	82.8	125.8

5 Council and Trust Combined Gap

5.1 When the Council's MTFS financial gap and the Trust's financial gap are combined, the total gap for 2024-25 is outlined below.

Financial Years	2024-25	2025-26	2026-27
Council MTFS Gap	29.3	7.7	7.7
Trust MTFS Gap	42.1	40.7	43.0
Total MTFS Gap	71.4	48.4	50.7

5.2 Significant work is already being undertaken to reduce the gap through a programme of work to control spending and cut costs, increase income, transform services, manage the balance sheet, review the capital programme, identify asset disposals, and review remaining reserves amongst others. Actions include:

- An effective freeze on non-essential recruitment.
- Development of a business plan and mitigating actions for BCFT.
- Reviewing use of agency staff, contractors and consultants
- Increasing fees and charges to cover the costs of inflation and service provision.
- Dialogue with health partners to agree additional health contributions to provision.

- Spending controls stopping all non-essential spending for example on travel, conference attendance, catering etc.
- Strengthening the balance sheet through reclamation of WYCA Transport Reserves
- Ongoing review and re-allocation of reserves.
- Reviewing the capital programme.
- Working to assess opportunities for greater commercialisation.
- Developing work to secure more external grant funding.
- A comprehensive transformation programme including work on contracts and procurement, fleet, waste, depots, energy, SEND and High needs, traded services, locality-based working and a review of corporate working to eliminate duplication and increase efficiency.
- Identifying surplus assets that could potentially be disposed of.

Further urgent action will include producing and implementing a robust improvement plan across all service areas, further spending controls, support to BCFT to help them to drive down costs and deliver on their business plan; the disposal of land and property and new savings proposals for the 2024-25 budget that will require difficult decisions to be made.

5.3 While the Council is taking proactive action to address the issues its reserve levels as outlined in section Annex 1 part c are depleted; Adult Social Care services already benchmark as low cost, and the Council has already had to make per year savings of £350m since 2011; the Council does not have sufficient scope currently to bridge the forecast funding gap through its existing resources so further deeper cuts will have to be made.

Schools

5.4 There is also a future deficit risk associated with the Dedicated Schools Grant (DSG) that has also been detailed in Appendix 2 of this report. There is currently a statutory override, meaning that the Councils General Fund is not impacted by DSG deficits, however, the statutory override is due to end during the period of the MTFS, and there is a growing risk of future high needs block deficits that needs to be addressed.

Housing Revenue Account

5.5 There is also a future deficit risk associated with the Housing Revenue Account that has also been highlighted in Appendix 3 of this report. The HRA is supposed to be self-funding and it sits outside of the Councils General Fund, however, action will need to be taken to ensure that the HRA is sustainable going forward.

Conclusions

5.6 Bradford is not alone in facing challenges of this scale. Many councils are now experiencing very severe financial challenges, primarily because of inflation and Social Care demand, and this is reflected in the increasing numbers of Finance Directors who are warning that they will run out of reserves and must issue s114 notices unless they can secure additional support.

5.7 A section 114 notice is issued when a Finance Director determines that the expenditure proposed to be incurred exceeds the resources likely to be available, with the consequence that no new expenditure is permitted other than that funding statutory services and honouring existing commitments and contracts.

5.8 According to recent research from Sigoma, 26 out of 45 Metropolitan Councils are close to issuing a section 114 notice and specific s114 warnings have been provided by a diverse range of Councils including.

- Coventry,
- Devon,
- Guildford,
- Hastings,
- Hampshire
- Havering,
- Kent,
- Kirklees,
- Medway,
- Middlesborough
- Southampton.

5.9 The scale of the challenge both in Bradford and nationally is without historic precedent and reflects a sector in dire need of funding and funding reform. The Government's Autumn Statement is scheduled for 22nd November 2023, and this will outline funding for Local Authorities nationally via the Department expenditure limits for the Department of Levelling Up, Housing and Communities. This will be followed by the Local Government provisional settlement which will outline the provisional distributions to individual Councils. This is typically received in the last week before Christmas, and the impact will be outlined in future updates.

5.10 Unless the Autumn Statement provides a response to the most immediate issues affecting the sector many local authorities will have to issue S114 notices. The Council's submission to the Chancellor's upcoming Autumn Statement has made the case for the additional funding and policy reforms that the Council needs. Without national support the consequences for local services and our communities are likely to be severe.

5.11 The Council, the Department for Education and the Department for Levelling Up Housing and Communities, must therefore work together to ensure that the Bradford Children's and Families Trust has sufficient budget to perform its operations in 2024-25 and sustain them beyond, while sustaining other Council services supporting quality of life, care for vulnerable people, health and economic growth.

5.12 There are precedents for the provision of significant additional Government funding to help local authorities to deal with immediate funding pressures. There are currently 34 Councils across the country that have been provided with additional High Needs Block Safety Valve funding from the DfE including £100m for Surrey (without which it would have an additional £100m whole in its finances). Bradford has thus far not been granted such funding because it did not have a deficit in this area.

5.13 Further it should be noted that the Government have previously allowed several Councils to access extraordinary financial support by allowing them to capitalise revenue costs for a short period to enable them to get to a sustainable position. It is not necessary to declare s114 to access a capitalisation directive. This has happened on numerous occasions with the largest being Croydon which had two directives – £50m in 2020-21 and £70m in 2021-22.

5.14 The Council's submission to the Chancellor's upcoming Autumn Statement has made the case for the additional funding and policy reforms that the Council needs. Without national support the consequences for local services and our communities are likely to be severe.

6. OTHER CONSIDERATIONS

6.1 The MTFS is typically affected by key decisions made by Executive and Council which have material financial implications. In addition, national policy changes can also have a significant impact on the MTFS.

7. FINANCIAL & RESOURCE APPRAISAL

7.1 The MTFS is a financial and resource appraisal.

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

8.1 The principal risks arising from the strategic assessment emerge from:

- the sensitivity of financial estimates to actions beyond the immediate control of the Council, in particular Government decisions on local authority financial regimes and spending levels. This is particularly significant for this forecast given the national reforms currently being considered.
- the capability of the Council to influence Council Tax and Business Rates.
- the impact on the economy and any resulting adjustment to the local government financial envelope resulting from Inflation.
- The impact of inflation, and the wider economy on Council Services and on residents and businesses.
- Ongoing increases in demand for services, particularly children's and adult's social care.

8.2 Specific risks in the plan are set out in section 3.1 of Appendix 1.

8.3 A basic premise of the MTFS is that approved local savings plans not otherwise identified will be delivered on time and in full. Should it become clear that these can't be delivered or mitigated, the budget gap for 2024-25 will grow.

9. LEGAL APPRAISAL

9.1 This report is submitted to the Executive in accordance with the Budget and Policy Framework Procedure rules.

9.2 The Council is legally required to set a balanced budget.

10. OTHER IMPLICATIONS

10.1 EQUALITY & DIVERSITY

See front page.

10.2 SUSTAINABILITY IMPLICATIONS

Non specific

10.3 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

Non specific

10.4 COMMUNITY SAFETY IMPLICATIONS

Non specific

10.5 HUMAN RIGHTS ACT

Non specific

10.6 TRADE UNION

Non specific

10.7 WARD IMPLICATIONS

Non specific

10.8 IMPLICATIONS FOR CHILDREN & YOUNG PEOPLE

Non specific

10.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

Non specific

11. NOT FOR PUBLICATION DOCUMENTS

None

12. RECOMMENDATIONS

12.1 That having considered the Medium-Term Financial Strategy as an assessment of the Council's financial outlook to 2026-27, and a framework for it to seek to remain financially viable and deliver sustainable public services, in line with its priorities, that Executive approve the updated Medium Term Financial Strategy report and appendices.

12.2 That the Executive instructs the Chief Executive to draft an emergency financial improvement plan which will help bridge the financial gap the Council and the Bradford Children's and Families Trust is facing.

12.3 That the Executive will receive regular updates and budget proposals to address the financial gap prior to setting a budget for 2024-25 in February 2024.

12.4 That the Council continues its dialogue with Government regarding the financial gap, particularly with regards to Bradford Children's and Families Trust.

12.5 That the Council publishes a new financial plan after the Government's intentions regarding local authority finance are clearer. This should be after the Government's Autumn budget announcement which is taking place on 22nd November 2023.

13. APPENDICES

13.1 Appendix 1 Medium Term Financial Strategy 2024-25 to 2026-27 including the annexes to the Strategy.

Appendix 2 Medium Term Financial Strategy – Dedicated Schools Grant.

Appendix 3 MTFS for the Housing Revenue Account

14. BACKGROUND DOCUMENTS

- Qtr 2 Finance Position Statement for 2023-24 Executive Report 7th November 2023
- Qtr 1 Financial Position Statement for 2023-24 Executive Report 13th July 2023
- Councils Revenue Estimates (Doc AU)– Budget Council 23rd February 2023

APPENDIX 1

City of Bradford Metropolitan District Council

Medium Term Financial Strategy

2024/25 – 2026/27

PURPOSE, PRIORITIES AND PRINCIPLES OF THE MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

1.1 Purpose and priorities

The MTFS sets out how the Council intends to respond to:

- the forecast size of the financial challenge it faces in the medium term.
- the constraints of the national and local landscape
- the risks to financial resilience.

In the current climate, the Council's principal aim is to be financially sustainable and continue to effectively align scarce resources to support Council priorities as set out in the Council Plan 2021-25:

- Better skills, more good jobs and a growing economy
- Decent homes
- Good start, great schools
- Better health, better lives
- Safe, strong and active communities
- A sustainable district
- An enabling council

The Council will continue to work with partners, other organisations, residents and communities to deliver positive outcomes on these priorities.

To remain affordable and deliver sustainable public services, the MTFS has four main objectives.

- Manage the Council's recurrent cost base in line with overall resources.
- Maintain income levels and increase them where possible over the medium term.
- Prudently use reserves and balances to smooth the transition to a lower cost base and accommodate unforeseen challenges and ensure that longer term liabilities and risks are adequately covered.
- Seek to benefit from public service reform.

1.2 Approach and principles

The MTFS is consistent with the priorities the Council is pursuing, as articulated in the District Plan and the Council Plan.

The principles that will influence the choices the Council will make in the future are summarised below.

- **Putting equalities at the heart of all we do**, to build an inclusive organisation that recognises the contribution people from different backgrounds make to all aspects of the Council's work.
- **Working together** with our partners and our communities to make sure residents and businesses across the district have the best opportunity to reach their potential. Working together we will be strong, creative, innovative and effective so we can deliver the very best services for all.

- **Early help and prevention** - making sure we support people early and in their communities to prevent their needs from escalating and to improve their outcomes.
- **Making sure that every pound counts** so that the services we provide represent value-for-money, and where we can, that we use that money to support businesses in our district.
- **Living Well** by working alongside our communities and our partners in the NHS, independent and voluntary sector so that we work together to improve health and wellbeing for everyone in our District.
- **Safeguarding**: Bradford District will work with partners and communities to do everything it can to ensure that children and adults at risk in the district are kept safe. We will work together to deliver this principle with collaboration with our children's and adults' safeguarding board. This is not just a role for professionals in social care but will be part of everyone's role in the authority.

This forecast is based on a series of assumptions which are detailed in the sections below. It starts from the current financial structure of the Council, which is analysed in more detail at Annex A.

