

PART A - MEDIUM TERM FINANCIAL PLAN UPDATE

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 outline the outcomes of the review of the Council's Medium Term Financial Plan (MTFP) 2021/22 to 2023/24. The report details the outcome of the MTFP Update, highlighting the continuing financial scarring impacts as a result of the pandemic and the adjustments needed to the existing MTFP forecasts and assumptions in order to present the most accurate forecast of the Council's financial position and saving requirement over the medium term period.
- 1.2 The review has considered the key forecasts and assumptions included in the MTFP approved at the Council Budget Meeting on 25 February 2021 and determined whether these forecasts and assumptions are still appropriate. The review has also taken account of:
- Budget, experience and performance in 2020/21 and 2021/22 to date;
 - The financial scarring impacts of the pandemic over the medium term period and the Council's ongoing response and recovery;
 - Issues, challenges and financial prospects facing the Council in 2022/23 and over the medium term period; and
 - Government announcements impacting on Local Government financing.
- 1.3 The financial landscape for Local Government over the medium term period continues to pose a significant challenge due to the uncertainty, volatility and risk about future funding and Government policy with regard to reforming the Local Government financing regime and finding a sustainable solution to the increasing costs of social care. The financial legacy of the pandemic has added to this with delays to Government multi-year Spending Reviews, Adult Social Care funding reform and Local Government financing relating to the Fairer Funding Formula and Business Rates retention. The Government's announcement of the Spending Review timetable was expected before the summer break of Parliament but was delayed. The launch of the Spending Review was announced on 7 September. The announcement confirmed that the Spending Review will be a multi-year review covering the period 2022/23 to 2024/25, with the 2022/23 Local Government Finance Settlement expected to be announced in December and set over the same period. A multi-year settlement is welcomed to help address an element of the uncertainty within the Council's medium term financial planning.
- 1.4 The uncertainty, volatility and risk inherent in the financial landscape makes the Council's medium term financial planning difficult. For this reason, the MTFP approved in February only extended to 2022/23. To provide clarity of the Council's medium term financial position, the MTFP presented in this report extends to 2023/24 to maintain the current plus two years presentation. Members are asked to note that the internal MTFP modelling does extend beyond this period but due to the reasons outlined above and the likelihood of continual change to MTFP as a result,

the MTFP forecasts and assumptions beyond 2023/24 have not been presented. If the Local Government Finance Settlement mirrors the period of the Government's Spending Review the MTFP presented will extend to 2024/25 in future iterations.

- 1.5 Given the ongoing response and recovery from the financial scarring impact of the pandemic particularly in relation to the recovery of the national economy and local economy, and expected key Government announcements affecting Local Government finance, the update of the MTFP will continue to be iterative with underpinning forecasts and assumptions retested throughout the financial year. The resulting MTFP updates will be reported to Cabinet and Scrutiny during the year as part of the 2022/23 budget setting process. On this basis, Officers will continue to review and update the MTFP as further information is made available.

2. DEVELOPMENTS SINCE 25 FEBRUARY 2021

Pandemic Financial Scarring Impacts

- 2.1 The financial challenge presented by the impact of the pandemic is unprecedented. During the 2021/22 budget setting process Officers continually reviewed the extent of the financial impact in light of Government announcements, and periods of national lockdowns and restrictions. A total of £29.890m of financial scarring impact contingency budget was set aside in the MTFP to mitigate the expected costs over the medium term period. Given the uncertainty these contingency budgets are being held corporately and will be allocated as related costs are incurred. The Quarter 1+ budget monitoring highlights an indicative allocation to offset forecast costs of £8.531m in 2021/22 for example. If the contingency budgets are not needed (in full or part) then they can be released in future years when prudent to do so.

Table 1: Pandemic Financial Scarring Impacts Contingency Budget

	2021/22 £000	2022/23 £000	2023/24 £000
Increase costs of service provision and commissioning linked to Adult Social Care	1,194	1,194	1,194
Sales, fee and charges income losses not covered by the Government's income loss compensations scheme	3,100	2,096	1,490
Investment and Development Account commercial income losses (rental income and associated costs)	5,255	5,914	6,535
Leisure provision deficit funding	1,648	270	0
Total	11,197	9,474	9,219

- 2.2 The financial scarring impacts included in the approved MTFP were set in the middle of a national lockdown and period of restrictions. At the time it was expected that the financial impact would be long lasting, and a gradual lifting of restrictions would result in a slower recovery and longer lasting financial scarring. Since the MTFP was approved in February, the Government has gradually lifted restrictions, the majority of which were lifted in late July. Coupled with the success of the national vaccine rollout this has been a positive turning point. However, it is too early to tell whether this positive will result in a quick recovery of the national economy and local economy, and how quickly the Council can recover from financial scarring impacts identified. It is also recognised that the Government support funding received in 2021/22 is one-off and is assumed (subject to the Local Government

Finance Settlement) will not continue in 2022/23 despite the expectation that the financial legacy of the pandemic will extend beyond 2021/22.

- 2.3 For this reason, the MTFP Update remains prudent on its assumption of the speed of recovery to support the Council's Section 151 Officer's assessment of the robustness and resilience of the Council's MTFP. Financial scaring impact contingency budgets continue to be held in the MTFP to offset expected costs of the Council's continuing response and recovery process. Given the continuing uncertainty about the impact of the pandemic on the national and local economy, coupled with expected Government announcements affecting Local Government financing, it is not considered prudent to adjust the forecasts in this MTFP Update. Officers will continue to review these forecasts during the financial year to ensure they remain robust and reflect the required mitigation of the expected financial impact over the medium term period.

Section 114 Notice

- 2.4 Members will be aware that the Council has a legal requirement to deliver a balanced budget. If spending is likely to exceed the available resources for a council the Officer charged with responsibility for the effective financial management of the council, the Section 151 Officer, must issue a Section 114 (S114) notice under the relevant section of the Local Government Act, section 114.
- 2.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued modified guidance to council Chief Finance Officers (CFOs) in 2020/21 to allow councils under budgetary pressure due to COVID-19 the time and space to explore alternatives to freezing spending via a S114 notice.
- At the earliest possible stage, a CFO should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming S114 requirement.
 - The CFO should communicate the potential unbalanced budget position due to COVID-19 MHCLG at the same time as providing a potential S114 scenario report to the council executive (Cabinet) and the external auditor.
- 2.6 It is testament to the hard work of the Members and Officers across the Council who have embedded a strong culture of financial management that has avoided the need for the Council to issue a S114 notice despite the significant financial challenges faced. Whilst this report highlights the continuing financial challenge over the medium term, the Council's Section 151 Officer remains confident that at this moment the Council can meet these challenges using its robust and resilient financial management platform that has been built pre-pandemic. On this basis the Council's Section 151 Officer believes the likelihood of having to issue a S114 notice is very low in the short term period.

