

**PART A - MEDIUM TERM FINANCIAL PLAN UPDATE**  
**Report of the Corporate Director - Corporate and Support Services**

**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The purpose of the report is to outline the outcomes of the review of the Council's Medium Term Financial Plan (MTFP) 2020/21 to 2022/23.
- 1.2 The review has considered the key assumptions included in the MTFP approved at the Council Budget Meeting on 27 February 2020 and determined whether these assumptions are still appropriate. The review has also taken account of:
- Budget, experience and performance in 2019/20 and 2020/21 to date;
  - The financial impact of the COVID19 pandemic and the resulting financial scarring impacts due to increased costs and income losses; and
  - Issues, challenges and financial prospects facing the Council in 2021/22 and over the medium term period.
- 1.3 The COVID19 pandemic and national lockdown was announced soon after the Council's forecast MTFP savings requirement for 2021/22 to 2022/23 was presented to and approved by the Budget Council meeting on 27 February 2020. Given the current uncertainty, volatility and risk of the Local Government financial framework that underpins the MTFP which has been exacerbated further by the pandemic and resulting financial scarring impacts, an MTFP update to retest the main assumptions, both resources and expenditure, is considered prudent. The COVID19 pandemic has had an unprecedented financial impact on the Council which has adversely impacted its financial position over the medium term period compared to the one presented to the Council in February. This report details the outcome of the MTFP Update, highlighting the COVID19 financial scarring impacts and the adjustments needed to the existing MTFP forecasts and assumptions in order to present the most accurate forecast of the Council's financial position and saving requirement over the medium term period.
- 1.4 The financial landscape for Local Government over the medium term period continues to pose a significant challenge due to the uncertainty, volatility and risk about future funding and Government policy with regard to reforming the Local Government financing regime and finding a sustainable solution to the increasing costs of social care. The COVID19 pandemic has added to this with confirmation the planned implementation of reforms to Local Government financing relating to the Fairer Funding Formula and Business Rates Retention scheme will be pushed back to 2022/23 at the earliest. In addition, the Government has yet to announce its approach to the Adult Social Care funding pressures and the ongoing negotiations on a trade deal linked to the UK leaving the EU that based on the current agreed timeline must come to a conclusion at the end of December. In normal circumstances, the Government's Autumn Budget would have been announced in early October but due to the ongoing national economic crisis this has been cancelled. The Government's Comprehensive Spending Review (CSR) (which the Local Government Finance Settlement is dependent on) is expected to be announced in November, but the period the CSR will cover

is yet to be confirmed. However, given the current circumstances, commentators suggest a 2021/22 'cash flat plus inflation (where applicable) settlement' for Local Government is the most likely position to be announced in mid-December.

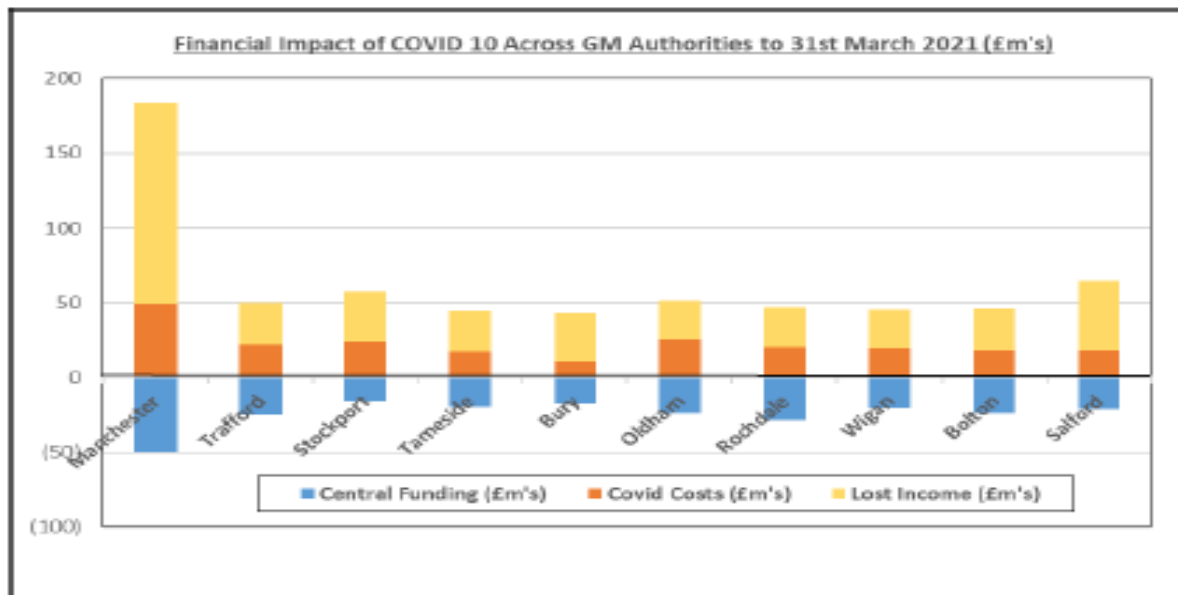
- 1.5 Given the uncertainty, volatility and risk of the current financial landscape, the MTFP presented in this report covers the period previously approved i.e. current year plus two years to 2022/23. Members are asked to note that the internal MTFP modelling does extend beyond this period but due to the reasons outlined above and the likelihood of continual change to MTFP as a result, the MTFP forecasts and assumptions beyond 2022/23 have not been presented. Given the ongoing assessment of the financial impact of COVID19 particularly in relation to the national response to the pandemic and national economic crisis, the impact of future Government Announcement including the Comprehensive Spending Review and the 2021/22 Local Government Finance Settlement, the update of the MTFP will continue to be iterative with underpinning forecasts and assumptions retested throughout the financial year and reported to Cabinet and Scrutiny as part of the 2021/22 budget setting process. On this basis, Council Officers will continue to review and update the MTFP as further information is made available.

## **2. DEVELOPMENTS SINCE 27 FEBRUARY 2020**

### **COVID19 Pandemic**

- 2.1 The financial challenge presented by the impact of the COVID19 pandemic is unprecedented. The Council continues to assess and refine the forecasts on a regular basis as part of its monthly financial impact return to Government. The fifth iteration of the Council's return was submitted to Government on 4 September 2020. This highlighted a full year adverse gross COVID19 financial impact of £56.3m; £23.8m additional expenditure and £32.5m of income losses including Council Tax and Business Rates income losses. It is important to note that the forecast does not include estimates of the financial impact of a second wave of COVID19 and/or a local lockdown scenario. To date the Council has received £26.5m of Government COVID19 support funding resulting in a net impact/gap of £29.7m (£56.3m less £26.5m) in 2020/21. The summary at Appendix 1 provides detail of the service areas and income streams impacted by the pandemic, and the Government support funding provided.
- 2.2 Whilst the Council took early assurances from the Government's stance that Local Government would be supported in its overriding aim to support residents and businesses to mitigate the impact of COVID19, it is clear that Government expect Local Authorities to share the burden. The Council has identified £8.4m of available one-off resources to mitigate the financial impact further; albeit that the resources identified for use held in earmarked reserves and General Fund Balance will need to be replenished to support the Section 151 Officers risk assessment of the robustness of the 2021/22 Budget and MTFP. On this basis it is important to recognise that the use of reserves and balances are not a permanent solution to the financial challenges faced. Including these resources results in a net forecast financial impact of £21.3m in 2020/21; it is noted that £13.219m of this forecast relates to the impact on the Collection Fund – Council Tax and Business Rates income.

2.3 At a Greater Manchester (GM) level, the estimate of the net financial impact (after Government funding) on the GM Authorities is circa £460m, including the GMCA and Metrolink. The chart below shows the position for each of the GM Authorities.



