

2021/22 CABINET REVENUE BUDGET

Report of the Leader of the Council and Cabinet Member for Resources, Commissioning and Governance

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 The purpose of the report is to present the 2021/22 Cabinet Revenue Budget for approval. It also outlines the Council's financial outlook and significant challenges across the medium term period 2021/22 to 2022/23 as our response and recovery from the pandemic continues. The report highlights the overarching priorities and desired outcomes upon which the Cabinet has based its budget proposals, and which form the basis of the updated Council Plan included elsewhere on this agenda.
- 1.2 This report needs to be considered in conjunction with the Deputy Chief Executive, Corporate Director – Corporate and Support Services Medium Term Financial Plan – Financial Landscape and Forecasts 2021/22 to 2022/23 report (MTFP Update report) presented elsewhere on this agenda. This report clearly sets out the forecasts and assumptions underpinning the Council's MTFP and the budget challenges facing the Council over the medium term period. It highlights the unprecedented uncertainty, volatility and risk inherent within the financial landscape as the national and local economy recovers from the significant financial impact of Covid-19.
- 1.3 This report also takes account of other reports that have been presented to previous Cabinet meetings and those presented 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.

1.4 Our proposed 2021/22 Budget and updated MTFP forecasts take account of a number of factors including:

- The 2020/21 Quarter 3 revenue budget and Capital Programme monitoring position;
- Government announcements as part of its national response to the pandemic about continuing tier restrictions, national lockdowns and the expected gradual lifting of these restrictions in 2021/22;
- The issues, challenges and financial prospects facing the Council in 2021/22 and 2022/23;
- The approved saving proposals for 2021/22 to support the balancing of the Council's budget;
- The 2021/22 Provisional Local Government Finance Settlement announced by Government (subject to confirmation in the Final Local Government Finance Settlement expected to be announced by Government in February);
- Use of one-off resources to support the recovery of the Borough through a number of positive investment decisions aligned to our priorities;
- The Council Tax Taxbase approved at the Council meeting on 21 January; and
- Our proposed Council Tax increase in 2021/22 balancing the need to set a stable budget to support the Council's recovery process and enables our transformation priorities as part of this whilst understanding the impact this has on our residents.

2. COUNCIL PLAN

2.1 The Council Plan, presented elsewhere on this agenda, accompanies our proposed 2021/22 Budget and sets a high-level framework for decision making throughout the financial year. It is a public-facing summary document that sits above the annual Portfolio Performance and Resource Agreements that set out the key performance measure for each Portfolio area of the Council. The 2021/22 Council Plan keeps the existing framework of our 5 Year Borough Plan – setting out our priorities, objectives and delivery plans in relation to the 4 shared outcomes:

- Stockport people are able to make positive choices and be independent and those who need support to get it.
- Stockport benefits from a thriving economy.
- Stockport is a place people want to live.
- Stockport communities are safe, resilient and inclusive.

2.2 The plan also describes how we'll work, as a modern, person centred and ambitious organisation, to deliver our priorities through four unifying themes:

- We are a council that is built around our communities;
- We are a council that maximises the opportunities of digital;
- We are a council that values partnerships and collaboration; and
- We are a council that cares about our staff and engages them in the future.

2.3 This year's plan has been developed amidst the Covid-19 pandemic and our ongoing response and recovery activity is prominent across our priorities. It brings together the positives that have been prominent in our response – particularly the joint work and collaboration – towards building a hopeful and ambitious future for Stockport. Alongside developing our organisational plan, we've been working with partners across Stockport to develop a new Borough Plan. The insight captured from continuing engagement with local communities, businesses, public sector partners and elected members will shape our longer-term shared vision during 2021/22, which will be reflected in next year's Council Plan.

2.4 Progress in delivering the Council Plan priorities will be reported over the course of the year through our Portfolio Performance and Resource Agreements along with our Performance Dashboards.

3. CONTEXT

3.1 During 2020 we have witnessed the inspirational response of local communities, businesses and partners across Stockport in the face of unprecedented challenges of a global pandemic - affecting all facets of people's lives. We know that for many in our communities this period has also been a time of struggle and that whilst coming together as a community, many have been apart from loved ones experiencing difficult circumstances.

3.2 As we have stated previously the financial impact of the pandemic has been unprecedented, with the financial scarring impacts being evident in 2021/22 and beyond as restrictions are gradually lifted and the pace of recovery slowed whilst the national vaccination programme is rolled out. The financial landscape ahead for local public services has never been more uncertain, volatile and inherent with risk. The ongoing lack of clarity regarding medium term Local Government financing, including the unresolved challenge of adult social care financing, coupled with the ongoing response to the pandemic, the post Brexit impact on the national economy, global economic crisis, the effects of climate change and exacerbated inequalities make for a period of significant uncertainty, risk and complexity.

3.3 It is within this context that we are shaping our response to the MTFP. Within the Council Plan we have presented how we are planning to continue to reshape how we work, developing our new narrative for the Council, building on the positives of the response across the Borough over the last 12 months reflecting the aspirations of One Stockport and responding to the ambitions and expectations of our communities, partners and workforce. We know we need to be radical and ambitious – reimagining what we do, how we do it and being clear on why we are doing it, putting local people and businesses at the heart of our new way of working at all times.

3.4 Key to this is a resilient and stable budget that supports and leads Stockport's Covid-19 recovery. The stability and resilience of the financial platform in 2021/22 will ensure our ability to deliver an aspirational and hopeful future for our Borough through the delivery of the ambitions and priorities set out in our Council Plan and Borough Plan and to deliver the transformative change needed.

3.5 It is testament to the past work of this Council, Members and Officers alike, that we are in the position to be able to provide and demonstrate a stable, robust and resilient budget for 2021/22 which also provides the platform for a hopeful and ambitious future for Stockport. The stability comes from the fact that the financial management and standing of the Council remains resilient and robust despite the unprecedented position we find ourselves in. This stability allows us to recommend a budget that protects service provision, provide additional support to protecting and recovering the Stockport economy, support residents, maintain and develop the sense of community we have seen in response to the pandemic and provide further financial investment for the Council's Climate Action Strategy in 2021/22.

4. MTFP UPDATES AND PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT (PLGFS)

4.1 Throughout the year the Deputy Chief Executive, Corporate Director – Corporate and Support Services has kept us up to date with the Council's financial position over the medium term period taking account of the significant financial impact of the pandemic. These updates have been essential to retest the underpinning MTFP forecasts and assumptions in the light on new information to ensure the MTFP is robust and resilient. In addition, it has been important to inform our decision making on the Council's 2021/22 Budget and MTFP to ensure we deliver the stable financial platform needed.

