

**MEDIUM TERM FINANCIAL PLAN - FINANCIAL LANDSCAPES AND
FORECASTS 2019/20 TO 2022/23**

Report of the Borough Treasurer

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 The purpose of the report is to update the Council's 2019/20 to 2022/23 Medium Term Financial Plan (MTFP) forecasts and assumptions taking account of local and national changes including the Government's 2018 Autumn Budget and the 2019/20 Provisional Local Government Finance Settlement announcements since the completion of the MTFP Summer Review.
- 1.2 Whilst the MTFP Summer Review identified areas where resources could be made available to support the MTFP, the risks and volatility of the assumptions and forecasts meant it was prudent not to adjust the Council's savings requirement at that stage. As a result the Council's forecast savings requirement remained unchanged from the position approved by the Council Meeting on 22 February 2018.
- 1.3 This report needs to be read in conjunction with other reports elsewhere on this agenda including:
 - Council Tax and Business Rates Discounts Annual Review;
 - Stockport Billing Area – 2019/20 Council Tax Taxbase and Non Domestic Rates Forecast; and
 - MTFP Cabinet Response: Our Medium Term Strategy and Budget Choices 2019/20.

2 DEVELOPMENTS SINCE THE SUMMER REVIEW

MTFP Summer Review

- 2.1 The 2018 MTFP Summer Review identified £2.614m of available resources to support the Council's 2019/20 budget. It is noted that this includes the use of one-off resources of £1.251m relating to the in-year Collection Fund outturn forecasts. Finance Officers continue to work with colleagues across the Council to identify any further budget pressures and available resources that were not considered in the MTFP Summer Review. Furthermore the MTFP forecasts and assumptions are being checked to ensure they remain robust and minimise the impact of risks materialising. This includes:
 - A further review of the expenditure and demand pressures relating to all cash limit budgets including Children's and Adults Social Care, Public Realm and Estates and Assessment Management (as detailed elsewhere on the agenda);
 - Further discussions on the development of the Mayoral Development Corporation and the requirement for recurrent funding;

- Further discussions on the Council's response to the SEND Review recommendations and the need for funding to support the implementation of improvements;
- A review of additional expenditure pressures linked to pay inflation and National Living Wage and cost inflation increases impacting on Totally Local Company;
- A review of additional expenditure pressures particularly relating to inflationary cost and National Living Wage increases in our external supply chain;
- Further dialogue with providers of adult care relating to care package fees to understand step change increases to the fees expected by providers in 2019/20;
- Further modelling of potential strategic investments which may result in additional income; and
- Further analysis of the 100% Business Rates Retention Pilot to finalise the benefit to the Council in 2018/19 and thus the additional available resource to support the Council's 2019/20 Budget and MTFP.

2.2 This work will determine the amount of resources available to support the Council's 2019/20 Budget and MTFP. However, despite the risks the Borough Treasurer is confident that the initial MTFP Summer Review resource as a minimum will be available to support the Council's 2019/20 budget and MTFP. This has been included in the revised MTFP shown at Table 3 and in Appendix 1.

Additional Expenditure Pressures and Resources

2.3 As a result of the work detailed in paragraph 2.1, additional expenditure pressures have been identified as follows:

- £0.500m relating to the expected ongoing staffing and administration costs of the Mayoral Development Company. This is the anticipated financial commitment based on an indicative staffing and operational structure which is currently being developed as part of the detailed business case. Further details are presented elsewhere on this agenda;
- £0.143m relating to the costs of the future delivery model for Estates and Asset Management, details of which are presented elsewhere on this agenda; and
- £0.250m of costs relating to the additional pressure in the maintenance and operation of the Public Realm.

2.4 Members are reminded that the MTFP Summer Review included an increase in the budgeted strategic investment income of £0.500m 2019/20. In addition annual increases of £0.500m up to 2022/23 are planned. Having reviewed the actual receipts of income against this budget over previous years, the budget can (if Cabinet are mindful to do so) be prudently re-phased to bring the planned budget increases forward. However it is important that Members are mindful that there is always a risk that income from the Council's strategic investments does not continue at the current level. Cabinet are asked to consider whether they wish to re-phase the Council's strategic income budget to support the Council's MTFP.

2018 Autumn Budget

2.5 The 2018 Autumn Budget was announced to Parliament by the Chancellor of the Exchequer, Phillip Hammond on 29 October 2018. The Chancellor made the following announcements relating to Local Government Funding which need to be considered as part of the Council's MTFP:

- £240m of funding will be made available to Local Authorities in 2019/20 to support the immediate cost pressures of Adult Social Care. Based on the Adult Social Care relative needs formula (RNF) and funding allocation in 2018/19, the Council will receive £1.283m. This is in addition to the £1.283m winter pressures funding received in 2018/19. The budget red book states that this *'will make sure people can leave hospital when they are ready, into a care setting that best meets their needs. This will help the NHS to free up the beds it needs over winter.'* Further clarification has been received from MHCLG confirming *'Government will require the funding to be pooled into the Better Care Fund (BCF) via the improved BCF and reported on this basis'*. Confirmation of the Council's funding allocation is expected to be announced as part of the 2019/20 PLGFS. As this is only one-off resources it is assumed that this funding will be treated as further investment funding in addition to the Cash Limit budget available. The work on the winter planning for 2018/19 indicates that the 2019/20 funding is already likely to have known expenditure commitments against it and thus would not impact on the Council's MTFP saving requirement.
- £410m of funding will be made available in 2019/20 to support the costs of Adults and Children's social care. It is proposed that the funding is allocated based on the Adult Social Care RNF. On this basis the Council would receive £2.192m. The budget red book states that *'where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children.'* Further clarification has been received from MHCLG confirming that *'the grant will not be ring-fenced and government will not be prescribing how much of it should be spent on adult social care and how much should be spent on children's social care'*. Confirmation of the Council's funding allocation is expected to be announced as part of the 2019/20 Provisional Local Government Finance Settlement. As this is only one-off resources it is assumed that this funding will be treated as further investment funding in addition to the Cash Limit budget available. As already mentioned in this report, recent and initial dialogue with providers of adult care suggest the need for step change increases in fees for care packages which may be linked to the additional resource announcements in the Government's Autumn Budget.
- It is also noted that the additional Adult Social Care funding is ahead of looking at the issue again in next year's spending review and the Government's 'forthcoming' Green Paper on Adult Social Care. In line with this, the Government reiterated its commitment to putting social care on fairer and more sustainable footing.

