APPENDIX 5

S151 RISK ASSESSMENT

Tameside MBC Budget 2023/24

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 2023/24 the budget proposes the use of just £0.176m of general reserves which is a continuation of the investment approved as part of the 2020/21 budget. In addition £2.415m 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 income loss pressures facing the Council following 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 £27.537m from 1 April 2023, which is a small increase 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 2023/24 budget, but there remain a number of significant risks which could impact on 2023/24 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 had assumed to be funded. Funding is built in to the 23/24 budget for the real living wage and fair cost of care but further pressures could 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. Numbers of looked after children have stabilised and the 2022/23 budget provided funding to the current level of spend. Built into the 2023/24 budget are significant levels of savings. Key risks for Children's Social care budgets include:

- Placement numbers – whilst numbers have been stable during 2022, 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.
- Budget Reductions – Delivery of £3.9m 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.

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Risk Assessment

The proposals set out in this report will enable the Council to balance the 2023/24 budget, but there remain a number of significant risks which could impact on 2023/24 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, 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 2023/24 extremely difficult.

Budget Reductions Delivery

The Council is on track to deliver the overall savings target for 2022/23 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 2023/24, alongside existing plans for additional 2023/24 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 2023/24 budget proposals for pay inflation, and cost pressures driven by both general inflation and pay inflation external to the Council, particularly on utility costs. CPI inflation for the 12 months to November 2022 was 9.3% and is forecast to continue at high levels during 2023, which could place further pressures on budgets.

Education
The Dedicated Schools Grant (DSG) provides ring fenced revenue funding for allocation to education providers allocated in four blocks:

	2021-22	2022-23	Increase
Schools Block (includes Academies)	183.080m	190.743m	7.662m
High Needs Block	28.196m	32.843m	4.647m
Early Years Block	16.655m	17.304m	0.649m
Central Services Block	1.114m	1.182m	0.068m
Total	229.045m	242.071m	13.026m

Schools Block funding is allocated on a per pupil basis and has increased due to increased pupil numbers, increased funding per pupil rates from government and a new funding stream for 2022-23, the schools supplementary grant (£5.629m) intended to support schools in meeting the Health and Social Care Levy and wider costs in 2022-23.

The increase in High Needs Funding is also due to an increase in the amount of funding rates, growth in pupil numbers and includes an element of the new supplementary funding (£1.300m). The High Needs increase in funding for Tameside remains capped at the maximum increase the DfE will allow (11%). The DfE formula therefore acknowledges that Tameside should receive an additional £2.988m, but there is insufficient in the national budget to allow this, hence the cap.

The Early Years Block and Central Services Block (CSSB) both relate to an increases in the per pupil rate of funding but similar to High Needs Block the CSSB is a capped increase of 5.6% , without the cap a further £145k would have been allocated.

High Needs Pressures:
There continues to be a significant pressure on the high needs budget and this is impacting on the overall DSG budget position and ultimately the council budget. Although there is no immediate call on the Council to fund any deficit there is a requirement from the Department for Education (DfE) to produce a high needs deficit recovery plan and as a consequence Tameside has been invited to take part in the Departments Delivering Better Value Programme. Participation in this programme will be critical in understanding the options available to manage the high needs deficit recovery plan and create a future high needs system that meets demand in a way that is equitable and financially sustainable.

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 2023/24 are robust, and the level of reserves adequate for the time being.**

However, the Council faces a significant budget gap beyond 2023/24, and this budget gap will increase if planned savings and efficiencies are not delivered. 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.

Stuart Fair
Interim Director of Finance (Section 151 Officer)
February 2023