4.2 The MTFP Update report presented elsewhere on this agenda outlines the key announcements from the 2021/22 Provisional Local Government Finance Settlement (PLGFS) and the resulting impact on the Council's MTFP. We note that like 2020/21, this is a one year funding settlement which aligns to earlier Government announcements about Local Government funding and continuation of Covid-19 support funding in 2021/22 made in their 2020 Spending Review. However, annual settlements and one-year funding announcements and allocations provide no certainty about the future direction of Local Government funding beyond 2021/22. Whilst we understand that in some part this is due to the national economic impact of the pandemic and the Government's need to have certainty about the financial position for the country over the medium term period, the uncertainty, volatility and complexity of the financial landscape is making the Council's own medium term financial planning difficult.

4.3 To address this, we will continue to lobby Government to deliver on its commitment to sustainable funding of Local Government including multi-year settlements to support our medium term financial planning. In addition, we remain committed to developing our MTFP Strategy to address the financial challenge ahead. We are keen to ensure as recommended by the Deputy Chief Executive, Corporate Director – Corporate and Support Services in the MTFP Update report that the Council's MTFP is robust on a recurrent basis whilst dealing with the uncertainty at both a national economic and a local economic level.

- 4.4 Whilst the Covid-19 support funding we have received in 2020/21 and will continue to receive in 2021/22 is welcomed, we recognise that this funding is one-off and not part of the Government's Core Spending Power (CSP) calculation for the Council. Without further Government funding announcements, we will need to address the significant financial scarring impacts of the pandemic that are likely to stretch beyond 2021/22, reflected by the forecast savings requirement in 2022/23, using existing resources and delivering significant cost savings.
- 4.5 In calculating the Council's 2021/22 CSP we note that Government continue to use Council Tax as a way of funding Local Government. The fact is that with the exception of the Covid-19 support funding very little new grant funding has been provided to Local Authorities to support their funding of increasing cost pressures on a permanent basis. This is most evident in the increase in demand, demographic and inflationary costs of delivering essential services particularly those to our most vulnerable residents in relation to social care services. It is likely that these cost pressures will increase over the medium term exacerbated by the financial impact of the pandemic and the need for services to adapt and work in new Covid-19 secure ways. These pressures do not only impact on the Council, but also our partners who alongside the Council provide these essential services to vulnerable residents. Achieving a sustainable funding model for the provision of health and social care services in Stockport is an important priority, but this can only be achieved if our efforts are matched by a continuing commitment from Government to address the funding pressures in this area. We will continue to lobby Government on this to ensure they deliver on the commitments made in the Queen's Speech to find a sustainable funding model to achieve a *'long term solution that will stand the test of time'*.
- 4.6 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
 - 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.
- 4.7 Whilst we welcome the flexibility to defer an element of the Adult Social Care Precept increase to 2022/23, we believe that these referendum limits should be set at a local level rather than nationally. This would enable local issues to be addressed locally. In addition, increases in demand and residents' expectations of the Council and its services cannot continue to be funded by annual increases in Council Tax, a regressive form of taxation. The Council's Council Tax Taxbase is not sufficient to sustainably address the increasing cost pressures the Council faces particularly those statutory and heavily inspected services, such as Adults Social Care and Children's Social Care, where the Council has minimal discretion to reduce costs and impact on services supporting our most vulnerable residents.
- 4.8 It is important for Members to note that the Government assumes Authorities will increase Council Tax by the full allowable increase each year in its assessment of Authorities 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. Importantly these assumptions do

not take account of local considerations which need to be made when making the decision whether or not to increase Council Tax each year, particularly the impact Council Tax increases have on residents

- 4.9 We note from the MTFP Update report that in its assessment of the Council's 2021/22 CSP, Government assumes the Council will increase its Council Tax by the full allowable increase of 4.99%; 87% of the increase in Local Authorities 2021/22 CSP nationally is made up of assumed Council Tax increases. We also recognise that this assumption impacts on other grant funding allocations particularly in relation to social care grant funding and assumptions about the ability to raise income to support social care services through the Adult Social Care Precept. We remain unhappy with the Government's continuing response to funding Local Government through increases in Council Tax placing an ever increasing burden of funding services on Council Tax Taxpayers. For this reason, our consideration of Council Tax increases must reflect on the impact increases have on Stockport residents particularly given the increasing number of resident finding themselves in financial hardship due to the pandemic prior to any decision being made.

5. DELIVERING A STABLE AND RESILIENT BUDGET TO ENABLE TRANSFORMATION

- 5.1 As highlighted in the MTFP Update report, Local Government budgets are facing significant pressures from the impact of Covid-19 and the likely future impact on Local Government from the economic and fiscal position of the Country. The expected gradual lifting of restrictions resulting in a slower recovery process will exacerbate this. For this reason, we have developed a 2021/22 Budget that is stable, robust and resilient, that protects services and provides a platform to enable transformation to address the financial challenge over the medium term period. Building a stable financial platform in 2021/22 to support the delivery of our Borough Plan, and our priorities and ambitions for the Borough is crucial.
- 5.2 Whilst we recognise that enabling transformation will need bold and difficult decisions about the services we provide and how we provide them in the future, the Council will also need to prioritise support for residents, businesses and the Stockport economy in the next twelve months. Doing this will support the Borough to continue to respond and recover from the pandemic ensuring a strong future and improved outcomes for our residents and communities. A stable financial platform for 2021/22 will ensure Council support is there to protect and recover the Stockport economy, maintain and develop the sense of community witnessed during the previous twelve months and ensure support for the most vulnerable in Stockport. We will then look to use this financial platform to deliver our transformation priorities and ambitions to address the medium term financial challenge.
- 5.3 To support this approach, we have developed a series of saving proposals to support the balancing of the Council's 2021/22 Budget. We have applied the lens of our MTFP Strategy to frame our choices and identify areas of achievable savings with minimal impact on essential services to our residents. Our saving proposals have been identified on the basis that:
- They are deliverable immediately on 1 April 2021 – they do not require support from reserves to support implementation;

- Where possible they have minimal impact on front line service provision or that the impact can be managed as part of the future transformation programme; and
- Importantly they are aligned to and not detrimental to the Council's transformation priorities and ambitions.