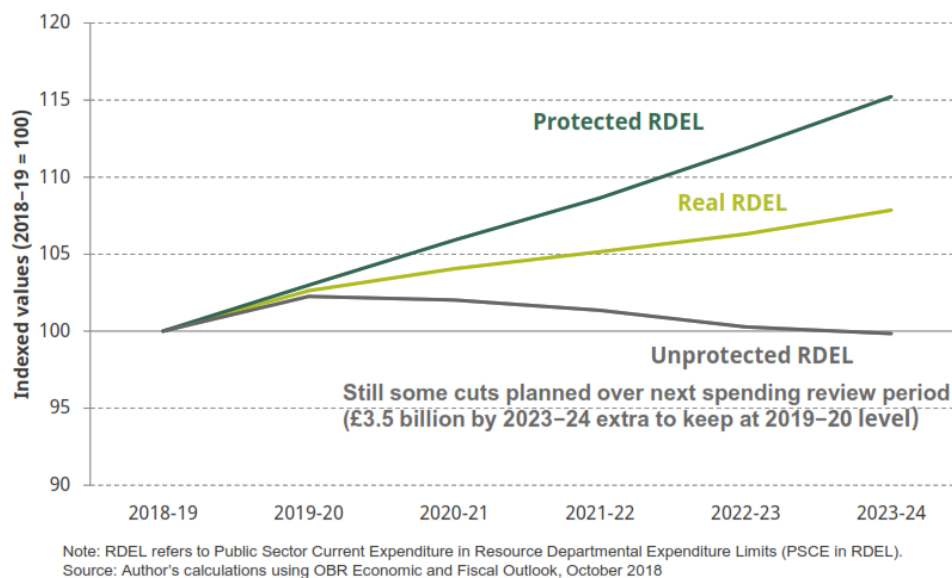
- £55m of additional Disabled Facilities Grant funding will be made available in 2018/19. MHCLG have confirmed the Council's allocation is £0.280m. MHCLG have asked for confirmation that the allocated monies will be spent by the end of 2018/19. Council Officers are working on the completion of this return to MHCLG to confirm this.
- £84m of funding over 5 years will be made available to the 20 Local Authorities with the highest children placements to support Children Social Care costs.
- £420m of funding will be made available to Highways Authorities in 2018/19 for the cost of repairing pot holes. There is no detail on how this will be allocated to Local Authorities and what conditions will be attached to the funding.
- A number of announcements were made relating to Business Rate reliefs. The cost of these reliefs (in terms of lost Business Rates income) will be fully compensated to Local Authorities.
- Whilst the Budget indicates that Departmental Expenditure Limits (DEL) will increase, it should be noted that these are subject to the Government's 2019 Spending Review.

2.6 The key message from Government was '*austerity had ended, but discipline remains*'. The consensus amongst commentators is that austerity has certainly been "eased". For non-protected services (like Local Government), funding should now at least keep pace with inflation. On any broader measures, however, austerity is still with us. Spending on non-protected services will still be falling in real-terms per capita, and is still a long, long way below its 2010/11 levels. However this is at a total level with individual Government departmental expenditure limits increasing and decreasing.

2.7 Taking the 2018 Autumn Budget in isolation, the announcements relating to Local Government have been more positive than expected. Local Government funding got a relatively greater profile than other sectors (with the exception of the NHS). Funding announcements for social care, highways, new (fully compensated) Business Rate reliefs and disabled facilities grant are welcomed albeit the additional funding is only one-off resource. Nevertheless this perhaps indicates that the Local Government message on funding pressures is being heard. In terms of the Government's 2019 Spending Review, this may also indicate that some parts of Local Government (Adults and Children's Social Care) could get more funding. However it is also noted that overall unprotected sectors (including Local Government) may well see further reductions over the next Government spending review period.

2.8 The chart below shows how the unprotected departmental expenditure limits (including Local Government) will be impacted over the next Government spending review period. This indicates that Government savings are still planned in this area.

Chart 1 – Protected and Unprotected Government Revenue Departmental Expenditure Limits 2018/19 to 2023/24



Source: Pixel Financial Management

2019/20 Provisional Local Government Finance Settlement (PLGFS)

- 2.9 The 2019/20 PLGFS was expected to be announced to Parliament on 6 December 2018. However due to the ongoing Brexit debates in Parliament this has been postponed until after the outcome of the *'meaningful vote'*. No date has been set for when the PLGFS will now be announced but the expectation is that this will be any date between 12 December (the day after the *'meaningful vote'*) and 20 December when Parliament rises.
- 2.10 It was hoped that the announcement of this year's PLGFS would be earlier than previous years in line with the recommendations of the Hudson Report. The Hudson Report looked at the governance and processes for the operation of the Business Rates System following problems with the 2018/19 Settlement process, but also considered the wider Local Government Settlement process in its recommendations. Albeit that the exceptional circumstance of the Brexit debates in Parliament have delayed this year's announcement, it is hoped that by Government adopting the recommendations in the report improvements to the transparency and simplicity of the Local Government Settlement process will be achieved.
- 2.11 The 2019/20 PLGFS will be the fourth year of the four year settlement agreement. Given the Government's 2019 Spending Review will impact on future Local Government finance settlements, it is expected that the PLGFS will only confirm 2019/20 funding levels in December with minimal change to the Council's funding expected. There has been no indication from Government as to whether a further multi-year settlement will be offered beyond 2019/20.
- 2.12 There is a significant amount of uncertainty about how Government intends to fund Local Government beyond 2019/20 which is linked to the ongoing discussion around the future of the Local Government Financing Regime