2020/21 Outturn Position

- 2.7 The 2020/21 outturn position for the Council was reported to the Cabinet meeting on 29 June. A £1.022m outturn surplus for the year was reported and was transferred to the Council's General Fund Balance to be allocated to earmarked reserves as part of the Council's 2021/22 Reserves Policy presented to the Corporate Resources, Governance and Management scrutiny committee at its meeting on 7 September and Cabinet elsewhere on this agenda. The revenue outturn position for

Cash Limit and Non-Cash Limit budgets was a deficit of £24.697m. Government support grants and specific grant allocations offset the cost pressures during the year resulting in the overall outturn surplus position.

- 2.8 The Council's General Fund Balance during 2020/21 was £10.200m. As approved in the 2021/22 Budget, this has been increased to £15.183m, the minimum level of General Fund Balance recommended by the Council's Section 151 Officer to support the 2021/22 Budget. The balance is calculated based on the spending experiences and risks to which the Council might be exposed to provide further robustness and resilience to the Council's budget. The ongoing uncertainty about the longer-term impact of the pandemic on the national and local economy was part of this assessment when setting the Council's 2021/22 Budget.

2021/22 Quarter 1+ Forecast Outturn Position

- 2.9 The 2021/22 Quarter 1+ forecast outturn position presented to Cabinet elsewhere on this agenda highlights a forecast surplus of £3.336m. It is noted that this is after the balancing of Cash Limit budgets via the provisional allocation of £8.531m from the COVID-19 financial scarring impact contingency to offset additional costs and income losses incurred. A balance of £2.666m remains available for the remainder of the financial year to address any additional cost and/or income losses not identified in the Quarter 1+ forecast. Any further allocation would reduce the overall forecast surplus reported. In addition, it is also noted that the forecast reflects budget underspends where costs would normally be incurred in the provision of services; staffing vacancy savings as a result of skilled staff shortages as a result of the pandemic for example.
- 2.10 The Quarter 1+ forecast outturn position is based on actual data to the end of July. It is possible that financial risks remain unquantified at this stage of the year and will only become clear and be included in the forecast outturn position at Quarter 2 and Quarter 3. Whilst the Council is continuing to monitor the COVID-19 financial scarring impacts through the monthly COVID-19 financial impact returns to Government these forecasts are subject to change particularly as new measures (and resulting financial impacts) to tackle the pandemic are announced by Government. In addition, unquantifiable changes in demand and resulting increases in costs later in the financial year will have an adverse impact on the financial position presented at Quarter 1+. As a result, the mitigation of additional financial scarring impacts and identified budget pressures will need to be considered as part of the continual update of the Council's MTFP during the financial year.

Government's Spending Review, Local Government Finance Settlement and Future Direction of Local Government Funding

- 2.11 Prior to the pandemic it was expected that Government would complete a multi-year Spending Review in Autumn 2020 and Local Government Finance Settlement in December 2020. However, the need for Government to focus on the response to the pandemic and the ongoing national economic crisis resulted in a continuing one-year funding announcement for 2021/22 which provided no certainty over funding beyond the current financial year. To support medium term financial planning, Local Government has continued to ask for greater certainty of its funding via a multi-year funding settlement which Government has acknowledged.

- 2.12 The Spending Review launch letter was released by Government on 7 September setting out the intention for a multi-year Spending Review covering the period 2022/23 to 2024/25. The Spending Review will conclude on 27 October alongside the Government's 2021 Autumn Budget making timelines for Government Department submissions particularly tight. Whilst the launch has highlighted that the Spending Review will *'follow the path of resources and capital spending that we (Government) set out at Budget 2021'*, commentators suggest recent fiscal forecasts will give room to reverse the planned £17bn in Government Department spending reductions in 2022/23.
- 2.13 It is expected that the Settlement will mirror the period set for the Spending Review, providing certainty of the Local Government resource allocations for 2022/23 to 2024/25. Given the Government's need to address the costs of its continuing national pandemic response and recovery it is possible that Local Government will see changes to its overall national resource base which will then filter down to individual Council's as part of their funding settlements. Despite this Government is being reminded that whilst the national costs of the pandemic have diminished, they have not disappeared and as highlighted the financial legacy on Local Government will extend beyond 2021/22 when the Government financial support ends. Indeed, the Council is currently experiencing increased costs of service provision due to infection control measures needed, staffing shortages and increase demand for example. Government are being asked by Local Authorities to ensure the financial impact continues to be recognised and supported beyond 2021/22 when they consider the detail of the Spending Review and Local Government Finance Settlement. The Public Accounts Committee has also recommended this asking Government to ensure their work on the next Spending Review includes full consideration of the longer-term effects of the pandemic on Local Government finance and the increasing demand placed on services as a result.
- 2.14 The Council awaits further announcements of planned (pre-pandemic) reform to Local Government finance in relation to fairer funding formula and Business Rates, and sustainable funding of Adult Social Care. Government reforms to the latter have recently been announced and are detailed in paragraph 2.17 to 2.22. The other reforms have been delayed until 2022/23 at the earliest whilst the Government continues to deal with the national pandemic response and recovery. The pandemic has highlighted other areas of cost pressure in relation to increasing levels of service demand particularly in relation to Children's Social Care, Public Health and services providing financial inclusion and resilience support to residents. These areas of emerging cost pressure also need to be considered as part of the planned reforms.
- 2.15 Whilst the pandemic has exacerbated the cost pressures faced by Local Government in the delivery of essential services to residents, it has also highlighted the inadequacy of the current established funding levels and the over reliance on local taxation. These issues were widely published pre-pandemic, the LGA for example predicted a funding gap pre pandemic of £6.4bn nationally by 2024/25. This is further evidenced by the financial resilience and sustainability problems some Authorities have faced during the pandemic through the issuing of S114 notices and requests for capitalisation directives. Reforms to Local Government finance will need to address these issues and ensure the quantum of funding is sufficient and fairly allocated to ensure future financial sustainability.

2.16 The Council will continue to lobby Government alongside other Local Authorities for further certainty on Government's intention for the future direction of Local Government finance. Officers will continue to respond to consultations on both an individual authority level and as part of wider regional consultation responses as part of this lobbying.

Health and Adult Social Care Reform

2.17 The Government announced its reform package for Adult Social Care on 7 September through the release of their Build Back Better – Our Plan for Health and Social Care. Funding for the reforms will be raised from increased taxation, a 1.25% point increase in National Insurance Contributions from October 2023 and will later become a separate Health and Social Care Levy. The levy is expected to generate circa £36bn over the next three years.

2.18 The key announcements are:

- £25bn allocated to the NHS for the period 2022/23 to 2024/25 with a significant element of the funding being directed towards the backlog of elective care patients due to the pandemic. It is the Government's intention that this funding will revert back to Adult Social Care from 2025/26; and
- £5.4bn allocated to Adult Social Care; £500m will support workforce reform and resilience, £4.9bn will be used to fund the planned reforms to 2024/25 resulting in an implied annual funding of circa £3.2bn in 2024/25.