5.4 The Cabinet's saving proposals were presented to appropriate scrutiny committees during the December cycle of meetings prior to being approved at the Cabinet meeting on 22 December. An overview of the saving proposals totalling £1.482m by Portfolio are shown in the table below. The saving proposals are mainly delivered through internal efficiency from staffing and contractual changes, represent only 0.54% of the net expenditure requirement of the 2021/22 budget proposals and are not expected to have significant impact on services to our residents:

	Total £000
Adult Care and Health	504
Children, Family Services and Education	132
Citizen Focus and Engagement	194
Economy and Regeneration	50
Resources, Commissioning and Governance	502
Sustainable Stockport	70
Non-Cash Limit	30
Total	1,482

Consideration of Local Taxation

- 5.5 As part of our response to the MTFP, we have also carefully considered the role that local taxation should play in addressing the financial challenge facing the Council. We know that many across our communities are experiencing significant challenges in light of the unprecedented circumstances created by the pandemic. It is not a decision that we have taken lightly but have had to balance this with the need to protect service provision for those that need the Council's support the most as we continue to recover and respond to the impact of the pandemic, and the need for essential services increases.
- 5.6 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%. Therefore, a total Council Tax increase (before the Mayoral Precepts) of 4.99% is allowable in 2021/22.
- 5.7 In previous years we have made an early commitment to being transparent about Council Tax increases and our intentions. However, given the unprecedented uncertainty, volatility and risk inherent within the financial landscape, it has been important to understand the national and local financial impact of the pandemic, the Council's financial position and Government's response before we made this commitment. As in previous years we have to find the balance to minimise the impact on residents whilst ensuring the Council's future financial sustainability. In

doing this we must recognise that a Council Tax increase less than the 5% Council Tax referendum limit set results in forgone income that Government expect the Council to raise. In addition, we also recognise that Adult Social Care grant funding continues to be equalised nationally on the basis of Authorities ability to raise Adult Social Care Precept (i.e. those Authorities which can raise the Precept on their Council Tax receive a lower amount of grant funding) regardless of whether it applies the increase or not.

5.8 Our discussions have included careful consideration of:

- The impact the pandemic has had on our residents and the financial hardship it has created across the Borough and the role the Council's Local Council Tax Support Scheme and financial inclusion and resilience services will have to support these residents;
- Ensuring that our Council Tax Support Scheme remains robust to support those who do face financial difficulties;
- The significance of Council Tax and assumed increases as part of the Government's Local Authority funding assessment and other grant funding allocations;
- The need for the Council to become financially self-sufficient, as well as to reduce spending in the short-term;
- The impact of not increasing Council Tax and instead further cutting service budgets to balance the Council's budget over the medium term period;
- The need to find a sustainable funding solution for the provision of health and social care services to our most vulnerable residents; and
- The plans we have developed and continue to develop with Partners linked to our MTFP Strategy, to reform and integrate services in Stockport, and to ensure we are supporting people and communities as early as possible.

5.9 Following careful consideration of the above Cabinet is recommending for approval:

- A 2% General Council Tax increase in 2021/22;
- A 1.5% Adult Social Care Precept Council Tax increase in 2021/22; and,
- A further 1.5% increase in the Adult Social Care Precept in 2022/23 taking up the flexibility to defer an element of the increase set out in the PLGFS.

5.10 In doing this we are ensuring the Council's 2021/22 Budget and MTFP remains robust, resilient and stable to enable the transformation needed to respond to the financial challenge ahead. At the same time, we are also recognising the impact on residents and with the deferral of half of the social care precept increase to 2022/23 helping smooth the impact on Stockport Residents. As a result of the reduction to the Council Tax Taxbase approved by the Council meeting on 21 January reflecting increase numbers of Local Council Tax Support claimants, the proposed Council Tax increase will generate £4.575m of additional Council Tax income (when compared to the forecast approved in February 2020) to support the Council's 2021/22 Budget and MTFP.

5.11 We recognise that not increasing Council tax by the allowable 4.99% in 2021/22 due to the deferral of 1.5% of the Adult Social Care Precept to 2022/23 we are forgoing income of £2.417m. As part of our proposed budget we are recommending that this deferral is supported through the use of reserves identified in the 2020/21 Reserves

Policy to support the Council's budget following the financial impact of the pandemic.

- 5.12 An overview of how the proposed Council Tax increase of 3.5% equates against a Band D equivalent dwelling is shown below:

	Annual £	Per Month Over 12 Months £
Council Tax - General Increase (2%)	33.81	2.82
Council Tax - Adult Social Care Increase (1.5%)	25.36	2.11
Proposed Mayoral Police and Crime Commissioner Precept	TBC	TBC
Proposed Mayoral General (including Fire Services) Precept	TBC	TBC
Council Tax - Total Increase including Precepts	59.17	4.93

MTFP Financial Landscape and Forecasts 2021/22 to 2022/23

- 5.13 The Cabinet has noted the Deputy Chief Executive, Corporate Director – Corporate and Support Services MTFP Update report and the recommended adjustments to the Council's MTFP forecasts and assumptions to ensure the Council's MTFP is set on a robust and resilient basis. The MTFP Update report also asks the Cabinet to consider a number of options in setting the Council's 2021/22 Budget prior to presenting the budget for approval to the Council meeting on 25 February 2021.

Allocation of Corporate Contingency Budgets

- 5.14 Noting the Deputy Chief Executive, Corporate Director – Corporate and Support Services recommendations in the MTFP Update report, the Cabinet support the proposal to provide additional support to Cash Limit service budgets through the allocation of corporate contingency budgets of £5.511m as part of the 2021/22 budget setting process. This supports our commitment to finding a sustainable funding model for services, particularly Adults Social Care and Children's Social Care, resolving structural budget pressures on a permanent and ensuring the proposed 2021/22 Budget and MTFP are set on a robust and resilient basis.
- 5.15 Given the continuing uncertainty, complexity and risk inherent in the financial landscape, the Cabinet asks that the Deputy Chief Executive, Corporate Director – Corporate and Support Services continues to provide regular MTFP Updates. This will ensure the MTFP forecasts and assumptions continue to be based on the latest information and provide an accurate presentation of the Council's savings requirement over the medium term period to inform the Council's decision making. Given the continuing restriction and expected gradual lifting of these as well as key announcements relating to the future direction of Local Government funding, continuous updates of the MTFP will be increasingly important.

Use of One-Off Resources to Support the MTFP

- 5.16 Cabinet is clear that the Council's 2021/22 Budget and MTFP must be robust on a recurrent basis. Ensuring the Council is not overly reliant on the use of one-off resources held in reserves is important to demonstrate this. However, we also

recognise that the use of earmarked reserves are an important part of the Council's wider Covid-19 response and recovery particularly as we smooth the financial impact in 2021/22 and beyond. We recognise the need to have the flexibility to use these resources to provide a temporary short-term mitigation whilst we address additional costs and losses of income through our Council Plan and Borough Plan, and our transformation programme. However, we must also recognise the need to balance the use of reserves to support the Council's Covid-19 response against the longer-term impact this will have on our priorities and ambitions for the Borough, as well as the Council's future financial resilience and robustness. A significant use of earmarked reserves to address the financial challenge will impact all of this, presenting an opportunity cost over the medium-term period that we must consider.

