

**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.
- 1.2 Updates to the MTFP have been presented to Cabinet throughout the year reflecting the risks and volatility of the underlying assumptions and forecasts and the need to ensure these remain robust. This report builds on those updates considering any further local and national changes and presents the Council's MTFP for the next four financial years, prior to it being recommended for approval at the Full Council meeting on 21 February.
- 1.3 This report needs to be read in conjunction with other reports elsewhere on this agenda including:
 - Our Medium Term Strategy and Budget Choices 2019/20 report;
 - The Corporate Performance and Resources Final Update report for 2018/19;
 - The Council's 2019/20 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy; and
 - The Council's Capital Strategy.

2 DEVELOPMENTS DURING THE FINANCIAL YEAR

MTFP Summer Review and Updates

- 2.1 At the start of the financial year, the Council undertook a Summer Review of the MTFP to ensure the underlying forecasts and assumptions were robust. As a result £2.614m of available resources were identified to support the Council's 2019/20 budget.
- 2.2 MTFP updates have been presented to cabinet during the year to identify additional expenditure pressure and available resources. This has included reviews of:
 - Cash Limit and Non Cash Limit budgets to identify expenditure and demand pressures particularly relating to Children's and Adults Social Care;
 - The impact of pay inflation, National Living Wage and price inflation on Totally Local Company, providers of Adult care and the Council's external supply chain;
 - Existing strategic investments and whether the budgeting of future benefits derived from these investments could be prudently rephased and brought forward;

- Future strategic investment decisions linked to the regeneration of the Borough and the Greater Manchester region such as the Mayoral Development Corporation;
- Recommendations made following the SEND review; and
- The 100% Business Rates Pilot and the potential benefit of the 2018/19 Pilot which can be considered to support the Council's 2019/20 budget.

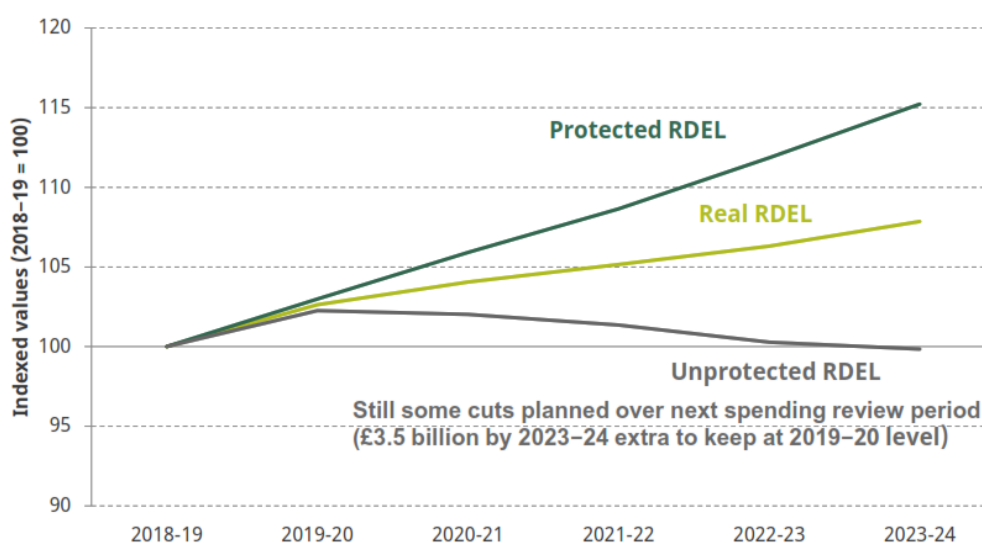
2.3 The expenditure pressures and resources identified as a result of this work have been built in to the revised MTFP shown at Appendix 1.

2018 Autumn Budget

2.4 The 2018 Autumn Budget was announced to Parliament by the Chancellor of the Exchequer, Phillip Hammond on 29 October 2018. The Chancellor made a number of announcements relating to Local Government funding. Taking these announcements in isolation, the Autumn Budget was 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 were all welcomed albeit the additional funding is only one-off resource. Nevertheless commentators suggested that this perhaps indicated the Local Government message on the funding pressures it is facing was being heard. Furthermore in terms of the Government's 2019 Spending Review, this also indicated that some parts of Local Government (Adults and Children's Social Care) could be protected and potentially result in more funding. However it is also noted that overall unprotected sectors (including Local Government) could see further reductions over the next Government spending review period.

2.5 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



Note: RDEL refers to Public Sector Current Expenditure in Resource Departmental Expenditure Limits (PSCE in RDEL).
Source: Author's calculations using OBR Economic and Fiscal Outlook, October 2018

Source: Pixel Financial Management

2.6 The following key announcements relating to Children's and Adults social care funding were made and have been considered in setting the revised MTFP:

- £240m of funding will be made available to Local Authorities in 2019/20 to support the immediate cost pressures of Adult Social Care (aimed at funding winter pressures). The Council will receive an allocation of £1.283m in 2019/20 in addition to the same amount being received in 2018/19. The work on the winter planning for 2018/19 indicates that the 2019/20 funding already has known expenditure commitments against it and thus does 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. The Council will receive an allocation of £2.192m in 2019/20. While noting the one-off nature of this allocation, the funding will be used to support the Children's and Adults Cash Limit budgets and mitigate the impact of expected expenditure and demand pressures in these areas.
- 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. It is hoped that the one-off monies will become recurrent and part of the national baseline following the Government's 2019 Spending Review. However given the quantum of the 2019 Spending Review is unknown and the outcome of the reviews on Fairer Funding and Business Rates Retention could change the distribution of funding, it cannot yet be assumed to be recurrent and built into the Council's MTFP.

2.7 Further detail of the announcements made by Government in the 2018 Autumn Budget are included in the MTFP Update report presented to the Cabinet meeting in December.

2019/20 Provisional Local Government Finance Settlement (PLGFS)

2.8 The 2019/20 PLGFS was announced to Parliament by the Housing, Communities and Local Government Secretary, Rt Hon James Brokenshire MP on 13 December 2018.

2.9 This is the fourth year of the four year settlement agreement. No detail was given on the levels on Local Government funding beyond 2019/20 and what impact the Government's 2019 Spending Review and the intrinsically linked reviews on Fairer Funding and Business Rates Retention will have on this. As a result significant uncertainty remains about how Government intends to fund Local Government beyond 2019/20.