2.4 The Council continues to work alongside other Greater Manchester (GM) Authorities in assessing the 2020/21 financial impact. There is also a recognition that the financial legacy of the pandemic will go beyond 2020/21. The Council is assessing its short, medium and long-term financial impacts as its response to this and understand where these financial legacy pressure and challenges will manifest including:

- Reduced Council Tax Taxbase and lower levels of growth;
- Reduced Business Rates Taxbase and lower future growth;
- Supressed levels of income from a variety of sources;
- Increased demands on social care, public health and other budgets;
- Increased cost of ensuring financially stable social care market;
- Impact of social distancing on efficiency and capacity of Council services; and
- Impact on the Council's Capital Programme, regeneration plans and employment.

2.5 Whilst the Council welcomes the Government support funding to date, further support funding is needed to address the financial challenge ahead. However, the medium term financial challenge can also be addressed through the robust processes the Council already has in place for financial management and scrutiny including:

- The Council's and GM's ambition to build back better, the work that will shape our recovery strategy linked to One Stockport and the Council's approach to service transformation, and the continuation of the growth and reform strategy that ensured we were in a financially resilient and robust position pre-COVID19;
- Continuing budget monitoring updates during the financial year to ensure the 2020/21 financial position and the approach to balancing that financial position is informed by the latest financial forecasts and information

- The 2020/21 Reserves Policy presented elsewhere of this agenda and the continuing update of this to ensure earmarked reserves remain aligned to the Council's corporate and strategic priorities whilst providing assurance that resource are available to support the Council's response to the financial impact of the pandemic and provide a mechanism to smooth the financial impact in the short term;
- Continuing updates of the MTFP during the financial year to ensure the forecast and assumptions are based on the latest available information. This will be particularly important as the Government makes further announcements in relation to its response to the pandemic as well as the CSR expected in November.

### **Section 114 Notice**

- 2.6 Members will be aware that the Council has a legal requirement to deliver a balanced budget. If spending is likely to exceed the available resources for a council the Officer charged with responsibility for the effective financial management of the council, the Section 151 Officer, must issue a Section 114 (S114) notice under the relevant section of the Local Government Act, section 114.
- 2.7 The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued modified guidance to council Chief Finance Officers (CFOs) to allow councils under budgetary pressure due to COVID-19 the time and space to explore alternatives to freezing spending via a S114 notice.
- At the earliest possible stage, a CFO should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming S114 requirement.
  - The CFO should communicate the potential unbalanced budget position due to COVID-19 MHCLG at the same time as providing a potential S114 scenario report to the council executive (Cabinet) and the external auditor.
- 2.8 Whilst this report highlights the significance of the financial challenge facing the Council significantly added to by the COVID19 financial scarring impacts, the Corporate Director - Corporate and Support Services remains cautiously hopeful that at this moment, with continued and additional Government support, the Council can meet these challenges using its robust and resilient financial management platform that has been built pre-COVID19. On this basis the Corporate Director - Corporate and Support Services in his role as the Council's Section 151 Officer does **not** consider the issuing of a S114 notice necessary.

### **2019/20 Outturn Position**

- 2.9 The 2019/20 outturn position for the Council was reported to the Cabinet meeting on 23 June 2020. A £0.813m outturn surplus for the year was reported and was transferred to the Council's General Fund Balance to be allocated to earmarked reserves as approved in the Council's 2020/21 Budget. Further details can be found in the Council's 2020/21 Reserves Policy presented to Cabinet elsewhere on this agenda.
- 2.10 The Council's General Fund Balance at 1 April 2020 was £10.013m. As set out in the Council's approved 2020/21 Budget, this will be increased to £10.200m, the

minimum level of General Fund Balance recommended by the Section 151 Officer to support the 2020/21 Budget.

### **2020/21 Quarter 1 Forecast Outturn Position**

2.11 The 2020/21 Quarter 1 forecast outturn position presented to Cabinet at its meeting on 28 July 2020 highlights a deficit position of £10.407m net of Government COVID19 support funding. The position would have been worse if not for offsetting underspends and reductions in expenditure within the Council's core budget forecasts of circa £3.666m. Without these favourable core budget offsets, the COVID19 in-year financial impact is an adverse impact on the Council's financial position of £14.073m due to COVID19.

2.12 This is made up of a forecast deficit of £21.242m against Cash Limit budgets as a result of significant expenditure increases and income losses as a result of COVID19 including:

- Adult Care and Health Portfolio (£7.097m deficit) relating to financial support provided to care providers to ensure sustainability of providers and continuation of care to vulnerable residents, and losses of client income and delays to planned policy changes to residential and non-residential care fees and charges;
- Resources, Commissioning and Governance (£7.452m deficit) relating to significant commercial income losses impacting on the Council's Investment and Development Account and additional IT costs to facilitate the ongoing work from home arrangement during;
- Sustainable Stockport (£4.616m deficit) relating to sales, fees and charges income losses across a range of services including Parking, Events, Museums and Planning and Building Control.

2.13 In addition, the Quarter 1 financial position highlights a forecast deficit of £7.924m against Non Cash Limit budgets relating to:

- An assumption that no dividend will be received from the Manchester Airport Group in 2020/21 due to the financial impact on the aviation industry and airports specifically. This was budgeted at a receipt of income of £6.408m;
- Additional insurance costs of £1m relating to the increase cost of insurance premium renewals;
- Forecast additional costs relating to Highways schemes due to works being delayed; and
- Offsetting forecast surplus against the debt charge budget as a result of reduced borrowing cost and rephasing of the Capital Programme.

2.14 Whilst noting the significance of the challenge this position causes, the Quarter 1 forecast indicates a slightly more favourable in-year financial position than presented on the Council's monthly COVID19 return to Government. This is partly due to more accurate information recognising anticipated reductions in expenditure in some services due to COVID19, more favourable position of some savings achievement, the impact of the NHS funded hospital discharge programme and potential additional funding from the GMCA. In addition, the Collection Fund deficit (included in the Council's monthly COVID19 financial impact return to Government) is not included in the in-year financial position as the legislation that covers the Collection Fund

accounting and Government support to spread the financial impact, means the deficit will be realised and need to be reimbursed by the Council over the next three financial years 2021/22 to 2023/24.

- 2.15 The Council's share of the Collection Fund deficit as at Quarter 1 is £10.158m made up of £7.444m Council Tax deficit and £2.714m Business Rates deficit. In addition to adversely impacted in-year Collection Fund collection rates as a result of the pandemic, the deficit position reflects
- The increasing number of Local Council Tax Support Scheme claimant resulting in additional support to eligible residents reducing the overall amount of Council Tax income that can be collected in the year;
  - The expected increase Business Rates reliefs relating to Empty Property Relief and Small Business Rates Relief due to successful material change in circumstance check and challenges by businesses; and
  - The impact of ongoing national appeals relating to the NHS, GP Surgeries and treatment of ATM's reducing rateable value and thus the amount of Business Rates due.
- 2.16 It should be noted that the Quarter 1 forecast outturn position is based on limited data (two/three months). Some risks remain unquantified at this stage of the year and will only become clear and be included in the forecast outturn position at Quarter 2 and Quarter 3. Whilst the Council is continuing to monitor the COVID19 financial scarring impacts through the monthly COVID19 financial impact returns to Government these forecasts are subject to change particularly as new measures (and resulting financial impacts) to tackle the pandemic are announced by Government. In addition, unquantifiable changes in demand and resulting increases in costs later in the financial year will have an adverse impact on the financial position presented at Quarter 1. As a result, the mitigation of any COVID19 financial scarring impacts and identified budget pressures will need to be considered as part of the continual update of the Council's MTFP during the financial year.
- 2.17 A further update of the forecast outturn position was completed at the end of August for inclusion in the Portfolio Performance and Resource Agreements. Whilst the financial position was only reported at a Portfolio level, the overall forecast showed an improved deficit position of £9.400m. This mainly related to favourable adjustments to the Investment and development Account forecasts. Officers will continue to monitor the in-year financial position with the Quarter 2 forecast outturn position being presented to the Cabinet meeting on 22 December 2020.