- 5.17 Aligned to the above and the Council's 2020/21 Reserves Policy, we are supportive of the Deputy Chief Executive, Corporate Director – Corporate and Support Services recommendation to use identified earmarked reserves in 2022/23 of up to £10m to support the mitigation and smoothing of the Covid-19 financial scarring impacts should budget support in addition to that set aside in the MTFP be needed.

6. IDENTIFIED POSITIVE INVESTMENTS

- 6.1 The Cabinet recognises that the use of available one-off resources and reserves for positive investment can have a catalytic impact that will enable and sustain the Borough's response and recovery from Covid-19. As detailed in the 2020/21 Quarter 3 Budget Monitoring Update report presented elsewhere on the agenda, the Council has received a funding allocation from the Government's Contain Outbreak Management Fund (COMF). Three broad areas to support the Council's Outbreak management action and response have been identified aligned to funding conditions. Where applicable and appropriate our identified investments will be aligned to and supplement the COMF investment areas.
- 6.2 On this basis the Cabinet are proposing to use available one-off resources held in reserves as part of the 2021/22 Budget with the view that it will provide additional Council support to protecting and recovering the Stockport economy, supporting residents, maintaining and developing the sense of community and providing further financial investment for the Council's Climate Action Strategy.
- 6.3 The areas of investment identified and being explored by Cabinet are:

Parks and Green Space Investment – investment of £2.011m funded from the use of available ringfenced commuted sums into outdoor play and sports facilities over the next five years. This investment will be supplemented through anticipated external funding sources and will be used to provide high quality outdoor sports and play facilities, encouraging greater and wider participation across the Borough.

- Existing play facilities will benefit from a minimum £0.822m in capital funding. This investment will see improvement facilities at twenty-one sites including Half Moon Lane, Houldsworth Park, Green Lane Park and Goyt Valley Park.
- Outdoor sports facilities will benefit from a minimum spend of £1.189m in capital funding. This investment will enable the council to address the priorities identified by the Playing Pitch Strategy which will include improving changing provision at Torkington Park and St Thomas Recreation Ground, installing

bowling green fencing at Vernon Park (subject to consultation with local users), as well as raising the quality of 24 playing pitches across the whole of the Borough.

Wider Economic Recovery Investment – investment of £2m funded from the available discretionary business support funding to support economic recovery within the local and District Centres across the Borough. This will support businesses to open and recover as Covid-19 restrictions are lifted. During this pandemic, we have seen how vital our local and District Centres are to communities; they helped get many through this period and are literally at the centre of residents lives. What is clear is people want their local and District Centres to thrive. Therefore, we will use the investment to set-up a Covid-19 economic recovery fund, which will directly support businesses, and look to place social value and small and medium-sized Stockport businesses at its heart. We know vibrant local and District Centres support independent local businesses, help retain wealth - the 'Stockport Pound' - and begin to create a local economy where people feel they have an active stake. As part of this investment and through our Borough Plan, we will be engaging with local communities to find out what they want in their local and District Centres, so they are relevant for the long-term and immediately serve people's needs.

Community Support Supporting Recovery Investment – investment of £0.500m aligned to the COMF funding investment plans (see paragraph 6.1) to provide further funding of the Stockport Local Fund to support community based projects aligned to the Council's Build Back Better recovery process. The additional funding will be used to continue and extend our work to support and develop a robust third sector in Stockport, this will continue through allocation of funds through Stockport Local Fund along with new initiatives developed in collaboration with our communities and third sector organisations. One key piece of work will be to enable local communities to create their own Covid-19 memorial or commemoration, this is something that was discussed at length within the all-party working group. Timing and details will be confirmed at a later date.

Resident Support and Key Priorities Supporting Recovery Investment – investment of £2.100m funded through the use of available one-off resources held in earmarked reserves to fund identified positive investments directed at supporting individuals and communities recovery from the pandemic including:

- **Digital Inclusion and Financial Inclusion Services to Support Residents (£0.500m)** – Covid-19 has exposed and exacerbated the digital divide everywhere. In Stockport we have been able to build on good work we have already done to remedy digital exclusion to meet this challenge head on. Through the Stockport Digital Inclusion Alliance (DigiKnow) and the Stockport Local Fund came the Device Lending Library which, coupled with a team of Digital Champions, brings skills, equipment and data to those in digital poverty. We want to further develop these relationships beyond the pandemic to make Stockport the most digitally inclusive place in Greater Manchester and beyond.
- **Cultural Services to Support Our Residents (£0.050m)** – Stockport is rich in culture in all its forms. From council-run assets and events to a wealth of practitioners, participants and organisations, we all understand the value of a diverse cultural life whether that's tackling the scourge of loneliness and social isolation, addressing mental health issues, or encouraging entrepreneurialism. We are bigger than the sum of our parts and by using this investment to support

collaboration and our working together right across the Borough we can help individuals and communities express themselves and explore their potential.

- **Libraries Open Plus (£0.300m)** – Our vision for Stockport’s library service puts it at the heart of our communities. Further roll out of Open plus technology enables more communities to access their library buildings during unstaffed hours whether that’s for private study, reading groups, groups doing useful work in their community, special interest groups, and so on. We’re committed to protecting and improving our library service across the Borough to meet the 21st century needs of all communities.
- **Health and Wellbeing Mental Health (£0.100m)** – investment in mental health support is a key part of our Covid-19 recovery plan. We know that this is valued by our residents and that understandably the pandemic and its restrictions are having a negative impact on people’s health and wellbeing and is likely to be a long term issue across our communities. The additional funding will provide much-needed early intervention support to a wider group of people and will enhance and consolidate the current offer available to residents.
- **Health and Wellbeing Public Health (£0.100m)** – addiction Issues are a significant factor in health inequalities. We know that Covid-19 has had a detrimental impact on people’s ability cope and that addictions like alcohol and drug dependency are on the increase. During lockdown many people have stopped accessing support services so there is latent and increased demand in many of our communities. An additional one-off investment will support the development of a more proactive and targeted approach where we can work with individual communities to deliver a tailored model that will engage a wider cohort of people.
- **Targeted Youth Support (£0.150m)** – to increase detached youth work capacity alongside existing grant funded programmes with co-ordination through Targeted Youth Support, thus providing a more cohesive approach in reducing youth disorder and anti-social behaviour and achieving positive outcomes; and
- **Tackling Climate Change (£0.600m)** – the Council has an ambitious Climate Change Strategy which includes the planting of thousands of trees, the installation of EV charging points, using our green spaces to provide grass and flower meadows and the planting of orchards across the Borough. In addition to funding allocated in this Budget, Stockport has received grant funding through the Nature for Climate Fund for the planting of 17,000 trees, creating new forests across Stockport. Furthermore, there is investment planned for play areas, formal sports provision and ongoing maintenance making sure that all committed sums are allocated for the benefit of Stockport residents.
- **Hopes Carr Memorial Park (£0.300m)** – investment in the Hopes Carr Memorial Park to provide essential maintenance and improvement to this respected and fitting memorial in Stockport. The investment will ensure the sustainability and continued use of this important civic asset.

7. SALES, FEES AND CHARGES

- 7.1 The proposed 2021/22 Cash Limit budgets are supported by income generation through sales, fees and charges. A list of charging areas and an estimate of the income expected to be generated from each group of charges is set out in the Fees and Charges Schedule shown in Appendix 4. The estimates are based on demand forecasts and inflation assumptions that are specific to each charging area and have been developed in consultation with the appropriate Council Officers and Cabinet

Member. The setting of specific fees and charges is a matter for the Cabinet and Cabinet Members. Any decision to change the fees and charges levied by the Council will be made in accordance with the Council's Fairer Charging Policy.

- 7.2 There are a number of services across the Council with significant sales, fees and charges income budgets which have been impacted by the pandemic. These services include Parking, Recreation and Sports, Events, Museums, Building Control and Taxi Licensing. The financial impact of the pandemic and particularly the continuing restrictions and lockdowns and expected gradual lifting of these has been significant on these service area's ability to generate income to the same levels achieved prior to Covid-19. For this reason, the MTFP Update report highlights the inclusion of contingency budget to support the funding of the forecast financial scarring impact relating to the loss of sales, fees and charges income over the medium term period. We note that this budget alongside the other financial scarring impact budgets will be held corporately and allocated in-year as income losses are realised. In addition, the Section 151 Officer's risk assessment of the budget makes provision for the fact that actual yield from the fees and charges may be lower than forecast within the budget.

8. RISK ASSESSMENT

- 8.1 The Cabinet believes that its proposed 2021/22 Budget can be delivered albeit not without some risks and challenges particularly as Covid-19 restrictions and the financial recovery from the pandemic continues. The Council continues to have effective financial management of its budgets, demonstrated by the forecast balancing of the 2020/21 financial position despite the financial impact of the pandemic and the level of reserves and balances that the Council has to support the budget in 2021/22 and future years.
- 8.2 Under Section 25 of the Local Government Act 2003, the Section 151 Officer (Deputy Chief Executive, Corporate Director – Corporate and Support Services) is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. The Section 151 Officer reminds Members that any budget proposals which are to be tabled at the Budget Council Meeting must first of all be subject to such a risk assessment.
- 8.3 The Section 151 Officer has undertaken a detailed risk assessment of the Cabinet's budget proposals and a summary is attached at Appendix 5. Also included at Appendix 5 is the requisite Statement by the Section 151 Officer on the adequacy of the reserves and the robustness of the estimates. The minimum recommended level of general balances required to support the budget is £15.183m. This will be achieved by the realignment of earmarked reserves identified to support the mitigation of the financial impact of Covid-19 in the Reserves Policy and ensure the required minimum level of General Fund Balance is carried forward into 2021/22.

9. FUTURE YEARS

- 9.1 The updated MTFP forecasts for 2021/22 to 2022/23 are shown in Appendix 6. This illustrates the revised MTFP position as at 9 February 2021 and reflects Cabinet recommendations relating to Council Tax increases and use of available one-off resources to set a balanced 2021/22 Budget.

- 9.2 The Cabinet remains committed to its MTFP Strategy and the transformational change needed working across Council services and with the wider Stockport Partnership to ensure the Council continues to move towards being self-sufficient in terms of its funding. The MTFP forecasts highlight the Council's continued dependence on locally raised income through Council Tax, Business Rates and increased fees and charges to fund the costs of essential services to residents. The Council's MTFP must continue to focus on growing local tax taxbases and designing service delivery models on a more commercial basis where appropriate to do so in order to generate this income.
- 9.3 We recognise that the legacy impact of the pandemic will extend into 2021/22 and beyond. This will require continuing resource planning and management due to the need to direct Officers away from the Council's 'business as usual' activities to ensure we continue to respond to the impact of Covid-19 and support the recovery process across the Borough. In order to deliver transformative change, we need a robust and resilient budget that provides a stable financial platform – we have achieved this with the proposed 2021/22 Budget presented in this report.
- 9.4 The economic impact both nationally and locally, will require future critical review of all our services and bold decisions to ensure we are resilient and able to best meet the needs and aspirations for Stockport as we recover over the medium term period. This will require difficult and challenging decisions with the potential to impact services. However, these decisions will be framed by our wider transformation proposals and the delivery of our Borough Plan aligned to the development of the boroughwide One Stockport strategy to ensure the ongoing robustness of the MTFP to support our medium to longer term ambitions. On this basis, we have developed four unifying themes, designing new ways of working for the modern, person centred and ambitious organisation we strive to be:
- We are a Council that is built around our communities;
 - We are a Council that maximises the opportunities of digital;
 - We are a Council that values partnerships and collaboration; and
 - We are a Council that cares about our staff and engages them in the future
- 9.5 As already highlighted, key to the delivery of this will be a stable financial platform, but also continuing to listen and have conversations with Stockport's communities, local businesses, partners, elected members and employees across the organisation to shape priorities and future ways of working. By building on the positive relationships we have built over the past twelve months, Cabinet, with officers and elected members, will work closely with communities, to shape our transformation. This will form an important focus for the Council throughout 2021/22 and will be key to addressing the significant financial challenge in 2022/23.

10. CAPITAL STRATEGY AND CAPITAL PROGRAMME

Capital Strategy

- 10.1 The Capital Strategy and Capital Programme is presented elsewhere on this agenda for approval. The Council continues with its ambitious capital investment plans for the Borough helping to regenerate the economy, create jobs and develop strong communities. Future capital investment plans are extensive and varied. The report outlines the planned programme of expenditure and financing, allowing member

engagement, risk management and governance. It has regard to the Council's wider strategic framework, including alignment with priorities set out in the Council Plan, but also taking a long-term view of capital investment, including debt, borrowing and Treasury Management. The Capital Strategy underpins the Council's capital investment plans and includes a key objective to deliver an annual Capital Programme for the forthcoming financial year and the preceding two financial years.

11. CONCLUSIONS

- 11.1 This report sets out the Cabinet's response to the MTFP forecasts for 2021/22 to 2022/23 within the Deputy Chief Executive, Corporate Director – Corporate and Support Services MTFP Update report. It proposes a 2021/22 balanced net revenue budget of £272.824m. Through delivering a balanced budget we have bridged the funding gap of £8.743m and presented a robust and resilient budget to mitigate the financial and impact of the pandemic in 2021/22 and enable transformation. In addition, we have set out our plans for the use of the available one-off resources d to support positive investments aligned to supporting the Borough's recovery.
- 11.2 Proposing a Council Tax increase of 3.5% (2% General and 1.5% Adult Social Care Precept) in 2021/22 with a further 1.5% increase in the Adult Social care Precept in 2022/23 has been given careful consideration. We feel this increase achieves the right balance between the impact on Stockport residents and the need to ensure the Council's budget and MTFP is set on a robust and resilient basis.
- 11.3 Work will continue on our transformation and investment plans underpinned by our MTFP Strategy to ensure the Council can meet the financial challenges ahead whilst delivering the desired outcomes for residents. Cabinet recognises that the MTFP forecasts and the setting of a balanced budget for the Council going forward will remain challenging. The uncertainty about the future direction of Local Government funding beyond 2021/22 makes financial planning and decision making increasingly difficult. The skills and commitments of Members and Officers alike will help the Council meet this challenge.

12. RECOMMENDATIONS

- 12.1 The Cabinet is recommended to ask the Council Meeting to:

- Approve the Budget for 2021/22 described in the report and set out in Appendix 2 and 3;
- Note the risk assessment of the 2021/22 Budget at Appendix 5 and the report of the Section 151 Officer on the adequacy of proposed financial reserves and robustness of the estimates included at Appendix 5;
- Approve the required increase to the Council's General Fund Balance to reflect the Section 151 Officer assessment of risks;
- Note, comment upon and approve the financial forecasts and assumptions for 2021/22 to 2022/23 at Appendix 6, and the key issues to be addressed in formulating a response to the future financial challenges facing the Council;
- Pass the appropriate Council Tax resolutions which produce a Council Tax increase of 3.5% in 2021/22 (2% General increase and 1.5% Adult Social Care Precept increase) as illustrated in Appendix 7; and
- Approve the commitment to increase the Adult Social Care Precept by a further 1.5% in 2022/23 by taking up the option to defer an element of the allowable

increase in 2021/22 smoothed by the use of available one-off resources held in earmarked reserves.

BACKGROUND PAPERS

There are none

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

Appendix 1 – 2021/22 to 2022/23 MTFP – Changes to Forecast Savings Requirement 27 February 2020 to 9 February 2021

	2021/22 £000	2022/23 £000
Savings Requirement Approved on 27 February 2020	8,743	17,031
MTFP Forecast and Assumption Changes		
Pay Inflation Freeze in 2021/22	(3,010)	(4,075)
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
Covid-19 Financial Scarring Impacts		
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
2020 Spending Review and Settlement Adjustments		
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
Additional Expenditure Pressures		
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
Cabinet Proposals - Council Tax Increase Assumed		
Council Tax Increase - General	(3,244)	(3,244)
Council Tax Increase - Adult Social Care Precept	(2,433)	(4,982)
Cabinet Savings Proposals		
Approved 2021/22 Saving Proposals	(1,482)	(1,482)
One Off Resources		
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
Appropriation from Reserves	(1,874)	0
Revised Savings Requirement 9 February 2021	0	23,177

Appendix 2 – 2021/22 Proposed Revenue Budget

	2021/22 Proposed Revenue Budget £000
Adult Care and Health	98,011
Children, Family Services and Education	44,511
Citizen Focus and Engagement	4,640
Economy and Regeneration	2,015
Inclusive Neighbourhoods	673
Resources, Commissioning and Governance	24,502
Sustainable Stockport	21,330
Cash Limit	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
Total Net Expenditure	272,824
Business Rates - Stockport MBC Share	77,456
Business Rates - Tariff	(16,673)
Grants in Lieu of Business Rates	11,816
New Homes Bonus Grant	881
Better Care Fund Allocation	6,333
Social Care Grant	7,841
Lower Tier Services Grant	317
Collection Fund 2019/20 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)
Appropriation from Reserves - Collection Fund Financial Impact Smoothing	1,400
Appropriation from Reserves	1,874
Proposed Council Tax Requirement	167,894

Council Tax Requirement - Memorandum:	
Adult Social Care Precept Element	16,889
Council Tax Requirement (Excluding Adult Social Care Precept)	151,005

Appendix 3 – 2021/22 Proposed Portfolio Cash Limit Budgets

Portfolio	2020/21 Q3 Budget (2021/22 Starting Point) £000	2021/22 Indicative Adjustments* £000	2021/22 Proposed Savings £000	2021/22 Contingency Allocations £000	2021/22 Covid-19 Financial Scarring £000	2021/22 Proposed Revenue Budget £000
Adult Care and Health	95,628	110	(504)	2,777	0	98,011
Children, Family Services and Education	42,480	(248)	(132)	2,411	0	44,511
Citizen Focus and Engagement	4,834	0	(194)	0	0	4,640
Economy and Regeneration	2,065	0	(50)	0	0	2,015
Inclusive Neighbourhoods	673	0	0	0	0	673
Resources, Commissioning and Governance	24,119	562	(502)	323	0	24,502
Sustainable Stockport	21,390	10	(70)	0	0	21,330
Cash Limit	191,189	434	(1,452)	5,511	0	195,682
Non Cash Limit	56,656	9,319	(30)	0	11,197	77,142
Total	247,845	9,753	(1,482)	5,511	11,197	272,824

**Indicative adjustments reflect previously agreed adjustments to the base Cash Limit and Non Cash Limit budgets*

Appendix 3 (continued) – 2021/22 Proposed Directorate Cash Limit Budgets

Directorate	2020/21 Q3 Budget (2021/22 Starting Point) £000	2021/22 Indicative Adjustments* £000	2021/22 Proposed Savings £000	2021/22 Contingency Allocations £000	2021/22 Covid-19 Financial Scarring £000	2021/22 Proposed Revenue Budget £000
<u>Corporate and Support</u>						
Citizen Focus and Engagement	4,268	0	(194)	0	0	4,074
Inclusive Neighbourhoods	573	0	0	0	0	573
Resources, Commissioning and Governance	21,078	562	(502)	323	0	21,461
	25,919	562	(696)	323	0	26,108
<u>Services to People</u>						
Adult Care and Health	84,644	110	(504)	2,777	0	87,027
Adult Care and <u>(Public) Health</u>	10,984	0	0	0	0	10,984
<u>Children, Family Services</u> and Education	38,350	(368)	(92)	2,350	0	40,240
Children, Family Services and <u>Education</u>	3,773	120	(40)	61	0	3,914
Inclusive Neighbourhoods	260	0	0	0	0	260
	138,011	(138)	(636)	5,188	0	142,425
<u>Services to Place</u>						
Children, Family Services and Education	357	0	0	0	0	357
Citizen Focus and Engagement	566	0	0	0	0	566
Economy and Regeneration	2,065	0	(50)	0	0	2,015
Inclusive Neighbourhoods	(160)	0	0	0	0	(160)
Resources, Commissioning and Governance	3,041	0	0	0	0	3,041
Sustainable Stockport	21,390	10	(70)	0	0	21,330
	27,259	10	(120)	0	0	27,149
Cash Limit	191,189	434	(1,452)	5,511	0	195,682
Corporate and Support Services	(2,568)	6,408	(30)	0	0	3,810
Services to Place	42,339	(876)	0	0	0	41,463
Technical	16,885	3,787	0	0	11,197	31,869
Non Cash Limit	56,656	9,319	(30)	0	11,197	77,142
Total	247,845	9,753	(1,482)	5,511	11,197	272,824

*Indicative adjustments reflect previously agreed adjustments to the base Cash Limit and Non Cash Limit budgets

Appendix 4 – Estimate of 2021/22 Income Generated Through Sales, Fees and Charges

Service Area	Budgets In Scope 2020/21 £000	Additional Yield BTCOS £000	Additional Yield Other £000	Forecast Yield 2021/22 £000
Adult Care & Health				
* Disabled Parking Blue Badges	60	0	0	60
* Care Charges (Residential & Non-Residential)	18,850	0	300	19,150
- Adult Care & Health - subtotal	18,910	0	300	19,210
Children, Family Services & Education				
Services which generate income from Partners	2,044	0	0	2,044
- Children, Family Services & Education Subtotal	2,044	0	0	2,044
Resources, Commissioning & Governance				
Legal Services (inc Conveyancing Fees)	396	0	0	396
Conveyancing fees / Local Land Charges	245	0	0	245
* Leisure Key	20	0	0	20
* Stopford House Car Parking	152	0	0	152
Venue Management	126	0	0	126
* Garages and Shop Rentals	747	0	0	747
Services which generate income from Partners	3,514	0	0	3,514
- Resources, Commissioning & Governance Subtotal	5,200	0	0	5,200
Citizen Focus & Engagement				
* Registrars	466	0	50	516
* Events	599	0	0	599
Printing & Communications	25	0	0	25
* Art Gallery and Museums	377	0	0	377
* Libraries	104	0	0	104
- Citizen Focus & Engagement Subtotal	1,571	0	50	1,621
Economy & Regeneration				
* Building Regulation	546	0	0	546
* Planning	1,191	0	0	1,191
* Filming External Locations	7	0	0	7
* Town Centre Managed Sites	19	0	0	19
* Business Advice & Guidance	2	0	0	2
- Economy & Regeneration Subtotal	1,765	0	0	1,765
Sustainable Stockport				
* Car Parking	3,447	0	0	3,447
* Country Park Car Parks	135	0	0	135
* Allotments & Pitch Hire	157	0	0	157
* Burial / Cemetery Fees	899	0	0	899
* Licensing - Taxis	420	0	0	420
* Premises Licensing	307	0	0	307
* Pest Control (inc Hygiene Action)	276	0	0	276
* Food & Safety	60	0	0	60
* Housing Standards (inc Land Searches)	47	0	0	47
* Annual Subsistence Fee for Pollution	12	0	0	12
* External Engineering Work	5	0	0	5
* Vehicle & Footpath Crossings	188	0	0	188
* Highways Inspection Fees	299	0	0	299
* Highways Advertising	83	0	0	83
* Permits for Skips / Scaffolding / GMRAPS	444	0	0	444
Services which generate income from Partners	580	0	0	580
- Sustainable Stockport Subtotal	7,359	0	0	7,359
Non-Cash				
- Income generation from Partners and further efficiencies	2,012	0	0	2,012
- Non-Cash	2,012	0	0	2,012
Total Income Budget:	38,861	0	350	39,211

* Public and external business facing services.

Covid-19 financial scarring impact: As part of the contingency element in the MTFP, sums have been set aside against the risk of income not recovering from the Covid-19 response fully in 2021/22.

Appendix 5 – Risk Assessment and Calculation of Minimum Level of General Fund Balances

	Budget Assumption	Possible Variance	Impact Cost/ (Benefit)
	£000/%	£000/%	£000
<u>Previous Financial Year</u>			
Variance between forecast & actual outturn	272,610	0.5%	1,363
<u>Corporate Contingency</u>			
Pay Inflation - Impact of Pay Inflation Increase	168	1,182	1,014
Price Inflation - Impact of Price Inflation Increase	4,090	1,022	1,022
National Living Wage	1,500	5.0%	75
<u>COVID Financial scarring impacts</u>			
Uplift to Support Financial Impact on Care Providers	994	10%	99
Temporary Discharge Programme Impact	200	10%	20
Cash Limit Sales, Fees and Charges Income Losses	3,100	10%	310
Commercial Income Losses	5,255	10%	526
COVID19 Leisure Deficit Funding	1,648	10%	165
<u>Savings</u>			
2021/22 Saving Proposals	(1,482)	-5.0%	73
<u>Demand/Demographics</u>			
Adult Social Care	76,865	4.0%	3,075
Children's Social Care	16,670	8.0%	1,334
Public Health	16,223	4.0%	649
Highway Maintenance	1,367	10.0%	137
Winter Maintenance - Severe Weather	380	10.0%	38
<u>Volumes</u>			
Waste Collection & Disposal	(Covered by Waste Strategy Reserve)		
<u>Capital Financing Costs</u>			
Impact of increase in interest rates - 1% increase	0	1,010	1,010
10% reduction on income streams	0	1,260	1,260
25% reduction in funds supporting internal borrowing	0	513	513
<u>Risk Assessment of Budget</u>			12,683
Major Disaster/Emergency	7,500	33%	2,500
Minimum Level of General Fund Balances			15,183

Local Government Act 2003 – Section 25

Statement on the Adequacy of Proposed Financial Reserves and Robustness of the Estimates