through the Fair Funding Review and simplification of the Business Rates retention system. There are many unknowns linked to this such as the extent of the review and likely equalisation of Business Rates income nationally, future resets of baseline funding levels set by Government and the transfer of any new responsibilities from Government as a result of 75% Business Rates Retention from 2020/21. The lack of certainty beyond 2019/20 is making planning over the medium term period increasingly difficult. Whilst the MTFP is set on the most robust information available, changes to the Council's funding beyond 2019/20 as a result of the above will result in changes to the Council's savings requirement.

- 2.13 The Council alongside other Authorities continues to lobby Government for additional indicative detail on future year's settlements appreciating that the Government's 2019 Spending Review will impact on this. The certainty over funding this will provide the Council would be welcomed and would allow local medium term planning and decision making to be based on a robust understanding of the future direction of travel in relation to Local Government funding. The Council's response to the technical consultation on the 2019/20 Local Government Finance Settlement highlighting this is included at Appendix 3.

2018/19 Revenue Outturn Position

- 2.14 As reported in the Quarter 2 Corporate Performance and Resources Report (CPRR), the Council's 2018/19 forecast outturn position is a surplus of £3.462m. This comprises of a £1.009m deficit on Cash Limit budgets offset by a £4.471m surplus on Non Cash Limit budgets. The Children and Family Services and Adult Social Care Portfolio budgets continue to face significant pressures as a result of costs linked to increasing demand and demographics.
- 2.15 Some of the resources identified in the MTFP Summer Review relate to favourable adjustments to Non Cash Limit budgets; reductions to debt charge budgets due to continuing low interest rates and increases to budgeted commercial interest income in line with projections for example. As a result of these favourable adjustments, the Council's ability to support Cash Limit deficits with Non Cash Limit surpluses will diminish in the future.
- 2.16 The Quarter 2 CPRR also highlights the significant forecast expenditure pressures against the Dedicated Schools Grant (DSG) budget of circa £1m. In order to avoid the carry forward of a DSG deficit into 2019/20, it was approved that any in-year deficit is funded by the Council's General Fund. Being subject to approval, this was not included in the Quarter 2 forecast outturn position.
- 2.17 It is also noted that since Quarter 2 CPRR was reported, the Council has been notified of the interim dividend of £2.065m from the Manchester Airport Group. This income was not included in the Quarter 2 forecast outturn position as the receipt of the interim dividend is not guaranteed.
- 2.18 The Quarter 2 CPRR provided options for potential calls on the 2018/19 forecast surplus as follows:

- Supporting the Council's response to the SEND review recommendations;

- Supporting the funding of the planned Merseyway investment;
- Supporting the funding of the continuing pressures in the Health and Social Care economy (see paragraph 2.24 to 2.28); and
- Providing further double running resources to support the implementation of the 2019/20 saving proposals.

MTFP Strategy

- 2.19 The MTFP Strategy presented at the Cabinet meeting on 2 October identified five thematic areas on which the Council will focus to identify saving proposals to address the Council's saving requirement over the medium term period. This approach has resulted in wide ranging reviews of Council activity and the wider Stockport Partnership to identify areas where transformational change and efficiencies can be achieved. Whilst the focus of the work is to tackle the Council's saving requirement over the next four years, it is recognised that this must also support the Council's 2019/20 budget setting process.
- 2.20 At the Cabinet meeting on 2 October saving proposals totalling £8.730m were identified to support the Council's 2019/20 Budget. The indication in October was a minimum of £1.856m would be phased to be delivered in 2020/21 and would require double running support in 2019/20. Council Officers have been working on the detail of each of the saving proposals identified to ensure they remain robust and achievable. This has included working with the Council's partners, Trade Unions and communities to inform how the Council will operate in the future in terms of the services it delivers and how it delivers them. Furthermore regular updates on the saving proposals have been brought to the Council's Scrutiny Committees with Member's feedback shaping the proposals as they have developed.
- 2.21 As a result of this work it has been identified that the £0.190m *Reduction in Traffic and Infrastructure* saving has been included in two of the saving proposals; Proposal 7 Public Realm and Proposal 6 Support and Governance. As a result the saving proposals announced on 2 October have been overstated by £0.190m. Changes have also been made to the 'making sure we have the right property in the right places' and 'strategic commissioning' themes resulting in a net reduction of £0.385m. Adjusting for this reduces the savings proposals total supporting the Council's 2019/20 Budget to £8.155m (£8.730m less £0.575m).
- 2.22 There is always a risk that the savings proposals identified following further work are no longer robust, achievable or accepted by the Council following any necessary consultation. The Council is able to mitigate the impact of this risk as follows:
- Under Section 25 of the Local Government Act 2003, the Borough Treasurer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded that all budget proposals must first be subject to a risk assessment undertaken by the Borough Treasurer. This risk assessment will be completed as part of the budget setting process.
 - From the outset it was appreciated that there would likely need to be phasing of some of the saving proposals whilst transformation plans were implemented. It is expected that £1.856m of the saving proposals identified

will be phased to be achieved in 2020/21 and will require 'double running' support to balance the Council's budget in 2019/20. The Council's available one-off resources and Double Running Investment Reserve will be used to provide this support and any further support required as saving proposals are reviewed; and

- Providing further support from available one-off resources.