### **Government's Comprehensive Spending Review (CSR), 2020/21 Local Government Finance Settlement and Future Direction of Local Government Funding**

- 2.18 Prior to the COVID19 pandemic it was expected that Government would complete a multi-year CSR in Autumn 2020. However, the need for Government to focus on the response to the COVID19 pandemic and the ongoing national economic crisis has made the scope of the CSR uncertain. The cancellation of the Government's Autumn Budget adds to this and the expectation is the CSR will now be announced in mid-November at the earliest. The lateness in the announcement of the CSR will impact on the subsequent announcement of the 2021/22 Local Government Finance Settlement. This is expected to be announced in mid-December at the earliest, but

some commentators suggest it could be as late as January 2021 before it is announced.

- 2.19 The period the CSR will cover has not been confirmed but given the ongoing Government priority and focus on the national response to the pandemic it seems increasingly likely and expected by commentators that the 2021/22 Local Government Finance settlement will again be a 'cash-flat plus inflation (where applicable) settlement'; 2020/21 Government funding plus inflationary uplift rolled forward to 2021/22 on the same allocation basis. There is no indication from Government that additional funding will be made available to Local Authorities to continue the COVID19 funding support into 2021/22 and/or address other national funding pressures such as adults and children's social care.
- 2.20 The uncertainty is further highlighted by the likely delay to the Technical Consultation on the 2021/22 Local Government Finance Settlement as a result of the above. This would normally be released by Government before announcing the settlement in December, highlighting the key proposals that Government intend to implement. One of these proposals is the setting of Council Tax increase referendum limits. In response to the pandemic Local Authorities are lobbying for a removal of the referendum limit to enable Council Tax increases to be set locally and in response to local financial constraints and circumstances. However, the expectation, but not confirmed, is that the general element of Council Tax will be allowed to increase by 1.99% in 2021/22 before requiring a referendum; a continuation of the 1% flexibility given to Local Authorities as part of the last three years financial settlements. Again, whilst not confirmed, it is expected that a 2% increase in the Adult Social Care Precept will be allowable.
- 2.21 The Government has confirmed its planned reforms of Local Government funding, review of the Fairer Funding Formula and Business Rates Retention scheme, which will inform the allocation of resources across Local Authorities will be delayed until 2022/23. It was increasingly apparent prior to the pandemic that Government were unlikely to be able to introduce these reforms in 2021/22 as planned. However, commentators suggest further delays and lack of focus from Government due to COVID19 mean the new timeline of 2022/23 may be delayed further, if implemented at all. Furthermore, the Queens Speech in December 2019 highlighted the reform of Business Rates as a key Government priority that will aim to 'protect high streets and communities from excessive tax hikes and keep towns vibrant' through a viable business tax. On this basis it could be viewed that any change to the Business Rates Retention Scheme will be more substantial than previously planned. Linked to this is the confirmed delay of the Business Rates revaluation planned for 1 April 2021 to help reduce the uncertainty for businesses impacted by the pandemic. Government have yet to confirm a date as to when the revaluation will now take place.
- 2.22 The Council will continue to lobby Government alongside other authorities for further certainty on Government's intention for the future direction of Local Government funding including these reforms. The Council will continue to respond to consultations both at an individual authority level and as part of wider regional consultation responses as part of this lobbying.

## MTFP Strategy

2.23 Despite the uncertainty, volatility and risk inherent in the current financial landscape, the Council remains committed to developing its MTFP Strategy to address the financial challenge over the medium term period. It is important that whilst dealing with the uncertainty presented by the pandemic and resulting delays to decisions and policy changes at a national level, the Council ensures its financial planning for the medium to long term is robust. Key to this is the MTFP Strategy which focuses on five themes which are being used to frame the choices the Council has to make over the medium term period to address the identified savings requirement.

2.24 The five themes of the MTFP Strategy are:



### 3. MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE REVIEW

3.1 The Council's MTFP 2020/21 to 2022/23 was approved at the Council meeting on 27 February 2020. This set out the Council's forecast savings requirement across the MTFP with an expected cumulative savings requirement of £8.743m in 2021/22 rising to £17.031m in 2022/23.

3.2 The table below shows the Council's forecast savings requirements over the MTFP as reported to and approved by the Council meeting on 27 February 2020. A full MTFP for the period 2020/21 to 2022/23 is included in Appendix 2.

**Table 1: Council Saving Requirement 2020/21 to 2022/23 Prior to the COVID19 Pandemic**

	2020/21 £000	2021/22 £000	2022/23 £000
Annual Saving Requirement	0	8,743	8,288
Cumulative Saving Requirement	0	8,743	17,031

3.3 The calculation of the future years forecast saving requirement is based upon a number of assumptions relating to identified expenditure pressures. These pressures relate to expected changes in legislation, Central Government Policy, economic outlook and local priorities. The potential financial implications of these on the Council were assessed based on knowledge and assumptions made at the time of reporting the MTFP as part of the 2020/21 budget setting process.



## MTFP 2020/21 to 2022/23 Underlying Assumptions

3.4 A list of the key assumptions underpinning the approved MTFP forecasts are shown in the table and listed below:

**Table 2: Approved Underlying Assumptions**

Assumptions	2020/21	2021/22	2022/23
Council Tax General Increase	0.00%	0.00%	0.00%
Council Tax Adult Social Care Precept Increase	0.00%	0.00%	0.00%
Pay Award	3.00%	3.00%	3.00%
Price Inflation (unless specific contract rate)	2.25%	2.00%	2.00%
Employer's Pension Contribution	19.80%	19.80%	19.80%
Employer's Pension Contribution*	18.79%	18.79%	18.79%
GMCA Waste Disposal Levy	-1.25%	2.00%	1.40%
GMCA Transport Levy	1.00%	1.00%	1.00%

\*Employer pension contribution rate including the advance pension payment discount

- **Council Tax Collection Rates** – the MTFP currently assumes a Council Tax collection rate of 98.75% for budget setting purposes;
- **Council Tax Increases** – the MTFP reflects a 0% increase on the 2020/21 Council Tax charge in 2021/22. Section 4 provides detail of what income could be raised by increasing the Council Tax charge;
- **Business Rates Growth** – Business Rates forecasting can be very complex and volatile. The MTFP is 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. For this reason, the MTFP does not assume growth in the Business Rates Taxbase;
- **Business Rates 100% Pilot Benefit** – the MTFP assumes the 100% Pilot will end in 2020/21. However, given the expectation of a 'cash flat plus inflation (where applicable) settlement' it is possible the 100% Pilot will continue for a further year. It is likely this will be confirmed in the Government's CSR in November. If the 100% Pilot does continue into 2021/22, the MTFP will continue to budget for the receipt of Business Rates on a 50% retention basis with any expected 100% Pilot benefit realised in 2021/22 taken into account a year in arrears;
- **Pay Inflation** – the MTFP currently assumes an annual 3% pay award;
- **Price Inflation** – the price inflation rate assumptions used are calculated using inflation data held by the Office of National Statistics and inflation rate forecasts provided by Link Asset Services, the Council's Treasury Management advisors. Whilst inflation rates are currently below 1% it is considered prudent to retain a 2% general inflation rate in line with the Bank of England's target inflation rate of 2%;
- **Government Grant Resource Inflation** – the Council receives Section 31 grants from Government to fund specific priorities and known national pressures such as adults and children's social care. The forecast continuation and increase of these grants is based on the best available information. However, it is noted that this is only confirmed as part of the Local Government Finance Settlement. The 2020/21 Local Government Finance Settlement only

covered resource allocations including the Section 31 grants for 2020/21. As the 2021/22 and future year settlements will be impacted by the Government's CSR and until the 2021/22 Local Government Finance Settlement is announced these forecasts remain subject to change. However, Members are reminded that commentators expect the 2021/22 settlement to at least be cash-flat with inflationary uplifts (where applicable);