2.19 The Government's reform proposals broadly follow those set out in the 2011 Dilnot Report as follows:

- From October 2023 the Government will introduce a new £86,000 cap on personal care spend by individuals over their lifetime;
- The charging 'floor' will be increased to £20,000 which means an individual with assets less than £20,000 will not be required to make a contribution to their care costs;
- Individuals with assets between £20,000 and £100,000 will be eligible for means tested support; and
- Individuals who fund their own care will be able to ask their Local Authorities to arrange their care with the aim of equalising care costs.

2.20 It is noted that the proposed changes will bring additional financial cost and risk to the Council in terms of:

- The increase in employers National Insurance Contributions of 1.25% point increase will result in an annual cost to the Council of circa £0.800m per annum. The plan does state that the Government intends to compensate public sector employers within the Spending Review for the increased cost of the National Insurance Contributions/levy;
- The changes to the cap and asset threshold will mean the Council will have to fund a greater share of the care costs that are currently paid for by self-funders;
- The approach to care cost equalisation across the care market may result in increased care rates for the Council. It is possible that this financial impact will be shared with care providers – but given their financial challenges this may not be viable for providers;

- The costs of administering the reforms locally will result in additional new burdens costs to the Council;
- Whilst it is expected that the Council will be compensated for the costs of the reforms there is a significant risk that the national quantum of funding and allocation of this to individual Local Authorities will be insufficient. No detail has been provided on the funding allocation methodology that will be used which will be crucial to the Council understanding any financial impact due the risk presented by Stockport's demographics noting that *'Government will consult on its proposals for funding distribution and keep this distribution under review'*; and
- Commentators have highlighted the risk in the Government's expectation that funding provided to the NHS over the initial three year period will be available to revert to Adult Social Care from 2025/26.

2.21 It is noted that there is no new funding to support the existing Adult Social Care cost pressures detailed within the Government's reform proposals. The Spending Review will continue to balance the funding of increased resources (including additional funding for Adult Social Care) between funding from Council Tax and funding from Government which may result in a further funding announcements in due course. The Council will continue to lobby the Government for this. However, it is highlighted that the Government seem intent on continuing to use Council Tax increases as a mechanism for funding these costs over the medium term period:

'Government will ensure Local Authorities have access to sustainable funding for core budgets at the Spending Review. We (Government) expect demographic and unit cost pressures will be met through Council Tax, social care precept and long term efficiencies'.

2.22 Given that the detail of funding allocations to compensate Local Authorities will be consulted on and considered in the Government's Spending Review and Local Government Finance Settlement, the MTFP has not been updated assuming a fiscally neutral impact as a result of the planned reforms at this stage. Officers will continue to review this announcement and subsequent announcements linked to the Government's health and social care reform plans as part of the Council's 2022/23 budget setting process.

Greater Manchester Integrated Care System

2.23 In February Government published its proposals for reforms to health and social care in terms of integration and innovation to improve outcomes. The proposals look at how the conditions for greater collaboration and joined up care within an Integrated Care System and place-based level can be achieved. The overall purpose of the Integrated Care System is to reduce inequalities and support people to live longer and healthier independent lives.

2.24 The Greater Manchester Integrated Care System is being developed and led by the Greater Manchester Health and Social Care Partnership in collaboration with relevant organisations within localities. Officers are working with colleagues across Greater Manchester to understand the policy changes needed and the development of local arrangements and architecture for operating as the Stockport Place in the Greater Manchester Integrated Care System from April 2022. At this stage no financial impact of this work is expected and reflected in the MTFP Update. Any

financial impact identified as this work continues will be considered in future MTFP updates as part of the Council's 2022/23 budget setting process.

Enabling Transformation and MTFP Strategy

2.25 The Council remains committed to its MTFP Strategy to frame the choices it needs to make about the services it delivers and how they are delivered. This service transformation will aim to manage service demand, deliver services more efficiently ensuring value for money is achieved and focus on the outcomes for Stockport residents and businesses. The transformation programme will continue to reshape how the Council delivers services, building on the positives of the pandemic response and recovery across the Borough, reflecting the aspirations of One Stockport Borough Plan and responding to the ambitions and expectations of Stockport residents and businesses.

2.26 It is recognised that this will require continuing critical review of all services and bold decisions about how these services continue to be delivered. This will ensure the Council's financial sustainability and resilience whilst building back better framed by the Borough Plan, Council Plan and the boroughwide One Stockport ambition that creates:

- A Council that is built around our communities;
- A Council that maximises the opportunities of digital;
- A Council that values partnerships and collaboration; and
- A Council that cares about its staff and engages them in the future.

2.27 The MTFP Strategy is central to the organisational delivery of these priorities. A stable financial platform to enable the Council's transformation programme over the medium-term period is fundamental to its delivery and meeting the financial challenge ahead. As well as delivering better outcomes for residents and reshaping services so they are fit for the future, the transformation programme is intrinsically linked to the delivery of the MTFP and the provision of services within the resources available.

3. MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE REVIEW

3.1 The Council's MTFP 2021/22 to 2022/23 was approved at the Council meeting on 25 February 2021. This sets out the Council's forecast savings requirement across the MTFP with an expected cumulative savings requirement of £23.177m in 2022/23.

3.2 Due to the significant uncertainty, volatility and risk within the financial landscape, the presented and approved MTFP was not extended beyond 2022/23. However, to provide clarity of the Council's medium term financial position, the MTFP presented in this report extends to 2023/24 to maintain the current plus two years presentation. Members are asked to note that the internal MTFP modelling does extend beyond this period but the likelihood of continual change to MTFP as a result of the ongoing uncertainty and risk, the MTFP forecasts and assumptions beyond 2023/24 have not been presented. If the Local Government Finance Settlement mirrors the period of the Government's Spending Review future iterations of the MTFP will extend to 2024/25. A full MTFP for the period 2021/22 to 2023/24 is included in Appendix 1.

Table 2: Approved Council Saving Requirement 2021/22 to 2023/24

	2021/22 £000	2022/23 £000	2023/24 £000
Annual Saving Requirement	0	23,177	11,171
Cumulative Saving Requirement	0	23,177	34,348

3.3 The calculation of the future years forecast saving requirement is based upon a number of assumptions relating to identified expenditure pressures. These pressures relate to expected changes in legislation, Government policy, economic outlook and local priorities. The potential financial implications of these on the Council were assessed based on knowledge and assumptions made at the time of reporting the MTFP as part of the 2021/22 budget setting process.