The strategy and principles set out above lay down the framework and constraints for the next stage in the continuous cycle of operational and financial planning.

MEDIUM TERM FINANCIAL FORECAST AND GAP ANALYSIS

2.1 The Medium-Term Financial Strategy has been developed amid high levels of uncertainty; unprecedented pressures arising from demand for Social Care, extraordinary inflation, and the ongoing impact of austerity.

2.2 The medium-term forecasts (Table 1 below) compare forecast expenditure for next year and beyond, with forecast income, to give a deficit to be managed out through either additional funding or budget decisions.

Table 1

Cumulative gap	**2024/25**	**2025/26**	**2026/27**
2023/24 Base Budget	453,159	453,159	453,159
Recurring Pressures	4,000	4,000	4,000
Reversal of time limited investment CoC25 & Regen Op	(3,250)	(4,250)	(4,250)
Inflation and Pay	20,099	31,175	44,155
Demographic Growth	2,054	4,092	6,217
Funding Changes	(24,060)	27,732	23,245
Base Net Expenditure Requirement	452,002	515,907	526,526
Capital financing and central budget adjustments	4,403	3,806	8,806
Full year impact of savings approved in 2023-24	(1,159)	(1,159)	(1,159)
Net Expenditure Requirement	455,246	518,554	534,172
RESOURCES			
Localised Business Rates	(59,653)	(61,423)	(63,153)
Top Up Business Rates Grant	(76,365)	(71,386)	(72,789)
Revenue Support Grant	(42,723)	(83,433)	(82,846)
Returned BRRS growth at reset		(14,583)	(14,583)
Returned S31 Cap Compensation Funding		(34,453)	(34,453)
Scaling back for damping payments to other Councils		9,314	5,191
Approved use of reserve (CoC25& Regen Opportunity)	(1,000)	0	0
Council Tax Income	(246,208)	(254,885)	(263,860)
Total resources	**(425,950)**	**(510,848)**	**(526,492)**
Council MTFS Gap excl Childrens Trust	**29,297**	**7,706**	**7,680**
Bradford Children’s Trust Business Plan MTFS Gap	30,000	21,700	17,100
Bradford Children’s Trust inflation	12,100	19,000	25,900
Total Children’s Trust MTFS Gap	**42,100**	**40,700**	**43,000**
Council MTFS Gap including Trust	**71,397**	**48,406**	**50,680**

2.3 The starting point for the above forecast is the 2023-24 net budget of £453.2m approved by the Council in February 2023.

Recurring Pressures

2.4 Added to this, are recurring pressures in Adults Social Care from 2023-24. The service has had budgeted demand management savings to deliver over recent years, however the quantum of savings has proved to be very challenging in an environment of increased demand. This is resulting in a forecast overspend of c£7m in 2023-24 as outlined in the Qtr 2 Finance Position Statement. The service has identified numerous mitigating actions to reduce the financial pressure going forward, but the remaining pressure has been estimated at c£4m.

2.5 It should however be noted that the Adult Social Care service already benchmarks as low-cost relative to other Councils, and in a recent peer review undertaken by ADASS has received positive and constructive feedback.

2.6

	2024/25	**2025/26**	**2026/27**
Adult Social Care Pressures	4,000	4,000	4,000

2.7 It should however be noted that there are other potential pressures that are not currently factored into the MTFS gap either because the value is not yet known, or because there are plans to mitigate the pressures.

2.8 The Council is currently undertaking a review of its Job Evaluation and Grading scheme anticipating the impact of recent pay awards where low paid staff have received proportionately higher pay awards than more senior staff resulting in a narrowing of the differential between workers and supervisors. The intention of the review is to redraft the pay and grading system so that it is fit for the next 10 years or more. This work is ongoing, so the cost of the implementation is not yet known. The Trade Unions are sighted on and informing this work. The overall impact would however likely be significant additional pressure to the pay bill.

2.9 There are other pressures that are also on the horizon that may become additional pressures if they can't be mitigated. These include.

- The potential impact of the planned Squire Lane Leisure Centre 2026-27
- Home to school transport
- Markets pressures
- Street Lighting prudential borrowing costs
- The recurring impact of underdelivered savings from 2023-24

Demographic Growth

2.10 Demographic growth primarily for Adults Social Care is outlined below. Assumptions will need to be revisited; however, the below table provides a continuation of prior years' increases.

	2024/25	**2025/26**	**2026/27**
Adult demographic growth	1,929	3,842	5,842
Waste Demographic growth	125	250	375
Demographic Growth	2,054	4,092	6,217

Pay

2.11 In 2023-24 the Council budgeted 4% for the expected pay award. The most recent employer offer that is likely to accepted would result in a c6% increase overall, based on a £1,925 increase for staff below PO6 pay grade, and c3.5% for staff above.
The overall impact of this would be to add c£6m to the pay bill, and this will cause an unbudgeted pressure in 2023 and need to be factored into the 2024-25 base budget.
For 2024-25 a further pay award of 4% is assumed which would cost c£10m. Indicatively, should the pay award transpire to be different, each 1% adds/reduced c£2.5m

Inflation

2.12 In 2022-23, the Council budgeted 4% for CPI inflation. The annual CPI increase transpired to be 9.1%, and consequently, the Council budgeted for a 5.1% catch up in 2023-24. In addition to this, the Council budgeted for a 7.4% increase in contract prices in 2023-24 against the December 2022 CPI index of 127.2.

2.13 The OBR forecasts inflation in 2023 to be 6.1%, 1.2 percentage points lower than in the OBR's November forecast. The direct effect of policies at the Spring Budget lower CPI inflation by 0.7 percentage points in 2023-24.

2.14 The OBR then expects inflation to fall to 0.9% in 2024 and to remain near 0.0% until mid-2026. Inflation is then forecast to return sustainably to the 2% target by 2027-28.

	% annual increase in RPI	% annual increase in CPI	CPI Value
Dec 2022 Actual	11.6	9.1	127.2
Dec 2023 Forecast	8.9	6.1	136.6
Dec 2024 Forecast	1.6	0.9	137.8
Dec 2025 Forecast	1.0	0.1	138.0
Dec 2026 Forecast	1.7	0.5	138.7
Dec 2027 Forecast	2.8	1.6	140.9

2.15 The OBRs forecasts were last published in November 2022, and an update will be published as part of the Government's Autumn Statement in November 2023. Inflation figures will therefore need to be revised once this is known.

2.16 More recent estimates from independent economists are that forecast inflation for 2024 is likely to be higher than the OBR previously forecast, and this is reflected in current assumptions (2.7% for 2024-25).

2.17 Adult Social Care contracts are however likely to be impacted by a greater extent than general inflation as a result of the sector having a high number of relatively low paid staff at or near National Living Wage levels. Additional amounts to account for the impact of National Living Wage rising from £10.43 to a minimum of £11 as recently announced by the Government have also been factored in.

2.18 The Council budgeted for a 118% energy price increase in 2023-24 which increased the budget by c£8.6m from £7.5m to £16.1m. Gas and electric prices remain high, but have reduced from their previous highs and based on the most recent forward contract estimates from our supplier YPO, the budget impact in 2024-25 would be a reduction of £1.8m from the 2023-24 budget levels as outlined below.

Budget £ms (change to £000s)	2022-23	2023-24	Change	2024-25
Electric	6.1	13.0	-1.1	11.8
Fuel Oil	0.1	0.3	-0.0	0.3
Gas	1.2	2.9	-0.6	2.3
Total	7.5	16.1	(1.8)	14.4

2.19 The above energy budget changes result from price changes, however, the Council is also taking steps to reduce energy consumption and generate its own capacity. The financial impact of this will be reflected in future budget proposals.

2.19 Inflationary increases would also be applied to sales fees and charges income budgets. As most services provided by the Council are staffing based, the inflationary increases are assumed to be linked to the inflationary impact of pay awards.

2.20 The MTFS is clearly very sensitive to inflationary pressures, and the current price instability consequently makes forecasting very uncertain. It should also be noted that these inflationary pressures will apply to all Councils.

	2024/25	**2025/26**	**2026/27**
Pay Award (4% in 2024-25 then 2% onwards)	10,169	15,697	21,325
Uplift for 2023-24 pay award being higher than budgeted	6,000	6,120	6,242
Contract Price Indexation (CPI)	8,294	14,863	23,252
Energy Cost inflation	(1,785)	(1,785)	(1,785)
Waste Contract Indexation	1,000	2,000	3,000
Sales Fees and Charges Income	(3,579)	(5,720)	(7,879)
Pay & Inflation	20,099	31,175	44,155

Funding Changes

2.21 The New Homes Bonus scheme was due to be phased out by now, however as it remains a key funding source for some councils, it continues to get phased out slowly. The New Homes Bonus money is however in the Local Government funding envelope, and we anticipate that it will drop out at some point soon and the funding would be redistributed via an alternative mechanism (e.g., Revenue Support Grant) where the Council would expect to benefit by more than it loses.

2.22 Regarding Public Health grant, we expect inflationary increases in 2023-24, however the increased grant will help pay for inflationary pressures in Public Health. The Department of Health has however been working on a new Public Health relative needs formula, and although it's not current policy, if adopted as planned, the formula would potentially result in a big increase for Bradford. It should however be noted that where funding formula do result in significant changes, Government departments do often seek to mitigate the extent of the reductions to Councils that are adversely affected by the formula changes by providing transitional arrangements. Assumptions have consequently been left as inflationary increases, with offsetting additional costs for now.

2.23 Regarding Social Care funding, as part of the 2023-24 Local Government Settlement the Government announced new funding streams for Adult Social Care Market Sustainability, Adult Social Care Discharge funds, and additional Social Care Grant, with notification of further increases in 2024-25. On the 31st of July 2023, the Government also announced £3.5m of extra amounts for the ASC Market Sustainability fund in 2023-24, and c£2m for 2024-25. This extra money is however planned to help fund increased costs above inflation in the Adult Social Care market.

2.24 The Council also receives S31 compensation from the Government when they decide to freeze the business rates multiplier which is applied against the rateable value of business properties. This has been capped or frozen by the Government on numerous occasions since 2018, and Local Authorities have been provided with compensation for all the occasions on which the multiplier has been under-indexed. The actual cost of freezing the multiplier depends on the actual rate of CPI in September 2023. Our assumption is that the multiplier will be capped again. If rather freezing the multiplier again, the Government allowed it to increase, then Business Rates bills would increase, and the Council would collect and keep more Business Rates instead.

2.25 Current Government policy is that the Business Rates reset will occur in 2025-26, and at this point S31 compensation grants would end, but the equivalent funding would be returned to the Council through some other mechanism.

2.26 The Council also received a Lower Tier Services Grant and a Services Grant from Government in 2022-23, and we anticipate that this will continue until the Fair Funding Formula review is implemented in 2025-26 (though it should be noted that implementation has already been deferred on a number of occasions)

	2024/25	**2025/26**	**2026/27**
Reduction in New Homes Bonus	0	590	590
PH Grant Uplift	(906)	(3,113)	(4,082)
Offset by additional PH Grant costs	906	3,113	4,082
ASC Market Sustainability and Improvement Fund4	(2,709)	5,379	5,379
Additional Market Sustainability - announced on 31/07/2023	(1,962)		
ASC Discharge Fund	(2,186)	3,279	3,279
Social Care Grant	(6,635)	39,805	39,805
IBCF		23,388	23,388
Social Care Grants (New Adult RNF distribution?)		(75,821)	(80,308)
Services Grant Allocation - Provisional Settlement		5,632	5,632
Assumed S31 for Multiplier Cap compensation	(10,568)	25,480	25,480
Funding Changes	(24,060)	27,732	23,245

2.27 The Government's decision about whether to implement Fair Funding and Business Rates reset in 2025-26 or not is a key variable in the MTFS assumptions. It remains current Government policy that it will do, and hence it is included as an assumption, however the Government have repeatedly delayed the implementation, and given the current political landscape and an upcoming general election, there is a high likelihood that the implementation will be delayed further.

2.28 Independent analysis by Pixel has identified that had the government implemented funding reforms, the Council would by now be c£32m per year better off.

2.29 The implementation would result in a number of existing specific grants being replaced with funding formula grant. The potential interactions are very complicated, and are best estimates, but the below table attempts to show the overall impact on funding should the Fair Funding formula be implemented in 2025-26 or not.

2.30 Compared to the £32m identified by Pixel as the estimated impact of the Government not implementing the FFR and Business Rates reset, the main differences to the £18.7m outlined below are the assumed Government scaling back of the full implementation to fund time limited damping payments to other Councils.

2.31 Damping payments are when the areas that lose from the reset and formula changes are provided with payments to taper the impact over a number of years. The impact of this would be that the Council would receive more over a number of years as the damping payments dropped out.

Funding changes – shown on an incremental basis	2025/26 Implementation	2025/26 if Implementation delayed	Difference
ASC Market Sustainability and Improvement Fund4	5,379	(2,709)	(8,088)
ASC Discharge Fund	3,279	(2,186)	(5,465)
IBCF	23,388	0	(23,388)
Social Care Grants (New Adult RNF distribution??)	(75,821)	0	75,821
Social Care Grant Additions (£24.311 to £43m, less DTA c£6m required for overspend mitigation)	39,805	(12,202)	(52,007)
Services Grant Allocation - Provisional Settlement	5,632	0	(5,632)
S31 including Multiplier Cap Compensation, and Cap compensation on Top up	25,480	(11,383)	(36,863)
Funding Changes			(55,662)

Resources – Shown on a total's basis	2025/26 Implementation	2025/26 if Implementation delayed	Difference
Top Up Business Rate Grant	(71,386)	(77,235)	(5,849)
RSG	(83,433)	(43,018)	40,415
Returned BRRS Surplus	(14,583)	0	14,583
Returned Cap Compensation Funding	(34,453)	0	34,453
Scaling back to fund damping payments	9,314	0	(9,314)
Total Resources			74,287
Total Estimated impact in 2025-26 of BR reset and FFR			18,665

Previously approved savings

2.32 As part of the 2023-24 budget, the Minimum Revenue Provision (MRP) policy was amended resulting in c£5m of savings in 2023-24. There is however a plan to backdate the MRP policy change, and a number of new schemes are nearing completion. These will increase the MRP budget requirement in future years. Additionally, as interest rates have increased and the Council is borrowing more, the cost of financing debt will increase in 2024-25. The full extent of this is being worked on and further updates will be provided.

2.33 The Council also had some planned savings related to WYCA funding and Pensions pre-payment in 2023-24, that will not be delivered, and these need to be added back. Further, reinvestment of Clean Air Zone funds will reduce as Clean Air Zone charges help drive reduced emissions, resulting in reduced charges revenues. The extent of the Clean Air Zone drop out is being assessed and updates will be provided.

	2024/25	2025/26	2026/27
MRP (Minimum Revenue Position increase)	4,000	4,000	4,000
Maximise funding from WYCA	500	500	500
Clean Air Zone - reinvestment/ substitution	0	0	3,000
Pension Pre Payment – undeliverable saving due to cashflow	500	500	500
Flexible use of Capital receipts (direction ends)	0	0	2,000
Reduce Pension contribution rate	(597)	(1,194)	(1,194)
Capital Financing and central budget adjustments	4,403	3,806	8,806

2.34 The table below outlines the second-year effect of savings that have been included within prior budgets.

	2024/25	2025/26	2026/27
Estates (Argus Chambers and MMT)	(561)	(561)	(561)
Car Parking – implement consistent parking regime	(90)	(90)	(90)
PTH Improvement Plan	(120)	(120)	(120)
Waste Services Savings	(388)	(388)	(388)
Previously approved savings.	(1,159)	(1,159)	(1,159)

2.35 There are also other undelivered savings from prior years. These are currently assumed to be either delivered or mitigated in another way by 2024-25 and have consequently not been included in the MTFS. Should they not be delivered as planned, this would add further pressures.

Council Resources

2.36 Regarding 2023-24 Business Rates and Council Tax collection, we are not currently forecasting either surpluses or deficits, however this may change as the year progresses.

2.37 Given the current economic climate and the assumption that the Government will freeze the Business Rates multiplier again, the Council is not currently assuming any significant growth in Business Rates as part of this MTFS.

2.38 Regarding the Council Tax base for 2024-25, this has been assumed to be 750 higher at 144,620 Band D equivalents, with further growth to 145,420 in 2025/26.

2.39 A 2.00% increase in Council Tax and a 2.99% Adult Social Care precept has also been assumed (4.99% combined). This would result in c£246.2m of Council Tax in 2024-25, a c£12.9m increase on 2023-24. In order for this to happen the Government would have to increase the Council Tax referendum limit or allow for additional Adult Social Care precept in the November 2023 Autumn Statement, and the Council decide to apply those increases. Indicatively each 1% increase/ decrease would result in c£2.2m of additional/reduced income.

2.40 Work on a revised estimate of the Council Tax and Business Rates base has commenced, and a report setting the respective bases will be provided for January 2024 Executive in advance of setting the Council budget in February 2024.

2.41 Further, it appears likely, pending national legislation, that Councils will be given additional powers to charge more for empty homes and second homes. The potential impact of this will be outlined in future updates.

2.42 The MTFS also assumes that the Government adheres to its current policy of resetting the Business Rates base. If it did this, it would likely result in the Council receiving significantly more funding than is current. The Council would also no longer get the S31 grants from Government but would instead get some other form of funding such as additional Revenue Support Grant. If the Government did reset the Business Rates system, it would however mean that some Councils that had gained from being able to keep business rates growth, would then lose that growth, as it would be redistributed nationally instead. The Government would likely seek to temper this by providing damping payments to provide time for those Councils to adapt – the funding for this would reduce the amounts available for redistribution.

Bradford Childrens and Families Trust.

3.0 The table below outlines the financial gap derived from the Trusts Qtr. 2 Finance Report for 2023-24, and the Trusts 3-year Business plan from 2024-25 to 2026-27, both of which have been submitted in September 2023.

£ms	2023-24	2024-25	2025-26	2026-27
2023-24 Contract price	170.3	170.3	170.3	170.3
DFE Grant	10.8			
Contract Price + DfE Grant	181.1			
Forecast gap before Inflation	45.2	30.0	21.7	17.1
Total required excluding inflation	226.3	200.3	192.0	187.3

Pay and Inflation		12.1	19.0	25.9
Total including Inflation		212.4	211.0	213.3
Gap to £170.3m contract price	45.2	42.1	40.7	43.0
MTFS future years cumulative gap		42.1	82.8	125.8

3.1 The Trust Financial Plan is underpinned by the following 5 headline ambitions which will provide financial sustainability in the medium term:

1 **Budget stability by March 2027** - The ambition is to seek budget stability by March 2027 and provide 'good' services within a budget envelope equivalent to the current contract price of £170.3m indexed for inflation.

2 **Children in care numbers reduced to 96 per 10k by 31st March 2027** – This would see reductions from the from 114 per 10k now.

3 **Reducing the cost of Placements –** reducing placements from 1,552 in 2023-24 to 1,344 in 2026-1 would save c£16.4m as outlined below.

TABLE 1: Reduction in number of placements and financial impact

Year	2022-23	2023-24	2024-25	2025-26	2026-27	Total
CIC Per 10,000 at 31st of March - Bradford Target	113	114	108	102	96	
Bradford CIC at 31st of March 2027 Realistic Ambitious	1586	1552	1506	1436	1344	
Net Reduction in CIC in Year		-34	-46	-70	-92	-242
Potential Cumulative Cost Saving in Year - Phased	0	0	£-3.6m	£-10.0m	-£16.4m	

4 **Reduction in Agency Social Worker roles to 20% by 31st March 2026**

5 **Annual Efficiency and budget management programme delivering cash-able and non-cashable savings.**

3.2 These ambitions, and the planned actions to deliver them are derived from the Trusts business plan and are outlined in turn below.

Bradford Children & Families Trust ambition 1: Budget stability by March 2027

3.3 In the face of significant challenges, the ambition of the Bradford and Children Families' Trust is to seek budget stability by March 2027 with the aim of being able to live within their means by March 2028 which is beyond the timeline of this MTFS. Their ambition is to be able to provide 'good' services within a budget envelope equivalent to the current contract price of £170.3m indexed for inflation.

3.4 Immediate action has been taken to help mitigate this year's projected overspend, but in reality, budget pressures overall are still increasing. Work continues to identify how further reductions in spending can be made now and in future years. More detail about the actions being taken and anticipated savings are set out in this plan.

3.5 Trust leaders believe that if services were in a stable state the budget allocated for 2023/24 would be sufficient to provide adequate services. The Trust has worked with Newton to provide a benchmark of historical, current, and future spend based on their 'expected spend' model developed with the LGA. This calculates Bradford's position in relation to 5 key indicators: deprivation, average household disposable income, levels of employment, levels of crime and the size of the local population aged 0-25. Newton's analysis confirms this initial impression, indicating that for an area of the size and with the characteristics of the Bradford District, a budget of between £151m and £177m is reasonable for a service operating in a steady state context. The model does not take account of the specific trajectory, trends or 'momentum' of spend that a local authority might be experiencing.

3.6 It is important to note that lower end of the expected spend range would be for a better than average performing system and the higher end of the range would be for a worse than average performing system. On any measure Bradford's Children's Social Care is currently performing poorly and is therefore likely to require the highest level of funding. The budget allocated by the Council for 2023/24 is £170.3m supplemented by a DfE Improvement Grant of £10.8m.

3.7 Our relentless focus will be on building professional capacity and driving up quality. This is essential to ensure that families and children get timely help and the best possible support. This will deliver budget savings over time.

3.8 The Trust will work hand in glove with the Council to responsibly manage Bradford Metropolitan District Council funding for Trust services. The Trust will maximise income from other grants and contracts and will seek to diversify sources of income going forward, including appropriate initiatives from the Independent Care Review or from charities.

A staged approach to managing budget change.

3.9 We will follow a staged, iterative approach to developing a strong and sustainable budget, set out here in relation to each of the key areas, with finance as a golden thread throughout:

Stage one – stabilisation
- Understand spend.
- Establish controls.
- Build organisational responsibility to develop grip.
- Programme of cost savings and mitigations

Stage two - reconstruction
- Redesign activity - including investment in Family Help and other preventative services.
- Secure external support with redesign
- Determine workforce design and budget requirement.
- Procurement reviews – existing contracts
- Close management and monitoring
- Build efficiency mindset.

Stage three - consolidation
- Model of service delivery and spend stabilising.
- Devolved budget management and strong grip on spending
- Dynamic monitoring of impact
- Ability to adjust budget and spend.

Stage four – review

- Check progress against ambition.
- Identify further work
- Implement revised programme

A Medium-Term Financial Plan

3.10 The Trust is determined to rebalance spending and reduce costs. In some instances, it will be necessary to invest resources to bring about longer-term changes to reduce costs. Careful attention to value for money can also generate annual efficiency savings. But this cannot be done in a single year, and it is vital to be realistic about what can be achieved and by when.

3.11 The Trust will draw upon the expertise of members of the board with commercial and business acumen and, where necessary, commission external support to ensure they have a rigorous businesslike approach to planning and management of budgets. Close oversight will be maintained through the Trust Board's Audit and Risk Committee and Board.

3.12 **It will be necessary for the Trust to take a longer view through creating a medium-term financial plan, underpinned by rigorous business cases.**

3.13 It is clear from experiences elsewhere, that ways of working and professional practice will need to change very significantly to improve quality and achieve spending levels which represent value for money. Radical re-profiling of spend and judicious investments are needed to generate later savings. Business cases for significant developments in early and family help, local care and workforce will be needed.

3.14 In proposing a medium-term budget, the Trust aims to meet Council's affordability objectives as well as making best use of available funds to achieve the best outcomes for children and young people. In some cases, achieving savings will take more than one year and likewise investment may need to be phased.

3.15 The Trust will work with the Council and others to build a budget profile on a rolling three-year basis, to enable purposeful early investment in measures which will bring about savings over the three-year period. The aim is to manage within allocated budgets over that period and achieve financial balance overall.

3.16 The coming years will be financially challenging, given the ongoing pressure on wider public sector budgets and national increases in levels of need for children's services. It is of paramount importance that the Trust work with commissioning partners to understand existing and emerging pressures and reach agreement on the level of funding available and how that funding should be prioritised to achieve the best possible outcomes for the children and young people we all support.

3.17 It is assumed that we will agree inflation annually with Council consistent with the Contract Price Mechanism and the Council's MTFS Assumptions. The Council's current inflation assumptions have largely been mirrored into the Trusts forecasts, with placement inflation informed by cities assumptions. These rates will be actively reviewed over time.

3.18 Overall, the forecast increase in contract sum required for inflationary pressures per the Trust Business plan is outlined below.

	2024-25	2025-26	2026-27
Inflation – Pay	2.7	4.1	5.6
Inflation - Non-pay	9.4	14.9	20.3
Total	12.1	19.0	25.9

3.19 The Trust have begun to model the changes which will be needed to achieve budget stability, starting with children in care, staffing and efficiencies. The Trust are developing a scenario planning approach in order to enable our progress to be judged against explicit assumptions and thereby enable adjustments to be made to expectations as the reality of delivery unfolds.

3.20 The Trust is in its infancy, so this work carries a high level of uncertainty at the start. The Trust is simultaneously dealing with many intense day to day challenges, nevertheless this work is being prioritised.

3.21 Certainty on Medium-Term Financial Planning will increase as the years progress and their models and financial grip develop.

Our Medium-Term Financial Strategy

3.22 The more detailed plans for our Medium-Term Financial Strategy are outlined below under the themes of:

- The strategy for children and families
- The strategy for people and culture
- The work to become an efficient and effective organisation.

Financial Strategy for Children and Families
DELIVERED THROUGH OUR CHILDREN AND FAMILIES PLAN

3.20 Linked to plans to deliver the best outcomes with our children and families, we need to reduce the need for children to come into care because we meet their needs better at home.

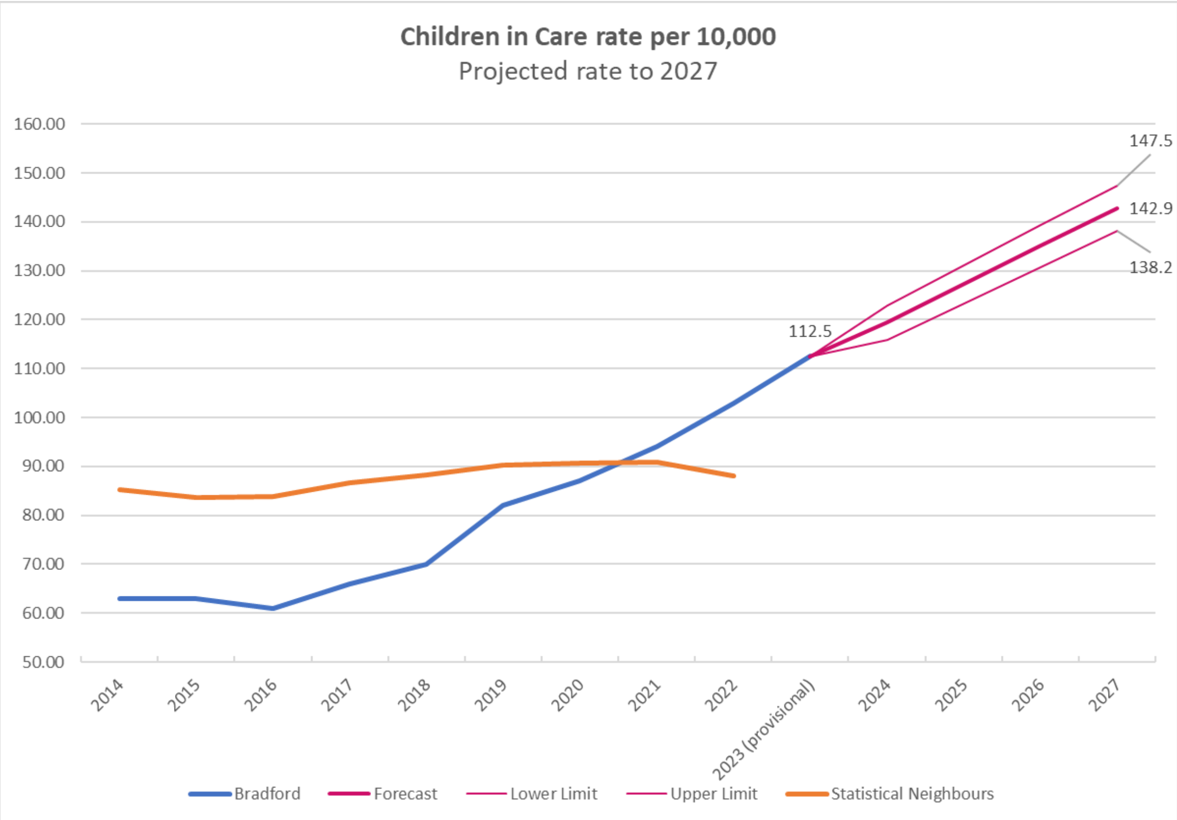
Bradford Children & Families Trust ambition 2: Children in care numbers reduced to 96 per 10k by 31st March 2027

3.23 Strengthened early and family help, plus intensive edge of care work will support more children to remain at home. Reconfigured edge of care and family group conferencing will offer intense support. The Trust will build on support for those at high risk of having a first or subsequent baby removed, and will reduce the need for teenagers to come into care due to risks outside the home by developing alternative models. To reduce the need for children to come into care the Trust will:

- Develop Early Help to include Family Help with intensive support at child in need level and alternative models of support, including for example work to address domestic abuse through the 'Relationships Matter' programme.
- Grow a Family First culture, including family group decision making, family group conferencing and family network support.
- Further develop of family hubs and more integrated partnership support offers.
- Further develop of child exploitation support work to enable more young people to be safe from external risks at home.
- Develop a wider offer of support for parents at risk of having a baby removed, building on the successful Pause programme.
- Develop an improved short breaks offer for children with disabilities to reduce the need for them to come into care.
- Develop and implement the edge of care hub with options for short breaks to sustain and support families in staying together where safe to do so.

Chart 5 *shows the projected rate of children in care based on the last 8 years pattern, using established local methodology. There is a stark contrast with the average statistical neighbour trajectory.*

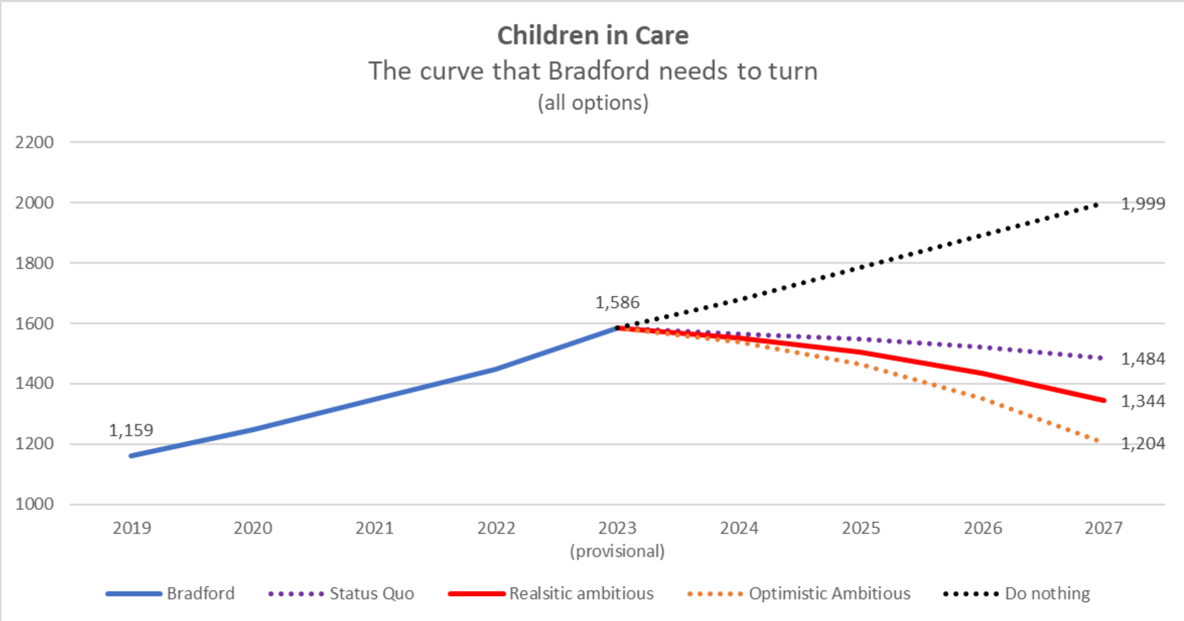
Chart 5 – Children in Care Rates – Historic and Projected Trend



3.24 The Children and Families Plan will drive a step-change in the rate and number of children in care and 'turn the curve' on this trajectory. A number of scenarios have been modelled to inform the ambition to achieve a rate of children looked after in care closer to statistical neighbours. These are as follows: -

- *Optimistic Ambitious – achieve expected SN average of 86 PTT by March 2027*
- *Realistic Ambitious – achieve 96 PTT by March 2027.*
- *Status Quo – achieve 106 PTT by March 2027*
- *Do Nothing – resulting in the mid point 142.9 PTT by March 2027 (as shown above)*

Chart 6 – Children in Care – The Curve That Bradford Needs to Turn



3.25 It is however vital to note that the numbers of children whose needs can only be met in care should not necessarily equate to the average statistical neighbour figures. There is a clear correlation between deprivation and the need for child welfare intervention. So, because levels of population need in Bradford are high, it is likely that the appropriate rate of children in care will be greater than the statistical average.

3.26 There is also a legacy of children who came into care late and others whose needs have not been met early enough, who will need extra support in care and as care leavers.