- **Demand Pressures** – the MTFP includes an annual budget of £2m to fund the expected demand related costs. The Council's Reserves Policy presented elsewhere of this agenda also sets aside monies to meet the costs of demand in excess of that budgeted for;
- **GMCA Levies** – the MTFP includes assumptions about the expected increase to the levy budgets based on GMCA modelling of expected costs. As part of the GMCA scrutiny and budget setting process further modelling will be completed on expected costs with resulting changes to the levies expected to be confirmed later in the financial year; and
- **National Living Wage (NLW)** – the MTFP includes an annual budget contingency of £1.5m to fund the expected costs of the NLW increase to 2022/23. This will be used to fund expected cost increases in Adult Social Care linked to expected provider fee setting increases. A COVID19 financial scarring impact has been identified relating to NLW increases and the expected lobbying by providers to align care works pay with the NHS.

3.5 As part of the MTFP Update Review, the forecasts and assumptions underpinning the MTFP have been reviewed. Whilst the MTFP Update has identified areas of the Council's budget where favourable and adverse adjustments could be made, the Council continues to face significant financial challenge over the medium term period. The uncertainty, volatility and risk of the MTFP forecasts particularly in relation to the pandemic and national response to this mean it is likely that the financial position will continue to change over the coming months. The Council will need to ensure it has the financial resilience and flexibility to respond to changes in the Government's response to the pandemic, legislation, Government policy, economic outlook, and local pressures and opportunities. As a result, the update of the MTFP forecasts and assumption will need to continue to be an iterative process throughout 2020/21.

3.6 The following paragraphs provide details of where favourable and adverse adjustments could be made to the MTFP forecasts following the MTFP Update review. These adjustments will need to be considered as part of the Council's 2020/21 budget setting process and MTFP updates as further information becomes available. The adjustments are categorised as follows:

- COVID19 Financial Scarring Impacts – Increased Costs of Service Provision and Commissioning
- COVID19 Financial Scarring Impacts – Collection Fund Income Losses
- COVID19 Financial Scarring Impacts – Sales, Fees and Charges Income Losses
- COVID19 Financial Scarring Impacts – Commercial Income Losses
- MTFP Update Adjustments to Forecasts and Assumptions

## **COVID19 Financial Scarring Impacts – Increased Costs of Service Provision and Commissioning**

3.7 As the Council continues to recover from the pandemic it is apparent that the way services will be delivered and commissioned will need to adapt to ensure they are able to operate in a COVID-secure way. It is expected that this will result in increased costs over the medium term period. This is particularly evident in relation to the provision of adult social care providers where there is a need to ensure market financial sustainability and the continuation of essential services to our most vulnerable residents. Areas of expected additional costs in relation to Adult Social Care include:

- Provision of additional temporary support to the care market to ensure it continues to provide the essential and appropriate capacity of care services to vulnerable residents at this critical time. It is noted that the £543m of additional national funding recently announced by Government to support care providers to mitigate winter pressures may be able to offset/reduce this expected additional cost;
- The expected increase in NLW and alignment of care workers pay to that of NHS staff. Again, this is linked to the annual care provider fee setting process to ensure the financial sustainability of the care market and the continuation of appropriate and required capacity of care services; and
- The financial legacy of the Hospital Discharge Programme during the national lockdown has resulted in care placements being made at a greater cost than the Council's enhanced bed based rates prior to the pandemic. This increased cost was initially funded by the NHS and was required to ensure hospital settings were able to deal with pandemic. However, it has resulted in an ongoing financial scarring impact for the Council which will require a recommissioning exercise to be undertaken. This is expected to increase the cost (at least on a short-term temporary basis) of care service provision whilst this recommissioning exercise is completed.

3.8 The COVID19 financial impact within other service areas of the Council including Financial Inclusion, Children's Social Care and Education services where costs are expected to increase when the human impact of the pandemic is realised will continue to be monitored throughout the financial year. Identified additional costs and/or income losses will be considered in future MTFP Updates as part of the Council's 2021/22 budget setting process.

## **COVID19 Financial Scarring Impacts – Collection Fund Income Losses**

3.9 As reported in the Quarter 1 financial position the expected outturn position on the Collection Fund in 2020/21 is a deficit of £10.158m which reflects the expected Council Tax and Business Rates income losses as a result of the pandemic. In normal circumstances Collection Fund accounting requires the Council to reimburse any Collection Fund deficit in the financial year preceding the financial year the deficit is realised i.e. 2021/22. However, to ease the impact of the Collection Fund income losses on Local Authorities, Government has allowed the spreading of the deficit across the next three financial years 2021/22 to 2023/24. An adverse adjustment of £3,400 in each year 2021/22 to 2023/24 is included in the MTFP Update to reflect this.

- 3.10 In addition, a forecast of the Council's chargeable Council Tax Taxbase has been calculated based on data as at the end of August. The forecast Council Tax Taxbase for budget setting purposes has reduced by 770.05 properties (compared to the forecast 2021/22 Council Tax Taxbase in the MTFP approved in February). This equates to a £1.302m loss of forecast Council Tax income in 2021/22 assuming no increase in Council Tax. This reflects the increase in the number of Local Council Tax Support Scheme claimants reducing the number of dwellings the Council can bill in 2021/22 and thus the amount of Council Tax income it can collect. The Council's CTB1 form which is used to set the taxbase each year will be submitted to Government in October; updates to relevant systems and housing figures prior to the completion of the CTB1 return to Government could alter the forecast above.
- 3.11 Given the uncertainty about the reform to the Business Rates Retention Scheme and confirmation of whether the Greater Manchester 100% Business Rates Pilot will continue in 2021/22, the MTFP Update has retained the Business Rates forecasts approved in February. However, similar to Council Tax the pandemic has impacted on expected Collection Rates and the levels of Business Rates income. In addition, there has been an increase in the number of 'material change of circumstances' checks by businesses as part of the check, challenge and appeal process. It is unknown whether these checks will result in reductions in rateable values impacting the Council's Business Rates income forecasts further. Thus, it is recognised that the Business Rates forecast for 2021/22 and future years will need to be remodelled once further clarity on the above is obtained. Further detailed modelling of the financial impact will be carried out prior to the next MTFP Update report in December, with forecast figures adjusted where required.

### **COVID19 Financial Scarring Impacts – Sales, Fees and Charges Income Losses**

- 3.12 There are a number of services across the Council with significant sales, fees and charges income budgets. These services include Parking, Events Museums and Planning and Building Control for example. The financial impact of the pandemic and particularly the 3 month lockdown and local restrictions has been significant on these service areas ability to generate income to the same levels achieved prior to COVID19. The adverse adjustment included in the MTFP Update reflects the expected sales, fees and charges income losses and recovery over the medium term period.