2021/22 to 2023/24 MTFP Assumptions

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

Table 3: Approved MTFP Assumptions

Assumptions	2021/22	2022/23	2023/24
Council Tax General Increase	2.00%	0.00%	0.00%
Council Tax Adult Social Care Precept Increase	1.50%	1.50%	0.00%
Business Rates Multiplier Increase	0.00%	1.80%	1.80%
Business Rates Retention Basis	75%	75%	75%
Pay Award	0.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	2.00%	2.00%	2.00%
Employer's Pension Contribution	19.80%	19.80%	19.80%
Employer's Pension Contribution*	18.79%	18.79%	19.80%
GMCA Waste Disposal Levy	1.28%	1.28%	1.28%
GMCA Transport Levy	0.00%	1.00%	1.00%
GMCA Statutory Charge	0.00%	1.00%	1.00%

*Employer pension contribution rate including the advance pension payment discount

- Council Tax Taxbase** – the Council is required to calculate and approve its Council Tax Taxbase for budget setting purposes (the number of chargeable dwellings for budget setting purposes) each year. An assumption of expected Taxbase growth over the medium term period is included in this calculation. As Government support schemes such as furlough, self-employed income support and Universal Credit enhancement end in September, it is possible that the number of Local Council Tax Support (LCTS) claimants will increase. An increase in LCTS claimant numbers in addition to those already included in the forecast Taxbase will have an adverse impact on the MTFP. This will be reviewed later in the year when the 2022/23 Council Tax Taxbase is calculated and approved.
- Council Tax Collection Rates** – for budget setting purposes the Council Tax Taxbase is adjusted to take account of the local collection rate experience. The MTFP currently assumes a Council Tax collection rate of 98.75% for budget setting purposes. This rate reflects the discounts and reliefs given to Ratepayers as well as the amount of expected arrears and bad debts.

- **Council Tax Increases** – Members will be aware that as part of the Council’s 2021/22 Budget, 1.5% of the allowable Adult Social Care Precept increase in 2021/22 was deferred to 2022/23. This is reflected in the approved MTFP forecasts. The intention of this deferral was to smooth the impact of the increase on Stockport residents. The income foregone as a result was offset by the one-off use of reserves in 2021/22. Section 4 provides illustrative detail of what income could be raised through a Council Tax increase in 2022/23.
- **Business Rates Growth** – Business Rates forecasting is complex and volatile. The MTFP is based on the Government’s assessment of what can be collected adjusted by local knowledge and experience of collection rates. However, a small change in the gross Business Rates payable in-year as a result of changes in rateable value or increase in appeals by businesses is difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. For this reason, the MTFP does not assume growth in the Business Rates Taxbase.
- **Business Rates 100% Retention Pilot Benefit** – based on the 2021/22 NNDR1 (Business Rates income budget) submitted to Government in January, the Council expects to benefit from the Pilot. The agreed calculation compares retained rates, section 31 grants, the tariff/top up, RSG and Public Health grant which would have been received in the 50% retention scheme to the equivalent amounts received in the 100% Pilot. The benefit (additional Business Rates income retained) reflects the retention of growth from the baseline set in 2013 to the current year – the Council alongside the other Greater Manchester councils retain 50% more underlying growth. The Council has prudently only budgeted for the level of Business Rates income it would have received under the 50% Scheme aligned to the No Detriment agreement underpinning the Pilot. As a result, the Pilot benefit expected to be achieved in 2021/22 can be taken a year in arrears to support the Council’s MTFP. It is noted that the budgeted benefit will only be achieved if a balance position is achieved at year-end. Given the complexity and volatility of Business Rates forecasting, coupled with the financial impact of the pandemic on businesses, it is not considered prudent to update the MTFP at this stage to reflect any expected benefit. In addition, no decision has been made with GMCA about the sharing of any benefit achieved in 2021/22. It is noted that in 2020/21 100% of the benefit was retained by the Council to support the pandemic response as agreed with GMCA.
- **Business Rates Retention Basis** – the MTFP assumes the 100% Pilot will end in 2021/22. From 2022/23 it is assumed that the Council will revert to a 75% retention basis, but it is equally possible that the current 100% retention basis will continue or that the Council will revert to a 50% retention basis. Given the uncertainty it is considered prudent to retain the current Business Rates income forecasts in this MTFP Update. Confirmation of the retention basis is expected to be confirmed in the Government’s Spending Review and/or the Local Government Finance Settlement.
- **Pay Inflation** – an annual increase of 2% from 2022/23 is assumed in the MTFP.
- **Price Inflation** – the price inflation rate assumptions used are calculated using inflation data held by the Office of National Statistics and inflation rate forecasts provided by Link Asset Services, the Council’s Treasury Management advisors. A general inflation rate of 2% has been applied to relevant budgets. Where there are specific inflation rates included in contracts these inflation rates have been used.

- **Government Grant Resource Inflation** – the Council receives Section 31 grants from Government to fund specific priorities and known national pressures such as adults and children’s social care. The forecast continuation and increase of these grants is based on the best available information. However, it is noted that this is only confirmed as part of the Local Government Finance Settlement. The 2021/22 Local Government Finance Settlement continued the recent trend of one year resource allocations including the Section 31 grants. As the 2022/23 and future year settlements will be impacted by the Government’s Spending Review and until the 2022/23 Local Government Finance Settlement is announced, these forecasts remain subject to change.
- **Demand Pressures** – the MTFP includes an annual budget of £2m to fund the expected demand related costs particularly in relation to Adults and Children’s social care services. The Council’s Reserves Policy presented elsewhere on this agenda also sets aside monies to meet the costs of demand in excess of that budgeted for.
- **GMCA Levies** – the MTFP includes assumptions about the expected increase to the levy budgets based on GMCA modelling of expected costs. As part of the GMCA scrutiny and budget setting process further modelling will be completed on expected costs with resulting changes to the levies expected to be confirmed later in the financial year.
- **National Living Wage (NLW)** – the MTFP includes an annual budget contingency of £1.5m to fund the expected costs of the NLW increase. This will be used to fund expected cost increases in Adult Social Care linked to expected provider fee setting increases and expected lobbying by providers to align care works pay with the NHS.

3.5 As part of the MTFP Update, the forecasts and assumptions underpinning the MTFP have been reviewed. Whilst the MTFP Update has identified areas where favourable and adverse adjustments need to be made, the Council continues to face significant financial challenge over the medium term period. The uncertainty, volatility and risk of the MTFP forecasts particularly in relation to the continuing response and recovery from the pandemic mean it is likely that the financial position will continue to change over the coming months. The Council will need to ensure it has the financial resilience and flexibility to respond to changes in the Government’s response to the pandemic, legislation, Government policy, economic outlook, and local pressures and opportunities. As a result, the update of the MTFP forecasts and assumptions will need to continue to be an iterative process throughout 2021/22.

3.6 The following paragraphs provide details of where favourable and adverse adjustments need to be made to the MTFP forecasts following the MTFP Update. These adjustments will need to be considered as part of the Council’s 2022/23 budget setting process and future MTFP updates as further information becomes available.

