

2022/23 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF FAMILIES, HEALTH & WELLBEING SELECT COMMITTEE

Committee name	Families, Health and Wellbeing Select Committee
Officer reporting	Gemma McNamara & Graham Young, Corporate Finance
Papers with report	The Council's Budget (2022/23 – 2026/27) – Medium Term Financial Forecast (Appendix A8i)
Ward	All

HEADLINES

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme for the services within the remit of the Families, Health & Wellbeing Select Committee. Following consideration by Cabinet on 16 December 2021, these proposals are now under consultation, and the relevant proposals being discussed at the January cycle of the Select Committees.
2. Cabinet will next consider the budget proposals on 17 February 2022, and the report will include comments received from Select Committees. At the meeting on 17 February 2022 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2022/23. Subsequently, Council will then meet to agree the budgets and Council Tax for 2022/23 on 24 February 2022.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Families, Education & Wellbeing and Health & Social Care Cabinet Portfolios, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

That the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Families, Education & Wellbeing and Health & Social Care Cabinet Portfolios, within the context of the corporate budgetary position.

SUPPORTING INFORMATION

General Fund Budget

Budget Strategy

- Budget proposals for 2022/23 have been prepared in the context of a wider strategy addressing the five-year MTFF period through which service expenditure is to be managed within available resources. This is to be achieved through a combination of delivering efficiency savings, manageable increases in the Council Tax, and Fees and Charges, while maintaining General Balances at 2021/22 levels.
- This budget strategy is based upon strong foundations, with the latest monitoring position for the 2021/22 financial year reporting a net underspend of £419k which will leave uncommitted General Balances at £26,520k entering the 2022/23 financial year. Of the £10,416k savings within the 2021/22 budget, 79% are either already banked or track for delivery, with 12% at an earlier stage of implementation and potential risks on 9% - relating to the Leisure Centre management fee. Further information on this position is set out in the budget monitoring report also presented to Cabinet in December 2021, but it is expected that all 2021/22 savings will ultimately be banked in full.
- Based on 1.8% per annum increases in the core Council Tax and 1% per annum increases in the Social Care Precept, funding available to support service expenditure is projected to grow by £32,034k to £270,279k between 2021/22 and 2026/27. A combination of inflation and demand-led pressures (including the on-going impacts of the COVID-19 pandemic), together with capital investment plans would require a £66,341k uplift in service expenditure. However, to date, a savings programme of £29,572k has been developed, enabling delivery of a balanced budget for 2022/23 and leaving a residual budget gap of £4,735k in later years of the MTFF period.

Table 1: Budget Strategy

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Total Resources	238,245	249,862	251,897	256,317	263,130	270,279
Total Service Expenditure	238,245	249,862	255,005	259,640	267,650	275,014
Budget Gap	0	0	(3,108)	(3,323)	(4,520)	(4,735)
<u>Of which, Service Expenditure in the remit of this committee:</u>						
Families, Education & Wellbeing	14,441	14,828	14,338	14,375	14,559	14,739
Health & Social Care	128,778	140,845	145,229	147,642	153,286	159,144
Total	143,219	155,673	159,567	162,017	167,845	173,883

7. A significant factor affecting the development of this budget strategy is the on-going impact of COVID-19 on Council services and finances, with pandemic related costs over and above planned service expenditure of £31,492k in 2020/21 and £18,710k in 2021/22. While these extraordinary costs have been financed from specific grants to date, it is not expected that further funding will be forthcoming and on-going structural pressures emerging from the pandemic of £7,098k are contributing towards the overall budget gap by 2026/27.
8. Notwithstanding the additional challenge presented by the pandemic, this budget strategy does not rely upon use of General Balances to support service expenditure and therefore maintains these at £26,520k over the five-year MTFF period. A review of the range of general risks affecting the Council indicates that the recommended level of uncommitted reserves should be between £15,000k and £32,000k.
9. In addition to General Balances, the Council holds Earmarked Reserves to manage specific risks, projects and cyclical expenditure commitments. At 31 March 2022, these are projected to total £30,185k, with £11,162k of this sum held to manage COVID-19 costs. This strategy limits budgeted releases from Earmarked Reserves to £10,108k, with £2,660k of previously planned releases and £7,448k COVID-19 funds being drawn down, leaving £20,077k of Earmarked Reserves on the balance sheet. Of this remaining balance, £4,164k is held to meet potential future COVID-19 costs.
10. This draft budget outlines £383,070k of proposed capital expenditure – including substantial investment in local infrastructure, a new leisure centre and delivery of significant additional SEND capacity in the borough’s schools – of which £121,746k is to be financed through borrowing.
11. Taken together with historic capital spending, this investment will result in the Capital Financing Requirement peaking at £311,768k in 2025/26 and declining thereafter. Of this peak borrowing requirement, £273,484k is expected to necessitate external borrowing, with £38,285k being financed through General Fund reserves and working capital.