### **COVID19 Financial Scarring Impacts – Commercial Investment Income Losses**

- 3.13 The financial impact on the aviation industry and airports specifically has been significant as a result of reduced passenger numbers, restricted travel to international destinations and increasing requirement for passengers to self-isolate on their return to the UK. For this reason, it is prudent to remove the expectation of future dividend income from the Council's MTFP. An adverse adjustment has been included in the MTFP Update to reflect this.
- 3.14 In addition, the Council has assessed the financial impact of its Investment and Development Account investments such as Merseyway, Redrock and Stockport Exchange. This has highlighted suppressed rental income whilst occupiers continue to recover from the pandemic and specifically the impact of the 3 month national lockdown and continuing restrictions. The adverse adjustment reflects the

expectation of future net costs on the Council's Investment and Development Account and the forecast recovery over the medium term period. Further detailed modelling of the financial impact will be carried out prior to the next MTFP Update report in December, with forecast figures adjusted where required.

### **Favourable MTFP Adjustments**

3.15 **Pay Inflation** – The 2020/21 pay award has recently been agreed at 2.75% and given the likely public sector pay constraints over the medium term period as part of the Government's response to the financial challenge ahead, it is unlikely that future Local Government pay awards will be greater than 2.75% for the foreseeable future. For this reason, it is recommended that the future years annual pay award MTFP assumption is reduced to 2.75%.

3.16 **Debt Charges** – The Council's Non-Cash Limit budget includes budget set aside to meet the costs of financing the Capital Programme and Treasury Management. As in previous financial years, a review of the Council debt charge budget forecasts over the medium term period has been completed. The Council's Treasury Management Strategy continues to take advantage of the low interest rates on short term borrowing and avoiding longer term borrowing ahead of need by utilising cash balances. The continuing availability of short-term borrowing at preferential rates and slippage in the Capital Programme due to the pandemic resulting in lower than expected borrowing at the start of the financial year, has resulted in reductions in the debt charges net expenditure forecasts. Whilst the position is currently favourable the Council is aware that changes in interest rates, conversion of short term debt to long term debt over the medium term period and the need to externalise the Council's internally borrowed position (to free up cash balances due to the need to use earmarked reserves as part of the Council's COVID19 strategy of response) may be required as part of its Treasury Management Strategy over the medium term period. For this reason, it is recommended that additional budget is built in to the debt charges budget to provide the necessary flexibility and risk mitigation to manage interest changes and the need for longer term borrowing. However, having taken this flexibility into account the Council can prudently reduce its debt charges budget to support the MTFP. Treasury Management Officers will continue to monitor this position with any changes to the medium term forecasts considered in future MTFP Update Reviews as part of the Council's 2021/22 budget setting process.

### **Use of Available One-Off Resources**

3.17 **Collection Fund Distribution** – In line with the legislation that governs the Collection Fund accounting, the Collection Fund balance attributable to the Council (net of distributions [declared surpluses] and/or reimbursements [declared deficits] during the year) can be declared in 2020/21 to support the budget. A surplus balance of £1.012m is available to be released from the Collection Fund Balance in 2021/22.

3.18 **Business rates 100% Pilot Benefit** – Despite the in-year forecast deficit position on the Collection Fund, the Council still expects to receive a benefit from the 100% Pilot in 2020/21. The 'No Detriment' principle underpinning the 100% Pilot was agreed with Government to ensure the GM Authorities as a whole could not be any worse off from taking part in the 100% Pilot. To do this, the agreed 'No Detriment' calculation compares retained rates, Section 31 grants, the Business Rates tariff, Revenue Support Grant and Public Health grant which would have been received

under the 50% retention scheme to the amounts received in the 100% Pilot scheme. As a result, the calculation reflects the increased retention of the Business Rates baseline growth since 2013; under the 100% Pilot GM Authorities are retaining 50% more of the baseline growth. In previous financial years this benefit has been shared on a 50:50 basis with GMCA. However, to support the GM Authorities financial positions, the GMCA has confirmed that 100% of the benefit can be retained. Based on the Collection Fund Quarter 1 position the Council expect to benefit from the 100% Pilot by £3.622m. However, Members are reminded that given the volatility of the Business Rates forecasts this benefit will not be realised until the financial year end.

### **Adverse MTFP Adjustments**

- 3.19 **Price Inflation** - The MTFP identifies the budget required to meet the costs of inflationary pressures on specific service budgets across the medium term period. The current assumed inflation general inflation rate is 2% in line with the Bank of England's inflation target. The MTFP does not apply inflation to all non-staffing budgets, inflation is only applied to specific budgets. The experience is also that the impact of inflation rate changes lags behind inflation data issued by the Office of National Statistics. A review of the inflation calculator has been completed to ensure the specific budgets included have been rebased to reflect current costs incurred and additional budgets added where inflationary cost pressures have been identified as part of budget monitoring. Where inflationary cost pressures are expected to be higher due to existing contracts in place, for example energy contracts, specified contractual inflation rates have been used.

### **MTFP Risk Assessment**

- 3.20 It is clear that the financial environment facing Local Authorities is subject to significant uncertainty, volatility and risk 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 uncertainty, volatility and risk than previously experienced. The impact of the COVID19 pandemic and the ongoing trade deal negotiation with the EU are only adding to this.
- 3.21 As a result, careful management and identification of these risks will be essential and as already highlighted updates to the MTFP forecasts and assumptions will need to be continual during 2020/21. Details of the risks inherent within the MTFP forecasts and assumptions and how these will be mitigated are set out in Appendix 4.

### **MTFP 2021/22 to 2022/23**

- 3.22 Appendix 3 provides an illustration of the adjustments that could be made to the MTFP based on the forecast and assumption changes identified by the MTFP Update Review. The table below shows the net adjustments for each year of the MTFP as a result of the above.

**Table 3 – MTFP Update Review Net Adjustments**

	2021/22 £000	2022/23 £000
Net Adverse Adjustment	14,598	17,794

3.23 Given the significant risks to the Council's MTFP assumptions and forecasts it is recommended that the Council's savings requirement for 2021/22 to 2022/23 are continually reviewed and updated during the financial year. Updates to the MTFP assumptions and forecasts will be reported to Cabinet as part of the 2021/22 budget setting process as more clarity emerges. The reports will clarify the impact of the risks on the Council over the medium term period once known and how the available resources identified can be utilised to mitigate these and/or reduce the Council's savings requirement in 2021/22 and future years.

#### 4. COUNCIL TAX ILLUSTRATION

- 4.1 The MTFP approved at the Budget Council meeting on 27 February 2020 assumed a 0% increase in Council Tax charges in 2021/22 to 2022/23.
- 4.2 The Council Tax referendum limits for 2021/22 will be confirmed as part of the 2021/22 Local Government Finance Settlement. For illustrative purposes the table below shows the additional Council Tax income an increase of 1.99% General Element and 2% Adult Social Care Precept will generate. This is based on the expectation of what Government will consider allowable Council Tax increase in 2021/22.

**Table 4: Illustration of Income Generated Through Council Tax Increase**

	2021/22
Assumed Council Tax Base*	95,826.6
Increase to Band D Equivalent with 1.99% General Element Increase (£)	33.65
Increase to Band D Equivalent with 2.00% Adult Social Care Precept (£)	33.81
Additional Funding - 1.99% General Element Increase (£000s)	3,225
Additional Funding - 2.00% Adult Social Care Precept (£000s)	3,240
<b>Total Additional Council Tax Income Generated (£000s)</b>	<b>6.465</b>

\*Based on forecast Council Tax Taxbase using data as at end of August.