2.23 An update on the Council's MTFP Strategy and the 2019/20 saving proposals is provided in the Our Medium Term Strategy and Budget Choices 2019/20 report elsewhere on this agenda.

Stockport Together Pooled Budget

2.24 As updated within the MTFP Summer Review the investment and benefit plans for Stockport Together have been refreshed to ensure that all partners and stakeholders can demonstrate deliverability in challenging circumstances. This resulted in restating the ambition for the investment in the new models of care and the increased capacity and capability in primary and community provision to avoid future growth in the health system.

2.25 A gain/risk share agreement has been developed between partners with agreed principles underpinning how the financial benefit and any additional cost of re-provision will be shared between partners on an equal basis. The MTFP recognises the risk share and a benefit neutral position with regard to Stockport Together; the MTFP does not recognise the future estimated financial benefits arising from Stockport Together.

2.26 The new profiles indicate calls on the risk share agreement of £13.9m over 2018/19 and 2019/20. The estimated contribution from the Council is £4.6m. Adjustments included in the MTFP Summer Review in addition to the £4m Stockport Together Risk Contingency included in the Council's 2018/19 Budget ensure this contribution is reflected in the Council's MTFP.

2.27 The risks of Stockport Together have been highlighted and continue to be managed and mitigated alongside plans put in place to respond to the Care Quality Commission (CQC) system review and improve the areas identified. As identified within the system review the new care model ambition and preventative approach delivered through the neighbourhood care model has the potential to significantly improve health and social care outcomes for people in Stockport.

2.28 Despite the arrangements referred to above the Stockport health and social care system is not yet avoiding the growth in total acute activity that was anticipated in the revised plan. Recent activity data is encouraging and lower at period 6 than it was in earlier months. However there is a risk that the level of avoided growth is not as high as anticipated. If this remains the case there is a risk that an additional contribution of £0.500m will be needed from the Council to finance the new models of care for 2019/20.

Council Tax Taxbase and Collection Fund Forecast

- 2.29 The 2019/20 Council Tax Taxbase and Non Domestic Rates Forecast report is presented elsewhere on this agenda. This report sets out the 2018/19 forecast outturn position for the Collection Fund and the Council's 2019/20 Council Tax Taxbase calculation for budget setting purposes. The Taxbase calculation indicates that an additional 409.9 Band D properties can be added to the 2019/20 Council Tax Taxbase resulting in an additional £0.674m of Council Tax income (assuming the proposed 2.99% Council Tax increase is approved). This has been included in the revised MTFP.
- 2.30 The 2019/20 Council Tax Taxbase and Non Domestic Rates Forecast report provides detail of how the proposed changes to the Local Council Tax Discount Scheme will impact on the Council's Taxbase. If the changes are approved additional Council Tax income of £1m will be generated as a result of additional dwellings being liable to pay Council Tax. The proposed changes to the Local Council Tax Discount Scheme are presented elsewhere on this agenda. If approved by Cabinet, the proposed changes and final Taxbase will be presented for approval to the Council meeting on 18 January 2019. As this is subject to approval this additional resource has not been included in the revised MTFP, this will be considered in the final MTFP Update presented to the Cabinet meeting on 5 February 2019.
- 2.31 New Homes Bonus funding is awarded to Local Authorities that achieve new homes growth (assessed using the CTB1 return used to calculate the Taxbase) in excess of the Government's baseline for new homes growth. Government set a baseline for new homes growth of 0.4% in 2018/19. Using this as a proxy for the Government's 2019/20 baseline, the Taxbase (new homes) increase detailed above indicates that the Council could expect to receive New Homes Bonus funding in 2019/20. However, it is also possible that the Government will set a higher baseline for new homes growth. This would result in the Taxbase (new homes) increase not exceeding the Government's 2019/20 baseline and thus New Homes Bonus funding not being awarded to the Council. It is expected that the 2019/20 New Homes Bonus baseline will be proposed by Government as part of the Provisional Local Government Finance Settlement in December.
- 2.32 In line with the Collection Fund statutory budgeting requirement, the Collection Fund position is monitored to determine the 2018/19 forecast surplus/deficit position to be declared. The latest forecast is a Collection Fund surplus of £1.767m attributable to the Council. The MTFP Summer Review forecast £1.362m of available resources relating to the Collection Fund. As a result additional one-off resources of £0.405m are available to support the Council's investments in Merseyway and Stockport Interchange for example, as well as its MTFP.
- 2.33 2018/19 is the second year of the Greater Manchester 100% Business Rates Retention Pilot. The Council expects to benefit from the 100% Pilot, but has taken the prudent approach not to budget for this benefit in 2018/19. Instead the Council will realise any benefit from the 2018/19 100% Pilot a year in arrears, in 2019/20. This approach to budgeting for the 100% Pilot benefit is on the basis that:

- The risk and volatility of Business Rates make it difficult to accurately forecast the expected benefit of the Pilot at the start of the financial year;
- The Pilot is underpinned by the 'No Detriment' agreement meaning the Council is guaranteed to receive the same level of resources as it would have done under the 50% Retention Scheme. On this basis the Council can budget for this level of Business Rates income knowing that the resources will be received;
- The Pilot ends in 2019/20. Assuming there are no changes to Government's approach to future Business Rates retention, the Council will move to the 75% Retention Scheme alongside all other Local Authorities in 2020/21; and
- Government have yet to decide on the approach to resetting Authorities Business Rates baselines as part of the move to the 75% Retention Scheme in 2020/21. It is noted that a full reset would result in the Council's benefit from Business Rates growth since the start of Pilot being redistributed nationally (see paragraph 5.4 to 5.5) thus reducing any benefit to the Council currently being achieved through the Pilot.

