

APPENDIX 4

S151 RISK ASSESSMENT

Tameside MBC Budget 2024/25

Appendix 4 Statement on Robustness of the Budget Estimates

Director of Resources (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 5 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 2024/25 the budget proposes no use of general reserves which is a continuation of the investment approved as part of the 2020/21 budget. In addition, £2.764m is being returned to districts from the Greater Manchester Combined Authority reserves and £2.081m of Collection Fund surpluses held in reserves will be drawn down to support the ongoing activity pressures facing the Council.

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 Resources is recommending a proposed minimum general fund balance of £27.537m from 1 April 2024, which is no change on last year, and is reflective of the level of risk and demand in the sector and at Tameside. Further information is set out in Appendix 5.

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 MTFs to identify future financial risks and opportunities at the earliest opportunity. Proposed budget reductions 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 budget reductions for future years.

Risk Assessment

The proposals set out in this report will enable the Council to balance the 2024/25 budget, but there remain a number of significant risks which could impact on 2024/25 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.

Further cost pressures in Adults have been factored into the MTFs in future years but the impact of the Social Care White Paper had assumed to be funded. Funding is built in to the 2024/25 budget for continuing to deliver the real living wage and fair cost of care but further pressures could materialise over the life of the MTFs.

Children's Social Care

The Council has faced significant increases in the cost of Children's Social Care services over recent years. Numbers of looked after children have stabilised in 2023/24 however there was an ambitious programme of budget reductions to deliver. Whilst placement numbers have trended downwards in 2023/24 complexity has risen with greater use of external residential provision driving costs. A fragile market alongside COVID-19 mental health issues now being recognised in young people in Tameside add to the cost pressures being managed in Social Care. Key risks for Children's Social care budgets include:

- Practice Improvement – the DCS is leading an improvement in Social Work practice to ensure young people receive the right care and practice delivers Best Value. If improvement takes longer than planned cost reductions will be delayed.
- Market Sufficiency – Fewer providers delivering complex support alongside inflationary cost pressures and increased staffing costs, combined with demand for placements could result in additional costs.
- Budget Reductions – Delivery of £3m in 24/25 is challenging and built on social work practice improvements.

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 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 have arisen in the Dedicated Schools Grant and for School Transport. Funding has been provided in 2024/25 for rising costs in school transport, however, 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. Cost pressures are also arising from Education Psychology as it becomes harder to recruit and retain these key professionals.

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Income Generation

Whilst fees and charges are proposed to increase by the rate of CPI inflation in December 2023, a number of fees are not. Parking fees are frozen following the increase in 2023/24, and Planning fees are rising in line with the national increases. The Council must move its charges to full cost recovery, recognising this may be a significant uplift and required to be smoothed over a number of years. Maximising income generation is a key plank of the MTFs and delivering this will require the Council to think differently about how it operates and provides services to residents and businesses where a fee or charge is levied for the service.

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 MTFs, at this stage, assumes that Local Government Funding will reduce due to the current Council Tax flexibilities ending in 2024/25, and that there will be no further increases in funding for future years in a Comprehensive Spending Review. The continuing lack of certainty over the timing and outcome of the fair funding review, makes planning beyond 2024/25 extremely difficult.

Budget Reductions Delivery

The Council has had to review its savings proposals for 2023/24 as some are deemed to be delayed in delivery, with alternative options provided in mitigation. The original planned saving, or recurrent alternatives, will need to be delivered in 2024/25, alongside existing plans for additional 2024/25 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 2024/25 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 December 2023 was 4% and is forecast to continue above the 2% target for the Bank of England throughout 2024/25, which could place further pressures on budgets.

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Education

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

DSG Blocks	2023/24 £m	2024/25 £m	Increase £m	% Increase
Schools Block (including Academies)	207.967	213.636	5.669	3%
High Needs Block (before recoupment)	36.904	39.108	2.204	6%
Early Years Block	19.051	20.774	1.724	9%
Early Years Block - New Extended Entitlements	-	8.384	8.384	100%
Central School Services Block (CSSB)	1.249	1.349	0.100	8%
Total Funding	265.170	283.251	18.081	

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 2023/24, the Mainstream Schools Additional Grant (MSAG). The MSAG is intended to provide schools with flexibility to best support the needs of their pupils and staff and address cost pressures.

The High Needs Block is set nationally. The Government has set a maximum by which local authority High Needs budgets can increase by, in 2024-25 this is set at 5%. Tameside have received the maximum increase possible capped at 5%, the DfE formula therefore acknowledges that Tameside should receive an additional £3.885m, but there is insufficient funding in the national budget to allow this, hence the cap. Tameside have also received a further 1% increase due to growth in pupil numbers, taking the total increase to 6%, or £2.204m

The Early Years Block and Central School 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 5.51%, without the cap a further £0.063m would have been allocated. Additionally there are new extended entitlements as announced by Government in Spring 2023 as reflected in the table above.

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. Tameside is now part of the Departments Delivering Better Value Programme. Participation in this programme is 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.

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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 5, 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 Resources that the budget estimates for 2024/25 are robust, and the level of reserves adequate for the time being.**

However, the Council faces a significant budget gap beyond 2024/25, and this budget gap will increase if planned reductions and efficiencies are not delivered. The Council must ensure a relentless focus on delivery of reductions, 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.

Ashley Hughes
Director of Resources (Section 151 Officer)
February 2024