Appendix 5 Statement on Robustness of the Budget Estimates

Director of Finance (Section 151 Officer) Statement on Robustness of the Budget Estimates

The Council is required by law to set a balanced budget for the upcoming financial year. This balanced budget must be based on sound and sustainable assumptions about income and expenditure, the delivery of savings and use of reserves. Under Section 25 of the Local Government Act 2003, the section 151 officer is required to prepare a statement on the adequacy of the proposed financial reserves and the robustness of the budget estimates.

Use of reserves and the General Fund balance

Appendix 6 considers the reserves and balances of the Council. Prior to 2021/22, previous budgets had approved the use of reserves to fund one-off initiatives and significant investments in the revenue budget. Whilst this use of reserves was necessary, with much of the investment to provide time for services to improve and reduce their spending overall, it was not sustainable. Such a level of funding from reserves to support services is unsustainable in the medium term, and cannot be continued into future years.

For 2022/23 the budget proposes the use of just £0.207m of general reserves which is a continuation of the investment approved as part of the 2020/21 budget. In addition £1.000m is being returned to districts from the Greater Manchester Combined Authority reserves and £2.500m of general COVID grant held in reserves will be drawn down to support the ongoing cost and income loss pressures facing the Council as a result of the COVID-19 pandemic

Section 26 of the Local Government Act 2003, places a duty on the Section 151 Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget. The Director of Finance is recommending a proposed minimum general fund balance of £26.094m from 1 April 2022, which is a small decrease on last year. Further information is set out in **Appendix 6**.

Monitoring and forecasting

The Council will continue to undertake robust monthly budget monitoring throughout the financial year. This will include specific assessment and monitoring of the delivery of planned savings, and regular review and updating of the MTFP to identify future financial risks at the earliest opportunity. Proposed savings have been subject to review and challenge by Finance, Senior Officers and Members and this review process will continue to monitor delivery of savings and identify new savings for future years.

Appendix 5 Statement on Robustness of the Budget Estimates

Risk Assessment

The proposals set out in this report will enable the Council to balance the 2022/23 budget, but there remain a number of significant risks which could impact on 2022/23 and future years.

Adults

Increasing numbers and complexity of Adults clients is resulting in more assessed hours and more expensive packages of care. If this trend continues, further financial pressures may arise as a result. The sector faces increasing difficulties with workforce recruitment, sustainability and retention, and whilst increases in national living wage are beneficial for individuals and workforce retention, these increases disproportionately impact on the social care budgets. Housing and accommodation pressures continue throughout both Children's and Adults social care, making it more difficult to secure care packages.

The impact of COVID on service demand has meant that it is still very difficult to fully understand underlying trends. Further cost pressures in Adults have been factored into the MTFP in future years but the impact of the Social Care White Paper is assumed to be funded. If funding does not match the increased cost, then further pressures will materialise in 2023/24 and beyond.

Children's Social Care

The Council has faced significant increases in the cost and demand for Children's Social Care services over recent years. During 2021, numbers of looked after children have stabilised and the 2022/23 budget provides funding to the current level of spend. However, also built into the 2022/23 budget are significant levels of savings. Key risks for Children's Social care budgets in 22/23 include:

- Placement numbers – whilst numbers have been stable during 2021, there remains a significant risk of cost pressure arising from any increase in the number or complexity of placements.
- Placement prices – External providers will be facing inflationary cost pressures and increased staffing costs, which combined with demand for placements could result in additional costs.
- Savings – Delivery of £2.9m in 22/23 (with a further £1.1m in 23/24) is an enormous and ambitious challenge, which will be complex to achieve.

Education

Home to School transport for children with Special Educational Needs continues to be a significant risk and pressure area for Education budgets. The number of pupils being assessed as eligible for support for home to school transport has almost doubled since 2017, and this has mirrored an increase in pupils supported with an Education Health and Care Plan. Continued increases in demand, combined with rising costs, means that significant budget pressures are likely in the area. In addition, Education budgets are also facing pressures due to forecast income shortfalls, particularly in respect of traded services where demand has dropped as schools convert to Academy status. If this trend continues, income shortfalls are likely to increase further.

Appendix 5 Statement on Robustness of the Budget Estimates

Risk Assessment

The proposals set out in this report will enable the Council to balance the 2022/23 budget, but there remain a number of significant risks which could impact on 2022/23 and future years.

Income Generation

A number of pressures were emerging during 2019/20 due to under-recovery of income which was then made worse by the impacts of COVID-19 and have continued in consecutive years. Additional budget support through COVID funding is no longer available for 2022/23, increasing the risk of significant income pressures in areas including:

- Estates income, including future growth assumptions and proposals to generate additional income.
- Planning, building control and land charges income.
- Parking Services
- Markets
- Engineers income.

Future Local Government Funding

Government have committed to a review of Local Government funding but the timescales for that review remain unclear. The absence of a multi year finance settlement and no indication of how the funding model may change, mean it is very difficult to develop financial plans for the medium term. The MTFP, at this stage, assumes that Local Government Funding will be sustained at current levels, but that there will be no further increases in funding for future years. The continuing lack of certainty over the timing and outcome of the fair funding review, makes planning beyond 2022/23 extremely difficult.

Savings Delivery

The Council is on track to deliver the overall savings target for 2021/22 but with some delays to planned savings being mitigated with one-off actions. The original planned saving, or recurrent alternatives, will need to be delivered in 2022/23, alongside existing plans for additional 2022/23 savings and new savings proposals identified as part of this budget process.