3.27 For these reasons our ‘Realistic Ambitious’ target is above the statistical neighbour average.

3.28 The ‘realistic ambitious’ assumption is that by March 2027 we achieve a rate of CLA of 96 per 10,000 children by reducing the need for children to come into care through development of early and family help, plus high-quality social work practice and partnership work. We will minimise the need for children to remain in care through nurturing purposeful care and permanence planning. The Trust will continue to review the position through the annual business plan refresh.

Chart 7 *The curved line shows the likely rate of reduction based on actual rate to date and future projections. We anticipate that reduction will be slower to begin with, as changes will take some time to impact, but will then accelerate.*

Chart 7 – Statistical Neighbour Projection Rates and the curve that Bradford needs to turn.

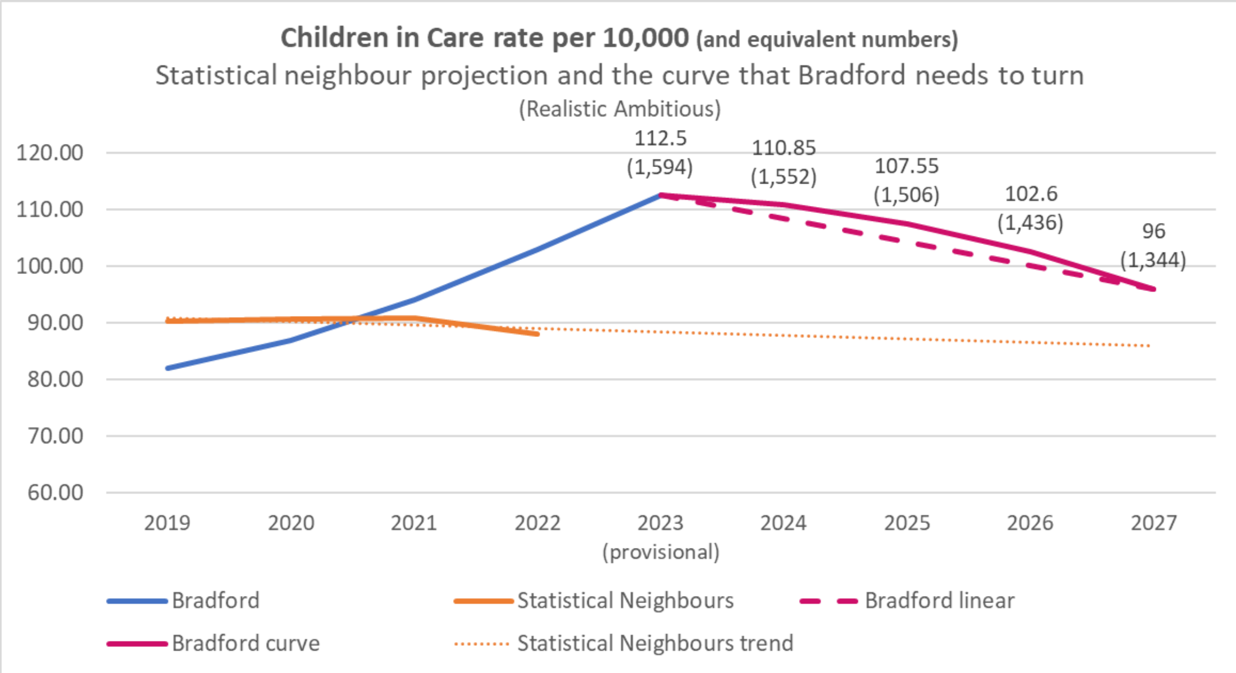
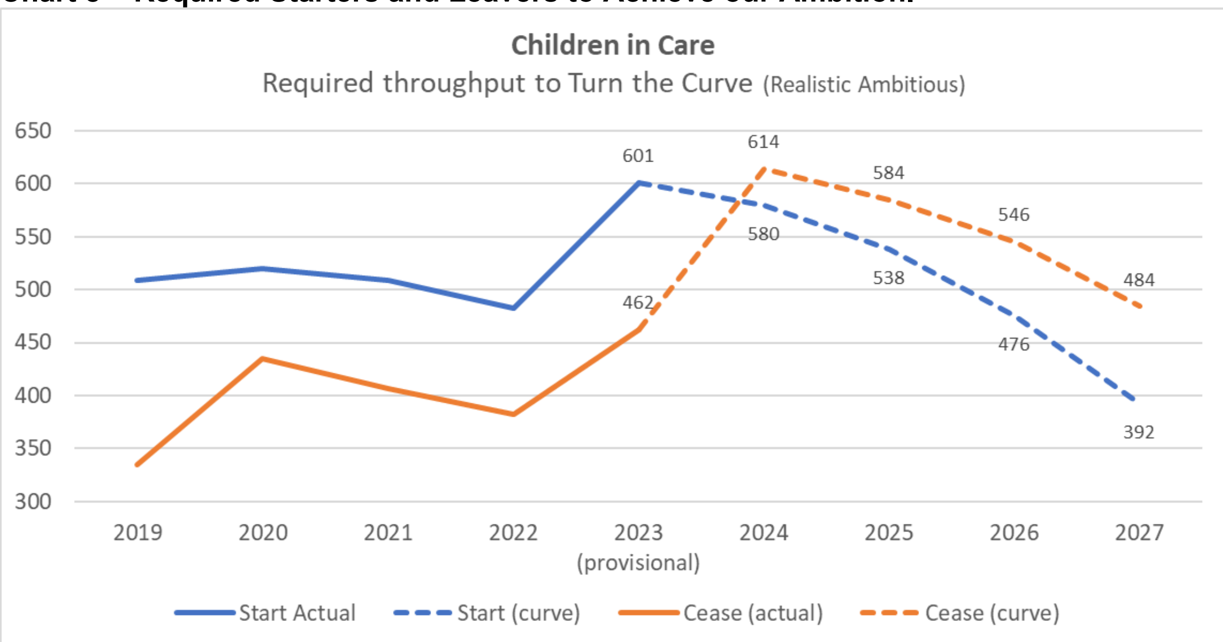


Chart 8 *shows the required throughput of those coming into care and those leaving care, the ambitions for the next 4 years, and the consequent reduction in the number of children in care.*

Chart 8 – Required Starters and Leavers to Achieve our Ambition.



3.29 Reducing the overall number of children in care are relies upon both slowing the rate of children coming into care and increasing the rate at which they leave. But every decision about a child must be in their best interests, making it hard to predict numbers entering and leaving care.

3.30 For the ‘realistic ambitious’ ambition the Trust aim to match the rate of starters in care consistent with our statistical neighbours of 28 per 10,000 (based on data from 2019 to 2022) which results in a target of 392 starters by March 2027.

3.31 To achieve the rate of 96 per 10,000 by March 2027, care leavers must accelerate in this year, from starting position of 462 in March 2023 to 614 by March 2024 and then moving to

484 by March 2027.

3.32 Close attention to professional decision making and careful planning for children will ensure that we minimise the number of children in care, whilst always remaining a needs led service.

Bradford Children & Families Trust Ambition 3: Reducing the cost of Placements – full impact by 2027.

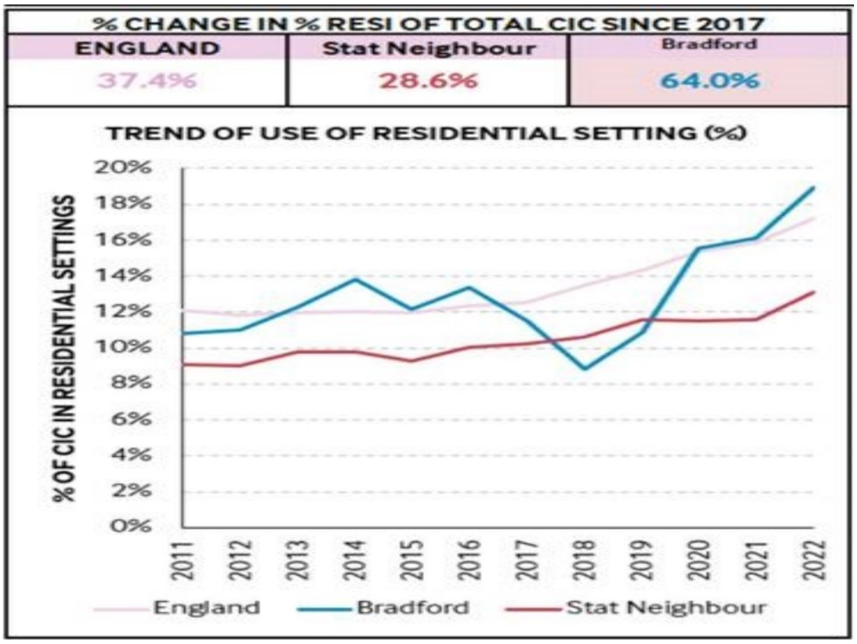
3.31 The table below sets out the target reduction in number of placements and financial impact based on current average cost assumptions for placement types, linked to the reduction in children in care and improved sufficiency of local placements to achieve the realistic ambition by March 2027.

TABLE 1: Reduction in number of placements and financial impact

Year	2022-23	2023-24	2024-25	2025-26	2026-27	Total
CIC Per 10,000 at 31st of March - Bradford Target	113	114	108	102	96	
Bradford CIC at 31st of March 2027 Realistic Ambitious	1586	1552	1506	1436	1344	
Net Reduction in CIC in Year		-34	-46	-70	-92	-242
Potential Cumulative Cost Saving in Year - Phased	0	0	£-3.6m	£-10.0m	-£16.4m	

3.32 The Newton analysis indicates that over the period 2011 to 2022 the mix of home types that Bradford uses to accommodate children in care was broadly in line with national averages. However, the rate of children in residential climbed steeply from 2018 compared to statistical neighbours. This highlights the potential to change the balance of placements for some current and for future children who need care.

Chart 9 – Newton Analysis (% Change in Residential Placements as % of Total Children in Care)



3.33 When it is essential for children to come into care, we will focus on keeping more children within family networks, close to home and close to their communities where that is in their best interests. Th Trust will increase kinship and fostering placements and the range of 'in-house' residential provision. This will reduce the need for children to be placed in independent fostering and residential placements, especially outside of Bradford district. The Sufficiency Strategy agreed by the council in 2022 is being updated. The current ambitions in the Sufficiency Strategy action plan are as follows:

- Improve support for kinship carers and increase the number of children cared for in family arrangements.
- Increase the number of new foster carers improve support to them, including further development of our 'Mocking Bird' arrangements.
- Develop specialist foster care with additional support and funding to promote fostering for children with a greater level of need.
- Complete the first phase of residential re-development to increase the number of places and staying close options for care leavers.
- Implement the second phase of our residential plan to increase placement choice and local capacity.
- Enhance specialist support for residential care homes to enable them to meet the needs of the children who need their care.
- Maximise the supported accommodation offer under the new registration requirements.
- Develop and implement a specialist placement offer with health partners to address in part the pressure caused by young people in acute mental distress who do not have a diagnosed mental illness.

3.34 For all children in care, the Trust will work with them to achieve the right plan for permanence to reduce the drift that some children have experienced, as identified during the 2022 Ofsted Inspection. The Trust will maximise those able to return to family with the right support in place and offer high quality support to those who become the subject of a Special Guardianship Order or those who are in kinship care arrangements. The Trust will strengthen permanence planning and tracking to deliver the best outcomes for our children and young people in care.

3.35 The impact of the Sufficiency Strategy implementation to date is as follows:

- 15 new foster care homes to be approved by December 2023 with an estimated increase of 19 placements.
- 10 additional residential placements to be available inhouse by March 2024, plus an increased use of the five vacant places inhouse due to staff recruitment, training and support.
- 111 care orders are currently intended to be discharged in this year, subject to the availability of court time. Some of these applications may result in an alternative order such as a Supervision or Adoption Order.
- Work to expand the use of short break support in specialist homes for children with disabilities is being developed and will enable more children to receive quality short break provision that helps to sustain them at home with family.

3.36 These new placements will help reduce the need for external residential and foster care for up to 24 children in the final quarter of this year, with a further increase in capacity for 2024/25. The budget for 2024/25 assumes as an efficiency, the cost benefit from the sufficiency strategy of £3.7m, with full year benefit from 2025/26 from the increases in foster care homes and residential placements as set out above.

3.37 Since go-live the Trust has established a Sufficiency Board to oversee appropriate provision for the future. The Board involves key stakeholders from Council Education and Capital Projects Team and Health.

3.38 The Trust will bring forward plans for investment in smaller residential units to improve local sufficiency however these are not yet developed enough for specific inclusion in this Business Plan.

3.39 A Process for reviewing the 54 highest cost placements for children in care has been completed. Individual assessments of need have been carried out, and the opportunity for some children to safely and appropriately move from high-cost placements identified. However, each move needs to be carefully planned and implemented to ensure that it takes place at a pace and in a manner appropriate to the needs and circumstances of the individual child. This work is underway and is being overseen by the Independent Reviewing Service. The mitigation target for the year set out at Q1 2023/4 year was £2.5 million and £1.6m has been included in the Q2 forecast.

3.40 Further work is now progressing to review all children in non-permanent placements. Further planned moves of some children are likely in order to meet their long-term needs and some of those will lead to cost reductions.

A. **<u>Financial Strategy for People and Culture</u>**
DELIVERED THROUGH OUR PEOPLE AND CULTURE PLAN

Bradford Children & Families Trust Ambition 4: Reduction in Agency Social Worker Roles to 20% by 31st March 2026

3.41 The Trust are committed to building a stable and experienced workforce who deliver high quality practice that makes a difference for children and families, who have the right training and development opportunities to build their careers in Bradford and who benefit from being part of a healthy working environment with a strong values-based culture and identity.

3.42 In parallel to a business-driven tactical approach to reduce agency numbers on a like for like basis the Trusts Business Plan sets out the ambitions for changes to professional practice. A strategic workforce plan will set out what needs to happen now and clearly articulate where we need to be in three to four years, and a roadmap to get us there.

3.43 The Trust need to do two things at once: reduce the costs created by temporary labour and pivot the organisation design to focus on early help and family help which will require a review of the practice model. The Trust will review the capabilities required, especially in relation to what only a qualified social worker needs to do, exploring the benefits of alternative qualified roles within a revise practice model and a career progression structure.

3.44 The Trust are focused on the following key areas of work:

- Recruitment
  - Accelerate attraction to qualified social worker roles - for Level 2 and 3 roles achieving approx. 6 appointments per month (excluding attrition rate) through external hirers and internal promotion via the ASYE, MA, ISW and other early career initiatives.
- Build the spine of leadership to support staff in a high support, high challenge environment where they grow and thrive. Prioritise the permanent recruitment to replace the 56 temporary Service Managers and Team Leaders
- Grow our own.
  - Extension of the successful ASYE academy to grow new social workers and through a range of other programmes.
  - Retaining the newly qualified social worker post ASYE through well supported teams, supervision, management support and career development.
- Improve Retention
  - Improve the links between career pathways and succession planning which

support retention and contribute to cost avoidance.
  - Commit to maintaining a strong focus on manageable caseloads.
  - Embed a culture where colleagues feel valued and safe.
  - Improve understanding of why colleagues are thinking of leaving and act upon the information to inform improvements.
- Alternatively qualified, Support roles and Corporate Hub
  - Developing support services and models of early and family help through alternatively qualified staff programmes
  - Use our academy methodology for other work roles such as business support and development of alternative specialist roles.
- Review of practice to create opportunities and explore future organisation capability requirements, organisation design principles for example, spans and layers, job design, internal career movement, multi-skilling, hand-off and duplication.

3.45 No new Agency teams have been purchased since the start of the Trust and severe restrictions placed upon the use of agency staff. A programme of supporting agency staff to become permanent workers on local terms and conditions has been implemented. Decisions have already been made about ending the use of eight managed teams. This process will accelerate during the remainder of the year.

3.46 Through these routes the Trust aim to reduce the use of agency staff related to all social work roles over three years to 20% or less by 31st March 2026 with the use of no managed teams, saving £8.2m compared to current forecast. Additional savings are anticipated as we build alternative models of support.

TABLE 2: Reduction in Agency Staff

	Contract Model					Actuals	Forecast	Forecast	Forecast	Forecast
Role	**31.03.23**	**30.06.23**	**30.09.23**	**31.12.23**	**31.03.24**	**31.03.23**	**31.03.24**	**31.03.25**	**31.03.26**	**31.03.27**
Service Managers/Other Manager roles	13	9	6	3	1	18	17	5	2	2
Team Managers	27	20	17	13	10	39	38	26	2	2
Child Protection Co-ordinantor/IRO	3	0	0	0	0	6	2	0	0	0
Practice Supervisor	14	11	8	5	1	21	19	10	5	5
L2/L3 Social Worker	201	146	139	143	146	254	235	175	100	100
Other Roles (Court Consultant etc)	5	3	2	1	1	6	5	0	0	0
Subtotal Agency Social Work Roles	**263**	**188**	**172**	**165**	**159**	**344**	**316**	**216**	**109**	**109**
Assistant Director	1	1	0	0	0	2	0	0	0	0
Head of Service	1	1	1	0	0	0	2	0	0	0
Support Workers/CRW/PA	25	18	15	12	10	31	28	10	5	5
Residential Practitioner	5	5	0	0	0	6	3	0	0	0
BSO/Minutetaker	10	5	0	0	0	12	6	5	0	0
Subtotal Other Agency Children Social Care Roles	**42**	**30**	**16**	**12**	**10**	**51**	**39**	**15**	**5**	**5**
Subtotal Children Social Care Agency Staff	**305**	**218**	**188**	**177**	**169**	**395**	**355**	**231**	**114**	**114**

B. **<u>Financial Strategy for Efficiency and Effectiveness</u>**
DELIVERED THROUGH OUR EFFECTIVE ORGANISATION PLAN

Bradford Children & Families Trust Ambition 5: Annual efficiency and budget management programme delivering cash-able and non-cashable savings.

3.47 Since go-live the Trust has ensured the stabilisation and continuation of support services to support front-line service delivery whilst establishing new processes for the company.

3.48 Critical to this has been understanding baselines in activity and performance drivers and the impact on expenditure. This has indicated a number of key management control processes and approaches that need to be revised to ensure that management grip is in place with regard to day-day expenditure and future commitment decisions. Work to understand and stabilise the inherited financial position has been key focus of first five months of the Trust, and this will continue.

3.49 The next phase is to develop and implement improvements particularly in financial processes to improve budget management and financial discipline and create opportunities for efficiencies.

- **Revision of Financial Procedures and Controls**

3.50 A revision of the Trust's core financial and administrative procedures will be completed in the second half of 2023/24.

3.51 Recommendations to improve budget ownership, financial rigour and better local decision making and compliance across non-staffing expenditure will be implemented informed by the experience of the first few months of the Trust's operation. This will encompass: -

- scheme of delegation revision and a refresh of the approvals process for new placements and placement movements
- purchasing-card administration and the appropriate use of p-cards
- a common approach to child specific expenditure e.g., s17 expenditures
- develop training programme to improve financial competency and budget management, particularly forecasting and tracking.
- revised financial management approach embracing the principles of the CIPFA Financial Management Code

3.52 The Trust Audit and Risk Committee agreed a revised set of Contract Standing Orders in September. This will streamline compliant procurement processes to free-up time and facilitate more efficient processing of payments.

3.53 In 2024/25 consideration will be given to redesigning the procure to pay cycle utilising both SAP and ContrOCC, maximising the benefits offered by both systems whilst minimising number of manual interventions in the process. This will result in a series of options to improve functionality and a programme of implementation. For example, the SAP system presently does not allow coding against contract, it provides coding against supplier name, the absence of an interface between SAP and ContrOCC results in manual rekeying of information. Given the complexity of contractual environment of the Trust, this inhibits forecasting and reporting against third party contracts.

Contractual Expenditure Review

3.54 As part of the on-going establishment of the Trust's operations a full review of all third-party spend will be undertaken over the next four months. This review will document the contractual position under which services are commissioned, developing the future commissioning work programme, and identifying any potential opportunities for cashable and non-cashable savings.

3.55 An analysis of inherited spend in 2022/23 has been completed since go-live. The table below shows the historic spend map (FY 22/23) for the budgets transferred to the Trust. This shows a very small number of suppliers (22) account for over half of the historic spend of the Trust.

These providers will be included within the first phase of the review.

TABLE 3: Spend Analysis by Supplier 2022/23

Spend Band	Number of Suppliers	Value	Number of transactions
£1m+	22	£77m (52%)	32.4k (19%)
£0.5m - £1m	50	£19.9m (14%)	29.2k (16%)
£0.25m - £0.5m	91	£14.2m (9%)	27.6k (15%)
£0.1m - £0.25m	148	£9.8m (7%)	6.2k (4%)
<£0.1m	2,587	£27.5m (19%)	84.4k (46%)
TOTAL	**2,898**	**£148.4m**	**179.8k**

3.56 Following this analysis, the first 'deep dive' into the contract of greatest value, agency related expenditure provided through the agency contract held by the Council has been undertaken. This has indicated there are opportunities for significant efficiencies through Trust management of the contract involving re-procurement via the latest framework.

3.57 The methodology that has been developed in this first quarter will be applied to all other third party spend – with a focus on where best value can be achieved and reduce expenditure to improve the budget position.

3.58 As work progresses anticipated benefits for future years will be updated. The cashable efficiencies will be closely monitored, and the impact of improved budget stability evidenced through expenditure reducing and contract spend reducing will be reflected in savings assumptions.

3.59 The support of the recently strengthened Council Commissioning and Contract Management Team through the Joint Working Protocol which is being finalised will be key to establishing the pipeline of contracts, contract re-procurement and contract management rigour.

Operational Review of Placement Costs – Linkages to costs

3.60 Following on from the review of the 54 highest cost of externally provisioned placements conducted over summer, which has resulted in a reduction in the cost of placements since the start of the year, a baseline of current placements has been established for all children in care as at end of August. This work has informed the establishment of a Placement Review Panel.

3.61 With a focus on the right plans for permanence, the Placement Review Panel will continue this review work, supported by Leeds Sector Improvement team. The Placement Review Panel will meet monthly to review placements to ensure placement is appropriate for child, and to challenge and support placement decisions, and in this review, consider value for money of the placements. It will also track the end dates for placements and the actual progress against this, adding a rigour to the process of care planning.

3.62 A review of all placements presently commissioned by the Trust considering the care and accommodation elements of the commercial model will be undertaken in second half of 2023/24 to determine an accurate 'cost of care' calculation for individual cases and the wider Trust. This will enable the Trust to appropriately challenge the market place to ensure sustainable delivery of value for money. An estimate of £1m benefit in 2024/25 has been included in financial modelling at this preliminary stage.