- 4.3 Increasing Council Tax by 3.99% (1.99% General and 2% Adult Social Care Precept) in 2021/22 results in additional income of £6.464m. Members are asked to note that this is the gross position and the required adverse forecast adjustment to the approved 2021/22 Council Tax income forecast as a result of the reduction in the Council Tax Taxbase needs to be offset against this. This results in net additional income of £5.163m (£6.464m less £1.302m adverse forecast adjustment).
- 4.4 In addition, Council Tax increases will also be impacted by any increases to the Mayoral Precept Police and Crime Commissioner and the Mayoral General Precept (including Fire Services) in 2021/22. These Precepts are set by the GMCA,

confirmation of any increases to these Precepts is expected later in the financial year. Allowable increase limits on these precepts are expected to be announced by Government as part of the 2021/22 Local Government Finance Settlement.

## 5. RESPONDING TO THE FINANCIAL FORECASTS

- 5.1 The Council continues to face significant financial challenge over the medium term period. Whilst the MTFP Update Review has identified the COVID19 financial scarring impacts further review of the forecast and assumption will be required to mitigate the uncertainty, volatility and risk of the financial landscape. Officers will continue to monitor the MTFP and report the requirement for further adjustments to the forecast savings requirement as part of the 2021/22 budget setting process. Whilst the MTFP Update outlined in this report provide the latest position on the Council MTFP savings requirement, Members are asked to note that the fragility of the forecasts is significant due to the unprecedented financial impact of the pandemic and the resulting increased uncertainty in the financial landscape.
- 5.2 The Council's strategy of response to the MTFP financial challenge needs to remain flexible and agile in its response to the changing circumstances whilst the Council continues to support and deliver the required services to residents and businesses. This is particularly important as increased national measures and restrictions place further demand and impacts on services resulting in additional costs and income losses, in addition to the medium term COVID19 financial scarring impact forecasts identified in this MTFP Update review.
- 5.3 The COVID19 financial impact after the long period of austerity will, without further funding and other flexibilities, leave the Council facing a significant financial challenge in 2020/21 and across the medium term period. This comes at a time when the role of Council in supporting the Borough's and GM Region's recovery from COVID19 whilst looking to Build Back Better is critical. Whilst the report highlights the significance of the financial challenges facing the Council, the Corporate Director - Corporate and Support Services remains cautiously hopeful that at this moment, with continued and additional Government support, the Council can meet these challenges using its robust financial management platform that has been built pre-COVID19.

## 6. RESERVES POLICY

- 6.1 An annual review of the Council Reserves Policy is completed each year to ensure that the Council's earmarked reserves remain aligned to the priority areas identified over the medium term period. Following the annual review, the 2020/21 Reserves Policy is being presented for approval to Cabinet elsewhere on this agenda.
- 6.2 The priority areas identified within the Reserves Policy are:
- **Reserves Linked to Budget** – earmarked reserves linked to the Council's transformational change priorities;
  - **Strategic Priority Reserves** – earmarked reserves linked to the Council's priorities over the medium term financial plan;
  - **Reserves Linked to Budget Resilience Issues** – earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures; and



- **Corporate Reserves** – statutory and ringfenced reserves.

6.3 The annual review of the Reserves Policy has also considered the COVID19 financial impact and how, if needed, resources held in earmarked reserves could be uncommitted to meet any funding gap over the medium term period in the absence of further Government support funding. The purpose of the Reserves Policy is to provide the Council with assurance about the level of resources available to mitigate the impact of unplanned and unexpected events over the medium term period. Whilst the COVID19 pandemic is such an event it must be recognised that the financial impact is unprecedented and the use of earmarked reserves to provide further support (in the absence of further Government support funding) would need to be significant and thus have a severe impact on the Council and the Borough. However, it is important that the Council understands the options available to it including:

- Release of uncommitted resources held in earmarked reserves to support the Council's financial response to the pandemic – risk mitigation reserves;
- Release of resources held (including resources to be received in 2020/21) to fund the Cabinet one-off investments identified in the 2020/21 Budget to support the COVID19 strategy of response;
- Release of commitments that are funding transformation projects which could meet the legislation around the use of available capital receipts to fund revenue projects; and
- Release of commitments that are funding costs which could be capitalised and funded by additional borrowing.

6.4 The reserves that have been identified have been prioritised based on their nature i.e. risk mitigation and also where alternative funding has been identified i.e. release of commitments that are funding costs which could be capitalised and funded by additional borrowing. By prioritising these earmarked reserves, it ensures the Council can soften the impact of the COVID19 financial scarring impacts whilst maintaining the Council's Corporate and Strategic objectives. The earmarked reserves identified to support the Council's strategy of response to the medium term financial challenge are set out in the table below:

**Table 5 - Identified Earmarked Reserves to Support the Council's COVID19 Strategy of Response**

Reserve	Amount £000s
Airport Reserve	5,430
Income and Interest Rate Risk Mitigation Reserve	4,073
Collection Fund Reserve	2,162
Waste Smoothing Reserve	822
Traded Services Reserve	370
Cabinet One-Off Investments/MTFP Reserve	4,817
Cabinet One-Off Investments/MTFP Reserve – resources received in 2020/21*	4,693
<b>Total Risk Mitigation Reserves</b>	<b>16,937</b>
Capital Investment Reserve – Merseyway	5,761
Infrastructure Investment Reserve	910
Capital Investment Reserve - Town Centre & District Schemes	728
Capital Investment Reserve - Mayoral Development Corporation (MDC)	166
Transformation - Invest to Save Reserve	131
<b>Total Alternative Funding Option - Borrowing</b>	<b>7,696</b>
<b>Total Earmarked Reserves Identified</b>	<b>24,633</b>

*\*2019/20 Collection Fund declared surplus distribution £1.109m released in 2020/21 and 2020/21  
MTFP available resources £3.584m*

6.5 The rationale for the use of the risk mitigation reserves is as follows:

- Airport Reserve – this reserve was earmarked to mitigate the risk of the airport dividend being less than budgeted or cease. As this has now been realised the reserve should be utilised to reduce the impact on the revenue outturn position;
- Income and Interest Rate Risk Mitigation Reserve – this reserve was earmarked to mitigate the risk of income reductions within the Council's Investment and Development account. This is an area impacted by COVID19 and therefore the reserve should be utilised to reduce the impact on the revenue outturn position;
- Collection Fund Reserve – this reserve was established to help mitigate the year on year fluctuations on the Collection Fund outturn. The Collection Fund is also an area severely affected by COVID19 and therefore the balance in reserves should be utilised to mitigate the impact on the General Fund;
- Waste Smoothing Reserve – this reserve was earmarked to smooth any impact from fluctuations on the Waste Disposal Levy. Waste collection and disposal costs have increased as a result of the pandemic;
- Traded Services Reserve – this reserve was earmarked for income risk mitigation on within Traded Services. The pandemic has resulted in sales, fees and charges income losses; and
- Cabinet One Off Investments/MTFP Reserve – the reserve is holding resources identified as available to support the Cabinet's one off investment priorities. Whilst the Cabinet remains committed to the importance of the schemes identified, the COVID19 financial impact and MTFP financial challenge mean these resources must also be considered as available (uncommitted) in the short term to support the Council's COVID19 strategy of response if needed.

