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 and their anticipated use over the next three years. Previous Budgets have approved the use of reserves to fund one-off initiatives and investments in the revenue budget, and the 2020/21 budget proposed the use of £12.395m of further investment from reserves. £5m was to support the Children's Social Care Budget with a further £7.395m targeted investment to support projects and service improvement across Children's Services, Growth, and Operations & Neighbourhoods. This was a significant investment of reserves into services, with much of the investment to provide time for services to improve and reduce their spending overall. Such a level of funding from reserves to support services where improvement plans are in place is unsustainable in the medium term, and cannot be continued into future years.

For 2021/22 the budget proposes the use of £1,442m of reserves which is a continuation of the investment approved as part of the 2020/21 budget. In addition £4,000k is being returned to districts from the Greater Manchester Combined Authority reserves and this funding is to be used to support the 2021/22 budget due to the significant 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 £27.437m from 1 April 2021, which is which is a small increase on last year, reflecting the increased risk exposure and reduced size of the Council's current Capital Programme. 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 2021/22 budget, but there remain a number of significant risks which could impact on 2021/22 and future years.

- **Children's Social Care**: The financial pressures in this area continue to present the single greatest risk to the Council. Further detail is set out on the following page of this appendix.

- **Education:** We continue to experience growing pressures in Local Authority funded areas including Home to School Transport and Pupil Support Services. National trends in SEN provision indicate that these pressures may well continue to increase in future years, resulting in further financial pressures. Further detail is set out on page 4 of this appendix.

- **Adults Services**: The Council continues to face significant demographic and other cost pressures which present a significant challenge for future years. Costs pressures and any notable variation in demographic forecasts and contractual assumptions could have significant financial implications for the Council.

- **Income generation**: A number of pressures emerged during 2019/20 due to under-recovery of income across the Growth and Operations & Neighbourhoods directorate, with plans in 20/21 to review service delivery and establish a sustainable future delivery model. The economic impacts of COVID-19 have placed further pressures on these areas, and the speed of recovery is likely to be dependent on local and regional economic conditions.

- **Council Tax and Business Rates Income:** Appendix 4 highlights the pressures facing the Council in respect of income from Council Tax and Business Rates. The resourcing position for 2021/22 is based on estimates and assumptions, reflecting conditions and experience in 2020/21. Any significant variation from these assumptions, such a further deterioration in collection rates, could result in a further deficit position on the Collection Fund in March 2022 which will need to be repaid in future years.

- **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 increases in funding for future years. The continuing lack of certainty over the timing and outcome of the fair funding review, makes planning beyond 2021/22 extremely difficult. Any significant change to the allocation methodology for Local Government Funding could have a significant impact on the MTFP.

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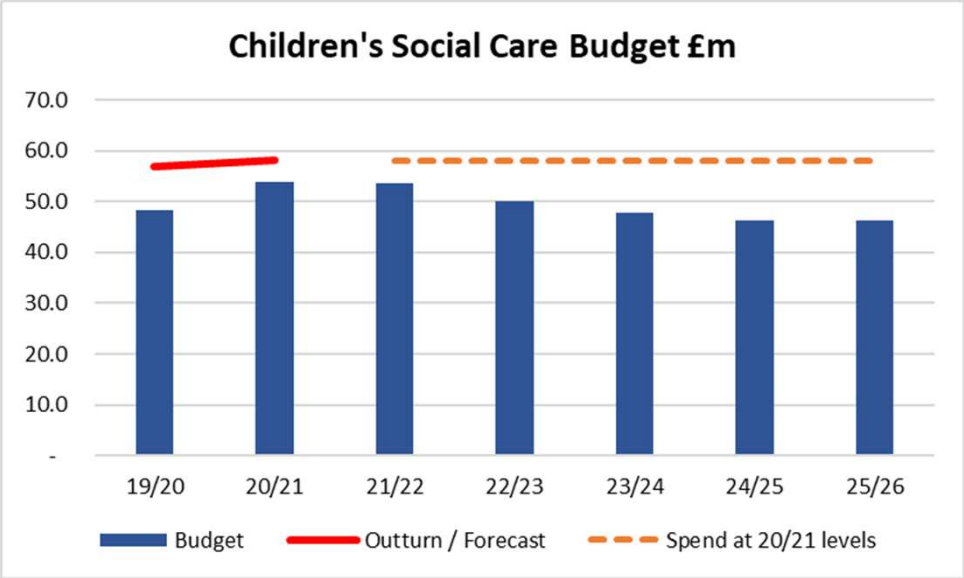
Children's Social Care

The Council has allocated significant additional investment to the directorate budget provision over recent years to support service improvements, including seven key sustainability initiatives from 2020/21. Despite the pandemic and significantly increased numbers of open cases in the statutory children's system since June 2020, cared for children (CfC) numbers has remained static, however the full impact of lockdown is not yet known. Similarly to other local authorities there is the potential for growth in numbers to come forward in the early part of 2021.



Service Wide Budget Risk

A significant risk is the underlying assumptions in the MTFP. There are inbuilt budgetary savings to achieve, following the investment in the improvement plans outlined above, of £7.3m by 2024/25. A further saving of £0.5m from operational efficiencies has been identified as part of the 2021/22 budget process to contribute to the corporate savings.

The service is currently overspending by £4.1m, mainly on external placements. There is a risk that the service will not bring spending back on line or be able to deliver the savings to the timeline or scale assumed.

External Placements

Despite CfC numbers remaining stable there are huge pressures in the market resulting in higher costs of placing individual children. To help to address placement sufficiency and placement mix and improvements across strategic commissioning, placement procurement and brokerage, contract management and quality assurance, a Commissioning Manager has been recruited. Alongside this there is a Placement and Permanence panel where the service continue to review each placement/care arrangement, and a brokerage service which will manage centrally all contract negotiation and variances to placement fees. The Commissioning/Brokerage team is the smallest in GM, supporting the greatest number of Cared for Children. Some of the posts are on fixed term contracts which will result in an even smaller team by the end of 2020/21. This team is fundamental in terms of identifying and driving down financial costs of costly external provision. Capacity in the team presents a significant risk to deliver a reduced budget.

Time Limited funding

Some of the preventative service areas such as Early Help are funded on one off or time limited funding. If funding is withdrawn or does not continue, there is a risk that the preventative work will not be fully delivered which will potentially drive the numbers of CfC back up, impacting on the ability of the service to deliver the budget reductions expected.

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:

	2020-21	2021-22	Increase
Schools Block (includes Academies)*	169.918m	183.081m	13.163m
High Needs Block	24.425m	28.277m	3.852m
Early Years Block	17.261m	17.494m	0.232m
Central Schools Services Block	0.953m	1.114m	0.161m
Total	**212.557m**	**229.965m**	**17.408m**

TW7

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 £3.2m, 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.

High Needs Pressures:

The funding pressures facing the Council are being replicated in local authorities across the country. Pressure on schools budgets, fundamental changes in education policy (Children's and Families Act) and increasing accountability are all impacting. These pressures in the high needs DSG budget impact on the Council budget. Most notably this has caused significant service and financial pressures in our educational psychology and 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
- The SEND Reforms (Part Three of the Children and Families Act) place additional responsibilities and accountabilities on Local Authorities
- Increases in the number of Post 16 placements requiring top up funding and the associated costs are increasing.

A Deficit Recovery plan has been developed in line with DfE requirements, which as been presented to schools forum and Education Attainment Board. Details of which can be found in the report. Item 4 - High Needs Deficit Recovery 2021-22 FINAL.pdf (moderngov.co.uk)

Further consultation will be need with schools to achieve this plan, and appropriate decision making and governance routes within the council where appropriate.

Slide 4

TW7 Can we have a £ sign on this table?
Tom Wilkinson, 30/01/21

Appendix 5 Statement on Robustness of the Budget Estimates

Risk environment

The Council operates in an environment of increasing 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 2021/22 are robust, and the level of reserves adequate for the time being.**

However, the Council faces a significant budget gap beyond 2021/22, and this budget gap will increase if planned reductions in spending are not delivered in 2021/22. The Council must ensure a relentless focus on delivery of savings, both in 2021/22 and planned for 2022/23, 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 management of these services to ensure the delivery of the improvement plans in place. A failure to turn around these budget areas will in turn result in an inability to set a balanced budget in future years and raise questions on its ability to deliver value for money services for its residents.

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.