Accommodation and Housing

In recent years, expenditure on temporary accommodation has increased significantly, resulting in increased costs where rent levels are not covered by Housing Benefit. Cost pressures are also evident in Children's and Adults Social Care due to insufficient appropriate accommodation in the borough. If demand continues to increase, then cost pressures associated with housing are likely to increase.

Pay and price inflation

Significant provision is already included with the 2022/23 budget proposals for pay inflation, and cost pressures driven by both general inflation and pay inflation external to the Council. CPI inflation for the 12 months to September 2021 was 3.1% but has since increased to 5.1% in December 2021 and is forecast to reach 6% by spring 2022, which could place further pressures on budgets.

Appendix 5 Statement on Robustness of the Budget Estimates

Education
The Dedicated Schools Grant (DSG) provides ring fenced revenue funding for allocation to education providers, allocated in four blocks, it should be noted that this year the Department of Education (DfE) have rolled Teachers Pay and pensions grant into DSG:

DSG Blocks	2021-22 £m	2022-23 £m	Increase £m	% Inc	Supplementary Funding £m
Schools Block (includes Academies)*	183.081	190.743	7.662	4.19%	5.605
High Needs Block	28.196	31.617	3.421	12.13%	1.300
Early Years Block	17.494	16.965	-0.529	-3.02%	
Central Schools Services Block	1.114	1.182	0.068	6.10%	
Total	**229.885**	**240.507**	**10.622**	**4.62%**	**6.905**

Schools Block funding is allocated on a per pupil basis and has increased due to increased pupil numbers, and increased funding per pupil from government. The increase in High Needs Funding is also due to an increase in the amount of funding rates and a growth in pupil numbers. The High Needs increase in funding for Tameside is capped at the maximum increase the DfE will allow (12%). The DfE formula therefore acknowledges that Tameside should receive an additional £2.9m, but there is insufficient in the national budget to allow this, hence the cap. The Early Years Block relates to an increase in the rate however Tameside are seeing a reduction in early years place being taken up.

Supplementary funding has been provided to Schools £5.6m and the High needs funding £1.3m to provide support for increase Health and Social Care Levy and other costs. This will provide some support to the High Needs pressures. The schools supplementary funding is a formula based allocation directed by the DfE this will be added to the DSG schools block in 2022-23.

The allocation to the High Needs is not prescriptive in the same way, DfE have stated this money is to meet additional demand in the High Needs sector. It is envisaged this will also be added to the DSG allocation next financial year. Work is underway to consider how allocations should be made to Special Schools being mindful of the High Need deficit, but giving consideration of the increased costs to schools are facing.

Appendix 5 Statement on Robustness of the Budget Estimates

Education

If funding and spending continues in line with current trends the estimated impact on the DSG reserve for Tameside is as follows:

High Needs Deficit Forecast	DSG Balance bfwd. £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000	2025-26 £000
Funding Available (after Recoupment)		26,342	30,656	30,969	31,110	31,449
Expected Spend based on Growth Projections		29,521	35,887	38,940	41,305	42,774
Schools Block Transfer		878	954			
In Year Deficit		(2,301)	(4,277)	(7,970)	(10,195)	(11,325)
Plus DSG Overall Defcit	(1,686)					
Overall Cummulative DSG Defcit		(3,987)	(8,264)	(16,234)	(26,429)	(37,754)

High Needs Pressures:

The funding pressures facing the Council are being replicated in local authorities across the country. Pressure high needs budget is being driven by increased demands for Education Health Care Plans, which are mirrored impacted on the council budget in home to school transport services. The drivers for the high needs deficit are:

- The increasing high needs population, special school places and resourced provision
- A continued significant increase in the number of Education Health Care Plans issued
- Increases in the number of Post 16 placements requiring top up funding and the associated costs are increasing.

A deficit recovery plan was developed which now needs to be refreshed. Further consultation will be need with schools to achieve this plan, and appropriate decision making and governance routes within the council where appropriate.

Appendix 5 Statement on Robustness of the Budget Estimates

Risk environment

The Council operates in an environment of uncertainty and risk. Throughout the budget preparation process, the impact and likelihood of identified risks has been assessed, to ensure that assumptions are sound and sustainable, and that the level of reserves held by the Council is considered to be prudent and appropriate. As set out in appendix 6, the maintenance of reserves is essential to mitigate against an increasing risk profile.

Conclusion

In the light of the risk assessment and the details of the budget as set out in this report, which are based on the best information available at the time, and the strength of the Council's Internal Control Systems, **it is the opinion of the Section 151 Officer as the Director of Finance that the budget estimates for 2022/23 are robust, and the level of reserves adequate for the time being.**

However, the Council faces a significant budget gap beyond 2022/23, and this budget gap will increase if planned savings and efficiencies are not delivered in 2022/23. The Council must ensure a relentless focus on delivery of savings, to have any chance of closing the gap in future years. The Council has made use of reserves over the last few years, to provide services with the time to improve, but this is not sustainable in the long run and the Council needs to ensure robust and transparent transformation of services, and reduction of demand, to ensure the delivery of the improvement plans in place.

This statement is in compliance with Section 25 of the Local Government Act 2003. This is not a guarantee that spending will be within every budget line but it is reasonable to believe that the expenditure can be contained within the overall resource envelope agreed by the Council.

Kathy Roe
Director of Finance (Section 151 Officer)
February 2022