- 6.6 The total risk mitigation reserves identified to support the Council's COVID19 strategy of response is £16.937m. It is important to note that the use of risk mitigation reserves will need to be reviewed to assess whether they will need to be replenished to support the Section 151 Officer risk assessment of the robustness of the 2021/22 Budget and MTFP. This will be considered as part of the Council's 2021/22 budget setting process, future MTFP updates and future Reserves Policy updates.
- 6.7 In addition, £7.696m of existing commitments against earmarked reserves have been identified as potentially being replaced by the use of borrowing rather than the use of resources held in earmarked reserves. Doing this releases those resources to support the Council's COVID19 strategy of response should they be needed. It must be stressed that costs which could be capitalised and funded by additional borrowing will require further detailed work to ensure the costs meet the accounting requirements to be treated as capital. In addition, capital schemes affected would need to be reassessed to ensure they remain financially viable due to the addition of borrowing costs and the impact on the Council's revenue position.
- 6.8 Following the completion of the MTFP Update Review it is clear that the financial legacy of the pandemic and the resulting financial impact over the medium term period is significant. The use of earmarked reserves as a temporary short term measure to mitigate and smooth the financial impact will be needed as income losses recover to pre-COVID19 levels. However, it is also noted that earmarked reserves are a vital part of the Council's ongoing financial resilience and robustness as well as providing resources to support the Council's priorities and ambitions for the Borough. A significant use of these earmarked reserves to mitigate the COVID19 financial impact will present an opportunity cost to the Council. For this reason, it is recommended that the use of earmarked over the medium term period 2021/22 to 2022/23 is considered as a last resort and capped at £20m (after which a further review of earmarked reserves would be needed) and seen as part of a wider strategy of response which include the Council's transformation ambitions linked to its One Stockport Recovery Plan, its MTFP Strategy and local taxation.
- 6.9 In previous years the Council has been able to identify available one-off resources mainly in relation to the return of monies held by GMCA as part of the budget setting process. Following an extensive review of its own budgets, the GMCA has already approved the return of some resources, retained Business Rates income and Waste Reserves, to support GM Authorities to mitigate the financial impact of the pandemic. Given the Council's in year financial position these returned monies have been earmarked to balance the 2020/21 financial position and thus are not available to support the Council's 2021/22 Budget and MTFP.
- 6.10 If additional one-off resources are returned to the Council during the year (for example by GMCA) and/or created locally, these will be considered within the context of the Council's in year financial position, 2021/22 Budget and MTFP financial challenge.

## **7. CONCLUSIONS AND RECOMMENDATIONS**

- 7.1 Cabinet is recommended to:

1. Note the outcomes of the MTFP Update Review particularly the identified COVID19 financial scarring impacts and changes to the MTFP forecasts and assumption approved in February;
2. Note that the Council's savings requirement has increased to £23.341m in 2021/22 rising to £34.825m in 2022/23 subject to further review and updates during the financial year.
3. Note that the earmarked reserves identified as part of the Councils COVID19 strategy of response.
4. Approve the recommendation to cap the use of earmarked reserves to support the Council's COVID19 strategy of response at £20m over the medium term period 2021/22 to 2022/23;
5. Note that the MTFP does not include any forecasts or assumptions for the financial impact of a further wave of COVID19 and/or further national/local lockdown/restrictions; and
6. Note that due to the significant uncertainty, volatility and risk of the financial landscape the assessment of the MTFP forecasts and assumptions will continue to be iterative with further updates to the MTFP reported to Cabinet as part of the 2021/22 budget setting process.

### 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](mailto:jonathan.davies@stockport.gov.uk)

## Appendix 1 – COVID19 Financial Impact Return as at 4 September 2020

	August 2020 Iteration £m
<b>Estimated Spending Pressures</b>	
Adult Social Care Total	11.563
Children's Social Care Total	0.829
Education Total	0.018
Highways and Transport Total	1.283
Public Health Total	1.501
Housing Total	0.500
Cultural & Related Total	2.689
Environment & Regulatory Total	0.662
Planning and Development Total	0.090
Finance & Corporate Total	1.657
PPE - Non ASC Total - (ASC PPE included in ASC line)	0.360
Unachieved Savings/Delayed Projects Total	1.243
Other Total	1.391
<b>Estimated Total Spending Pressure (General Fund)</b>	<b>23.785</b>
<b>Estimated Income Losses</b>	
Business Rates Receipt Income Losses Total	3.706
Council Tax Receipt Income Losses Total	9.513
Sales, Fees & Charges Income Losses Total	5.302
Commercial Income Losses Total	13.894
Other Income Losses Total	0.147
<b>Estimated Total Income Loss (General Fund)</b>	<b>32.562</b>
<b>Total Impact (excluding HRA)</b>	<b>56.347</b>
HRA Additional Costs Total	0.000
HRA Income Losses Total	0.000
<b>Total Impact (including HRA)</b>	<b>56.347</b>
<b>Funding Available</b>	
COVID19 Support Grant Tranche 1 to 3	18.759
Track and Trace Grant	1.474
Infection Control Grant	3.110
Council Tax Hardship Grant	2.462
Emergency Assistance Grant	0.322
New Burdens Grant - Business Grants Main Scheme	0.170
Reopening the High Street Safely Fund	0.259
Rough Sleeping Grant	0.009
<b>Total Income</b>	<b>26.565</b>
<b>Net Position - Before Reserves</b>	<b>29.782</b>
Earmarked Reserves	2.817
General Fund Balances	3.929
CCG Contribution - Expected Contribution to ASC Costs	1.289
CCG Contribution - Expected Contribution to CSS PPE	0.270
GMCA Reserves - Contribution to Homelessness Costs	0.176
<b>Total Reserves and Balances</b>	<b>8.481</b>
<b>Net Position - After Reserves</b>	<b>21.301</b>

Appendix 2 – 2020/21 to 2022/23 MTFP Approved 27 February 2020

2020/21 £000	2020/21 Revised £000		2021/22 £000	2022/23 £000
148,217	148,217	<b>Resources</b>		
14,501	14,501	Council Tax Income	148,765	149,312
76,294	76,294	Adult Social Care Precept	14,554	14,608
(17,230)	(16,779)	Business Rates Income	60,935	62,154
12,956	12,956	Business Rates Tariff*	(2,213)	(2,267)
1,390	1,390	Grants in lieu of Business Rates	14,618	14,911
6,333	6,333	New Homes Bonus Grant	823	716
7,015	7,015	Better Care Fund Allocation	6,333	6,333
1,285	1,285	Social Care Grant	7,015	7,015
		Collection Fund Balance Distribution	0	0
<b>250,761</b>	<b>251,212</b>		<b>250,831</b>	<b>252,783</b>
		<b>Expenditure</b>		
185,944	187,274	Cash Limits*	186,996	187,908
2,939	2,939	Pay Inflation	5,966	9,084
192	192	Pensions - Superannuation and Auto Enrolment	192	192
3,753	2,874	Inflation - Price and National Living Wage**	7,908	13,035
0	0	Demand Pressures	2,000	4,000
400	400	Apprenticeship Levy	400	400
54,798	54,798	Non-Cash Limits	56,112	55,195
<b>248,026</b>	<b>248,477</b>		<b>259,574</b>	<b>269,814</b>
<b>(2,735)</b>	<b>(2,735)</b>	<b>Cumulative Savings Requirement</b>	<b>8,743</b>	<b>17,031</b>
(633)	(633)	Appropriation from Double Running Investment Reserve - Phasing of Saving Proposals*	0	0
(216)	(216)	Appropriation from Reserves - Use of Area Committee Historic Underspends	0	0
3,584	3,584	Appropriation to Reserves - Support Cabinet One-Off Investments**	0	0
<b>0</b>	<b>0</b>	<b>Revised Cumulative Savings Requirement</b>	<b>8,743</b>	<b>17,031</b>

\*2020/21 revised figures updated for confirmation of Public Health grant after approval of the Council's 2020/21 Budget

\*\*Approved allocation of price inflation contingency budget at Quarter 1 to Cash Limit budgets

