

**MEDIUM TERM FINANCIAL PLAN - FINANCIAL LANDSCAPE AND FORECASTS**  
**2021/22 TO 2022/23**

**Report of the Deputy Chief Executive, Corporate Director – Corporate and Support Services**

**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The purpose of the report is to update the Council's 2021/22 to 2022/23 Medium Term Financial Plan (MTFP) forecasts and assumptions as part of setting a robust and resilient budget and financial plan to meet the unprecedented uncertainty, volatility and risk within the financial landscape.
- 1.2 Updates to the MTFP have been presented to Cabinet throughout the year as the Council responds and recovers from the financial impact of Covid-19. As well as the local response, these updates have considered the announcements including the Provisional Local Government Finance Settlement (PLGFS) and further Covid-19 tier restrictions and subsequent national lockdown. Each update has retested the underpinning MTFP assumptions and forecasts and where appropriate revised them to ensure the Council's 2021/22 Budget and MTFP is robust and resilient. This report builds on those updates considering any further national and local changes impacting on the 2021/22 Budget and MTFP with a particular focus on the financial scarring impact assumptions linked to Covid-19 and the expected gradual lifting of restrictions meaning the recovery from these will be slower.
- 1.3 The report presents the Council's MTFP for the two financial years prior to it being recommended for approval at the Full Council meeting on 25 February 2021. Given the uncertainty, volatility and risk of the current financial landscape, the MTFP presented in this report has not been extended beyond 2022/23. The MTFP will continue to be updated regularly during 2021/22 and is an iterative process. This process of continually retesting the MTFP forecasts and assumptions is even more important given the need for the ongoing assessment of the financial impact of Covid-19 and a reflection of the national response to the pandemic and national economic crisis. Future iterations of the MTFP will also need to consider Government's budget announcement in March, the proposed spending review in the summer and the uncertainty about Local Government financing reforms.
- 1.4 This report needs to be read in conjunction with reports that have been presented to previous Cabinet meetings and those elsewhere on this agenda including:
  - MTFP Update – initial update setting out the forecast financial scarring impacts of the pandemic (presented to the Cabinet meeting on 6 October 2020);
  - MTFP Cabinet Response: Responding to our Medium Term Financial Plan setting out the Cabinet's initial response to the financial impact of the pandemic to deliver a resilient budget that enables transformation of

services to continue to meet the needs and aspirations for Stockport (presented to the Cabinet meeting on 6 October 2020);

- MTFP Cabinet Response: Responding to our Medium Term Financial Plan setting out the Cabinet's response to the updated MTFP following the Government's 2020 Spending Review and proposed saving proposals as part of setting a balanced 2021/22 Budget (presented to the Cabinet meeting on 22 December 2020);
- Stockport Billing Area – 2021/22 Council Tax Taxbase and Non Domestic Rates Forecast (presented to the Cabinet meeting on 22 December 2020);
- The 2020/21 Quarter 3 Budget Monitoring Update presented elsewhere of this agenda;
- The Council's 2021/22 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy presented elsewhere on this agenda; and
- The Council's 2021/22 Capital Strategy and Capital Programme presented elsewhere on this agenda.

## **2 DEVELOPMENTS DURING THE FINANCIAL YEAR**

### **Covid-19 Pandemic Financial Scarring Impact**

- 2.1 The Council's current estimate of the cost and loss of income as a result of the pandemic in 2020/21 is a circa £66.1m gross adverse financial impact. To date the Council has received £39.9m of Government support funding to mitigate the financial impact and support the national and local response and recovery.
- 2.2 As previously reported to Cabinet, the MTFP financial impact of the pandemic is significant and expected to be long lasting. Clearly this has been exacerbated by the tier 4 restrictions and subsequent national lockdown. In addition, the gradual lifting of restrictions following the lockdown will result in a slower than expected recovery and longer lasting financial scarring impacts. As set out in this report the MTFP forecasts of the expected financial scarring impacts have been revised on this basis. Whilst the in-year support funding from Government and continuation of support funding in 2021/22 is welcomed, the financial impact is expected to be long lasting extending beyond 2021/22 and in some areas may not recover fully. For this reason (and in the absence of a further Government support) the MTFP forecasts must reflect this significant financial challenge and risk to support the Section 151 Officer (Deputy Chief Executives and Corporate Directors – Corporate and Support Services) assessment of the robustness of the Council's 2021/22 Budget and MTFP.

### **MTFP Updates**

- 2.3 MTFP updates have been presented to Cabinet during the year to ensure the forecasts and assumptions underpinning the MTFP remain robust and support the setting of a balanced budget for 2021/22. This has included:
  - Review of the expected Covid-19 financial scarring impacts and impact further announcements made by Government in relation to continuing tier restrictions beyond the current national lockdown, particularly the impact on expected rental income linked to the Council's Investment and Development Account, expectations for the receipt of sales, fees and

charges income for Council services and continued deficit funding of the Council's leisure provision;