2.10 The consultation for the PLGFS finished on 10 January 2019. The Council's response to the consultation is shown in Appendix 4. The Final Local Government Finance Settlement (FLGFS) is expected to be announced on or before 31 January 2019. Cabinet will be advised of any changes between the PLGFS and the FLGFS ahead of the Cabinet meeting on 5 February 2019.

- 2.11 The following key announcements were made which have been considered as part of the Council's MTFP:

Council Tax

The PLGFS has given the Council the flexibility to increase Council Tax General Element by 3% in 2019/20 before requiring a local referendum. This is a continuation of the flexibility given in the 2018/19 Settlement. Alongside the Adult Social Care Precept increase, this enables the Council to increase Council Tax in 2019/20 by 3.99% in total (2.99% General Element and 1% Adult Social Care Precept). It should be noted that the Government's core spending power calculations for the Council assume that the Council will increase its Council Tax General Element by the maximum 3% and has taken up all of the Adult Social Care Precept.

Mayoral Police and Crime Commissioner Precept (PCC)

The PLGFS confirmed that PCC's will have the flexibility to increase their Precept by a maximum of £24 in 2019/20. The Mayor has proposed to the Police and Crime Panel a 2019/20 Precept increase of £24.

Mayoral General Precept (including Fire Services)

The PLGFS confirmed that no referendum principles will be set for the Precepts set by Mayoral Combined Authorities in 2019/20. The Mayor has proposed a 2019/20 Precept increase of £9.

Mayoral Precepts – Impact on Stockport Council Tax Payers

Whilst the decision on the Precepts do not directly impact on the Council's MTFP, the level of increase in terms of the impact on the Council's own Council Tax increase and the Stockport Council Tax Taxpayers will need to be considered.

Business Rates

The PLGFS confirmed that the existing Pilots including the Greater Manchester 100% Business Rates Retention Pilot will continue in 2019/20 underpinned by the 'No Detriment' guarantee. The Council's MTFP forecasts reflect this.

The PLGFS reconfirmed that Business Rates Retention will move to 75% retention basis from 2020/21. Linked to this, the PLGFS confirmed 15 new 75% Retention Pilots in 2019/20. Cheshire East has not been confirmed as one of the new 75% Retention Pilots and as a result will continue to be part of the Greater Manchester and Cheshire Business Rates Pool in 2019/20.

It was also announced that £180m of funding, as a result of 2017/18 Business Rates levy surpluses, will be distributed to Authorities. It is proposed that this will be distributed on a 'needs basis' using the 2013/14 Settlement Funding Assessment – i.e. the sum of each Authority's Revenue Support Grant and Baseline Funding Level allocations in 2013/14. The Council's allocation of the funding on this basis is £0.723m. This has not been included in the calculation of the Council's 2019/20 Core Spending Power, as the Government intends to allocate the funding in 2018/19. As a result this can be considered as additional unallocated one off resource (in addition to the unallocated resources identified in the report presented to the Cabinet meeting in December) and considered for use to support the Council's investment decisions and MTFP.

Adult and Children's Social Care Funding

The PLGFS confirmed the Adults and Children's Social Care funding announced in the 2018 Autumn Budget (see paragraph 2.6).

New Homes Bonus

The PLGFS confirmed the national baseline for new homes growth will remain at 0.4%. This means where growth exceeds the 0.4% baseline, New Homes Bonus grant will be paid to Authorities in each of the next four financial years starting in 2019/20. Previous indications were that the national baseline would be increased in 2019/20 to maintain the Government's national budget for New Homes Bonus Grant. However the PLGFS confirmed that Government has been able to increase this budget by circa £20m in order to maintain the baseline at its current level and continue to incentivise new homes growth across the country.

Consultations

A number of consultations were announced alongside the PLGFS:

- A consultation on the simplification of the Business Rates retention system – Business Rates Reform Consultation. The deadline for consultation responses is 21 February 2019; and
- A consultation on the Fair Funding Review – Local Authorities Relative Needs and Resources consultation. The deadline for consultation responses is 21 February 2019.

2018/19 Revenue Outturn Position

- 2.12 As reported in the Quarter 3 Corporate Performance and Resources Report (CPRR) presented elsewhere on this agenda, the Council's 2018/19 forecast outturn position is a surplus of £3.905m. This comprises a £1.970m deficit on Cash Limit budgets offset by a £6.775m surplus on Non Cash Limit budgets. The Children and Family Services (£1.213m deficit) and Adult Social Care (£0.779m deficit) Portfolio budgets continue to face significant pressures as a result of costs linked to inflation, increasing demand and demographics.
- 2.13 The Quarter 3 CPRR also highlights the underlying position and pressures on the Dedicated Schools Grant (DSG) Budget. The DSG budget is forecasting a £0.900m deficit as at Quarter 3 which, as approved at Quarter 2, will be funded by the General Fund (included in the forecast outturn position above). Whilst this will ensure a deficit position isn't carried forward, the DSG budget is forecast to have a circa £1.6m deficit in 2019/20. This will be funded by the use of available DSG reserves and approved schools block funding.
- 2.14 Members are reminded that resources identified in the MTFP Summer Review and MTFP updates during the year, 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. This will reduce the flexibility to support Cash Limit deficits with Non Cash Limit surpluses in future years as evidenced by the Quarter 3 forecast outturn position. However the Borough Treasurer is confident that these pressures can be contained within existing 2019/20 corporate contingency budget held to meet the costs of inflation and demand.

2.15 The Quarter 3 CPRR provides 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 2.29 to 2.31); and
- Providing further double running resources to support the implementation of the 2019/20 saving proposals.

Council Tax

2.16 The MTFP assumes an increase in Council Tax of 2.99% in 2019/20 (1.99% General and 1% Adult Social Care Precept) as per the Cabinet proposals in October 2018. No further Council Tax increases beyond 2019/20 are assumed in the MTFP.

2.17 Changes to the Council Tax Taxbase, Council Tax Discount Scheme and proposed Council Tax increase generates £6.472m of additional Council Tax income. This is based on a budget Council Tax Taxbase of 95,100.8 as approved at the Full Council meeting on 17 January 2019. The impact on a Band D equivalent dwelling is shown in the table below.