- **Arrangements for the shared funding of placements**

3.63 For children with complex needs or severe and enduring emotional, social and behavioural needs a joint funding protocol between health, education and social care was agreed in July 2023, to determine social care, health and education funding for appropriate children based on clear assessments. A revised Complex Needs Panel will agree shared payments across the three funding sources which will reduce the current Trusts costs for some placements. The practical implementation of the new arrangements is still being progressed.

3.64 In addition, negotiations are being undertaken with health partners in respect of continuing care contributions to support those children with complex needs who need short breaks. The system for application is being improved but there is more to do for decisions to be progressed in a timely way.

3.65 The 2023/4 contract price from the council to the trust assumed £6m could be achieved from additional financial income from health contributions, and although the current forecast does not assume all this income is achieved, a step up securing more income from health compared to the 2023/24 forecast is included in the budget assumption. The high-cost placement review of 54 children has indicated a number of placements that should attract income from health and education. Through the joint protocol, this is being explored.

- **Operational Review of other areas of cost pressures**

3.66 The reviews of placements and budgets to date has highlighted a number of opportunities for savings which will be explored further. These range from additional costs of care for care leavers waiting for housing post 18 and delayed transition to adult services, to overspends in support for children with disabilities or mental health whose needs might be met through more creative joint arrangements.

3.67 There are a number of specific areas of expenditure where cost reductions and efficiencies have been included in preparing the budget requirement and total £2.9m.

3.68 A rigorous approach is being taken to identify all opportunities for savings.

- **Future Strategic Partnership opportunities**

3.69 Working in partnership with the Council and other key partners there are opportunities to join up services and make best use of every Bradford pound. Early discussions have taken place to explore:

  - Increased joint working on minimising domestic abuse, exploitation of young people and criminal behaviour.
  - Maximising the collective response to the mental health needs of children and young people and building on the success of dedicated mental health support for young people on the edge of care and extending it to those in care.
  - Developing joined up strategies for parents who have vulnerable mental health or are involved in substance misuse.
  - Further development of the locality based early and family help to meet the needs of

families close to home, including potential funding arrangements with the voluntary and community sector to reach families and meet needs that are local and specific.

- **Other sources of Income**

3.70 Over the life of the contract, opportunities will be sought to maximise income from external sources. As an example of this, in the current year, more grant from government will be received in relation to Unaccompanied Asylum-Seeking Children than was assumed in the contract price. The Q2 forecast assumes that further £1.1m will be secured from the analysis to date. This will be kept under review.

3.71 Opportunities will be sought for bids to national funding streams for developmental work which will in turn support improved practice. This includes the potential of joint bids with voluntary sector partners.

- **Revenue Investment**

3.72 To maximise the speed of progress and reduce the budget pressure earlier an emphasis on earlier and more effective family help, growth of internal capacity for placements and investment in workforce will be essential. Investment business cases are not yet worked up in detail but a summary of key areas of work is below.

3.73 Development of a strengthened and expanded family help offer, to include expansion of family group conferencing and edge of care work, plus the development of a new model of family help in line with leaning from the current Family First pathfinders to reduce the need for children to have a social worker and ultimately for children to come into care.

3.74 A clear financial and extended support offer to foster carers, kinship carers and families seeking Special Guardianship Orders to maximise the potential for stable placements for those children who need care, plus a potential growth in staffing for an expanded residential and staying close offer.

3.75 Investment in internal and external capacity and expertise to enable us to recruit to the scale of permanent social work roles that are needed.

- **Capital Investment**

3.76 The Trust leases property and capital assets from the Council, as the Council retains ownership of these assets. Asset maintenance and development is funded and managed by the Council. The Council's Capital Investment Plan 2023-24 to 2026-27 agreed in February 2023 included a Reserve Scheme for Children's Social Care. The allocation was as follows.

Table 4: Council Capital Investment Plan 2023-24 to 2026-27 (extract)

Ref		2023/24 Budget £'000	2024/25 Budget £'000	2025/25 Budget £'000	2026 Onwards £'000	Total £'000
C50395f	Children's Homes	3,000	1,400	800	0	5,200

3.77 Working closely together, since 1st April commitments have been agreed since 1st April through the Council's Project Approvals Group (PAG) in respect of refurbishment of four residential homes (Hollybank, Meadowlea, Skyview and Newholme) and the replacement of the Willows home with Briargarth, a dedicated edge of care facility. These projects have been termed 'Phase 1 and Phase 2' of the Residential Homes Strategy and represent £2.4m of the 2023/24 allocation.

3.78 Options in respect of the remaining provisional allocation (£2.8m) are being developed through the Sufficiency Board and will be brought forward for PAG consideration.

3.79 The Trust's ambition in respect of its capital infrastructure extends beyond residential homes. The Trust needs to be in the heart of the communities it serves to be accessible and responsive and to deliver on its ambitions. The areas for future development are summarised below.

- Phase Three for residential homes for the next two years linked to the Residential Strategy are being further developed after indicative support from the Council in June 2022. This will involve appropriate staying close accommodation and continued refurbishment and maintenance of existing homes.
- Securing an alternative property for the care leaver hub based on current discussions with them about the opportunity to secure more appropriate, purposeful space to support our young people is currently being explore.
- Relocation of the east and south teams to place these teams in the heart of the communities they serve, plus further improvement works to other substantive trust office bases.
- Purchase or expansion of a new family hub to continue to build relationship in key communities at the right time with vulnerable children and families.

3.80 The Trust will work with Council teams to bring forward business cases which will clearly demonstrate the delivery of the Business Plan and the ambitions.

RISKS ASSOCIATED WITH THE FORECAST

4.1 A series of potential changes in the inflationary outlook, the Spending Review, Local Government Settlement, Business Rate reform and the results of the Fair Funding review inevitably means there are many uncertainties and sources of risk attached to the forecast.

Risks associated with the forecast:

- The ongoing impact of inflation
- The ongoing impact of Childrens Social Care and funding for the Bradford Childrens and Families Trust
- The impact of national economic performance on demand and public sector finance
- The impact of Job Evaluation and Grading Review
- The buoyancy of the local economy
- Fair Funding Review
- Business Rates Baseline Reset
- Business Rates Review process appeals against the rating list and future increases in the Business Rate multiplier.
- Integration of health and social care, the financial health of the NHS, and the ability and willingness of the NHS to fund social care.
- Treasury management – the extent to which cash balances will drive the need to borrow to finance capital investment, and the impact of changes in interest rates.

- Change management risk, and the deliverability of existing budget decisions
- Liabilities that may arise from conversion of schools to academies.
- Contractual risk
- What devolution, regional and other aspects of public sector reform will mean for Bradford District.
- Potential increase in West Yorkshire Transport levy
- The potential costs of transition and restructuring
- Spending Review 2023

ANNEX A: Current Cost base, Savings approved to date and reserve levels.

To put the size of the challenge facing the Council into context an understanding of the current cost base and savings delivered to date is required. Section c) below also outlines the Council's current reserve levels.

a) Cost Base

Whilst the Council continues to have overall accountability for over c£1.25bn of spend, it cannot spend directly £271m which is controlled by schools. This leaves, in 2022-23, a gross expenditure budget of £981m (£453.2m net expenditure) to fund non-school activity.

Budget split between Schools and Council

2023/24	**Gross Exp £m**	**Net Exp £m**
Council Services incl Trust Contract	980.9	453.2
Schools	270.9	0
	1,251.8	453.2

If the £103m spent on benefit payments, the £35m required to meet the cost of the long term PFI contracts, the £23m levy paid to the West Yorkshire Combined Authority (WYCA), the £52m that must be spent on Public Health activity and the £36m capital financing budget (including PFI) are excluded from the gross expenditure budget, this leaves a much smaller gross cost base. Further, the 2023-24 budget is also being sustained by c£48m of reserves that are non-recurring. This leaves a much smaller amount (c£684m) from which to drive out further budget savings.

Of the net budget of £453.2m, 30% is allocated to Adult Social Care department, and Children's Services (including the Trust contract) accounts for a further 44%. In addition to this both areas are forecast to overspend significantly in 2023-24. This emphasises that if the Council is going to balance its books in the long term and make sure the services it provides are sustainable, controlling demand and spend on Adult's and Children's Social Care is key.

	Gross Budget £ms	Net Budget £ms	% of Net
Adult Social Care	232.6	134.9	30%
Children's Services incl Trust Contract	572.5	200.0	44%
Department of Place	147.3	69.3	15%
Corporate Resources	211.4	57.9	13%
Chief Executive	61.6	6.0	1%
Non-Service Budgets	6.9	6.1	1%
General Fund	68.1	-21.2	-5%
Total Council	**1251.8**	453.2	**100%**

b) Savings approved to date

Since 2010, reductions in Government funding, and inflationary and demographic pressures have required the Council to approve savings/cuts over the period of £350m.

During the period of austerity councils have absorbed a large share of Government funding reductions in relation to overall public sector funding reductions. Throughout this period the Council has protected basic services at a time of growing cost pressures. The Council will continue to focus on reducing costs and improving efficiency and productivity but finding new savings will means that frontline services will be impacted.

c) Reserves

At 30th of September 2023, reserves stand at £123.3m (Council £72.7m and Schools £50.6m).

	Closing Balance 2021-22 £m	Closing Balance 2022-23 £m	Closing Balance 2023-24 £m
Council reserves	228.2	120.5	72.7
Schools Delegated budget	46.6	50.6	50.6
Total	274.8	171.1	123.3

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Overall, reserve levels reduced significantly in recent years, with c£110m of non-Schools Council Reserves being drawn down in 2022-23. This included both planned activities, and c£52m of unplanned costs associated with unbudgeted cost of extraordinary inflation, and Children’s Social Care pressures.

As part of the 2023-24 budget approved in February 2023, a further £48m of reserves were drawn down to balance the 2023-24 budget taking reserves down to c£73m in 2023-24, which will be an historic low.

The remaining reserves will be inclusive of Grant reserves for specific purposes (£16.4m); £34m of earmarked reserves, and the £22m General Fund reserve that is the minimum amount of un-ringfenced reserves that it is recommended to hold to fund unforeseen events. Any use of the General Fund reserve would however require it to be replenished for next financial year in line with recommended practice and this would increase any financial gap in 2024-25 by an equivalent amount.

Efforts are being made to bolster reserve levels by applying accounting policy changes to the 2021-22 accounts, and the repatriation of reserves held at a West Yorkshire level which has been agreed. These plans could result in c£37m of reserves.

This would take reserve levels up to c£110m, of which a minimum £57m are currently available. Efforts are being made to bolster this further through a review of grant reserves and currently earmarked reserves, and other endeavours.

The total value of revenue balances held by maintained schools at the end of 2022/23 was £50.6m. The Council cannot use School balances in support of the Councils budget.

APPENDIX 2

Medium Term Financial Plan (MTFP) – Dedicated Schools Grant (August 2023)

1.0 This is the first time that the Dedicated Schools Grant (DSG) has been included in the Council's Medium Term Financial Plan. This report is intended as an introduction, and to highlight the most significant new feature of the DSG forecast, which is the risk of the rapid growth of a deficit account, if current rates of growth in spending in the High Needs Block continue and if strategic response / mitigation action is not taken or is not successful.