Favourable MTFP Adjustments

3.7 **Price Inflation** - the MTFP identifies the budget required to meet the costs of inflationary pressures on specific service budgets across the medium term period. The current assumed general inflation rate is 2% in line with the Bank of England’s inflation target and inflation rate forecasts provided by Link Asset Services, the Council’s treasury management advisors. Whilst the inflation rates can fluctuate

during the year experience is the impact of rate changes often lag behind inflation data issued by the Office of National Statistics. On this basis it is considered prudent to use the Bank of England target inflation rate as the best estimate of expected price inflation over the medium term period. The MTFP does not apply inflation to all non-staffing budgets, inflation is only applied to specific budgets where it is appropriate to do so. A review of the inflation calculator has been completed to ensure the specific budgets included have been rebased and appropriate inflation rates used. Where inflationary cost pressures are expected to be higher due to existing contracts in place, for example energy contracts, specified contractual inflation rates have been used.

- 3.8 **Debt Charges** – the Council’s Non-Cash Limit budget includes budget set aside to meet the costs of financing the Capital Programme and Treasury Management. As in previous financial years, a review of the Council debt charge budget forecasts over the medium term period has been completed. The Council’s Treasury Management Strategy continues to take advantage of the low interest rates on short term borrowing and avoiding longer term borrowing ahead of need by utilising cash balances. The continuing availability of short-term borrowing at preferential rates and slippage in the Capital Programme due to the pandemic has resulted in reductions in the debt charges net expenditure forecasts. Whilst the position is currently favourable the Council is aware that changes in interest rates, conversion of short term debt to long term debt over the medium term period and the need to externalise the Council’s internally borrowed position (to free up cash balances due to the need to use earmarked reserves to support the Council continuing response and recovery from the pandemic) may be required as part of its Treasury Management Strategy over the medium term period. For this reason, it is recommended that additional budget is built into the debt charges budget to provide the necessary flexibility and risk mitigation to manage interest changes and the need for longer term borrowing. Having taken this flexibility into account the Council can prudently reduce its debt charges budget to support the MTFP. Officers will continue to monitor this position with any changes to the medium term forecasts considered in future MTFP Update Reviews as part of the Council’s 2022/23 budget setting process.
- 3.9 **Levy Smoothing Budget** – the review of the MTFP has identified a historic budget within the Place Non Cash Limit linked to the smoothing of levy changes during a financial year. The budget can be prudently released noting that the Council’s Reserves Policy includes an earmarked reserve for this purpose.

Adverse MTFP Adjustments

- 3.10 **Business Rates Forecast – Impact of Public Health Grant Adjustments** – the announcement of the Council’s 2021/22 Public Health Grant allocation from the Department of Health and Social Care was received in March – after the approval of the Council’s 2021/22 Budget. This adjustment reflects the forecast adjustments needed to the future Business Rates and Public Health Grant included in the approved MTFP as a result of adjusting for the confirmed funding allocation in the Council’s 2021/22 Budget.
- 3.11 **Pay Inflation** – As part of its 2020 Spending Review Government announced its approach to Public Sector pay in 2021/22 linked to the impact of the pandemic on private sector pay and ensuring those on the lowest incomes are supported – *‘targeting resources at those who need it most’*. With the exception of NHS staff

(Doctors and Nurses) and those on low income, a public sector pay freeze was announced. Whilst it is recognised that Local Government pay awards are negotiated separately from those of Government Departments, it was expected that given the financial challenges presented by the pandemic, the pay freeze would also apply to Local Government. The current employer offer being considered by Trade Unions is a pay award on 1.75% in 2021/22. The cost of this in 2021/22 is £1.648m rising to £1.790m in 2023/24 and has been reflected in the MTFP Update. Until the 2021/22 pay award is confirmed, the future year pay award assumptions for 2022/23 and 2023/24 will not be adjusted. Furthermore, the Government's recent announcement of an increase in National Insurance Contributions to fund planned health and adult social care reforms may have a bearing on this.

- 3.12 **Identified Core Budget Pressure - Education and Health Care Plan (EHCP) Staffing Capacity** – the pressure has been identified as part of the 2021/22 budget monitoring and relates to staffing capacity needed to deal with an increased demand for EHCP assessment and reporting linked to the Council's SEND services. The in-year pressure will be funded through the use of the SEND Review Reserve, with permanent funding of the identified pressure included in the MTFP form 2022/23.

Use of Available One-Off Resources

- 3.13 **Collection Fund Deficit Deferral Forecast** – to support Local Authorities to mitigate the financial impact of the pandemic on the Collection Fund, Government announced that *'the repayment of Collection Fund deficits arising in 2020/21, will be spread over the next three financial years rather than the usual period of the next financial year'*. Government's intention in doing this was to *'give councils breathing space in setting budgets for next year (2021/22)'*. The amended legislation governing Collection Fund accounting required the Council to estimate an 'exceptional balance' as part of its declared 2020/21 Collection Fund outturn position in January. This reflected the deficit spreading expected over the next three financial years. This estimate was included in the Council's approved 2021/22 Budget and MTFP for the three financial years affected - 2021/22, 2022/23 and 2023/24. The 2020/21 Collection Fund outturn position realised at year end resulted in an improved deficit position from the one estimated in January. As a result, an element of the budget set aside for the deficit spreading based on this estimate can now be prudently released to support the MTFP.
- 3.14 **Collection Fund Distribution** – in line with the legislation that governs the Collection Fund accounting, the Collection Fund balance attributable to the Council (net of distributions [declared surpluses] and/or reimbursements [declared deficits] during the year) can be declared in 2021/22 to support the Council's 2022/23 Budget. A surplus balance of £2.229m is available to be declared and released from the Collection Fund Balance in 2021/22.
- 3.15 **Sales, Fee and Charges Income Loss Compensation Forecast** – as part of the pandemic support to Local Authorities, a compensation scheme for income loss on sales, fees and charges income was setup by Government. Initially this was to cover income losses incurred in 2020/21 only over three claim periods. As the Council's final claim was made at the end of March a forecast of the expected compensation totalling £0.494m was included in the Council's 2021/22 Budget. Since the setting of the budget, Government announced an extension to the compensation scheme covering the first quarter of 2021/22. The Council's period 3 claim totalled £0.674m and it is forecast that circa £0.400m can be claimed for the first quarter of 2021/22

(period 4). As a result, additional one off resources of £0.580m (£1.074m less £0.494m budgeted) in relation to this compensation scheme has been included in the MTFP Update. It is noted that this is subject to the approval of the Council's period 3 and period 4 claims by Government.