2.34 Based on the in-year monitoring the Council's share of the forecast 100% Pilot benefit is £1.802m. The Council Tax Taxbase and Non Domestic Rates forecast report recommends that £0.720m of this is used to mitigate the impact of the correction of the indexation compensation grant and ensure nil impact on the Council's 2019/20 Budget. As a result additional one-off resources of £1.082m are forecast to be available to support the Council's investments in Merseyway and Stockport Interchange for example, as well as its MTFP.

2.35 Members are reminded that Business Rates is a complex and volatile tax that is difficult to forecast. A small change in the gross Business Rates payable in-year as a result of changes in rateable value or increase in Business Rate appeals is difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. A recent example of this relates to the appeal on the valuation of cash (ATM) machines. The Court of Appeal have ruled that cash machines cannot be valued separately from the buildings they are attached to. As a result Local Authorities will be required to refund affected business which could impact the Council to the region of £1m in backdated refunds to businesses affected.

2.36 As part of its 2019/20 budget setting process, GMCA have indicated that previously retained Business Rates can be returned to Districts. Greater Manchester Treasurers have agreed that the return of Business Rates will be allocated on a 50-50 basis; 50% allocated on the basis of where funds were originally generated and 50% on a population basis. This was agreed by Treasurers to represent a balance between the varying interests of the Districts, whilst reflecting that there needs to be some benefit seen by all members of the GMCA (notwithstanding the significant different amounts generated locally). This will provide one-off resources to support the Council's investment decisions and MTFP. Allocations to Districts are being determined as part of the GMCA's budget setting process, with further detail expected in January.

2019/20 Precepts and Levies

2.37 As part of its own budget setting process, the Greater Manchester Combined Authority sets the Precepts for the Mayoral Police and Crime Commissioner and General Mayoral including Fire. Whilst decisions on the Precepts do not directly impact on the Council's budget, decisions about the level of increases will need to be considered by Cabinet in terms of the impact on the Council's own Council Tax increases and the impact on Stockport Residents. .

2.38 Members will be aware that these Precepts are subject to referendum limits set by Government. The technical consultation on the PLGFS proposed the following:

- *'Police and Crime Commissioners (PCCs) will be allowed increases of up to £12 in 2019/20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept) subject to the delivery of clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement'; and*
- For Mayoral Combined Authorities *'the Government is minded not to set referendum principles for Mayoral Combined Authorities in 2019-20'.*

2.39 The GMCA also sets the levies chargeable to the Council for Waste Disposal and Transport. The MTFP assumes no change to the forecast levies payable by the Council in relation to Waste and Transport. However a number of risks remain in both areas which could impact on the levies payable by the Council in 2019/20. The Borough Treasurer alongside the other Greater Manchester Treasurers will continue to work with the GMCA to understand the implications of the GMCA's budget setting process in each of these areas and the impact this has on the Council's 2019/20 Budget and MTFP. Furthermore the GMCA budget setting process is completed in consultation with the Greater Manchester Authority Leaders providing further scrutiny. Decisions on the level of 2019/20 Waste and Transport levies will be made in January as part of the GMCA's 2019/20 budget setting process.

3 MEDIUM TERM FINANCIAL PLAN

Updated MTFP Financial Forecasts and Assumptions

3.1 The table below shows the Council's savings requirements over the MTFP period as reported to the Cabinet meeting on 14 August 2018.

Table 2 – Council's Savings Requirement 2019/120 to 2022/23

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Annual Saving Requirement	15,926	11,776	9,708	9,609
Cumulative Saving Requirement	15,926	27,702	37,410	47,019

3.2 The calculation of the future year's savings requirement is based upon a number of assumptions relating to identified expenditure pressures. These pressures

relate to expected changes in legislation, Government Policy, economic outlook and local priorities. The potential financial implications of these on the Council are assessed based on knowledge and assumptions made at the time of reporting the MTFP as part of the Summer Review process.

- 3.3 The table below shows the changes to the 2019/20 savings requirement since the Summer Review. Appendix 2 details the changes made to the MTFP forecasts and assumptions to arrive at the Council's updated savings requirements across the MTFP period.

Table 3 – Changes to the Council's 2018/19 Savings Requirement

	2019/20 £000
Savings Requirement Approved on 22 February 2018	15,926
<u>Cabinet Proposals - Council Tax Proposals</u>	
Council Tax Increase - General 1.99%	(2,985)
Council Tax Increase - Adult Social Care Precept 1%	(1,500)
<u>Cabinet Savings - Thematic Proposals</u>	
Strategic Commissioning: Getting More Out of Our Spending	(5,730)
Improving Citizen Experience	(1,770)
Making Sure We Have the Right Property in the Right Places	(1,230)
Double Running Phasing of Saving Proposals	1,856
<u>Use of One-Off Resources</u>	
Appropriation From Reserves – Double Running Phasing of Saving Proposals	(1856)
Revised Savings Requirement at 2 October 2018	2,711
<u>Cabinet Savings – Thematic Proposals</u>	
Proposal 7 Public Realm – Reduction in Traffic and Infrastructure*	190
Revised Savings Requirement at 4 December 2018 – Reported to CRMG	2,901
<u>MTFP Assumption Changes</u>	
MTFP Summer Review – Favourable Adjustments	(7,625)
MTFP Summer Review – Adverse Adjustments	5,011
Council Tax Taxbase – Taxbase Increase	(674)
Business Rates Indexation Compensation Grant Correction	720
<u>Cabinet Savings – Thematic Proposals</u>	
Adjustment to Saving Proposals	385
<u>Use of One-Off Resources</u>	
Appropriation From Reserves – Indexation Compensation Grant Correction	(720)
Revised Savings Requirement at 18 December 2018	(2)
<u>Items Subject to Approval</u>	
Mayoral Development Company	500
Estates and Asset Management Review	143
Public Realm Pressures	250
Council Tax Discount	(1,000)
Re-phase Strategic Investment Income	(1,000)
Revised MTFP Position – subject to approval	(1,109)

**saving removed from Proposal 7 Public Realm as already included in Proposal 6 Support and Governance.*

Table 4 – 2019/20 MTFP (Assuming All Proposals Are Approved)

	2019/20 £000
<u>Resources</u>	
Stockport MBC Council Tax	144,060
Adult Social Care Precept	11,112
Business Rates - Stockport MBC Share	77,401
Business Rates - Tariff	(17,072)
Grants in lieu of Business Rates	9,358
Revenue Support Grant - Rolled in to 100% Business Rates Retention	0
Public Health Grant - Rolled in to 100% Business Rates Retention	0
New Homes Bonus Grant	1,075
Better Care Fund Allocation	6,333
Collection Fund 2018/19 Balance Distribution	1,362
	233,629
<u>Expenditure</u>	
Cash Limits	170,175
Pay	1,804
Pensions - Superannuation and Auto Enrolment	528
Inflation - Price and National Living Wage	6,229
Demand Pressures	2,000
Apprenticeship Levy	400
Stockport Together Risk Contingency	623
Non-Cash Limits	55,323
	237,082
Cumulative Savings Requirement	3,453
Appropriation from Reserves - Double Running Adult Social Care Charging*	(367)
Appropriation from the Double Running Reserve - Phasing of Thematic Proposals*	(1,856)
Appropriation from Collection Fund Reserve - Returned Business Rates	(512)
Appropriation from Collection Fund Reserve - Indexation Compensation Grant Correction	(720)
Revised Cumulative Savings Requirement	(2)

*Cash Limit Budget Adjustments

3.4 The MTFP forecasts presented in the table above are based on the best information available at the time of writing this report. Whilst no significant changes are expected when the PLGFS is announced, Members need to be aware that any revisions to the Settlement figures will impact on the MTFP forecasts and assumptions presented in this report.

3.5 The updated 2019/20 to 2022/23 MTFP is shown in Appendix 1.

4 RISK ASSESSMENT

- 4.1 It is clear that the financial environment facing Local Authorities is subject to significant change, volatility and uncertainty as a result of changes to funding arrangements and the spending pressures faced over the medium term period.
- 4.2 The MTFP tries to forecast the main changes anticipated over this period however it is clear that the medium term will bring much more volatility and risk than previously experienced. Forecasting the future years remains a challenge due to this volatility and uncertainty impacting on the MTFP forecasts and assumptions. As a result careful management and identification of these risks will be essential and it is likely that updates to the MTFP will continue to be needed on a regular basis going forward. The Council's Finance Team will continue to monitor these assumptions to ensure they are based on the latest information available.
- 4.3 Full details of this MTFP risks were provided in the MTFP Summer Review report presented to Cabinet on 14 August.

5 MITIGATING THE RISKS

Unallocated One-Off Resources Identified

- 5.1 Members are reminded that a number of one-off available resources have been identified that can be used to mitigate risks if they materialise. These resources need to be considered in relation to risks to ensure the Council's budget remains robust and ensure the impact of risks can be mitigated.
- 5.2 The table below shows the one-off unallocated resources available:

Table 5 – Unallocated One-Off Resources Identified

	One-off £000s
2018/19 Quarter 2 Forecast Outturn Surplus	3,462
Interim Airport Dividend	2,065
Less Dedicated Schools Grant In-Year Support Approved at Quarter 2	(1,000)
Council Share of Declared Collection Fund Forecast Above the MTFP Summer Review Forecast*	405
Council Share of Expected 100% Business Rates Retention Pilot Benefit*	1,082
Total Unallocated One-Off Resources Identified	6,014

- 5.3 It is also noted that further one-off resource may become available as part of the GMCA's 2019/20 budget setting process in relation to their share of retained Business Rates being returned to Districts. Discussions are ongoing with the GMCA and Greater Manchester Treasures with detail of any allocation to the Council expected in January.
- 5.4 There are a number of options for potential calls on the unallocated resources as follows:

- Providing the known double running requirement of the 2019/20 saving proposals - £1.856m;
- Supporting the Council's investment in the Stockport Interchange project – up to £5m;
- Supporting the Council's investment in Merseyway - £4.039m;
- Supporting the funding of the continuing expenditure pressures of Stockport Together new models of care - £0.500m;
- Supporting the Council's response to the SEND review recommendations – the impact of this is currently being reviewed; and
- Providing further double running resources to support the implementation of the 2019/20 saving proposals – the impact of this is currently being reviewed.

5.5 It is recommended that the use of these one-off resources are considered following the PLGFS to allow scope to mitigate the impact on any funding changes or identification of additional expenditure pressures, and as part of the Borough Treasurer's review of the robustness of the Council's reserves and balances to support any unexpected expenditure pressures in 2019/20.

5.6 Members are reminded that when considering the presentation of a balanced budget it is recognised that ideally permanent spending reductions or permanent resource increases are considered in the first instance. If one-off resources are applied to support the 2019/20 Budget this will only reduce the Council's savings requirement in 2019/20.

Reserves Policy

5.7 The Cabinet approved the 2018/19 Reserves Policy for the Council at its meeting on 14 August 2018. The Policy set out the priority areas linked to the Council's corporate and strategic objectives for which it was recommended reserves should be held.

5.8 The Council's Reserves Policy will be continuously reviewed to ensure the priority areas and levels of reserves held remain relevant and in line with the Council's corporate and strategic objectives over the medium term period. This will also be informed by the Council's 2018/19 revenue outturn position and expected future risks which will determine whether there are resources available to increase existing reserves, establish new reserves and/or release reserves for allocation.

5.9 A key consideration will be the level of reserves held to mitigate the continuing significant budget pressures relating to Children and Adult Social Care Services over the medium term period and resources needed to support key investment projects such as Merseyway and Stockport Interchange. In addition £1.856m of the 2019/20 savings proposals will need double running support whilst the transformational change needed is completed. This will be funded from the available one-off resources and the monies set aside in the Double Running Investment Reserve.

5.10 Whilst the use of one-off resources only provides a temporary solution, it is important that sufficient one-off resources are available to meet budget pressures in the short-term whilst permanent solutions are identified. A review of

the Council's Reserves Policy will be completed following the confirmation of the 2018/19 outturn position. This review will set the Council's 2019/20 Reserve Policy and will be reported to the Cabinet and Corporate, Resource Management and Governance Scrutiny Committee for approval.

6 CONCLUSIONS

- 6.1 The scale of the financial challenge facing the Council in the medium term 2019/20 to 2022/23 remains significant. The Cabinet is recommended to take note of the detail of this report and take the necessary steps to propose a final balanced 2019/20 budget to be presented for approval to the Budget Council meeting on 21 February 2019.

7 RECOMMENDATIONS

- 7.1 The Cabinet is recommended to:

- Note the details of the report including the announcements made in the Government's 2018 Autumn Budget;
- Note the delay to the announcement of the 2019/20 Provisional Local Government Finance Settlement and the impact changes in the Council's settlement funding will have on the revised MTFP;
- Note, and comment upon as appropriate, the financial forecasts for 2019/20 to 2022/23, and the key issues to be addressed in formulating a response to the financial challenges facing the Council;
- Note the budget reduction requirement for 2020/221 of £11.831m rising to £33.399m in 2022/23;
- Note the unallocated one-off resources identified and consider the options for the use of this resource as detailed in the report; and
- Take the final steps necessary to propose a balanced budget for 2019/20 to the Budget Council meeting on 21 February 2019.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies on Tel: 0161 218 1025 or by email on jonathan.davies@stockport.gov.uk

Appendix 1 – 2019/20 to 2022/23 Medium Term Financial Plan

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<u>Resources</u>				
Stockport MBC Council Tax	144,060	144,603	145,145	145,686
Adult Social Care Precept	11,112	11,154	11,196	11,238
Business Rates - Stockport MBC Share	77,401	85,327	85,327	85,327
Business Rates - Tariff	(17,072)	0	0	0
Grants in lieu of Business Rates	9,358	0	0	0
Revenue Support Grant - Rolled in to 100% Business Rates Retention	0	0	0	0
Public Health Grant - Rolled in to 100% Business Rates Retention	0	0	0	0
New Homes Bonus Grant	1,075	137	107	0
Better Care Fund Allocation	6,333	0	0	0
Collection Fund 2018/19 Balance Distribution	1,362	0	0	0
	233,629	241,221	241,775	242,251
<u>Expenditure</u>				
Cash Limits	170,175	176,687	177,607	178,350
Pay	1,804	3,748	5,735	7,773
Pensions - Superannuation and Auto Enrolment	528	708	892	1,079
Inflation - Price and National Living Wage	6,229	11,873	16,326	20,937
Demand Pressures	2,000	4,000	6,000	8,000
Apprenticeship Levy	400	400	400	400
Stockport Together Risk Contingency	623	0	0	0
Non-Cash Limits	55,323	55,636	57,472	59,111
	237,082	253,052	264,432	275,650
Cumulative Savings Requirement	3,453	11,831	22,657	33,399
Appropriation from Reserves - Double Running Adult Social Care Charging*	(367)	0	0	0
Appropriation from the Double Running Reserve - Phasing of Thematic Proposals*	(1,856)	0	0	0
Appropriation from Collection Fund Reserve - Returned Business Rates	(512)	0	0	0
Appropriation from Collection Fund Reserve - Indexation Compensation Grant Correction	(720)	0	0	0
Revised Cumulative Savings Requirement	(2)	11,831	22,657	33,399

*Cash Limit Budget Adjustments

Appendix 1 (continued) – 2019/20 to 2022/23 Medium Term Financial Plan Underlying Assumptions

Assumptions	2019/20	2020/21	2021/22	2022/23
SMBC Council Tax Increase – General	1.99%	0.00%	0.00%	0.00%
SMBC Council Tax Increase – Adult Social Care Precept	1.00%	0.00%	0.00%	0.00%
Pay Award	2.00%	2.00%	2.00%	2.00%
Employer's Pension Contribution – Prior to Advance Payment of Pension	19.80%	20.00%	20.30%	20.50%
Employer's Pension Contribution - After Advance Payment of Pension	18.30%	20.00%	20.30%	20.50%
WDA Levy	87.25%	1.82%	1.63%	1.63%
CA Levy	-30.68%	1.00%	1.00%	1.01%

Appendix 2 – Medium Term Financial Plan Changes 22 February 2018 to 18 December 2018

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Savings Requirement Approved on 22 February 2018	15,926	27,702	37,410	47,019
<u>MTFP Assumption Changes</u>				
Summer Review MTFP Assumption Changes - Favourable Adjustments	(7,625)	(6,991)	(6,917)	(7,521)
Summer Review MTFP Assumption Changes - Adverse Adjustments	5,011	4,452	5,512	7,266
Increase in Council Tax Taxbase - Favourable Adjustment	(674)	(674)	(674)	(674)
Business Rates Indexation Compensation Grant Correction	720	0	0	0
<u>Cabinet Proposals - Council Tax Proposals</u>				
Council Tax Increase - General 1.99%	(2,985)	(2,997)	(3,008)	(3,019)
Council Tax Increase - Adult Social Care Precept 1%	(1,500)	(1,506)	(1,511)	(1,517)
<u>Cabinet Savings - Thematic Proposals</u>				
Strategic Commissioning: Getting More Out of Our Spending	(5,740)	(5,740)	(5,740)	(5,740)
Improving Citizen Experience	(1,770)	(1,770)	(1,770)	(1,770)
Making Sure We Have the Right Property in the Right Places	(645)	(645)	(645)	(645)
Double Running Phasing of Saving Proposals	1,856	0	0	0
<u>Use of One-Off Resources</u>				
Appropriation From Reserves - Double Running of Saving Proposals	(1,856)	0	0	0
Appropriation From Reserves - Indexation Compensation Grant Correction	(720)	0	0	0
Revised Savings Requirement as at 18 December 2018	(2)	11,831	22,657	33,399

Appendix 3 – Council’s Response to The 2019/20 Local Government Finance Settlement – Technical Consultation

The 2019/20 Local Government Finance Settlement – Technical Consultation Stockport Metropolitan Borough Council Response 18 September 2018

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Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016/17?

The Council agrees that the Government should confirm the final year of the 4-year settlement offer set out in 2016/17 (but see response to question 3 and question 4 relating to negative RSG). The certainty the four year settlement has given Local Authorities to plan for the future has been helpful and a move away from this agreed position would be detrimental to these plans.

Whilst appreciating that the forthcoming Government spending review will have a bearing on future Local Government Finance Settlements, the Council asks that Government at least provide indicative settlement figures for 2020/21 to aide medium term planning. The certainty over funding this will provide the Council would be welcomed and allows local medium term planning and decision making to be based on a robust understanding of the future direction of travel in relation to Local Government funding.

In determining this future direction, the Council asks that Government consider how the sustainable funding of both Adults and Children’s Social Care services provided to our most vulnerable resident will be achieved going forward. It is hoped that this will be considered as part of the awaited Adult Social Care Green Paper promised by Government.

Question 2: Do you agree with the Council Tax referendum principles proposed by the Government for 2019-20?

Generally the Council is supportive of the 2019/20 Council Tax referendum principles proposed and the flexibility to raise funding through increases in Council Tax is welcome. However, given the increasing reliance on locally raised income (Council Tax and Business Rates) to fund services, the Council believes that referendum limits should be set at a local level rather than nationally so that local issues (budget pressures) can be addressed locally. Furthermore the Council is unhappy with the Government’s response to continuing Local Government funding pressures and continued reductions in Government support. This has seen an increasing shift of the burden of funding services on to Council Tax taxpayers. The impact

increases in Council Tax have on Stockport residents has to be considered prior to any decision being made, whilst balancing this with the need to meet the significant financial challenges faced. However increases in demand and residents expectations on Council Services cannot continue to be funded through increases in Council Tax, a regressive form of tax. Furthermore the Council's Council Tax Taxbase is not sufficient to sustainably address the increasing costs pressures the Council faces going forward.

The proposed referendum principles do not address the ongoing budget pressures in service areas such as Adults and Children's Social Care. Applying the maximum increases will not even address the underlying funding pressures in these service areas. As statutory and heavily inspected services, the Council has minimal discretion to reduce costs in these service areas. Furthermore when considering cost reductions in these service areas the Council must also consider the impact reductions will have on its most vulnerable residents.

Paragraph 4.2 of the consultation refers to an '*update of proposals for Council Tax referendum principles including the Adult Social Care Precept....later in the year*'. The Council request that further information is made available on this and consideration given to whether any future Social Care Precept could be ringfenced to both Adults and Children's Social Care services. On this basis the Council asks Government to consider changing the Adult Social Care Precept to a 'Social Care Precept' to provide flexibility to support budget pressures being faced by the Council (alongside other Authorities) in both Adults and Children's Social Care services.

As an Authority within a Mayoral Combined Authority Area, the referendum principles for the Mayoral Police and Crime Commissioner (PCC) Precept and the Mayoral General Precept are supported. However the support is qualified to the extent that:

- It ignores the principle that the Home Office should bear a proportion of additional funding for Policing service rather than passing the burden wholly onto Council Tax payers;
- The gearing impact on different PCC areas. For high need, low resource areas such as Greater Manchester, a £12 increase will generate a significant lower proportion of budget than areas which have lower relative need and higher local resources. For local residents it does not provide the degree of budget growth that the public might expect if facing a £12 (7 %) increase in the PCC component of the GMCA precept;
- It is appreciated that a proposed no referendum limit for the Mayoral General Precept is helpful to each of the Mayoral Combined Authorities. This helps them to determine the level of Precept required to support their different devolved powers and priorities. However, an early indication of the likely increase would also be helpful for the Council to be able to plan and make decisions about its own Council Tax increases.

Question 3: Do you agree with the Governments preferred approach that negative RSG is eliminated in full via foregone business rate receipts in 2019-20?

Question 4: If the proposed method of eliminating the Top up Tariff Adjustment is not supported what method is preferred?

As part of the published 4-year settlements (which 97% of Authorities agreed to through the submission of Efficiency Plans) a number of authorities were aware that they faced negative RSG in some of the years. The idea of announcing 4-year settlement was to give all Authorities, including those experiencing negative RSG, certainty to aide there medium term

planning. On this basis those Authorities experiencing negative RSG have had sufficient time to plan for this accordingly.

If Government is minded to make additional resources available to Local Government in 2019/20 by foregoing some Business Rates receipts, then these resources should be allocated according to need particularly where budget pressures relating to Adults and Children's services are being felt most.

On the basis of allocation and assessment of need, the Council points out that:

- The general population of an area is a key driver of the need [to spend on services] as is the size of the older population; and
- That the ability to raise Council Tax does not reduce the need for central funding.

Question 5 - Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No Comment.