Table 1 – Impact on Band D Equivalent Dwelling

| | Annual £ | Month £ |
|--|---------------------|--------------------|
| Council Tax - General Increase (1.99%) | 31.79 | 2.65 |
| Council Tax - Adult Social Care Increase (1%) | 15.98 | 1.33 |
| Proposed Mayoral Police and Crime Commissioner Precept | 24.00 | 2.00 |
| Proposed Mayoral General (including Fire) Precept | 9.00 | 0.75 |
| Council Tax - Total Increase including Precepts (4.39%) | 80.77 | 6.73 |

Business Rates

2.18 Business Rates forecasting can be very complex and volatile evidenced by the Government's ongoing consultation on Business Rates Retention system supported by Government. Business Rates income forecasts are based on the Government's assessment of what can be collected adjusted by local knowledge and experience of collection rates. However, a small change in the gross Business Rates payable in-year as a result of changes in rateable value or increase in appeals by businesses is difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. As a result of the complexity and volatility, accurate forecasting of movements over the short to medium term is difficult. A recent example of this relates to the appeal on the valuation of cash (ATM) machines which could impact the Council to the region of £1m in backdated refunds to businesses affected.

2.19 The table below shows the 2019/20 Business Rates forecast. The forecast is based on the best available information supported by the in-year monitoring of Business Rates.

Table 2 – 2019/20 Forecast Business Rates Income

| | 2019/20 £000s | 2019/20 % |
|--|--------------------------|----------------------|
| Forecast Business Rates Income | 82,367 | |
| Stockport Council Share | 81,543 | 99 |
| Greater Manchester Fire and Rescue Share | 824 | 1 |
| Total | 82,367 | 100 |

2.20 The final NNDR1 return will be submitted on 31 January 2019. It is possible for the forecasts within the NNDR1 return to vary to the forecasts above. If there are significant and material differences between the forecasts, it is recommended that the Business Rates forecasts included in the Council's 2019/20 Budget and MTFP are updated to reflect the NNDR1 figures. The Borough Treasurer in consultation with the Cabinet Member for Reform and Governance has been given delegated authority by Cabinet to do this.

100% Business Rates Retention Pilot Benefit

2.21 The Government has confirmed that the Greater Manchester 100% Business Rates Retention Pilot will continue on a 100% basis underpinned by a 'No Detriment' agreement in 2019/20. The Council will continue to prudently budget for the level of funding it would have received under the 50% Scheme in 2019/20 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% 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 being redistributed nationally thus reducing any benefit to the Council currently being achieved through the Pilot.

2.22 It is important to note that by budgeting on this basis, any benefit is taken a year in arrears when the final benefit position is known (determined by the submission of the Council's NNDR3 form in April each year). Any benefit realised is therefore available in the following year to support the Council's investment decisions and MTFP.

2.23 In-year monitoring of the Pilot will continue to give the Council an early indication of the likely benefit to be accrued which can then be considered as part of the Council's medium term financial planning.

2.24 The table below shows the calculation of the forecast Pilot benefit in 2019/20 (the figure shown is the total forecast benefit before any sharing with GMCA which is on a 50/50 basis):

Table 3 – 2019/20 Forecast Business Rates Pilot Benefit

| | 100% Scheme 2019/20 £000 | 50% Scheme 2019/20 £000 | Variance 2019/20 £000 |
|---|---|--|--------------------------------------|
| Business Rates - SMBC Share | 81,543 | 40,349 | 41,194 |
| Business Rates - Top Up/Tariff | (17,073) | 6,216 | (23,289) |
| Grants in lieu of Business Rates | 9,358 | 4,679 | 4,679 |
| Revenue Support Grant | 0 | 3,191 | (3,191) |
| Public Health Grant | 0 | 15,253 | (15,253) |
| Total | 73,828 | 69,688 | 4,140 |
| Forecast Pilot Benefit | (4,140) | 0 | (4,140) |
| Total Excluding Forecast Pilot Benefit | 69,688 | 69,688 | 0 |

MTFP Strategy

2.25 The MTFP Strategy presented at the Cabinet meeting on 2 October identified five thematic areas on which the Council has focused to identify saving proposals to address the Council's saving requirement over the medium term period. Whilst the focus of the strategy has been 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. Following wide ranging reviews of Council services, activity and the wider Stockport Partnership, the first phase of saving proposals have been identified and presented to Scrutiny Committee and Cabinet meetings during the year.

2.26 At the Cabinet meeting on 18 December saving proposals totalling £8.155m were identified to support the Council's 2019/20 Budget. In addition the indication was a minimum of £1.856m would be phased to be delivered in 2020/21 and would require double running support in 2019/20. Since the meeting in December, Council Officers have been working to finalise the detail of each of the saving proposals identified to ensure they remain robust and achievable. This has included the analysis of consultation responses and a further round of scrutiny from Members of the Council's Scrutiny Committees.

2.27 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. 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.

2.28 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

2.29 As detailed within the MTFP Summer Review and MTFP update in December the investment and benefit plans for Stockport Together are regularly monitored to assess deliverability in challenging circumstances. The plans were refreshed in summer 2018 and this refresh restated the benefits expected from the investment on the new models of care and the increased capacity and capability in primary and community provision to avoid future growth in the health system.

2.30 The Council has set aside £4.6m to date to continue to support Stockport Together in 2018/19 and 2019/20 and the expected call resulting from the 2018/19 risk share agreement is £2.4m leaving £2.2m remaining. It is recommended that a further £0.5m is set aside from the available non-recurrent resources to ensure that the Council can continue to support the increased investment made in social care and integrated models for 2019/20.

2.31 It is clear that despite the systems efforts to date the Stockport health and social care system is not yet avoiding the growth in total acute activity that was anticipated in revised plan. The further allocation as detailed above will allow the Council to support the investments made in social care during 2019/20 as we assess and evaluate the current position and the outlook for success in the future.

2019/20 Precepts and Levies

2.32 The Mayor sets the Precepts for the Mayoral Police and Crime Commissioner and General Mayoral (including Fire). Whilst decisions on these 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. The Mayor has proposed the following 2019/20 Precepts:

- The Mayor has proposed a 2019/20 Mayoral Police and Crime Commissioner Precept increase of £24.
- The Mayor has proposed a 2019/20 Mayoral General (including Fire Services) Precept increase of £9.

2.33 The approval of the 2019/20 Mayoral Precepts is expected by the mid-February.

2.34 The GMCA also sets the levies chargeable to the Council for Waste Disposal and Transport. These levies are impacted by population changes and inflation which need to be compared to the assumptions already made in the MTFP. The Council has received indicative notification of the 2019/20 levies for Waste Disposal and Transport. Comparing the notified figures to the assumed figures

included in the MTFP results in resources of £0.233m being available to support the 2019/20 Budget and MTFP. In addition, following a review of the Transport Authority reserves by GMCA, there will also be a return of £0.520m from GMCA to the Council in 2019/20.