### Appendix 3 – MTFP Update Review Adjustments

	2021/22 £000	2022/23 £000
<b>Reported Cumulative Savings Requirement @ 27 February 2020</b>	<b>8,743</b>	<b>17,031</b>
<b>COVID19 Financial Scarring Impacts</b>		
Increase Costs of Service Provision/Commissioning due to COVID19	2,614	3,114
Collection Fund Income Losses	4,702	4,702
Sales, Fees and Charges Income Losses	3,100	2,096
Commercial Income Losses	9,723	9,209
<b>MTFP Favourable Adjustments</b>		
Pay Inflation Assumption Adjustment	(593)	(813)
Debt Charges Forecast Adjustment	(869)	(1,369)
<b>MTFP Adverse Adjustments</b>		
Price Inflation Forecast Adjustment	556	855
<b>One-Off Resources</b>		
Collection Fund Distribution	(1,012)	0
Business Rates 100% Pilot Benefit	(3,622)	0
<b>Net (Favourable)/Adverse Adjustments</b>	<b>14,598</b>	<b>17,794</b>
<b>Revised Cumulative Savings Requirement</b>	<b>23,341</b>	<b>34,825</b>

## Appendix 4 – MTFP Risk Assessment and Mitigation

Risk Identified	Risk	Risk Mitigation
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.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Business Rates Retention	The MTFP assumes a move to 75% retention scheme in 2021/22 in line with the expected reform to the Business Rates Retention scheme prior to the COVID19 pandemic. As the reform has been delayed until 2022/23 there is uncertainty about which retention scheme will apply in 2021/22 – 100%, 75% or 50% and the impact this will have on the Business Rates modelling and MTFP forecasts.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Monitoring of Government announcements</li> <li>- Business Rates modelling</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Business Rates Reforms, Revaluations and Business Rates Baseline Resets	The delay to the Government's planned reforms to the Business Rates Retention scheme and priority to reform the Businesses Rates tax to make it a viable tax to support businesses may impact on the Council's reliance on Business Rates as a source of income. In addition, future Business Rates revaluation and Baseline Resets will have a potential adverse impact on the amount of income the Council can collect from Business Rates going forward.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Monitoring of Government announcements</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Care Market – Financial Sustainability and Appropriate and Required Care Provision	A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision will result in additional costs. The COVID19 financial impact has been evidence of this.	<ul style="list-style-type: none"> <li>- In year monitoring of the costs of care services and commission and understanding of the financial legacy of the COVID19 financial impact.</li> <li>- Further Government support funding for social care services</li> <li>- Reserves Policy</li> </ul>



Risk Identified	Risk	Risk Mitigation
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.	<ul style="list-style-type: none"> <li>- In year monitoring of interest rates by Treasury Management Team</li> <li>- Updates from Treasury Management advisors (Link Asset Services)</li> <li>- MTFP Summer Review</li> <li>- Flexibility built in to the capital financing budgets to respond to interest rate increases and new long term borrowing</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
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. A deficit position on the Collection Fund will need to be funded by the Council in the preceding financial year (spread across 2021/22 to 2023/24 per Government support). The forecast deficit position for 2020/21 as at Quarter 1 is set-out in this report but is subject to change during the year due to declining collection rates, increases in Council Tax support particularly in relation to COVID19 impact and increasing Business Rates reliefs again in relation to COVID19 impact.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- In year monitoring of collection rates</li> <li>- Government support to spread the impact across 2021/22 to 2023/24</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Council Tax Taxbase	Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
COVID19 Pandemic	The financial impact of COVID19 has already been unprecedented. The MTFP does not assume further financial impact - costs and loss income – as a result of a second wave of COVID19 and/or further nation and/or local lockdowns/restrictions. In addition, current Government support funding is for 2020/21 only. The pandemic has exacerbated the uncertainty, volatility and risk in the financial landscape making medium term financial planning increasingly difficult.	<ul style="list-style-type: none"> <li>- Continuing monitoring of the COVID19 financial impact through the monthly Government return and quarterly budget monitoring</li> <li>- Government announcement on COVID19 response and measures</li> <li>- Council's COVID19 strategy of response</li> <li>- Reserves Policy</li> </ul>
Demand, Price and Demographic Led Services	Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> </ul>

Risk Identified	Risk	Risk Mitigation
	<p>could result in increases in the MTFP forecast expenditure pressures. Work is being completed on the new Adult Social and Children Social Care operating models which are expected to reduce service demand and the demand contingency budget in the MTFP. If these service transformation projects are not successful in reducing demand costs will continue to be incurred without the ability to use contingency budget to fund them. In addition, the impact of COVID19 could increase the demand for some services i.e. mental health services</p>	<ul style="list-style-type: none"> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>
Devolution	<p>The Greater Manchester devolution process continues to progress. Devolution plans, such as Health and Social Care integration, could impact on MTFP forecasts if the Government considers this as an opportunity to deliver further savings at a national level.</p>	<ul style="list-style-type: none"> <li>- Monitoring of Government Policy</li> <li>- Discussion with colleagues across Greater Manchester</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Education	<p>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 increasing demand within a challenged market with limited 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.</p>	<ul style="list-style-type: none"> <li>- DSG Review Group working to address long term budget sustainability of the DSG</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Fair Funding Formula	<p>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.</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>

Risk Identified	Risk	Risk Mitigation
Government's Comprehensive Spending Review and Local Government Finance Settlement	<p>Further delays to the Government's Comprehensive Spending Review and the impact this will have on future Local Government Finance Settlement leading to increased uncertainty, volatility and risk about the future direction of local government funding making accurate medium term financial planning difficult.</p> <p>Likely one year settlement resulting in a 2021/22 cash flat plus inflation (where applicable) provides no certainty about future funding level making the Council's medium term financial planning difficult.</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms</li> <li>- Reserves Policy</li> <li>- Available one-off resources</li> </ul>
Levies	<p>Future years' waste and transport levies have yet to be agreed by the GMCA which could impact on the MTFP forecasts. The future waste levy increase will be dependent on the delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases.</p>	<ul style="list-style-type: none"> <li>- Discussions with GMCA colleagues throughout the year to understand position on levies</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> </ul>
National Living Wage	<p>The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. 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.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- National Living Wage contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>
Trade Dela Negotiations Linked to UK Leaving the EU	<p>Government negotiations with the EU on a future trade deal post the UK leaving the EU are ongoing. There has been little clarification on how these negotiations 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.</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms</li> <li>- Brexit Contingency Budget</li> <li>- Reserves Policy - Brexit Reserve</li> </ul>

Risk Identified	Risk	Risk Mitigation
Non Cash Limit Surpluses	Deficits against Cash Limit budgets are currently offset by surpluses against Non-Cash Limit budgets. Non-Cash Limit budgets have been reduced in previous years MTFP Updates which means the ability to support the Cash Limit budget pressures using Non-Cash Limit surpluses will diminish going forward.	<ul style="list-style-type: none"> <li>- Identification of Cash Limit expenditure pressures as part of MTFP Summer Review and annual budget setting process</li> <li>- Allocation of contingency budgets as part of the budget setting process</li> </ul>
Pay Award	Following the MTFP Update, a reduction to the Council's pay award to 2.75% (from 3%) is recommended. Whilst this is based on expected Public Sector pay constraints, there is no guarantee that this will filter through to Local Government pay negotiations for 2021/22 and future years and thus result in additional costs.	<ul style="list-style-type: none"> <li>- Monitoring of pay award negotiations</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Identified available one off resources</li> </ul>
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.	<ul style="list-style-type: none"> <li>- Monitoring of inflation rates</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Identified available one off resources</li> </ul>
Reserves	Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified. This is particularly important to mitigate and smooth the COVID19 financial impact.	<ul style="list-style-type: none"> <li>- Reserves Policy</li> <li>- Identified available one off resources</li> </ul>
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.	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> </ul>