- Government announcements about the continuation of tier restrictions and the expected gradual lifting of these following the current national lockdown success of the vaccination programme roll-out;
- Review of the expenditure and demand pressures relating to all Cash Limit budgets including Children's and Adults Social Care and Education services. Spikes in service demand due to the pandemic is resulting in additional costs. This is particularly evident in Children's and Education services where the number of looked after children and need for family support is increasing. In addition, the provision of services such as SEN Transport require new more costly ways of working to ensure services are provided to vulnerable children in a Covid-19 secure way. These costs have become evident as part of the in-year budget monitoring and likely to have a full year impact in 2021/22 if not addressed;
- Continuing dialogue with providers of adult care relating to care package fees to understand step change increases to the fees expected by providers in 2021/22 and further support requirements in relation to infection control and safe provision of services to vulnerable adults. Officers are in discussions with providers to understand these additional pressures and their ask in terms of care package fees in 2021/22 to support them to deliver essential services to residents in a Covid-19 secure way;
- Review of the MTFP forecasts of future Council Tax and Business Rates income in light of the ongoing tier restrictions and lockdowns. The financial impact of these restrictions on individuals and businesses in terms of financial hardship, forced business closures and restricted movement of individuals is significant and will likely have an impact on the Collection Fund income that can be forecast to be collected in 2021/22 and 2022/23. A further example of this financial impact is the increasing number of rateable value appeals by businesses in relation to Material Change in Circumstances (MCC) as a result of the pandemic. Again, this could result in reductions to businesses rateable values and as a consequence reduction in Business Rates income that can be collected; and
- Monitoring of Government announcements in relation to the completed EU trade deal negotiations on 31 December 2020 to understand any financial impact on the Council.

2.4 The revised MTFP forecasts and assumptions are presented in the MTFP update position shown at Appendix 1.

### **2020 Spending Review**

2.5 The 2020 Spending Review was announced by Government on 25 November and was dominated by the ongoing costs of the national response to the Covid-19 pandemic. At the point of announcing the 2020 Spending Review, Government has spent £280bn in its response to the pandemic, with a further £55bn forecast to be spent in 2021/22. The funding is targeted at controlling and suppressing the virus, increasing support to public services and supporting jobs and businesses.

2.6 The announced national economic forecasts gave a clear indication of the significant and lasting impact the pandemic has had on the UK economic

outlook in relation to contraction in the expected economic growth of the country, increased unemployment and public sector net borrowing at the highest level in peacetime history. Several announcements were made in the 2020 Spending Review in relation to Local Government financing which were later confirmed in the Provisional Local Government Finance Settlement. One key announcement made related to Public Sector pay award in 2021/22:

- Confirmed pay rises for Nurses, Doctors and other NHS staff;
- Confirmed pay rise freeze in the rest of the public sector;
- To protect public sector staff on low income (less than £24k) a guarantee of a pay rise of at least £250 was announced; and
- An increase to the NLW of 2.2% to £8.91 per hour was announced.

2.7 Whilst it is recognised that Local Government pay awards are negotiated separately from those of Government Departments, it is expected that pay increases will be frozen for the majority of Local Government employees in 2021/22. On this basis the corporate contingency budget held to fund expected pay awards in 2021/22 was adjusted to reflect the above.

### **2021/22 Provisional Local Government Finance Settlement (PLGFS)**

2.8 The 2021/22 PLGFS was announced to Parliament by the Housing, Communities and Local Government Secretary, Rt Hon Robert Jenrick MP on 17 December 2020. As expected, the announcements made in the PLGFS follow those already made in the Government's 2020 Spending Review in November 2020 and provide further detail on funding allocation methodologies and proposed funding allocations to Local Authorities. Finance Officers have reviewed the main detail provided and updated the MTFP forecasts and assumptions.

2.9 The PLGFS confirmed the Local Government Core Spending Power (CSP) will increase by 4.5% (£2.2bn) as announced by Government in the 2020 Spending Review. This is a real-terms increase in resources and represents the third settlement in a row to increase resources in real terms. However, in calculating CSP, Government assumes that Local Authorities will increase Band D Council Tax by the maximum amount allowable without a referendum i.e. 5% in 2021/22, and that each Local Authority's Council Tax Taxbase has increased in line with their average Taxbase growth since 2016/17. It is noted by commentators<sup>1</sup> that *'87% of the increase in CSP is from council tax increases and is accompanied by relatively low increases in grant funding'* and *'very little of the new grant increases are funded with new money (estimate of only £150m within CSP is actually new funding). Almost all the increases are funded by using the New Homes Bonus (NHB) returned surplus i.e. the balance of the funding remaining nationally having paid the NHB grant to Authorities in 2021/22'*.

### **Council Tax Increase Referendum Limits**

2.10 The PLGFS confirms that the 2021/22 Council Tax increase referendum limits (increases allowed before triggering a local referendum) will be set as follows:

- 2% increase on the general element of Council Tax; and

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<sup>1</sup> Pixel Financial Management – Local Government financing and funding advisory service.

- 3% increase on the Adult Social Care Precept element of Council Tax. As announced in the 2020 Spending Review, the Council has the flexibility to defer an element of the Adult Social Care Precept increase to 2022/23.

2.11 The financial position and situation faced by the Council is truly unprecedented and there exists material and significant uncertainty, volatility and risk that could impact on the Council's financial position over the medium term period. It is recognised and understood that Council Tax increases impact on residents, but such increases have a crucial role in stabilising the Council's financial position and its ability to address the financial challenges whilst continuing to provide essential services to residents. It is important for Members to note that the Government assumes Local Authorities will increase Council Tax by the full allowable increase each year in its assessment of Local Authority Core Spending Power. Furthermore, the Government also assumes that Authorities will raise the Adult Social Care Precept by the full allowable amount as part of the allocation basis for social care funding.

### **Settlement Funding Assessment - Business Rates Multiplier**

2.12 Government use the confirmed Business Rates multiplier increase to set the Settlement Funding Assessment for each Authority - Revenue Support Grant (RSG) and Business Rates Baseline Funding Level. The September CPI inflation rate is applied to the Business Rates multiplier each year to set the multiplier increase for the next financial year. As part of its continuing support of businesses, Government confirmed there would be no increase to the Business Rates multiplier in 2021/22 despite a September CPI inflation rate of 0.55%. This impacts on the forecast of the Council's 2021/22 Business Rates Baseline Funding Level which assumed a 2% multiplier increase.

2.13 RSG has increased by the September CPI inflation rate, but again this is compared to the assumed 2% increase. Although the Council doesn't receive RSG as part of the 100% Business Rates Retention Pilot, the Government's freeze of the Business Rates multiplier does impact on the Council Business Rates budget forecasts which are based on its 50% retention baseline. The MTFP has been updated to reflect the change to the Business Rates income forecasts as a result of the above (see paragraph 3.3).

### **Adult Social Care Funding**

2.14 The proposed allocation of the additional £300m social care funding announced in the 2020 Spending Review has been released. This shows the Government's intention to equalise the funding across Local Authorities on the basis of their ability to raise income from the Adult Social Care Precept. On this basis, £240m (75%) of the additional funding has been equalised with the balance allocated based on the Adults Relative Needs Formula (RNF). The Council's proposed funding allocation is £0.826m. Whilst some form of equalisation was expected in the MTFP Update report presented to Cabinet in December, this is a greater amount resulting in an adverse adjustment of £0.374m.

### **New Homes Bonus (NHB)**

2.15 The Council will receive £0.058m NHB grant in 2021/22 in relation to the affordable homes' premium element of the grant allocation. This reflects the growth of affordable housing during 2020/21 of 165 affordable homes.

## **Lower Tier Services Grant**

- 2.16 The Council will receive a funding allocation of £0.317m from its settlement funding assessment allocation of this grant to support the costs of lower tier Local Authority responsibilities including homelessness, planning, recycling and refuse collection, and leisure services. This is one-off grant that will be received in 2021/22 only.

## **2021/22 Covid-19 Support Funding**

- 2.17 The PLGFS announced financial support funding packages to support Local Authorities continuing response and recovery from the financial impact of the pandemic in 2021/22 including:

**Covid-19 Support Grant** – proposed allocation of general support funding announced in the 2020 Spending Review using the Covid-19 RNF used for the Tranche 3 and 4 funding allocations during 2020/21. The Council's proposed allocation is £7.629m which is a favourable adjustment of £0.096m compared to the MTFP Update forecast in December – this is due to a higher % allocation of the funding based on the Covid-19 RNF. Funding allocations are expected to be paid to Local Authorities in April 2021.

**Covid-19 Support for Households (Collection Fund Support)** – £670m of additional grant funding nationally that was initially announced in the 2020 Spending Review. Billing Authorities will receive an allocation in recognition of the lost income as a result of providing local Council Tax support to vulnerable households. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

**Covid-19 Compensation for Local Taxation Income Losses** – £762m of funding to compensate Local Authorities for 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2020/21 that would otherwise need to be funded through Local Authority budgets in 2021/22 and later years. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

**Covid-19 Sales, Fees and Charges Income Loss Compensation** – proposed continuation of the income loss compensation scheme used in 2020/21 is continued for the first quarter of 2021/22. The scheme would again feature a 5% deductible rate, whereby losses up to 5% of planned sales, fees and charges income against the chosen baseline (subject to consultation) are funded by Local Authorities. Government will then compensate for 75p in every pound of relevant income loss thereafter. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

## **Final Local Government Finance Settlement (FLGFS)**

- 2.18 The consultation period for the PLGFS ended on 16 January 2021. The FLGFS is expected to be announced by Government in February.

## **2020/21 Forecast Revenue Outturn Position**

- 2.19 As reported in the 2020/21 Quarter 3 Budget Monitoring Update report presented elsewhere on this agenda, the forecast outturn position for Cash Limit and Non-Cash Limit budgets is a deficit of £24.765m. This deficit is directly linked to cost pressures and income losses as a result of the pandemic. The deficit is mainly offset by Covid-19 related grants received from Government totalling £24.421m, reducing the Council's revenue budget deficit to £0.344m.
- 2.20 With further claims for Sales, Fees and Charges income loss compensation to be made and confirmed by Government and potential for further grant funding to be received from Government in-year, this could result in a positive outturn position i.e. surplus balance. However, it is noted that the forecast includes £2.355m of one-off resources relating to the GMCA return of waste reserve which have helped to balance the in-year position. In addition, the unprecedented uncertainty, volatility and risk within the financial landscape the position at Quarter 3 means the forecasts are subject to change – favourable and adverse. Finance Officers will continue to monitor the position as part of the 2020/21 outturn and to inform the Council's 2021/22 Budget and MTFP.
- 2.21 As detailed in the Quarter 3 report, the Council has received a £4.066m funding allocation from the Government's Contain Outbreak Management Fund. The conditions on the use of the funding provide flexibility aligned to the overarching principle that the funding should be used to support the Council's outbreak management action and response. Three areas of investment have been identified aligned to the funding conditions:
- Immediate cost of response (interventions, test & trace and backfilling to support additional capacity requirements) - £1.755m;
  - Investment linked to Adult Social Care Care Management Providers (detailed in 2021/22 Provider fee setting report) - £1m; and
  - Investment requirement for identified vulnerable groups/inequalities - £1.311m.
- 2.22 The above investments will continue to be reviewed and finalised dependent upon the duration of restrictions and the expected gradual lifting of these and the continuation of funding allocations as a result.

## **Council Tax Taxbase**

- 2.23 The Council's 2021/22 Council Tax Taxbase was approved at the Full Council meeting on 22 December 2021. The 2021/22 Council Tax Taxbase was set at 95,945.1 Band D equivalent dwellings for budget setting purposes. As already reported in previous MTFP Updates to Cabinet, this results in a reduction in the forecast Council Tax income of £1.102m in 2021/22 (assuming no Council Tax increase). The reduction mainly reflects the larger numbers of dwellings becoming entitled to Local Council Tax Support as a result of the financial impact of the pandemic on Stockport residents. It is expected that the increased LCTS numbers will continue in 2021/22 as Government support schemes such as Furlough and Job Retention Scheme end.

## **2021/22 Waste and Transport Levies**

2.24 The GMCA sets the levies chargeable to the Council for Waste Disposal and Transport. These levies are impacted by population changes, Council Tax Taxbase changes, estimated waste disposal tonnages and inflation and need to be compared to the assumptions already made in the MTFP. As part of the 2021/22 GMCA budget setting process the Council has received indicative notification of the 2021/22 levies:

- A 4% reduction on the Council's Waste Disposal Levy in 2021/22; and
- A freeze on the Council's Transport Levy in 2021/22.

2.25 Previous MTFP Updates to Cabinet reflected an expected favourable adjustment of £0.348m aligned to the assumed Waste Disposal Levy reduction. Based on the above this adjustment can be increased to £0.781m resulting in a further favourable adjustment of £0.433m.

2.26 Members are reminded that a number of risks remain in both areas which could impact on the levies payable by the Council over the medium term period. The Council alongside the other Greater Manchester Authorities continues to work with the GMCA to understand the implications of the GMCA's budget setting process in each of these areas and the impact this has on the Council's MTFP. The final 2021/22 Waste and Transport levies will be approved in mid-February as part of the GMCA's 2021/22 budget setting process. The GMCA budget setting process is completed in consultation with the Greater Manchester Authority Leaders providing further scrutiny.

## **Greater Manchester 100% Business Rates Retention Pilot**

2.27 In line with the announcement in the 2020 Spending Review, the Council will continue to be part of the Greater Manchester 100% Business Rates Retention Pilot in 2021/22 underpinned by the 'No Detriment' guarantee.

## **Greater Manchester and Cheshire Business Rates Pool**

2.28 Each year the Council alongside the other Greater Manchester and Cheshire Authorities has to make a decision about the continuation of the Greater Manchester and Cheshire Business Rates Pool. The key risk of the pooling arrangement is the liability to fund safety net payments as a result of Business Rates income losses; if the Pool as a whole hits safety net Government funds each Authorities safety net payment, but if individual Authorities hit safety net (not the Pool as a whole) the other Authorities within the Pool are required to fund the safety net payment. Due to the financial impact of the pandemic on in-year Business Rates collection the risk of Authorities not being able to collect sufficient Business Rates income in 2021/22 and thus requiring a safety net payment (and as a result the other Pool Authorities having to fund this) is increased.

2.29 Based on the above, the Deputy Chief Executive, Corporate Director – Corporate and Support Services in consultation with the Cabinet Member for Resources, Commissioning and Governance has confirmed the Council's agreement to dissolve the Greater Manchester and Cheshire Business Rates Pool in 2021/22. Dissolving the Pool does not impact on the continuation of the



100% Pilot in 2021/22. This position is in line with all other Greater Manchester Authorities.

### **Enabling Transformation and MTFP Strategy**

2.30 Despite the uncertain financial landscape and the legacy of the Covid-19 financial impact extending into 2021/22 and beyond, the Council remains committed to developing its MTFP Strategy to address the financial challenge over the medium term period. Addressing the challenge through service transformation will require future critical review of all services and bold decisions to ensure resilience whilst building back better. Key to this is the MTFP Strategy and the framework it provides for decision making.

2.31 The delivery of the MTFP Strategy and resulting transformation needs the Council to have a robust and resilient budget and MTFP that provides a stable financial platform in future years to enable this transformation. To support the delivery of this stable financial platform, the Cabinet meeting on 22 December 2020 approved saving proposals totalling £1.482m. Further details of the approved saving proposals can be found in the MTFP Cabinet Response: Responding to Our Medium Term Financial Plan report presented to the Cabinet meeting on 22 December 2020.

2.32 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 Section 151 Officer 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 Section 151 Officer. This risk assessment will be completed as part of the budget setting process.
- Using the Council's reserves linked to the budget such as the Double Running Investment Reserve to phase the implementation of savings proposals providing time for service transformation plans to be embedded; and
- Providing further support from available one-off resources identified as part of the MTFP Update report to Cabinet.

### **Schools Finance Settlement**

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

### **Housing Revenue Account (HRA) 2021/22 Budget and Rent Levels**

2.34 The proposed 2021/22 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 22 December 2020 is shown below:

**Table 1 – Council's Savings Requirement 2021/22 to 2022/23**

	2021/22 £000	2022/23 £000
Annual Saving Requirement	8,115	26,802
Cumulative Saving Requirement	8,115	34,917

- 3.2 The calculation of the future year's savings requirement is based upon a number of assumptions relating to identified expenditure pressures. These pressures relate to expected changes in legislation, Government Policy, economic outlook and local priorities. The table below shows the changes to the 2021/22 savings requirement since the Cabinet meeting on 22 December 2020. 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 2 – Changes to the Council's 2021/22 Savings Requirement**

	2021/22 £000
<b>MTFP Cumulative Savings Requirement @ 22 December</b>	<b>8,115</b>
<b>Favourable MTFP Adjustments</b>	
Approved Saving Proposals	(1,482)
Waste and Transport Levies	(433)
<b>Adverse MTFP Adjustments</b>	
Business Rates Revised Forecast	741
Investment and Development Account Covid-19 Financial Scarring Impact	1,940
Leisure Deficit Funding	1,648
Other MTFP Adjustments	73
Collection Fund Covid-19 Support (subject to consultation)	(3,432)
Collection Fund Covid-19 Support – 2020/21 Irrecoverable Income Loss Compensation*	478
Provisional Settlement Forecast Adjustments	(97)
<b>MTFP Cumulative Savings Requirement @ 9 February</b>	<b>7,551</b>

- 3.3 The revised MTFP cumulative savings requirement includes the following changes to forecast and assumptions:

**Business Rates Income Forecasts** – Business Rates forecasting can be very complex and volatile evidenced by the Government's ongoing consultation on Business Rates Retention system. 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. An example of this is the increasing number of Material Change in Circumstances appeals linked to the impact of the pandemic.

The Business Rates income forecast, was included in the Stockport Billing Area – 2021/22 Council Tax Taxbase and Non-Domestic Rates Forecast report presented to Cabinet on 22 December 2020. This reflected an adverse adjustment to the income forecast of £0.741m. Whilst this was based on the in-year Business Rates monitoring, it was noted that the forecast was subject to the completion of the Council's 2021/22 NNDR1 (Business Rates budget) return and thus was not included in the MTFP. The NNDR1 return was completed and returned to MHCLG on 31 January 2021. No significant and material differences between the forecasts and the NNDR1 have been identified. As a result, the 2021/22 forecast Business Rates income and the 2021/22 100% Business Rates Retention Pilot benefit forecast remain as reported to Cabinet in December and the MTFP forecasts have been updated.

**Investment and Development Account Rental Income Forecasts** – the continuing closures and restrictions placed on retail, hospitality and leisure is creating difficult operating conditions for affected businesses across the Borough. Despite the Business Rates reliefs and Government's business support grants, for retail particularly, there is an increase in CVA's (Company Voluntary Arrangements), store closures and businesses going into administration as a result of the financial impact of the pandemic – most recently Debenhams. In the absence of any further Government support and gradual lifting of restrictions it is likely that this trend will continue, and the financial impact materialise in 2021/22. Following modelling of scenarios of the expected financial impact on the Council's Investment and Development Account in terms of the rental income and expenditure forecasts, an adverse adjustment of £1.940m has been made to the MTFP forecasts.

**Ongoing Support Funding of the Council's Leisure Provision** – previous MTFP updates assumed that the Council's support funding of its leisure provision would be contained within 2020/21. However, in light of the current national lockdown and expected gradual lifting of restrictions in 2021/22, it was prudent to retest this assumption. As a result, an adverse adjustment of £1.648m has been made to the MTFP forecasts.

**Collection Fund Covid-19 Support** – as part of the PLGFS, Government released the proposed methodologies of the Collection Fund support to mitigate the impact of irrecoverable Council Tax and Business Rates income losses in 2020/21 and 2021/22. Based on these methodologies, indicative funding allocations have been calculated as follows:

- **Covid-19 Support for Households** – the Council's indicative funding allocation is £3.432m in 2021/22 only, in recognition of the increasing demand on local Council Tax support to vulnerable households. A favourable adjustment reflecting the indicative funding allocation has been included in the MTFP.
- **Covid-19 Compensation for Local Taxation Income Losses** – based on the proposed methodology an indicative funding allocation of £1.4m has

been calculated to reflect the funding of the irrecoverable income losses (as defined by Government) in 2020/21. The MTFP Update presented to Cabinet in December assumed a £1.878m funding allocation in each of the next three years aligned to the three-year spreading of the Collection Fund deficit. As a result, an adverse adjustment of £0.478m has been made to the MTFP in 2021/22. As this funding will be accounted for in 2020/21, it is reflected as an appropriation from the Collection Fund Reserve in 2021/22 on the MTFP shown in Appendix 1.

- **Provisional Settlement Forecast Adjustments** – MTFP forecast funding adjustments following the PLGFS as detailed above.

### Allocation of Corporate Contingency Budgets

- 3.4 The impact of increasing demand, demographics and inflationary costs continues to create budgetary pressures particularly in relation to the provision of social care services. To ensure the Council's 2021/22 Budget and MTFP is set on a robust and resilient basis these identified pressures need to be addressed on a permanent basis. It is therefore recommended that £8.493m of corporate contingency budgets are earmarked and allocated to Cash Limit budgets as part of the 2021/22 budget setting process; £5.511m to be allocated from 1 April, £2.982m to be held in Corporate Contingencies and allocated as costs are incurred during the financial year.
- 3.5 The table below shows the proposed allocation:

**Table 3 – Proposed Allocation of Corporate Contingencies**

	Adult Social Care	Children and Families Services (incl Education)	Other*	Total
	£000s	£000s	£000s	£000s
<b>Amounts Allocated at Budget Setting:</b>				
Corporate Contingency Inflation - Price	1,646	383	323	<b>2,352</b>
Corporate Contingency - National Living Wage	1,131	0	0	<b>1,131</b>
Corporate Contingency Demand Pressures	0	2,028	0	<b>2,028</b>
<b>Total Amounts Allocated at Budget Setting</b>	<b>2,777</b>	<b>2,411</b>	<b>323</b>	<b>5,511</b>
<b>Amounts Held at Budget Setting:</b>				
Corporate Contingency Inflation - Price	343	0	798	1,141
Corporate Contingency - National Living Wage	369	0	0	369
Corporate Contingency Demand Pressures	1,000	472	0	1,472
<b>Total Amounts Held at Budget Setting</b>	<b>1,712</b>	<b>472</b>	<b>798</b>	<b>2,982</b>
<b>Total</b>	<b>4,489</b>	<b>2,883</b>	<b>1,121</b>	<b>8,493</b>

*\*This mainly relates to Place Directorate contracts and will be held in corporate contingencies and allocated during the financial year as costs are incurred*

- 3.6 A balance of £1.976m will be held in corporate contingencies to fund corporate costs and/or allocated to Cash Limit and Non Cash Limit budgets during the year as costs are incurred (this includes carry forward of unallocated 2020/21 corporate contingency budgets). It is normal practice to hold contingency

budgets corporately in this way to ensure the Council's budget and MTFP is set on a robust basis.

### **Covid-19 Financial Scarring Impacts**

- 3.7 During the year Finance Officers have worked with colleagues to understand the extent of the Covid-19 financial scarring impacts on the Council. These forecasts and assumptions have been continually reviewed in the light of Government announcements on periods of national lockdowns, continuing tier restrictions and the gradual lifting of these, and the roll-out of the vaccination programme. The MTFP includes £11.197m budget set aside to meet the expected financial impact. However, given the uncertainty about the ongoing national response to the pandemic and the impact on the national and local economy it is recommended that these budgets are held corporately and allocated as costs are incurred. If these budgets are not needed (in full or part) then they can be released in future years when prudent to do so.
- 3.8 The areas covered by the Covid-19 Financial Scarring Impacts contingency budget are:

- Increase costs of services provision and commissioning linked to Adult Social Care;
- Sales, fees and charges income losses not covered by the Government's income loss compensations scheme;
- Investment and Development Account commercial income losses (rental income and associated costs); and
- Leisure provision deficit funding.

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

- 3.9 Taking all of the above into account and assuming all saving proposals are approved, the Council has a saving requirement of £7.551m in 2021/22 rising to £31.404m in 2022/23.
- 3.10 The table below shows the Council's 2021/22 budget position:

**Table 4 – 2021/22 Budget Position as at 9 February 2021**

	<b>2021/22 £000</b>
<b><u>Resources</u></b>	
Council Tax Income	147,761
Adult Social Care Precept	14,456
Business Rates Income	77,465
Business Rates Tariff	(16,673)
Grants in lieu of Business Rates	11,807
New Homes Bonus Grant	881
Better Care Fund Allocation	6,333
Social Care Grant	7,841
Lower Tier Services Grant	317
Collection Fund Balance Distribution	1,012
Collection Fund 100% Business Rates Benefit	3,622
Covid-19 General Support Funding	7,629
Covid-19 Collection Fund Support Funding	3,432
Covid-19 Sales, Fees and Charges Support Funding	494
Covid-19 Collection Fund Deficit Deferral	(2,504)
	<b>263,873</b>
<b><u>Expenditure</u></b>	
Cash Limits	195,682
Pay Inflation	168
Inflation - Price and National Living Wage	2,907
Demand Pressures	1,472
Apprenticeship Levy	411
Covid-19 Financial Scarring Impacts	11,197
Non-Cash Limits	60,987
	<b>272,824</b>
<b>Cumulative Savings Requirement</b>	<b>8,951</b>
Appropriation from Reserves - Collection Fund Financial Impact Smoothing	(1,400)
<b>Cumulative Savings Requirement as at 9 February 2021</b>	<b>7,551</b>

3.11 Members are reminded that the MTFP forecasts presented are based on the best information available at the time of writing this report. The updated 2021/22 to 2022/23 MTFP is shown in Appendix 1.

### **Council Tax**

3.12 The MTFP position presented above assumes no increase in Council Tax in 2021/22 and future years. As confirmed in the PLGFS, Local Authorities will have the flexibility to increase the Adult Social Care Precept by 3% in 2021/22 (with an option to defer all or an element of the allowable increase to 2022/23). Government expect this flexibility to be used *to ‘support councils to maintain care services while keeping up with rising demand and recovering from the impact of Covid-19’*. In addition, Local Authorities will also have the flexibility to increase the general element of Council Tax in 2021/22 by 2%.

- 3.13 Therefore, a total Council Tax increase (before the Mayoral Precepts) of 4.99% is allowable in 2021/22 before requiring a local referendum. The table below provides an illustration of the additional Council Tax income generated at different levels of increase and the favourable adjustment this has on the Council's revised 2021/22 savings requirement.

**Table 5 – Illustration of Council Tax Increase**

	<b>2021/22 Council Tax Income £000</b>	<b>2021/22 Savings Requirement £000</b>
<b>Council Tax Off</b>	<b>0</b>	<b>7,551</b>
Council Tax On - 2%	3,244	4,307
Council Tax On - 3%	4,867	2,684
Council Tax On - 4%	6,489	1,062
Council Tax On - 4.99%	8,095	(584)

- 3.14 It is recommended that the Cabinet's proposed 2021/22 Council Tax increase is presented to the Cabinet meeting in February as part of the proposed 2021/22 Budget recommended for approval by the Council meeting on 25 February 2021. In proposing the Council Tax increase, Members are reminded that Government assumes Authorities will increase Council Tax by the full allowable increase each year in its assessment of Authorities Core Spending Power. Thus, any increase below the allowable 4.99% will represent income forgone. In addition, this would leave a saving requirement in 2021/22 that would need to be addressed to set a balanced budget.

#### **2021/22 Mayoral Precepts**

- 3.15 Whilst the decision on Mayoral 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. The Mayoral Police and Crime Commissioner Precept referendum limit is set at a maximum £15 increase. The Mayoral General (including Fire) Precept does not have a referendum limit set by Government.
- 3.16 Confirmation of both Mayoral Precepts is expected by mid-February.

## **4 RISK ASSESSMENT**

- 4.1 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 financial impact of the Covid-19 pandemic and the expected gradual lifting of restrictions resulting in longer lasting financial scarring impacts has exacerbated this.
- 4.2 Careful management and identification of these risks will be essential and updates to the MTFP forecasts and assumptions will need to be continual during 2021/22. The revised MTFP ensures that Members and Senior Officers have an

informed financial basis on which to make decisions by forecasting the main changes anticipated over the medium term period based on the best available information. However, as Covid-19 pandemic has demonstrated the financial landscape can change quickly. The Council's Finance Team will continue to monitor the assumptions and forecasts that underpin the MTFP to ensure they are based on the latest information available.

- 4.3 Full details of the MTFP risks are included at Appendix 3 for information.

### **Risk Assessment of Budget Proposals**

- 4.4 Under Section 25 of the Local Government Act 2003, the Section 151 Officer 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 Section 151 Officer.

## **5 MITIGATING THE RISKS**

### **Unallocated One-Off Resources**

- 5.1 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.
- 5.2 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.

### **General Fund Balance**

- 5.3 The Council's Section 151 Officer is required to prepare a statement on the adequacy of the proposed financial reserves and the robustness of the budget estimates. As detailed in this report, the financial position and situation faced by the Council is unprecedented. Based on the Section 151 Officers risk assessment it is recommended that the Council's General Fund Balance is increased by £4.983m in recognition of the risks to the Council's financial position over the medium term period. The Section 151 Officers risk assessment is presented in the 2021/22 Cabinet Revenue Budget report presented elsewhere on this agenda. It is hoped that as restrictions are lifted, and the national vaccination programme is rolled out providing national stability this balance can be reduced.

### **Reserves Policy**

- 5.4 The Cabinet approved the 2020/21 Reserves Policy for the Council at its meeting on 6 October 2020. The Policy sets out the priority areas linked to the Council's corporate and strategic objectives for which it was recommended



reserves should be held. The Policy also considered the Covid-19 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.

- 5.5 The use of earmarked reserves provides a temporary short term measure to mitigate and smooth the financial impact as the Council responds and recovers from the pandemic. 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 Covid-19 financial impact will present an opportunity cost to the Council. However, it is also recognised that by resources held in reserves can be used to protect and recover the Stockport economy, support residents, and maintain and develop services to our communities.
- 5.6 The Reserves Policy recommended that the use of earmarked reserves over the medium term period 2021/22 to 2022/23 was considered as a last resort and capped at £20m (after which a further review of earmarked reserves would be needed). It is recommended that up to £10m of this resource is used to support the 2022/23 savings requirement with the remaining £10m available to support (if needed) the Council's 2020/21 outturn position, Cabinet's proposed 2021/22 Revenue Budget and the Section 151 Officer's risk assessment of the budget. 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 2020/21 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.

## **6 CONCLUSIONS**

- 6.1 The scale of the financial challenge facing the Council in the medium term remains significant. The MTFP forecasts and assumptions will continue to be reviewed alongside the FLGFS expected in February, prior to the MTFP being presented to the Budget Council meeting for approval.
- 6.2 The Cabinet is recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2021/22 Budget. 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 MTFP this will only temporarily reduce the Council's savings requirement in future years.

## **7 RECOMMENDATIONS**

- 7.1 The Cabinet is recommended to:
- Note the details of the 2021/22 Provisional Local Government Finance Settlement and the expected date of the announcement of the Final Local Government Finance Settlement;

- Note, and comment upon as appropriate, the financial forecasts for 2021/22 to 2022/23;
- Note and approve the indicative budget adjustments since the MTFP Update presented to the Cabinet meeting on 22 December 2020 resulting in savings requirement of £7.551m in 2021/22;
- Approve the allocation of £5.511m of the corporate contingency budgets to Cash Limit budgets as part of the budget setting process as set out in paragraphs 3.4 to 3.6;
- Note the Section 151 Officer recommendation to increase the Council's General Fund Balance by £4.983m in 2021/22 aligned to his risk assessment of the budget and the adequacy of reserves and balances to support the 2021/22 Budget; and
- Take the necessary steps to propose a final balanced 2021/22 Budget including the proposed Council Tax increase to be recommended for approval at the Council meeting on 25 February 2021.

### 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 – 2021/22 to 2022/23 Medium Term Financial Plan

	2021/22 £000	2022/23 £000
<b><u>Resources</u></b>		
Council Tax Income	147,761	148,309
Adult Social Care Precept	14,456	14,510
Business Rates Income	77,465	58,047
Business Rates Tariff	(16,673)	4,633
Grants in lieu of Business Rates	11,807	10,442
New Homes Bonus Grant	881	716
Better Care Fund Allocation	6,333	6,333
Social Care Grant	7,841	7,841
Lower Tier Services Grant	317	0
Collection Fund Balance Distribution	1,012	0
Collection Fund 100% Business Rates Benefit	3,622	0
Covid-19 General Support Funding	7,629	0
Covid-19 Collection Fund Support Funding	3,432	0
Covid-19 Sales, Fees and Charges Support Funding	494	0
Covid-19 Collection Fund Deficit Deferral	(2,504)	(2,504)
	<b>263,873</b>	<b>248,327</b>
<b><u>Expenditure</u></b>		
Cash Limits	195,682	196,397
Pay Inflation	168	2,219
Inflation - Price and National Living Wage	2,907	8,333
Demand Pressures	1,472	3,472
Apprenticeship Levy	411	419
Covid-19 Financial Scarring Impacts	11,197	9,474
Non-Cash Limits	60,987	59,416
	<b>272,824</b>	<b>279,730</b>
<b>Cumulative Savings Requirement</b>	<b>8,951</b>	<b>31,403</b>
Appropriation from Reserves - Collection Fund Irrecoverable Losses Compensation	(1,400)	0
<b>Cumulative Savings Requirement as at 9 February 2021</b>	<b>7,551</b>	<b>31,403</b>

**Appendix 1 (continued) – 2021/22 to 2022/23 Medium Term Financial Plan Underlying Assumptions**

<b>Assumptions</b>	<b>2021/22</b>	<b>2022/23</b>
SMBC Council Tax General Increase	0.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	0.00%	0.00%
Pay Award	0.00%	2.00%
Price Inflation (unless specific contract rate)	2.00%	2.00%
Employer's Pension Contribution	19.80%	19.80%
Employer's Pension Contribution - After Advance Payment of Pension	18.79%	18.79%
GMCA Waste Disposal Levy	-4.04%	1.28%
GMCA Transport Levy	0.00%	1.00%
GMCA Statutory Charge	0.00%	1.00%

## Appendix 2 – Medium Term Financial Plan Changes 27 February 2020 to 9 February 2021

	2021/22 £000	2022/23 £000
<b>Savings Requirement Approved on 27 February 2020</b>	<b>8,743</b>	<b>17,031</b>
<b>MTFP Forecasts and Assumption Changes</b>		
Pay Inflation Freeze in 2021/22	(3,010)	(3,230)
Pay Inflation Revised Assumption 2022/23	0	(845)
Price Inflation Forecast Adjustment	554	573
Better Care Fund Inflationary Uplift Adjustment	(750)	(750)
Borrowing Costs Forecast	(868)	(1,369)
Waste and Transport Levy Adjustment	(781)	(935)
Council Tax Taxbase Income Forecast	1,102	1,102
Business Rates Income Forecast	741	1,676
Other MTFP Adjustments	73	142
<b>Covid-19 Financial Scarring Impacts</b>		
Increase of Service Provision/Commissioning due to Covid-19	1,194	1,194
Sales, Fees and Charges Income Losses	3,100	2,096
Commercial Income Losses - Investment and Development Account	5,255	5,914
Commercial Income Losses - Airport Dividend Income	6,408	6,408
Leisure Deficit Funding	1,648	270
Collection Fund Income Losses	2,504	2,504
<b>2020 Spending Review and Settlement Adjustments</b>		
Covid-19 Support Funding	(7,629)	0
Sales, Fees and Charges Income Loss Compensation	(494)	0
Additional Social Care Grant	(826)	(826)
Council Tax Support Grant	(3,432)	0
New Homes Bonus - Affordable Homes Premium	(58)	0
Lower Tier Service Grant	(317)	0
<b>Additional Expenditure Pressures</b>		
Demand Pressures including Children's and Education Investment, SEND	1,500	1,500
Microsoft Enterprise Agreement/Continuation of Netcall	290	310
Education Psychology Service Capacity	120	120
<b>Cabinet Savings Proposals</b>		
Approved 2021/22 Saving Proposals	(1,482)	(1,482)
<b>One Off Resources</b>		
Collection Fund Distribution	(1,012)	0
Business Rates 2020/21 100% Pilot Benefit	(3,622)	0
Appropriation from Reserves - Collection Fund 2020/21 Irrecoverable Losses Compensation	(1,400)	0
<b>Revised Savings Requirement 9 February 2021</b>	<b>7,551</b>	<b>31,403</b>

### Appendix 3 – MTFP Risk Assessment

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>

Risk Identified	Risk	Risk Mitigation
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>
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>

Risk Identified	Risk	Risk Mitigation
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 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	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>
Devolution	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.	<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>



Risk Identified	Risk	Risk Mitigation
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>
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>

Risk Identified	Risk	Risk Mitigation
Levies	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.	<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	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.	<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	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.	<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>
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>

Risk Identified	Risk	Risk Mitigation
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>