- 2.35 Due to the Mayoral Transport Order legislation not being in place (and as a result Transport remaining a non-Mayoral function) an upward adjustment of £0.863m has been included in the Transport Levy. This additional levy will be used by GMCA to support the Mayor's Bus Reform priorities including the 16 to 18 year olds opportunities pass. This one-off levy increase will be funded from an additional GMCA grant (funded by the £9 Precept increase see paragraph 2.32) which will be received by the Council in 2019/20 (which the Mayor has power to do). Thus the overall impact of the one-off levy increase will be neutral.

Schools Finance Settlement

- 2.36 The impact of the Schools Finance Settlement is set out in a separate report elsewhere on the agenda.

Housing Revenue Account (HRA) 2019/20 Budget and Rent Levels

- 2.37 The proposed 2019/20 HRA Budget and rent levels is considered elsewhere on the agenda.

3 MEDIUM TERM FINANCIAL PLAN

Updated MTFP Financial Forecasts and Assumptions

- 3.1 The Council's savings requirement presented to the Cabinet meeting on 18 December 2018 is shown below:

Table 4 – Council's Savings Requirement 2019/20 to 2022/23

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Annual Saving Requirement | (2) | 11,833 | 10,826 | 10,742 |
| Cumulative Saving Requirement | (2) | 11,831 | 22,657 | 33,399 |

- 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.
- 3.3 The table below shows the changes to the 2019/20 savings requirement since the Cabinet meeting on 18 December 2018. 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 5 – Changes to the Council's 2019/20 Savings Requirement

| | 2019/20 £000 |
|--|-------------------------|
| Revised Savings Requirement at 18 December 2018 | (2) |
| <u>MTFP Assumption Changes</u> | |
| Local Council Tax Discount (CTD) Scheme Changes | (1,275) |
| Council Tax Taxbase Increase – Impact of 2.99% Council Tax Increase on Council Tax Discount Scheme Changes | (38) |
| Strategic Investment Income | (1,000) |
| Levy Adjustments | (233) |
| Transport Returned Reserves | (520) |
| <u>Budget/Settlement Changes</u> | |
| Social Care Grant | (2,192) |
| New Homes Bonus | (716) |
| Business Rates Multiplier Increase | (6) |
| <u>Additional Expenditure Pressures</u> | |
| Mayoral Development Company | 500 |
| Estates and Asset Management Review | 143 |
| Public Realm Expenditure Pressures | 250 |
| Social Care Grant Allocation – Adult Social Care Provider Fees | 1,020 |
| Social Care Grant Allocation – SEND Review Response | 750 |
| Social Care Grant Allocation – Children's Demand Pressures | 422 |
| Stockport Support Fund | 175 |
| Revenue and Benefits Digital By Design Saving | 100 |
| <u>One Off Resources</u> | |
| Appropriation to Reserves – Transport Returned Reserves | 520 |
| Revised MTFP Position | (2,102) |

Council Tax Taxbase

- 3.4 The Council's 2019/20 Council Tax Taxbase was approved at the Full Council meeting on 17 January and includes the impact of the approved changes to the Council's Local Council Tax Discount (CTD) scheme. The 2019/20 Council Tax Taxbase will be set at 95,100.8 Band D equivalent dwellings for budget setting purposes.
- 3.5 As a result of the CTD scheme changes the Taxbase has increased by 797.9 Band D dwellings, generating £1.275m of additional Council Tax income (assuming no increase to Council Tax) which can be budgeted for. In addition, assuming the proposed 2.99% increase in Council Tax is approved a further £0.038m of Council Tax income would be generated and can be budgeted for.
- 3.6 Members are reminded that this additional Council Tax income will be offset by additional expenditure of £0.275m; £0.175m to support the Stockport Support Fund as set out in the saving proposal and £0.100m to support the Revenues and Benefits Digital by Design saving.

Strategic Investment Income

- 3.7 Members are reminded that the MTFP Summer Review included an annual increase of £0.500m (up to 2022/23) in the budgeted strategic investment income. Following a review of the actual receipts of income against this budget over previous years, the planned increases to the strategic investment income budget has prudently been re-phased bringing the planned increases forward.
- 3.8 As a result the strategic investment income budget has been increased by a further £1m to £5.5m in 2019/20 and £6m in 2020/21 and then capped at this level for future financial years. Members are reminded that there is always a risk that income from the Council's strategic investments do not continue at the level they are budgeted for. However the Borough Treasurer is confident that the budget is robust enough to mitigate the impact of this risk in the short term whilst a longer term solution is identified.

Levy Adjustments

- 3.9 The Council has received indicative notification from GMCA of the 2019/20 levies for Waste Disposal and Transport. Comparing the indicative figures to the assumed figures included in the MTFP results in resources of £0.233m being available to support the 2019/20 Budget and MTFP. This is included in the revised MTFP.
- 3.10 In addition, following a review of the Transport Authority reserves by GMCA, there will also be a return of £0.520m from GMCA to the Council in 2019/20. Once received this will be appropriated to reserves and considered alongside the other one-off available resources (see paragraph 5.1 to 5.6).

Allocation of the Social Care Grant

- 3.11 The PLGFS confirmed that the Council will be allocated (subject to confirmation in the FLGFS) £2.192m of one off social care grant funding. It is proposed this funding is allocated as follows:
- £1.020m allocated to support Adult Social Care Provider fees in 2019/20;
 - £0.750m allocated to support SEND Review response; and
 - £0.422m allocated to support Children's demand pressures in 2019/20.

New Homes Bonus

- 3.12 The Council achieved growth of 0.71% (821 Band D properties) in 2018/19 (0.31% above the national baseline of 0.4%). As a result the Council will receive £0.716m of additional New Homes Bonus (NHB) Grant in each of the next four financial years. This is included in the revised MTFP.
- 3.13 The receipt of further NHB Grant beyond 2019/20 will need to be considered in the context of the Government's 2019 Spending Review and the consultation on fairer funding. It is also noted that the Council has only marginally achieved growth above the national baseline in 2018/19 and 2017/18 (due to an increase in affordable homes) and there remains uncertainty about future national baseline increases. On this basis no assumptions have been made about the receipt of additional NHB Grant beyond 2019/20 in the MTFP.