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

1 GENERAL FUND REVENUE BALANCES

- 1.1 A risk assessment of the Cabinet's budget proposals has concluded that the recommended minimum level of General Fund Balances for 2021/22 is £15.183m. The forecast outturn for 2020/21 anticipates General Fund Balances as at 31 March 2021 will be £10.200m. Thus, an additional £4.983m of resources is required to achieve the recommended minimum level. This will be achieved through the Section 151 Officer's (Corporate Director – Corporate and Support Services) review and recommended realignment of reserves to ensure the 2021/22 budget remains robust and resilient to potential financial risks that may materialise during the year.
- 1.2 The Council's reserves and balances are reviewed annually in line with the Medium Term Financial Plan, the Reserves Policy, best practice guidance on Local Authority Reserves and Balances, and as required by the Local Government Act 2003. Use of reserves and balances are monitored on a regular basis to identify and report any proposals which carry ongoing risks or financial implications.
- 1.3 The Section 151 Officer also has to consider the resilience of the Council and its ability to withstand and mitigate the impact of unknown costs as a result of local and national changes across the medium term period. The financial impact of the Covid-19 pandemic illustrates the importance of the Council's financial robustness and resilience to the impact of unplanned for events. This ensures the Council is able to mitigate the financial impact in the short term whilst permanent funding options are identified and implemented. There are a number of ways the Council demonstrates its financial resilience to Members and Stockport residents:
 - **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
 - **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium-term period;
 - **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
 - **Scrutiny Committee and Audit Committee** - regular Member scrutiny of the Council's Financial Management throughout the year; and
 - **Internal and External Audit** – independent audits of the Council's financial management throughout the year. During 2019/20 an internal audit of the Council's financial governance and financial resilience gave the Council substantial assurance.
- 1.4 CIPFA are continuing to develop its approach to increase local authority financial resilience including the publication and implementation of its Financial Management Code of Practice. The Council welcomes the increased attention and will continue to

work with other Local Authorities and CIPFA to develop these systems and ensure they integrate with the Council's existing processes.

2 PROCESSES AND MONITORING

- 2.1 The Council is a relatively low spending organisation and has, for many years, operated within very tight financial constraints. Robust budget monitoring and a thorough budget process, in which all demand led and other pressures as well as realistic spending reductions are considered, allows the Council to operate with a relatively low level of General Fund Balances. The recommended minimum level of General Fund Balances is only adequate for the forthcoming financial year and for the financial planning period through the commitment of Corporate Directors and Cabinet Members to control spending.
- 2.2 Known and forecast increases in spending have been recognised by uplifts in cash limits and/or variations to spending plans, including contingencies. Similarly, opportunities to make reductions in spending at current service levels have also been reflected in the Budget. The proposals put forward by the Cabinet in response to identified budget pressures, and those relating to additional investment have been subject to detailed scrutiny and risk assessment. In particular, the balance struck between ongoing reductions in base budget allocations and the targeted investment of one-off resources has been taken into account.
- 2.3 As in previous years, it is imperative in 2021/22 that Portfolio Holders, the Cabinet and Scrutiny Committees critically review the regular monitoring statements to ensure that the reasons for any projected surpluses or deficits are properly identified and that resulting actions are implemented in a timely manner.

3 RISK ASSESSMENT

- 3.1 The 2020/21 projected outturn, the 2021/22 indicative budget and the Cabinet's proposed budget and MTFP have all been examined and challenged to ensure that strategic, operational and financial risks have all been 'priced' into the estimates. The calculation of the recommended minimum level of General Fund Balances takes account of this as well as the key risks and uncertainties surrounding the budget estimates and proposals.
- 3.2 The recommended minimum level of General Fund Balances for 2021/22 is £4.983m greater than the level established for 2020/21. This reflects the significant impact of Covid-19 on Council resources and the increased financial risks and uncertainty this now brings when setting forecasts and estimates. The Section 151 Officer's view is that the financial risks linked to the uncertainty, volatility and complexity of the financial landscape, and the continued absence of a multi-year finance settlement could be significant and have been exacerbated further due to the impact of Covid-19. Thus, it is considered prudent to increase the Council's General Fund Balances to mitigate the potential impact of these risks.
- 3.3 There is also continuing risk and volatility surrounding Council Tax and Business Rates revenues which has also been impacted by Covid-19. This is also due to factors including the localisation of Council Tax Support Schemes and Business Rates Retention. In the short-term, these risks are managed as part of the Council's

Collection Fund arrangements and so are not reflected in the calculation of minimum General Fund Balances.

4 CONCLUSIONS

- 4.1 On the basis of the above-mentioned financial planning and monitoring processes and risk assessment of the budget, the Section 151 Officer is able to report (in accordance with section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the recommended level of earmarked reserves are adequate.
- 4.2 In addition, the Section 151 Officer recommends a £4.983m increase in General Fund Balances in 2021/22 following a risk assessment of the Council's 2021/22 Budget and the continued uncertainty, volatility and complexity of the financial landscape exacerbated by Covid-19. It is recommended that the Council's General Fund Balance is increased to £15.183m in 2021/22.

Appendix 6 – 2021/22 to 2022/23 Medium Term Financial Plan

	2021/22 £000	2022/23 £000
<u>Resources</u>		
Council Tax Income	151,005	151,565
Adult Social Care Precept	16,889	19,480
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)
	269,550	256,553
<u>Expenditure</u>		
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
	272,824	279,730
Cumulative Savings Requirement	3,274	23,177
Appropriation from Reserves	(1,874)	0
Appropriation from Reserves - Collection Fund Financial Impact Smoothing	(1,400)	0
Revised Cumulative Savings Requirement	0	23,177

**As highlighted in paragraph 5.17, up to £10m of one-off resources held in earmarked reserves can be used to support the 2022/23 saving requirement subject to in-year budget monitoring in 2021/22.*

Appendix 6 (continued) – 2021/22 to 2022/23 Medium Term Financial Plan Underlying Assumptions

Assumptions	2021/22	2022/23
SMBC Council Tax General Increase	2.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	1.50%	1.50%
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 7 – 2021/22 Proposed Council Tax Including Mayoral Precepts

	2021/22 Proposed
<u>Council Tax Requirement and Precepts</u>	£000
Stockport Council Tax Requirement	167,894
Mayoral Police and Crime Commissioner Precept	TBC
Mayoral General Precept (including Fire Services)	TBC
	TBC
<u>Council Tax (Band D equivalent)</u>	£
Stockport Services (3.5% Increase)	1,749.90
Mayoral Police and Crime Commissioner Precept	TBC
Mayoral General Precept (including Fire Services)	TBC
	TBC