MTFP Risk Assessment

- 3.16 It is clear that the financial environment facing Local Authorities is subject to significant risk as a result of changes to funding arrangements and the spending pressures that they will face over the medium term period. As a result, careful management and identification of these risks will be essential, and as already highlighted, updates to the MTFP forecasts and assumptions will need to be continual during 2021/22. Details of the risks inherent within the MTFP forecasts and assumptions and how these will be mitigated are set out in Appendix 3.
- 3.17 In addition, an internal audit of the Council's financial resilience is currently being completed recognising the high corporate risk of failure to deliver the MTFP. This audit was last completed in 2019 and provided assurance over the robustness of the Council's financial management and resilience. Given the unprecedented financial challenge the Council now faces as a result of the pandemic, Officers felt a further audit and assurance of the Council's financial resilience would be beneficial.
- 3.18 The objective of the audit is to provide assurance that adequate and effective controls are in place to minimise corporate risks linked to financial resilience. The audit is reviewing the strategic financial planning and management arrangements in place to ensure their robustness in providing the Council with financial sustainability and resilience. The following areas will be considered as part of the review:
- Alignment of the financial strategy to the Council's strategic objectives;
 - Demonstration of how risks identified have informed the financial strategy;
 - Effectiveness of financial resilience assessment – adequate forecasts and assumptions, testing of sensitivity of financial sustainability and scenarios for the key cost drivers, service demands and resources;
 - Preparation of the MTFP, regular review and inclusion of adequate contingencies to address financial risks identified;
 - Effectiveness of the Council's Reserves Policy;
 - Scheme of delegation of responsibilities and accountabilities to those responsible for delivery of services (including income generating activities) and achievement of saving plans; and
 - Financial governance effectiveness within the leadership team and relevant members, in particular rigorous examination of objectives, underlying assumptions and implementation plans with constructive challenge being provided throughout.

MTFP 2022/23 to 2023/24

- 3.19 Appendix 2 provides an illustration of the adjustments that need to be made to the MTFP based on the forecast and assumption changes identified by the MTFP Update. The table below shows the net adjustments for each year of the MTFP as a result of the above.

Table 4: MTFP Update Review Net Adjustments

	2022/23 £000	2023/24 £000
Net Favourable Adjustment	3,007	163

- 3.20 Given the significant risks to the Council's MTFP assumptions and forecasts it is recommended that the Council's savings requirement for 2022/23 to 2023/24 are continually reviewed and updated during the financial year. It should be noted that this may result in adjustments identified in this update being revised based on revised/updated information.
- 3.21 Updates to the MTFP assumptions and forecasts will be reported to Cabinet and Scrutiny as part of the Council's 2022/23 budget setting process as more clarity emerges particularly in relation to Government announcements affecting Local Government funding. The reports will clarify the impact of the risks on the Council over the medium term period once known and how the available resources identified can be utilised to mitigate these and/or reduce the Council's savings requirement in 2022/23 and future years.

4. COUNCIL TAX ILLUSTRATION

- 4.1 The approved MTFP assumes a 0% increase in the general element of Council Tax and an increase of 1.5% in the Adult Social Care Precept (following deferral in 2021/22) in 2022/23.
- 4.2 The Council Tax referendum limits for 2022/23 will be confirmed as part of the Local Government Finance Settlement in December. For illustrative purposes the table below shows the additional Council Tax income an increase in the general element will generate. No additional increase in the Adult Social Care Precept above the 1.5% (already assumed) is assumed. However, it is noted that the Government's reform proposals do refer to the use of Council Tax and Adult Social Care Precept to fund existing cost pressures within Adult Social Care which suggests a further allowable increase in the precept in 2022/23 is possible.

Table 5: Illustration of Income Generated Through Council Tax Increase

	2022/23
Assumed Council Tax Taxbase	96,300.6
Increase to Band D Equivalent with 1% General Element Increase (£)	17.50
Additional Funding - 1% General Element Increase (£000s)	1,685
Total Additional Council Tax Income Generated (£000s) – 1%	1,685
Increase to Band D Equivalent with 1.50% General Element Increase (£)	26.25
Additional Funding - 1.50% General Element Increase (£000s)	2,528
Total Additional Council Tax Income Generated (£000s) – 1.5%	2,528
Increase to Band D Equivalent with 1.99% General Element Increase (£)	34.82
Additional Funding - 1.99% General Element Increase (£000s)	3,353
Total Additional Council Tax Income Generated (£000s) – 1.99%	3,353

- 4.3 Members are asked to note that this is based on the approved Council Tax Taxbase including forecast growth in February. The Council Tax Taxbase for 2022/23 will be set later in the year following the annual submission of the CTB1 form. This might result in an adverse forecast adjustment to the approved Council Tax Taxbase impacting on the additional income generated illustrated in the table above.
- 4.4 In addition, any Council Tax increase will be impacted by any increase to the Mayoral Precept Police and Crime Commissioner and the Mayoral General Precept (including Fire Services) in 2022/23. These Precepts are set by the GMCA, confirmation of any increase to these Precepts is expected later in the financial year. Allowable increase limits on these precepts are expected to be announced by Government as part of the Spending Review and/or the Local Government Finance Settlement.

5. RESPONDING TO THE FINANCIAL FORECASTS

- 5.1 The financial challenge facing the Council over the medium term period remains significant. Officers will continue to monitor the MTFP and report the requirement for further adjustments to the forecasts and assumptions to ensure the Council has a robust and resilient medium term financial plan as part of the 2022/23 budget setting process.
- 5.2 The Council remains committed to its MTFP Strategy of service transformation to address the financial challenge ahead. The transformation will aim to manage service demand, deliver services more efficiently ensuring value for money is achieved and focus on the outcomes for Stockport residents and businesses. It is recognised that this will require continuing critical review of all services and bold decisions about how these services continue to be delivered to ensure the Council's financial sustainability and resilience whilst building back better. These decisions will be framed by the Borough Plan, Council Plan and the boroughwide One Stockport ambition that will design services for a modern, person centred and ambitious Council that is:
- 5.3 A stable financial platform that enables this transformation programme is key to the Council delivering on this and addressing the financial challenge ahead. The robust financial management and scrutiny processes the Council has in place provides this stable platform upon which it can continue to address the medium term financial challenge. This includes:
- The Council's ambition to build back better, the work that will shape the Council's recovery linked to the Council's transformation programme;
 - Continuing budget monitoring updates during the financial year to ensure the 2021/22 financial position and the approach to balancing that financial position is informed by the latest financial forecasts and information;
 - The 2021/22 Reserves Policy presented elsewhere of this agenda and the continuing update of this to ensure earmarked reserves remain aligned to the Council's corporate and strategic priorities whilst providing assurance that resources are available if needed to support the Council's response to the financial impact of the pandemic and provide a mechanism to smooth the financial impact in the short term;
 - Continuing updates of the MTFP during the financial year to ensure the forecast and assumptions are based on the latest available information. This

will be particularly important as the Government makes further announcements in relation to its response to the pandemic as well as the CSR expected in November.

- 5.4 Whilst the report highlights the significance of the financial challenges facing the Council, the Council's Section 151 Officer remains confident that at this moment, based on the robust financial management in place, the Council can respond to the challenging financial forecasts over the medium term period and address the financial challenges ahead. On this basis the Council's Section 151 Officer believes the likelihood of having to issue a S114 notice is very low in the short term period.