Business Rates Multiplier Increase

- 3.14 The PLGFS confirmed the 2019/20 Business Rates multiplier of 49.1p, an increase of 2.29%. It is noted that the 2018/19 PLGFS projected a multiplier increase of 2.2% in 2019/20. The 0.09% increase to the multiplier above what was already assumed in the MTFP results in additional forecast Business Rates resources of £0.006m (2019/20 only). This relates to an increase in the Council's 2019/20 Business Rates tariff offset by increases to the forecast Business Rates Section 31 grants. However, it is also noted that the final 2019/20 NNDR1 (Business Rates budget) return will be submitted to Government on 31 January 2019 which may result in changes to the Business Rates forecasts.

Additional Expenditure Pressures

- 3.15 The following additional expenditure pressures have been identified and included in the revised MTFP:
- £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. This was approved at the Cabinet meeting on 18 December 2018;
 - £0.143m relating to the costs of the future delivery model for Estates and Asset Management. This was approved at the Cabinet meeting on 18 December 2018; and
 - £0.250m of costs relating to the additional pressure in the maintenance and operation of the Public Realm. This was approved at the Cabinet meeting on 18 December 2018.

Allocation of Pay Award Contingency Budgets

- 3.16 The National Employers for Local Government Services agreed with Trade Unions a 2% pay award for Council employees from 1 April 2019. Budget was set aside in corporate contingencies to meet this cost in 2019/20. As the pay award is agreed, this budget has been allocated to Cash Limit budget as part of the 2019/20 budget setting process. This allocation is reflected in the revised MTFP.

Allocation of Corporate Contingency Budgets

- 3.17 Linked to the Quarter 3 forecast outturn position, the Borough Treasurer has analysed the 2018/19 Cash Limit budgets to identify underlying cost pressures. Using this analysis it is proposed that £7.053m of corporate contingency budgets are allocated to Cash Limit budgets as part of the 2019/20 budget setting process. This will help to support the underlying cost pressures linked to inflation, increasing demand and demographic trends.

3.18 The table below shows the proposed allocation:

Table 6 – Proposed Allocation of Corporate Contingencies

| | Adult Social Care* | Children and Families Services | Other** | Total |
|---|-----------------------------------|---|----------------|--------------|
| | £000s | £000s | £000s | £000s |
| Corporate Contingency Inflation - Price | 1,878 | 653 | 522 | 3,053 |
| Corporate Contingency Inflation - National Living Wage | 2,000 | 0 | 0 | 2,000 |
| Corporate Contingency Demand Pressures | 630 | 1,370 | 0 | 2,000 |
| Total | 4,508 | 2,023 | 522 | 7,053 |

**£1.293m will be held in Corporate Contingencies and allocated during the year as costs are incurred*

***This mainly relates to Place Directorate contracts, £0.297m will be held in Corporate Contingencies and allocated during the year as costs are incurred*

3.19 Cabinet are asked to consider recommending for approval the allocation of corporate contingency budget as part of the 2019/20 budget setting process. This will ensure the Council's 2019/20 budget and MTFP are set on a robust basis.

Updated 2018/19 to 2022/23 MTFP Forecasts

3.20 Taking all of the above into account and assuming all saving proposals are approved, the Council has available resources of £2.102m in 2019/20. The forecast cumulative savings requirement for 2020/21 is £9.757m rising to £32.322m in 2022/23.

3.21 The table below shows the Council's 2019/20 budget position:

Table 7 – 2019/20 MTFP (Assuming All Proposals Are Approved)

| | 2019/20 £000 |
|---|-----------------|
| <u>Resources</u> | |
| Stockport MBC Council Tax | 145,279 |
| Adult Social Care Precept | 11,206 |
| Business Rates - Stockport MBC Share | 77,430 |
| Business Rates - Tariff | (17,103) |
| Grants in lieu of Business Rates | 9,366 |
| New Homes Bonus Grant | 1,791 |
| Better Care Fund Allocation | 6,333 |
| Social Care Grant | 2,192 |
| Collection Fund 2018/19 Balance Distribution | 1,362 |
| | 237,856 |
| <u>Expenditure</u> | |
| Cash Limits | 181,322 |
| Pensions - Superannuation and Auto Enrolment | 310 |
| Inflation - Price and National Living Wage | 2,529 |
| Apprenticeship Levy | 400 |
| Stockport Together Risk Contingency | 2,223 |
| Non-Cash Limits | 53,505 |
| | 240,289 |
| Cumulative Savings Requirement | 2,433 |
| Appropriation From Reserves - Double Running Adult Social Care Charging* | (367) |
| Appropriation From the Double Running Reserve - Phasing of Thematic Saving Proposals* | (1,856) |
| Appropriation From Collection Fund Reserve – Summer Review Returned Business Rates | (512) |
| Appropriation From Collection Fund Reserve - Indexation Compensation Grant | (720) |
| Appropriation From Reserves – Stockport Together Risk Contingency | (1,600) |
| Appropriation To Reserves - Transport Returned Reserves | 520 |
| Revised Cumulative Savings Requirement | (2,102) |

**Adjustment to Cash Limit budgets*

3.22 In setting a balanced budget for 2019/20, Cabinet are asked to consider how it intends to allocate the available resources. A number of options for consideration are listed below:

- Increase the phasing of specific saving proposals to provide time for further consultation and consideration of options. This option will not impact on the MTFP beyond 2019/20;
- Support the funding of the £1.856m required to double run saving proposals in 2019/20. This option will not impact on the MTFP beyond 2019/20;

- Consider the Council's Council Tax increase in 2019/20. This option will impact on the MTFP due to a reduction of Council Tax income in future financial years;
- Provide additional investment to mitigate the impact of Brexit and support the funding of Growth and Reform etc. This option does not impact on the MTFP if one-off budget allocation is provided; and/or
- Increase Corporate Contingency budgets to support Children's and Adults Social Care budgets such as demand and inflation contingency budgets. This does not impact on the MTFP if one-off budget allocation is provided.

3.23 The MTFP forecasts presented are based on the best information available at the time of writing this report. Whilst no significant changes are expected when the FLGFS 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.

3.24 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. It was hoped that the PLGFS would provide an indication of Local Government funding beyond 2019/20 but this was not provided. Whilst it is appreciated that the forthcoming Government 2019 Spending Review will have a bearing on future Local Government Finance Settlements, the lack of certainty about future funding levels (particularly Children's and Adults social care services) is making planning and decision making difficult. MHCLG have indicated that they would also like to provide some certainty on this, but as yet the quantum and timing of the Government's 2019 Spending Review is unknown and could be as late as autumn 2019.

4.2 In the absence of any certainty about the future direction of Local Government funding, the MTFP assumes a fiscally neutral position as a result of the above. As a result careful management and identification of these risks will be essential to mitigate any changes to this position. On this basis 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 and are included in Appendix 3.