Budget Proposals for the Families, Health & Wellbeing Select Committee

12. Service expenditure will grow due to inflationary pressures, demand-led growth and other corporate items including capital financing costs. The below table sets out the impact of these expenditure movements across the Cabinet Portfolios within the remit of this Select Committee for 2022/23.

Table 2: Service Expenditure Budget Proposals

	2021/22	Inflation	Demand-led Growth	Corporate Items	Savings Proposals	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Families, Education & Wellbeing	14,441	862	0	0	(475)	14,828
Health & Social Care	128,778	4,586	10,556	0	(3,075)	140,845
Total Service Expenditure	143,219	5,448	10,556	0	(3,550)	155,673

13. Inflation: Cost pressures of £5,448k are projected against 2021/22 expenditure going into 2022/23, with material uplifts in relation to workforce budgets, care placements, contracted expenditure and energy costs. In line with wider MTFF modelling, inflation projections are predicated on CPI exceeding 4% during 2022/23 before returning to the Bank of England target rate of 2%.
14. Demand-Led Growth: items within the remit of this Select Committee account for £10,556k of the £24,932k increase across the Council, with a breakdown of these items presented below.
15. The COVID-19 pandemic has resulting in a step change in numbers of Looked after Children, which has historically seen growth of circa 4% per annum, although requires an uplift of 13% in 2022/23 to take account of significant and sustained growth from 2020/21, adding £2,794k to the Council's Service Expenditure. Over the medium-term growth rates are projected to return to circa 4% per annum and necessitate an uplift of £4,749k in budgets by 2026/27, this sum also makes provision for additional staffing support to manage increased number of clients. Numbers of Children with Disabilities are expected to grow in line with historic trends, adding a further £122k to the cost of this service in 2022/23. As a result of increasing numbers of children being supported by an Education, Health and Care Plan (EHCP), demand for SEND Transport is expected to grow by £1,276k in 2022/23 to finance transport to education settings within and outside the borough, with this service area expected to return to normal demand levels over the MTFF.
16. Underlying demand for the Adult Social Care Placements is projected to continue to grow over the MTFF period, which together with a COVID-19 driven step change being incorporated into budgets from 2022/23 onwards will necessitate £5,739k additional spending. This step change has been driven by two factors, firstly the need for social distancing has led to a lower level of outreach and reablement services, leading to an increase in demand for homecare services and secondly, the pandemic has led to an acceleration in the demand for Mental Health services, which were already facing challenges pre-pandemic. This position is expected to return to pre-pandemic increases from 2023/24 onwards, with £1,117k forecast growth for the remainder of the budget strategy.
17. While direct costs of supporting Unaccompanied Asylum-Seeking Children (UASC) are predominantly met through specific grant, an increase in demand linked to age disputed assessments and the National Transfer Scheme has necessitated additional investment in staffing and spending of independent age assessors. In the absence of further funding being made available by the Home Office, this will necessitate a £625k uplift in the locally funded spending in 2022/23, with a minor £15k additional funding being required over the following two years.

Savings Proposals

18. As mentioned above, £10,381k of savings proposals have been incorporated into the draft budget for 2022/23, with £3,550k falling within the remit of this Select Committee, with details of these items at Cabinet Portfolio level discussed below.

- i. Families, Education and Wellbeing: An in-hand review of the Libraries service is projected to deliver £250k of savings through maximising the digital offer to residents, reviewing the operating model to create bespoke services responding to the needs of the local community. In addition, a BID Review of the Early Years Operating Model is expected to secure £100k with £125k additional income linked to Fees and Charges proposals, with £34k of this coming from the Music Service and the remaining balance from inflationary uplifts, predominantly across cultural services (c£39k) and Adult Education charges (£18k).
- ii. Health and Social Care: A return to the pre-pandemic delivery model for care, with Homecare provision being supported by community and outreach services with a strong focus on reablement, is expected to deliver improved outcomes for clients while securing a saving of £1,508k. A number of measures have been developed to secure efficiencies through procurement and commissioning of support for Looked after Children, which together with identification of efficiencies within the service are expected to secure £1,229k. Delivery of additional in borough SEND school places is expected to secure £188k savings through reduced transport spend. In addition, £150k savings are expected to be delivered through the recently implemented Stronger Families Programme, where early intervention can reduce the need for care placements and secure better outcomes for clients.

Capital Proposals

19. Capital investment of £383,070k over the period 2021/22 to 2026/27 has been incorporated into the wider General Fund budget strategy set out within this report, with £215,689k investment in major projects, primarily delivering new or expanded infrastructure, and £158,464k investment in recurrent programme of works, ensuring that existing infrastructure is maintained and improved. An overview of these investment plans is detailed in appendix A8 that accompanied the Consultation Budget Report presented at December Cabinet.

Table 3: General Fund Capital Programme by Cabinet Portfolio

	Major Projects £'000	Programme of Works £'000	Total £'000
Total Capital Programme	215,689	158,464	383,070
<u>Of which, Service Expenditure in the remit of this committee:</u>			
Families, Education & Wellbeing	64,620	4,683	69,303
Health & Social Care	0	14,038	14,038
Total	64,620	18,721	83,341

20. Further to the overview presented above, the below section sets out the Capital Proposals within the remit of this Select Committee.

21. Families, Education and Wellbeing: Major projects focused upon continuation of investment in school places, including £53,716k funding for delivery of SEND places, with programme of works spend supporting investment in youth provision and devolved schools capital.
22. Health and Social Care: Continuing investment in Social Care equipment for service users.

SCHOOLS BUDGET

In-Year monitoring position and background

23. At month 7, the Schools Budget is reporting an in-year deficit of £12,657k which represents a net £5,329k adverse movement from the original budgeted position. The cumulative deficit is therefore forecast to be £38,043k at 31 March 2022.
24. At the time of writing the Council is currently in discussion with the DfE on a Safety Valve Agreement with the objective of securing conditional funding that would allow the DSG deficit to be eliminated over the five-year MTFF period.
25. As in previous years the draft budget for the 2022/23 financial year will propose a transfer of funds from the schools block into high needs to mitigate an element of the growing pressure. This disapplication process will form part of the ongoing safety valve discussions.

Funding Outlook

26. The core assumptions for the 2022/23 DSG budget have been informed by the funding announcements issued by Central Government in July. These indicated favourable settlements for both the Schools and High Needs Blocks in 2022/23, however, in line with the process introduced in 2020/21 funding for the Central School services will decrease by a further 20% in 2022/23. The final funding settlements for the DSG are usually published in December alongside the wider local government settlement details and the detailed impact set out in the Schools Budget report.
27. The recent Spending Review announced further COVID recovery monies that were expected to be allocated directly to schools alongside a significant uplift in SEN capital funding. This latter element will support measures included within the Council's DSG recovery plan which are incorporated into the general fund capital forecasts.

Timetable

28. The final recovery plan submission within these Safety Valve discussions is due to be submitted in December. The plan will be subject to Department for Education to review with the final decision on whether to enter into a Safety Valve Agreement being made by the Secretary of State and it is expected that a decision will be reached by February 2022. If that is the case it will be possible to reflect the terms of the agreement in the final budget reports in February 2022.
29. If the proposals are agreed to by the Secretary of State, they will be reflected in a published agreement and will form the basis of the DSG MTFF going forward. The agreement will

require the authority to implement reforms to the agreed timetable, whilst maintaining an agreed savings profile within a prescribed and robust monitoring regime. It will set out additional funding which the Department will release to support the reduction of the cumulative DSG deficit aligned to the savings profile. The achievement of these milestones will be key to securing the release of further funding. The Schools Budget report will set out these proposals in detail in February.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2022/23 - 2026/27,
presented to 16 December 2021 Cabinet Meeting