6. RESERVES POLICY

- 6.1 An annual review of the Council Reserves Policy is completed each year to ensure that the Council's earmarked reserves remain aligned to the priority areas identified over the medium term period. Following the annual review, the 2021/22 Reserves Policy is being presented for approval to Cabinet elsewhere on this agenda.

- 6.2 The priority areas identified within the Reserves Policy are:

- **Reserves Linked to Budget** – earmarked reserves linked to the Council's transformational change priorities;
- **Strategic Priority Reserves** – earmarked reserves linked to the Council's priorities over the medium term financial plan;
- **Reserves Linked to Budget Resilience Issues** – earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures; and
- **Corporate Reserves** – statutory and ringfenced reserves.

- 6.3 The purpose of the Reserves Policy is to provide the Council with assurance about the level of resources available to mitigate the impact of unplanned and unexpected events over the medium term period. On this basis the annual review of the Reserves Policy has also considered the COVID-19 financial impact and how, if needed, resources held in earmarked reserves can be used to support the smoothing and recovery from the financial scarring impacts. The policy has purposefully realigned resources to provide additional financial resilience for this purpose. The review also recognises and provides assurance that resources held in earmarked reserves could be uncommitted to meet any funding gap over the medium term period with the caveat that significant use for this purpose would have a severe impact on the Council and the Borough in terms of future ambitions and priorities. However, it is important in the context of demonstrating a robust and resilient medium term financial plan that the Council understands the options available to it including:

- Release of uncommitted resources held in earmarked reserves to support the Council's financial response to the pandemic;
- Release of resources held to fund the Cabinet one-off investments identified in the 2021/22 Budget;
- Release of commitments that are funding transformation projects which could meet the legislation around the use of available capital receipts to fund revenue projects;

- Release of commitments that are funding costs which could be capitalised and funded by additional borrowing; and
- Release of revenue resource held to fund the cost of capital schemes.

6.4 It is recognised that the use of earmarked reserves as a temporary short term measure to mitigate and smooth the financial impact will be needed particularly as commercial income losses recover to pre-pandemic levels. However, it is also noted that earmarked reserves are a vital part of the Council's ongoing financial resilience and robustness as well as providing resources to support the Council's priorities and ambitions. A significant use of these earmarked reserves to mitigate the financial scarring impacts present an opportunity cost to the Council. For this reason, it is recommended that the use of earmarked over the medium term period is capped at £20m after which a further review of earmarked reserves would be needed.

6.5 In previous years the Council has been able to identify available one-off resources to support the budget, MTFP and/or its capital investments through returned resources from GMCA and Collection Fund accounting for example. Given the financial challenges highlighted, if additional one-off resources are returned to the Council during the year and/or created locally, it is recommended that these resources are considered within this context and used to support the 2022/23 Budget and MTFP financial challenge. One off resources identified to date have been reflected in the MTFP Update.

7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Cabinet is recommended to:

1. Note the outcomes of the MTFP Update including the continuing financial scarring impacts of the pandemic and the highlighted changes to the MTFP forecasts and assumptions approved in February;
2. Approve the forecast and assumption adjustments as a result of the MTFP Update outlined in the report;
3. Note that the Council's savings requirement has reduced to £20.170m in 2022/23 rising to £34.185m in 2023/24 as a result of the adjustment highlighted and subject to further review and updates during the financial year;
4. Note that due to the significant uncertainty, volatility and risk of the financial landscape the assessment of the MTFP forecasts and assumptions will continue to be iterative with further updates to the MTFP reported to Cabinet as part of the 2022/23 budget setting process;
5. Approve the recommended cap of £20m on the use of reserves to support the Council's continuing response and recovery from the financial scarring impacts of the pandemic over the medium term period; and
6. Approve the recommended use of one-off resources identified during the financial year to support the Council's 2022/23 Budget and MTFP.

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 2023/24 MTFP Approved 25 February 2021

2021/22 £000		2022/23 £000	2023/24 £000
	<u>Resources</u>		
151,005	Council Tax Income	151,565	152,124
16,889	Adult Social Care Precept	19,480	19,552
77,465	Business Rates Income	58,047	59,092
(16,673)	Business Rates Tariff	4,633	4,709
11,807	Grants in lieu of Business Rates	10,442	10,630
881	New Homes Bonus Grant	716	0
6,333	Better Care Fund Allocation	6,333	6,333
7,841	Social Care Grant	7,841	7,841
317	Lower Tier Services Grant	0	0
1,012	Collection Fund Balance Distribution	0	0
3,622	Collection Fund 100% Business Rates Benefit	0	0
7,629	Covid-19 General Support Funding	0	0
3,432	Covid-19 Collection Fund Support Funding	0	0
494	Covid-19 Sales, Fees and Charges Support Funding	0	0
(2,504)	Covid-19 Collection Fund Deficit Deferral	(2,504)	(2,504)
269,550		256,553	257,777
	<u>Expenditure</u>		
195,682	Cash Limits	196,398	197,528
168	Pay Inflation	2,219	4,333
0	Pensions - Superannuation and Auto Enrolment	0	1,072
2,907	Inflation - Price and National Living Wage	8,333	14,046
1,472	Demand Pressures	3,472	5,472
411	Apprenticeship Levy	419	428
11,197	Covid-19 Financial Scarring Impacts	9,474	9,219
60,987	Non-Cash Limits	59,415	60,027
272,824		279,730	292,125
3,274	Cumulative Savings Requirement	23,177	34,348
(1,874)	Appropriation From Reserves	0	0
(1,400)	Appropriation From Reserves - Collection Fund Financial Impact Smoothing	0	0
0	Revised Cumulative Savings Requirement	23,177	34,348

Appendix 2 – MTFP Update Review Adjustments

	2022/23 £000s	2023/24 £000s
Approved Cumulative Saving Requirement	23,177	34,348
Favourable MTFP Adjustments		
Price Inflation*	(384)	(1,021)
Debt Charges	(326)	(507)
Waste Levy Smoothing Budget	(350)	(350)
Adverse MTFP Adjustments		
2021/22 Business Rates Public Health Grant Adjustments	217	218
2021/22 Pay Inflation 1.75%	1,648	1,708
Core Budget Pressures		
Additional Education Health Care Plan Staffing Capacity	175	175
Favourable One-Off Resources		
Collection Fund Deficit Deferral Forecasts	(1,178)	(386)
Collection Fund 2020/21 Outturn Distribution	(2,229)	
Sales, Fees and Charges Income Loss Compensation	(580)	
Adjusted Cumulative Saving Requirement	20,170	34,185

*Assumes 2021/22 contingency is fully allocated or unallocated balance used to support 2021/22 outturn.