1.1 Under the rules associated with the Dedicated Schools Grant, any deficit on the account is the responsibility of the Local Authority, meaning that any deficits would have to be paid for from Council resources. There is however a temporary statutory override (detailed below), and there are currently 34 Councils across the country that have significant DSG deficits that are receiving 'Safety Valve' funding from the Department for Education. This includes Surrey Council that is receiving c£100m of additional funding.

Important background for the MTFP – the Statutory Override (concerning the treatment of DSG deficit accounts)

2.0 A 'statutory override' is currently in place within the Regulations. This override concerns the treatment of deficit balances, that are held within the Dedicated Schools Grant (DSG), and cumulative deficit DSG accounts. Through the statutory override, cumulative deficit DSG accounts are ring-fenced and are 'set aside' from local authority general fund reserves, meaning that DSG deficits are currently carried forward to be managed only by using DSG funds in future years and that authorities do not need to make provision for these from their general reserves. This override is currently in place until the end of the 2025/26 financial year. The impact of this override not being in place would be (will be in the future) that DSG deficits would be added to local authority general fund reserve balances. This will have implications for the wider financial positions of local authorities and for how DSG deficits will need to be managed, using authority general fund reserves alongside / in addition to / rather than DSG funding. It is critical therefore, that the DSG is included in the Council's medium term financial planning.

2.1 For background reference, the distribution of the 2023/24 planned DSG Schools Budget that was agreed by Executive and by Council in February 2023 is summarised in this table:

Description	**Early Years Block £m**	**Schools Block £m**	**High Needs Block £m**	**Central Schools Services Block £m**	**Total DSG £m**
Estimated DSG available 2023/24	£43.371	£509.390	£116.884	£3.559	£673.203
Estimated DSG B'fwd from 2022/23	£4.211	£5.343	£25.830	£0.281	£35.665
Total Estimated DSG (Schools Budget) 2023/24	**£47.582**	**£514.732**	**£142.714**	**£3.840**	**£708.868**
Delegated to Schools / Providers	£42.103	£507.842	£108.163	£0.000	£658.108
Non-Delegated Items	£1.268	£1.547	£8.721	£3.559	£15.095
Allocation of One Off	£0.957	£1.787	£4.200	£0.054	£6.998
Total Funding Allocated	**£44.328**	**£511.177**	**£121.084**	**£3.612**	**£680.202**
Difference (C'Fwd)	**£3.254**	**£3.556**	**£21.630**	**£0.227**	**£28.667**

2.2 The value of DSG reserve balance that has been brought forward from 2022/23 has now been confirmed at £36.521m, which is £0.856m greater than was forecasted in February. Whilst still early in the financial year, and subject possibly to significant movement for spending across the autumn and spring terms, especially in the High Needs and Early Years Blocks, we currently forecast that the DSG reserve balance that will be held at the end of the 2023/24 financial year will be £32.482m, which is £3.815m greater than was forecasted in February. Based on this forecast, we estimate that we will deploy £4.039m of DSG reserves within the 2023/24 financial year.

2.3 Regarding DSG Medium Term Financial Planning:

A key principle that is applied is that we expect that all spending pressures within the Schools Block, Early Block and Central Schools Services Block of the DSG will be met within the respective blocks, meaning that expenditure will be adjusted year on year to ensure that these blocks do not overspend (other than for the deliberate release of available reserves). This principle reduces the risk of overspending in these 3 blocks being the cause of a deficit DSG account. This, however, does mean that the pressures within these 3 blocks will be 'passed on' to schools, academies and other providers via adjustments to their delegated formula funding. This also means that the contributions that the DSG makes to Council-based services, especially in the Central Schools Services Block and the Early Years Block, may need to be reduced. This may have Council budget implications.

Following the application of this principle, it is overspending in the High Needs Block of the DSG that creates the largest risk to the Council of a deficit DSG account. Local authorities nationally have been struggling to balance their DSG accounts because of the significant growth in the numbers of children and young people with high needs and the subsequent growth in High Needs Block spending. The DfE currently is engaged in different forms of support and intervention, especially in individual local authorities with the largest DSG deficits. The DfE is currently conducting a national review of SEND and Alternative Provision, which includes a review of financial systems, which has strands that are expected to be designed to help manage costs in the future. However, the DfE's current guidance states quite clearly that all local authorities are expected now to work to secure financially sustainable high needs provision. A key strand of the DfE's guidance is concerned with investment to encourage the inclusion of children and young people with SEND in mainstream settings.

2.4 Up to the end of the 2022/23 financial year, we have absorbed growth in high needs provision spending within the annual High Needs Block increases that have been allocated by the DfE. In 2023/24, we are currently forecasting to overspend by c. £1.6m, which is a relatively small amount of reserve deployment on a total High Needs Block budget of £117m.

2.5 However, our current early medium-term financial forecast clearly indicates that, if our current growth rate in spending continues, we will significantly overspend our annual High Needs Block income going forward, to the extent that, the risk of us holding a cumulative DSG deficit account at the end of the 2025/26 financial year is high.

2.6 Whilst this is an early forecast that is based on a series of estimates, is subject to significant movement, and is presented prior to review and discussion about strategic response and mitigating action, we forecast that our high needs spending may exceed our High Needs Block income by c. £15m in 2024/25 and by c. £22m in 2025/26. Overspends of these values would mean a cumulative deficit in our High Needs Block of c. £12m at the end of the 2025/26 financial year. Whilst this is an early forecast, subject to movement, it clearly indicates a very challenging financial position and one which we need to develop a strategic response to manage and to mitigate against.

2.7 This pressure is being driven by significant and rapid growth in the numbers of children and young people with EHCPs requiring support and specialist placements. We have seen, and forecast further, significant revenue spending growth in the follow four main areas:

1) Spending that follows the creation of more specialist places in the Bradford District (in special schools, special school academies, resourced provisions, and alternative provision) in response to demand.
2) Spending from an increase in the number of children and young people placed in out of authority, independent and non-maintained settings, and from an increase in the cost of these placements.
3) Spending from an increase in the number of children and young people in mainstream schools and academies with funded Education Health and Care Plans (EHCPs).
4) Spending from an increase in the number of young people in post 16 Further Education settings with EHCPs, which is also driven by wider demographic

changes (the school population bulge that initially began in the primary phase has now hit post 16).

2.8 Whilst we will work with and consult the Schools Forum on these issues, it is the Authority's responsibility to balance the DSG. Not being able to do so will result in some form of intervention by the DfE. This may begin where we publish a 2024/25 planned budget that significantly reduces our DSG reserve balances.

Appendix 3 – Medium Term Financial Strategy of the Housing Revenue Account

Background

1.0 The Housing Revenue Account (HRA) is a statutory requirement for Councils with more than 200 units, and includes all expenditure and income incurred in managing and maintaining the Council's homes. In accordance with Government legislation, it operates as a ringfenced account and cannot be set to make a deficit.

1.1 The total resources available to the HRA is forecast at around £13.1m over the next 5 years, with all of this being derived from rent and service charge income from tenants.

1.2 The Council is required to develop a 30-year business plan for the HRA, which is regularly stress tested. Rents are controlled through regulation and enforced by the Regulator of Social Housing. The Regulator has economic and consumer standards which place the same requirements on all social landlords, who also have to comply with legislation for repair, health and safety, landlord and tenant requirements and new legislation from April 2024.

1.3 All landlord services are funded through the HRA, any variations in the rental income stream or expenditure in addition to budget assumptions will directly impact upon the level of resources that are available for the delivery of services and/or reserves key priorities over the next five years are reducing costs and increasing income by reducing void re let times.

1.4 Resources are focussed on health and safety, good services for tenants and servicing debt. All management and maintenance functions are outsourced; the general needs housing contract will have a new provider for 24/25 to 29/30. The separate specialist supported housing contract for Fletcher Court will be re-tendered during 24/25.

2024-2029 Break even.

2.0 Over the 5 years of the plan, there is a requirement to deliver balanced budgets. Due to legacy costs where the contractor had gone bankrupt during the construction of Fletcher Court, below inflation rent restrictions and worse performance on reletting homes than planned, for 2023/24 there is a forecast a deficit of £0.3m which will be wholly covered by HRA reserves.

2.1 A recovery plan has been put in place to reduce costs which will help reduce the deficit position. This is still an improvement on the equivalent position in 22/23.

2.2 The Governments Rent Standard and Rent Policy Statement are published from November each year, which can have a major impact on the plan.

	2024/25 £'000's	**2025/26** £'000's	**2026/27** £'000's	**2027/28** £'000's	**2028/29** £'000's
Income	2,785	2,819	2,854	2,888	2,923
Expenditure	-2,205	-2,239	-2,274	-2,308	-2,343
Interest payable	-580	-580	-580	-580	-580
Net HRA Surplus/Deficit	0	0	0	0	0

Key Income Assumptions 2024-2029

3.0 Rent Increase caps normally use the CPI Inflation rate at September each year and other factors including Government housing policy. The current business plan is based on the Office of Budget Responsibility (OBR)'s long term inflation target of 2%, which projects an increased rent of 3% per annum (CPI+1%).

3.1 The current plan assumes 4 Right to Buy sales per year over the MTFP. Whilst this reflects the expectation that the recent increase in sales will diminish at some point, Right to Buy discounts remain a considerable incentive for many people and as such sales may remain at a higher level. This would put further pressure on the rental income budget. Conversely additional sales slightly increase capital receipts which can be partly utilised for funding Council Housing growth. The receipt does not allow like for like replacement.

Pay Award and Price Inflation

4.1 Price inflation is generally assumed at CPI levels in the plan, except where the budget is related to recharged services, where 2% is assumed. As the service is outsourced, the contractors staff pay awards are included in the general fee.

Repairs

5.1 The repairs budget is assumed to be inflated by CPI and adjusted to reflect the forecast changes in stock numbers, both losses through Right to Buy sales and an adjustment for housing growth.

Capital Provision

6.1 Resolving legacy repairs from several contractors becoming bankrupt during the general and specialist housing build remains a priority for the service. Current costs of such repair are around £80k which is in excess of existing budgetary provision.

However, reflecting the need to identify actions to bring spend down, the financial plan assumes that this will be achieved.

6.2 The HRA is required to make an annual depreciation charge which is mirrored in a capital expenditure line in the HRA. In addition, expenditure is incurred on routine maintenance and servicing.

Provision for Bad Debt.

7.0 The calculation for the provision for bad debt for 2024/25 is £65k and it is assumed that this level of provision will remain static in the financial plan, but this will be kept under continual review as universal credit is rolled out further.

Recharges to the HRA.

8.0 Recharges to the HRA relate to services provided from other parts of the Council on behalf of the HRA. These include, for example, back-office services. It is generally assumed that these are inflated by the 2%.

The Medium-Term Financial Strategy 2024/25- 2029/30
Contribution to General Reserve.

9.0 The level of HRA general reserve is £0.5m. To provide a sustainable base going forward, and in line with the general fund strategy, it is planned to target a level of sustainable reserves that will withstand economic shocks to the HRA. The plan reflects an assumption that contributions to general reserve are made from 2023/24.

9.1 The strategy to mitigate this cumulative deficit on the Housing Revenue Account is in line with the approach being taken for the rest of the Council. Options for balancing will include savings that can be generated from business-as-usual proposals and those that require more specific service reviews options to deliver savings.

9.2 All areas of HRA spend and income will be considered when finalising the detail of the 2024/25 budget and a refresh of the position 2024-2029.