Risk Assessment of Budget Proposals

4.4 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.

5 MITIGATING THE RISKS

Available 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 8 – Available One-Off Resources Identified

| | One-off £000s |
|--|------------------|
| 2018/19 Quarter 3 Forecast Outturn Surplus | 3,905 |
| Council Share of Declared Collection Fund Forecast Above the MTFP Summer Review Forecast | 405 |
| Council Share of Expected 2018/19 100% Business Rates Retention Pilot Benefit | 1,082 |
| Redistributed Business Rates Levy Surplus | 723 |
| Total Unallocated One-Off Resources Identified | 6,115 |
| Proposed GMCA Returned Business Rates | 2,039 |
| Proposed GMCA Returned Transport Reserves | 520 |
| Total Unallocated One-Off Resources Subject to Approval by GMCA | 8,674 |

- 5.3 It is noted that GMCA have indicated the return of £2.559m of one-off resources to the Council in relation to returned retained Business Rates relating to 2018/19 (proposed return of £2.039m) and returned Transport reserves relating to 2019/20 (proposed return of £0.520m). This will be presented for approval as part of the GMCA 2019/20 budget setting process which is expected to be finalised in mid-February. If approved this will be considered to be available one-off resources.
- 5.4 There are a number of recommendations, commitments and risks that result in calls on the unallocated resources as follows:
- Recommendation to support the funding of the continuing expenditure pressures of Stockport Together new models of care - £0.500m;
 - Recommendation to support the Council's investment in the Stockport Interchange project – patient equity requirement of £5m plus;
 - Recommendation to support the Council's investment in Merseyway - £4.039m;
 - Consider further support of the Council's response to the SEND review recommendations; and
 - Consider providing the known double running requirement of the 2019/20 saving proposals - £1.856m.
- 5.5 It is recommended that the use of these one-off resources are considered following the FLGFS to allow scope to mitigate the impact on any funding changes or identification of additional expenditure pressures. In addition these resources need to be considered 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 was indicated to 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 Corporate, Resource Management and Governance Scrutiny Committee for consideration and Cabinet for approval. The robustness of the Council's Reserves Policy will become increasingly important given the quantum and timing of the Government's 2019 Spending Review is unknown but could be as late as December 2019. Responding to changes to funding levels this late in the financial year may require the support of one-off resources to mitigate the impact on services whilst more permanent solutions are identified. The Council's Reserves Policy provides the Council with this resilience.

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 2019/20 Provisional Local Government Finance Settlement and its impact on the MTFP forecasts and assumptions presented in this report;
- 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 and approve the indicative budget adjustments presented in this report resulting in available resources of £2.102m in 2019/20 and the revised MTFP;
- Consider and decide upon the options to be taken to allocate the £2.102m available resources to set a balanced budget for 2019/20;
- Approve the allocation of corporate contingency budgets as part of the 2019/20 budget setting process;
- Consider the use of the one-off available resources to support the Council's investment decisions, MTFP and Reserves Policy; and
- Approve the use of £0.500m of one-off available resources to support the funding of continuing expenditure pressures of Stockport Together new models of care.

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 | 145,279 | 145,822 | 146,365 | 146,905 |
| Adult Social Care Precept | 11,206 | 11,248 | 11,290 | 11,332 |
| Business Rates - Stockport MBC Share | 77,430 | 85,327 | 85,327 | 85,327 |
| Business Rates - Tariff | (17,103) | 0 | 0 | 0 |
| Grants in lieu of Business Rates | 9,366 | 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 | 1,791 | 855 | 823 | 716 |
| Better Care Fund Allocation | 6,333 | 0 | 0 | 0 |
| Social Care Grant | 2,192 | 0 | 0 | 0 |
| Collection Fund 2018/19 Balance Distribution | 1,362 | 0 | 0 | 0 |
| | 237,856 | 243,252 | 243,804 | 244,280 |
| <u>Expenditure</u> | | | | |
| Cash Limits | 181,322 | 185,677 | 186,597 | 187,340 |
| Pay | 0 | 1,944 | 3,931 | 5,969 |
| Pensions - Superannuation and Auto Enrolment | 310 | 490 | 674 | 861 |
| Inflation - Price and National Living Wage | 2,529 | 8,173 | 12,626 | 17,237 |
| Demand Pressures | 0 | 2,000 | 4,000 | 6,000 |
| Apprenticeship Levy | 400 | 400 | 400 | 400 |
| Stockport Together Risk Contingency | 2,223 | 0 | 0 | 0 |
| Non-Cash Limits | 53,505 | 54,325 | 56,658 | 58,795 |
| | 240,289 | 253,009 | 264,886 | 276,602 |
| Cumulative Savings Requirement | 2,433 | 9,757 | 21,082 | 32,322 |
| Appropriation From Reserves - Double Running Adult Social Care Charging* | (367) | 0 | 0 | 0 |
| Appropriation From Double Running Investment Reserve - Phasing of Thematic Proposals* | (1,856) | 0 | 0 | 0 |
| Appropriation From Collection Fund Reserve - Summer Review Returned Business Rates | (512) | 0 | 0 | 0 |
| Appropriation From Collection Fund Reserve - Indexation Compensation Grant | (720) | 0 | 0 | 0 |
| Appropriation From Reserves - Stockport Together Risk Contingency | (1,600) | 0 | 0 | 0 |
| Appropriation To Reserves - Transport Returned Reserves | 520 | 0 | 0 | 0 |
| Revised Cumulative Savings Requirement | (2,102) | 9,757 | 21,082 | 32,322 |

*Adjustment to Cash Limit budgets

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 | 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 | 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% |
| Waste Disposal Authority Levy | 87.63% | 1.82% | 1.63% | 1.63% |
| Combined Authority Transport Levy | -31.66% | 1.00% | 1.00% | 1.00% |

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 | (7,113) | (6,991) | (6,916) | (7,520) |
| Summer Review MTFP Assumption Changes - Adverse Adjustments | 5,011 | 4,452 | 5,512 | 7,266 |
| Increase in Council Tax Taxbase - Favourable Adjustment | (1,987) | (1,987) | (1,987) | (1,987) |
| Business Rates Indexation Compensation Grant Correction | 720 | 0 | 0 | 0 |
| Strategic Investment Income | (1,000) | (1,000) | (500) | 0 |
| GMCA Levy Adjustments | (233) | (246) | (249) | (251) |
| Transport Returned Reserves | (520) | 0 | 0 | 0 |
| Stockport Together Risk Contingency - Available 2018/19 Balance | 1,600 | 0 | 0 | 0 |
| <u>Budget/Settlement Changes</u> | | | | |
| Social Care Grant | (2,192) | 0 | 0 | 0 |
| New Homes Bonus | (716) | (718) | (716) | (716) |
| Business Rates 2019/20 Multiplier Increase | (6) | 0 | 0 | 0 |
| <u>Additional Expenditure Pressures</u> | | | | |
| Mayoral Development Company | 500 | 500 | 500 | 500 |
| Estates and Asset Management Review | 143 | 143 | 143 | 143 |
| Public Realm Waste | 250 | 250 | 250 | 250 |
| Social Care Grant Allocation - Adult Social Care Provider Fees | 1,020 | 0 | 0 | 0 |
| Social Care Grant Allocation - SEND Review Response | 750 | 0 | 0 | 0 |
| Social Care Grant Allocation - Children's Demand Pressures | 422 | 0 | 0 | 0 |
| Stockport Support Fund | 175 | 175 | 175 | 175 |
| Local Taxation Collection Digital By Design Saving | 100 | 100 | 100 | 100 |
| <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) | (5,705) | (5,705) | (5,705) |
| 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>One Off Resources</u> | | | | |
| Appropriation From Double Running Investment Reserve - Phasing of Thematic Proposals* | (1,856) | 0 | 0 | 0 |
| Appropriation From Collection Fund Reserve - Summer Review Returned Business Rates | (720) | 0 | 0 | 0 |
| Appropriation From Collection Fund Reserve - Indexation Compensation Grant | (512) | 0 | 0 | 0 |
| Appropriation From Reserves - Stockport Together Risk Contingency | (1,600) | 0 | 0 | 0 |
| Appropriation To Reserves - Transport Returned Reserves | 520 | 0 | 0 | 0 |
| Revised Savings Requirement 5 February 2019 | (2,102) | 9,757 | 21,082 | 32,322 |

Appendix 3 – MTFP Risk Assessment

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 that they will face over the medium term period. 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. 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.

There are risks and uncertainties with the assumptions and forecasts included within the MTFP, details of which are set out below:

- **Business Rates Localisation** – The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget. It is hoped that the Government's proposals (currently being consulted on) for a simpler Business Rates Retention System will address these issues. However it is noted that the proposals being considered include a full reset of Authorities Business Rates baselines. This would result in Business Rates growth achieved since the last reset being redistributed nationally by Government;
- **Capital Financing Costs** – A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases, availability of cash on a short term basis at low interest rates and/or a significant unplanned reduction in the level of the Council's internal balances;
- **Collection Fund** – The in-year Collection Fund position is monitored to determine the forecast surplus/deficit position to be declared and included in the Council Tax and Business Rates Taxbase report to Cabinet in December 2018. A deficit position on the Collection Fund will need to be funded by the Council, the MTFP currently assumes a breakeven in-year position on the Collection Fund;
- **Council Tax** – Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income;
- **Demand, Price and Demographic Led Services** – Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures;
- **Devolution** – The Greater Manchester devolution process continues to progress. Devolution plans, such as Health and Social Care, could impact on MTFP forecasts if the Government considers this as an opportunity to deliver further savings at a national level;
- **Education** – The Council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional cash limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to a lack

of SEN capacity and increasing complexity of children's requirements within the Borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues;

- **Fair Funding Review** – The MTFP assumes that the Fair Funding Review will have a fiscally neutral impact on the Council. Whilst transitional arrangements are expected when the new funding formula is implemented, it is still not clear what impact this will have on the Council's assessed relative 'need to spend' and its baseline funding levels. Government have issued a consultation on their proposals for the assessment of 'Relative Needs and Relative Resources' a key component of Fairer Funding Review. Council Officers are assessing the potential impact of these proposals on the Council's funding levels over the medium term period.
- **Future Local Government Finance Settlements** – 2019/20 is the fourth year of the four year settlement. There is no indication from Government as to the future direction of Local Government funding beyond 2019/20. There is a significant amount of uncertainty about how Government intends to fund Local Government beyond 2019/20 which is linked to the ongoing discussions and consultations on the future of the Local Government Financing Regime through the Fair Funding Review and simplification of the Business Rates Retention System. Added to this is the intrinsically linked Government 2019 Spending Review (see below). The lack of certainty beyond 2019/20 is making planning over the medium term period increasingly difficult. Whilst the MTFP has been set on the most robust information available, changes to the Council's funding beyond 2019/20 will result in changes to the savings requirement. Government has stated that the March 2019 Spending Review will need to be considered before the implication on future Local Government Finance Settlement and thus Local Government funding can be considered. However the Council alongside other Authorities will continue to push for a multi-year Settlement beyond 2019/20 and at the very least indicative allocations for 2020/21 prior to December 2019 to allow adequate time to deal with any funding changes;
- **Government's 2019 Spending Review** – The Government's 2019 Spending Review will have implications for the future funding of Local Government. However is uncertain what the quantum of the review will be, what period it will cover and when the review will be completed. It is possible that the outcome of this review will not be known until late 2019, which will make it difficult for the Council to respond to any changes in funding in 2020/21. Responding to changes to funding levels this late in the financial year will require the support of one-off resources to mitigate the impact whilst more permanent solutions are identified. The Council's Reserves Policy provides the Council with this resilience.
- **Levies** – Future years' waste and transport levies have yet to be agreed by the Greater Manchester Combined Authority (GMCA) which could impact on the MTFP forecasts. The future waste levy increase will be dependent upon the procurement and delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases but the Council's Reserves Policy has set monies aside to mitigate the impact of this not happening whilst a permanent solution is identified;
- **National Living Wage** – The obligation for the Council to meet the increasing provider costs as a result of the National Living Wage continues to increase MTFP forecast expenditure pressure particularly in relation to Children's and Adult Social Care services. Furthermore the Council also needs to consider the implication of the National Living Wage increases on its own workforce and

potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result;

- **Negotiations for Leaving the European Union (EU)** – Whilst Government focus is on the EU negotiations, there has been little clarification on how these negotiations and the resulting UK exit from EU will impact on Local Authorities. The impact this will have on the financial landscape is uncertain and is creating volatility in the national economic position. Future reviews of the MTFP will consider the impact of any issues as details of the negotiations become clearer;
- **Non-Cash Limit Outturn Surplus** – Deficits against Cash Limit budgets are currently offset by surpluses against Non-Cash Limit budgets. In completing the Summer Review a number of Non-Cash Limit budgets have been reduced which means the ability to support the Cash Limit budget pressures using Non-Cash Limit surpluses will diminish going forward;
- **Price Inflation** – Whilst estimates have been made in the MTFP, forecasts of specific inflation cost pressures remain uncertain and could adversely impact the MTFP if for example inflation rates increase over the medium term period. Furthermore the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Children's and Adult Social Care services) is resulting in price increases in excess of inflation; and
- **Sleep-in Costs** – MENCAP have successfully challenged a tribunal ruling that support workers should be paid in line with National Living Wage legislation for the time they are asleep (known as sleep-in shifts), The Court of Appeal ruled in favour of MENCAP that social care providers are not liable for these costs. However it is likely that further appeals against the Court of Appeal ruling will be made. If this results in costs having to be borne by social care providers (possibly backdated for six years), it is likely that this cost will be passed on to the Council when contracts are renegotiated.

Appendix 4 – Council’s Response to The 2019/20 Provisional Local Government Finance Settlement Consultation

The Provisional Local Government Finance Settlement – Consultation Stockport Metropolitan Borough Council Response 10 January 2019

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Question 1: Do you agree with the methodology for allocating Revenue Support Grant in 2019-20?

The Council welcomes the Government’s confirmation of the final year of the 4-year settlement offer in the Provisional Local Government Finance Settlement (PLGFS).

However, the proposed ‘removal’ of negative RSG through the identification of resource (by foregoing centrally held Business Rates receipts) represents a departure from this settlement agreement. The idea of asking Authorities to sign up to a 4-year settlement agreement was to give them, including those Authorities affected by negative RSG, certainty to aid medium term planning. On this basis, those Authorities affected by negative RSG in the final years of their agreements have had sufficient time to plan for the impact. The Council feels the additional available resource identified should instead be allocated according to need (benefiting all Authorities rather than a small group of Authorities affected by negative RSG).

Whilst appreciating that the forthcoming Government spending review and the relative need and resources (‘Fair Funding’) consultation will have a bearing on future Local Government Finance Settlements, the Council is disappointed that the Government hasn’t provided an indication of Local Government Funding beyond 2019/20. The Council again asks Government to consider providing this indicative detail to aid planning and ensure local decision making is based on a robust understanding of the future direction of travel in relation to Local Government funding. More certainty about funding levels (particularly Adults and Children’s social care services) will allow better planning and investment decisions to be made to address the expected cost pressures and provide a sustainable service delivery model going forward.

In relation to the allocation and assessment of need linked to the ongoing review of Authority funding allocations and the relative need and resources consultation issued alongside the PLGFS, 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 2: Do you agree with the Government's proposed approach to allocating £410 million un-ringfenced funding for adult and children's social care according to the existing Adult Social Care Relative Needs Formula?

The Council welcomes the additional funding for Adults and Children's social care announced in the Government's Autumn Budget and confirmed in the PLGFS. The Council agrees with the allocation of this funding on a 'needs' basis, and believes this should be the basis for future Government funding allocations. This is particularly relevant to social care services where longer term and sustainable funding models need to be achieved to ensure funding is being allocated based on need.

The recognition by Government that cost pressures are being faced across social care services (both Adults and Children's) is also welcomed. However, whilst the additional funding goes some way to address the cost pressures faced in these services in 2019/20, it will not resolve the significant cost increases as a result of inflation, demand and demographic trends that will continue to be faced in future financial years. It is expected these cost pressures will increase over the medium term as a result of employee pay awards, National Living Wage increases, price inflation, increased demand for services and demographic trends. The continuation of one-off funding announcements by Government does not help Authorities to plan and make investment decision now to address these future cost pressures. The Council therefore asks Government to determine how a more sustainable and longer term focussed funding model for social care services can be achieved.

As outlined above (see response to Question 1) more certainty on future funding levels across the medium to longer term, rather than one-off funding support being announced each financial year, aids planning. Again the Council asks that, in determining the future direction for Local Government Funding, Government consider how a sustainable funding model for both Adults and Children's social care services can be achieved. It is hoped (for Adults Social Care at least) that this will be considered and identified in the awaited Adult Social Care Green Paper promised by Government.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2019-20 with the planned £900 million from Revenue Support Grant, with any additional funding being secured from departmental budgets?

The Council welcomes the proposed unchanged national new homes growth baseline of 0.4%. However further certainty on future years baselines would be useful to aid medium term planning.

Question 4: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2019-20 to the upper quartile of local authorities based on the super-sparsity indicator?

No comment.

Question 5: The Government intends to distribute £180m of the levy account surplus. Do you agree with the proposal to make this distribution on the basis of each authority's 2013-14 Settlement Funding Assessment?

The Council welcomes and agrees to the proposed distribution of the levy account surplus.

Question 6: What are your views on the council tax referendum principles proposed by the Government for 2019-20?

Generally the Council is supportive of the proposed 2019/20 Council Tax referendum and Mayoral Precept principles and the flexibility this gives to raise funding through increases in Council Tax. 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 (funding of cost pressures) can be addressed locally.

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 taxation. 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 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. The Council asks Government to consider how a long term and sustainable funding model for these service areas (which doesn't add further burden to Council Tax taxpayers) can be achieved and ensure these essential services can continue to be delivered to our most vulnerable residents.

One option for consideration, albeit it places further burden on Council Tax taxpayers, is the continuation of a social care Council Tax precept beyond 2019/20, in addition to ongoing long term Government funding commitments for these services. This would enable Authorities to make local decisions about the need for funding and give the flexibility to use the funding raised to support both Adults and Children's social care services.

Question 7: What are your views on the Government's approach to tariffs and top-ups in 2019-20?

No specific comment in relation to the question asked.

As a general comment on the current Business rates System, the increasing complexity and volatility of Business Rates system makes the Council's medium-term planning difficult. This is of particular concern given the increased reliance on locally raised Business Rates income to fund services. It is hoped that changes to the Business Rates system highlighted in the Business Rates Retention Reform consultation will address this.

The Council also asks the Government to continue the existing 100% Business Rate Retention Pilots beyond 2019/20. For the 100% Pilot Authorities this would provide further certainty for their planning and move them towards a self-sustainable funding model. For Government, this is in line with the original (and still planned for subject to legislation?) intention to move Authorities to full (100%) Business Rates retention and provide further learning on how a 100% Business Rates Retention system would work.

Question 8: Do you have any comments on the impact of the 2019-20 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

No comment.