Appendix 3 – MTFP Risk Assessment and Mitigation

Risk Identified	Risk	Risk Mitigation
Business Rates Localisation	The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget.	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
Business Rates Retention	The MTFP assumes a move to 75% retention scheme in 2022/23 in line with the expected reform to the Business Rates Retention scheme prior to the COVID-19 pandemic. As the reform has been delayed until 2022/23 there is uncertainty about which retention scheme will apply in 2022/23 and beyond – 100%, 75% or 50% and the impact this will have on the Business Rates modelling and MTFP forecasts.	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms - Monitoring of Government announcements - Business Rates modelling - Reserves Policy - Identified available one-off resources
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"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms - Monitoring of Government announcements - Reserves Policy - Identified available one-off resources
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 and ensuring infection control etc will result in additional costs. The financial impact of the pandemic has been evidence of this. The impact of the Government's health and adult social care reforms will also have an impact on this going forward.	<ul style="list-style-type: none"> - In year monitoring of the costs of care services and commission and understanding of the financial legacy of the COVID-19 financial impact. - Further Government support funding for social care services - Reserves Policy

Risk Identified	Risk	Risk Mitigation
Capital Financing Costs	A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases, availability of cash on a short term basis at low interest rates and/or a significant unplanned reduction in the level of the Council's internal balances.	<ul style="list-style-type: none"> - In year monitoring of interest rates by Treasury Management Team - Updates from Treasury Management advisors (Link Asset Services) - MTFP Summer Review - Flexibility built in to the capital financing budgets to respond to interest rate increases and new long term borrowing - Reserves Policy - Identified available one-off resources
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. The Collection Fund position can be adversely impacted by changes during the year due to declining collection rates, increases in Council Tax support particularly in relation to COVID-19 impact and increasing Business Rates reliefs again in relation to COVID-19 impact.	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - In year monitoring of collection rates - Government support to spread the impact across 2021/22 to 2023/24 - Reserves Policy - Identified available one-off resources
Council Tax Taxbase	Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income. There is a risk that the ending of Government pandemic support to individuals such as furlough will increase claimant numbers of Local Council Tax Support reducing the chargeable Council Tax Taxbase.	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
COVID-19 Pandemic	The financial impact of COVID-19 is unprecedented and financial scarring impact contingency included in the MTFP reflects the Council's current forecast of the financial impact over the medium term period. At this stage the MTFP does not assume further financial impact beyond this contingency as a result of further waves of COVID-19 (i.e. in winter) and/or further national and/or local lockdowns/restrictions as a result of rising infection rates. The MTFP assumes current Government support funding of the pandemic financial impact	<ul style="list-style-type: none"> - Continuing monitoring of the COVID-19 financial impact through the monthly Government return and quarterly budget monitoring - Government announcement on COVID-19 response and measures - Council's COVID-19 strategy of response - COVID-19 financial scarring impact

Risk Identified	Risk	Risk Mitigation
	will end in 2021/22. The pandemic has exacerbated the uncertainty, volatility and risk in the financial landscape making medium term financial planning increasingly difficult.	contingency - Reserves Policy
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 to transform services to manage and reduce this demand as part of the Council's transformation programme. The transformation proposals 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 COVID-19 could increase the demand for some services i.e. mental health services, public health services etc	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme
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"> - Monitoring of Government Policy - Discussion with colleagues across Greater Manchester - MTFP Summer Review - MTFP updates - Reserves Policy - Identified available one-off resources
Education	The Council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional cash limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to 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.	<ul style="list-style-type: none"> - DSG Review Group working to address long term budget sustainability of the DSG - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
Fair Funding Formula	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.	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms - Reserves Policy - Identified available one-off resources
Financial Robustness and Resilience	Adverse impact on the Council's ongoing financial resilience and robustness will impact on its ability to deliver the transformational change needed to meet the financial challenges over the medium term period.	<ul style="list-style-type: none"> - In year budget monitoring - Budget setting - MTFP Summer Review - MTFP Updates - Reserves Policy - Internal Audit
Government's Comprehensive Spending Review and Local Government Finance Settlement	Announcements linked to the Government's Spending Review and subsequent Local Government Finance Settlement will impact on the Council's resource base over the medium term period. The next Government Spending Review will be multi-year covering the period 2022/23 to 2024/25.	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms - Reserves Policy - Available one-off resources
Integrated Care System	Financial implications of the move to an Integrated Care System (ICS) across Greater Manchester are being assessed. The MTFP assumes a fiscally neutral impact at this stage. The Greater Manchester ICS will come into operation from 1 April 2022.	<ul style="list-style-type: none"> - Links to relevant Officers across the Council involved in the ICS. - Links into GM and GMCA colleagues involved in the ICS in their localities. - Links into Health colleagues. - Establishment of a shadow locality Board, Executive Group and relevant sub-groups to oversee the development of the locality arrangements in Stockport.
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"> - Discussions with GMCA colleagues throughout the year to understand position on levies - MTFP Summer Review - MTFP Updates

Risk Identified	Risk	Risk Mitigation
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"> - In year budget monitoring - Changes to service operating models - National Living Wage contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves
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"> - Identification of Cash Limit expenditure pressures as part of MTFP Summer Review and annual budget setting process - Allocation of contingency budgets as part of the budget setting process
Pay Award	Negotiations between the employers and Trade Union on the 2021/22 pay award are ongoing. The current offer is 1.75% but indications are this will not be accepted by the Trade Unions. This could also be impacted by the Government's recent announcement to increase National Insurance Contributions by 1.25% to fund health and adult social care reforms.	<ul style="list-style-type: none"> - Monitoring of pay award negotiations - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one off resources
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"> - Monitoring of inflation rates - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one off resources
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 financial impact of the pandemic. A recognition of the	<ul style="list-style-type: none"> - Reserves Policy - Identified available one off resources

Risk Identified	Risk	Risk Mitigation
	<p>opportunity cost of using too much of the resources held in reserves over a sustained period on the financial robustness and resilience of the Council, and the impact on its ambitions and priorities going forward.</p>	
<p>Sleep-in Costs</p>	<p>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.</p>	<ul style="list-style-type: none"> - In year budget monitoring - MTFP Summer Review - MTFP Updates
<p>Transformation Programme</p>	<p>The Council's Transformation Programme is key to the delivery of the Council's MTFP and ensuring its financial sustainability over the medium term period. Successful delivery of the service transformation needed will aim to address rising service demand, achieve value for money and deliver outcomes.</p>	<ul style="list-style-type: none"> - In year budget monitoring - MTFP Summer Review - MTFP Updates - Reserves Policy – Invest to Save and Double Running Reserve
<p>UK Leaving the EU</p>	<p>The financial impact of the UK leaving the EU has been superseded by the ongoing response and recovery from the pandemic. However, a risk remains around the uncertainty of what the financial impact of the UK leaving the EU might be and whether this will be realised.</p>	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms