

## **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) 2023/24 to 2027/28. The approved MTFP was set in February in the context of unprecedented adverse national economic conditions in terms of increasing inflationary costs, increasing interest rates and increasing demand for services. The review has considered the underpinning MTFP forecasts and assumptions approved at the Council Budget Meeting on 23 February 2023 and determined whether these forecasts and assumptions are still appropriate considering the context of the financial landscape. The review has taken account of:

- Budget monitoring and performance in 2022/23 and 2023/24 to date;
- The ongoing recovery from financial scarring impacts of the pandemic over the medium-term period;
- Adverse national economic forecasts particularly in relation to price inflation, pay inflation and interest rates;
- The impact of the cost-of-living crisis on Stockport residents and businesses increasing demand for services;
- Local context including issues, challenges and financial prospects facing the Council in 2023/24 and over the medium-term period; and
- Government announcements impacting on Local Government financing.

1.2 The financial landscape continues to pose significant challenges due to the high levels of uncertainty, volatility, and risk. Councils are facing significant budget pressures due to inflationary costs and increasing service demand particularly for those services supporting the most vulnerable. This is affecting all councils across the country, testing their financial resilience and robustness to mitigate and smooth the impact of the financial risks they face whilst continuing to deliver essential services. There is a concerning increase in the number of Section 114 (S114) (bankruptcy) notices from councils, most recently and notably by Birmingham City Council. Despite these challenges the Council remains in a financially resilient and robust position but remains acutely aware of the budget pressures it faces whilst it delivers the ambitions and priorities for the borough set out in the Council and Borough Plan whilst transforming services to manage demand and deliver services more effectively and efficiently to reduce costs.

1.3 The Local Government Finance Settlement announcement confirmed national funding for Local Government in 2023/24 and 2024/25. Whilst this was acknowledged as a step in the right direction, it still falls short of the multi-year settlement at individual council level expected and needed to support medium term financial planning. The settlement only confirmed the funding allocations included in the Government's calculation of the Council's Core Spending Power (CSP) and Settlement Funding Assessment (SFA) for this financial year, 2023/24. Any changes to Government's funding priorities and methodologies will affect individual council funding allocations in 2024/25. These priorities and methodologies are expected to be announced as part of the Government's Autumn Statement in November and this

year's settlement to be announced in December. Beyond 2024/25, the quantum of national funding to support the funding of Local Government remains uncertain and will likely be impacted by the expected General Election. It is likely, as in previous years, that nationally Local Government will be an unprotected area in terms of future Government departmental spending decisions and funding reductions. This increasing uncertainty is making medium financial planning and ability to mitigate and smooth the financial challenge ahead increasingly difficult.

- 1.4 The MTFP presented in this report extends to 2027/28 to present the current year plus four years to provide transparency on the Council's medium term financial forecasts to inform decision making. However, it is noted that the uncertainty and volatility of these forecast is greater in later years. Members are asked to note that the Council's internal MFTP modelling does extend beyond this period to 2029/30, but the likelihood of continual change to the underpinning MTFP assumptions and forecasts beyond 2027/28, later years have not been presented in this report.
- 1.5 Given the significant uncertainty, volatility, and risk inherent within the financial landscape, the update of the MTFP will continue to be iterative with underpinning assumptions and forecasts retested throughout the financial year. Officers will continue to review and update the MTFP as further information is made available. The resulting MTFP updates will be reported to Cabinet and Scrutiny during the year as part of the 2024/25 budget setting process.

## **2. DEVELOPMENTS SINCE 23 FEBRUARY 2023**

### **Government Fiscal/Policy Announcements**

- 2.1 The 2023 Spring Budget was announced by Government in March. Announcements made by the Chancellor set out the Government's approach to delivering three of its five priorities during 2023/24:
  - Halve inflation and grow the economy;
  - Reduction in the national debt position; and
  - Set out the Government's plan to tackle the cost-of-living crisis and rebuild the economy.
- 2.2 Office for Budget Responsibility (OBR) economic forecast highlighted a contraction in GDP growth, but expected GDP growth over the next four years would avoid a recession. At the time inflation was at historic high levels of 10.7% but aligned to the delivery of Government's priorities forecasts showed the rate would fall to 2.9% by the end of 2023/24, with the average inflation rate during the financial year forecast to be 6.1%. The Consumer Prices Index (CPI) measure of inflation is 6.8% in the year to July 2023, down from 7.9% the previous month. Whilst this is down from the 10.7% in March, the rate remains painfully elevated. Inflation continues to be stubbornly high due to a mixture of economic conditions. These include the knock-on effect from soaring energy and food prices triggered in large part by the war in Ukraine, combined with rising interest rates, global supply chain bottlenecks and a tight labour market. The Council's inflationary costs and funding position in relation to Business Rates multipliers and settlement funding is based on the rate of inflation at the end of September. Commentators expect this to be between 6% and 7%.
- 2.3 To tackle the high level of inflation, there have been several increases in the bank base interest rate since March. In June the Bank of England increased the base rate to 5% an increase of 0.50% basis point (bps) continuing its monetary policy to bring inflation back to the target rate of 2%. Whilst the inflation remains stubbornly high,

further tightening of the monetary policy is expected with further increases in the bank base interest rate; in August the rate increased again to 5.25%. It is expected the rate will increase further before plateauing as inflation rates start to fall. This is creating greater interest rate risk relating to the Council's borrowing position and capital investment plans included in the Capital Programme. Officers will continue to monitor and mitigate the Council's Treasury Management risks over the medium term.

- 2.4 Further detail of the national economic position and impact on the Council's treasury management position in terms of its borrowing and investments positions are set out in the Treasury Management reports presented elsewhere on this agenda.
- 2.5 The Government's Autumn Statement will be announced on 22 November and will inform the Local Government Finance Settlement expected to be announced in mid-December. The Autumn Statement will build on previous Government announcements and confirm the Government's response and action to deliver on its priorities. The Government's Autumn Statement in November 2022 confirmed the quantum of funding that would be made available to fund Local Government services in 2024/25, with funding allocation methodologies to be confirmed. It isn't expected that there will be increase in the quantum of funding available for 2024/25 from what was previously announced. Funding allocation methodologies are assumed to be on a 'rollover' basis in the MTFP; council level funding allocations on the same basis as 2023/24 funding. However, it is possible given the significant inflationary costs and service demand pressures impacting the sustainability of councils across the country for this position to be reviewed by Government ahead of these announcements.
- 2.6 It is noted that planned reforms to Local Government financing linked to the fairer funding review and Business Rates retention system that were expected pre pandemic continue to be delayed. There is a real possibility that the planned changes will now not happen or will take a different approach to what was last consulted on in 2018. As a result, the timing of reforms to deliver a longer-term sustainable funding settlement for Local Government that provides clarity on funding reform, in the context of the current economic pressures remains uncertain. The expected General Election before January 2025 is likely to impact this further. It is noted that changes in funding formulae and funding allocation methodologies as part of any reforms can have a favourable and/or adverse impact of the Council's medium term funding position depending on the detail and focus of the reforms taken forward. As the timing of these reforms remains uncertain, a fiscally neutral position is assumed in the Council's MTFP.
- 2.7 The Council will continue to lobby Government alongside other councils 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 Council level and as part of wider regional consultation responses as part of this lobbying.

### **Greater Manchester Trailblazer Deal**

- 2.8 Government has agreed a trailblazer devolution deal with the Greater Manchester Combined Authority (GMCA). The deal provides GMCA with new levers over local transport, employment, housing, innovation and Net Zero priorities, a long-term commitment to councils retaining 100% of their Business Rates. The deal also includes a commitment to provide GMCA with single multi-year funding settlements at the next Spending Review. The favourable financial impact on the Trailblazer

Deal i.e. the commitment to 100% Business Rates retention for the next 10 years has been reflected in the MTFP update presented in this report.

### **2022/23 Outturn Position**

- 2.9 The 2022/23 outturn position for the Council was reported to the Cabinet meeting on 27 June. A £0.267m outturn deficit for the year was reported. This was balanced using the Council's General Fund Balance as part of the financial year end process. As part of the Council's 2023/24 Reserves Policy presented to the Corporate Resources Management and Governance (CRMG) scrutiny committee at its meeting on 5 September and Cabinet elsewhere on this agenda the General Fund Balance has been reviewed.
- 2.10 The Council's General Fund Balance during 2022/23 was £15.183m. As approved in the 2023/24 Budget, the minimum level of General Fund Balance recommended by the Council's Section 151 Officer to support the 2023/24 Budget will remain at £15.183m. The balance is calculated based on the spending experiences and risks to which the Council might be exposed to and to provide further robustness and resilience to the Council's budget. The continuing recovery from the pandemic whilst addressing the financial impact of the adverse national and local economy conditions which have increased costs and demand for local services was part of this assessment when setting the Council's 2023/24 Budget.
- 2.11 Whilst the Council's budget and MTFP remains robust, supported by the Reserves Policy, the current continuing adverse economic forecasts will need to be reflected in the 2024/25 Budget risk assessment which may result in an increase to the minimum level of General Fund Balance recommended.

### **2023/24 Quarter 1+ Forecast Outturn Position**

- 2.12 The 2023/24 Quarter 1+ forecast outturn position presented to Cabinet elsewhere on this agenda highlights a forecast deficit of £3.750m. This deficit is made up of a forecast £5.451m deficit in cash limit Portfolios which is offset by a forecast £1.701m non-cash limit surplus. It is noted that the forecast includes provisional allocation of £8.444m of Covid-19 financial scarring contingency to offset the additional costs and income losses incurred in the cash limit portfolios.
- 2.13 The 2023/24 Quarter 1+ forecast outturn position reflects the continuing financial challenges faced by the Council due to significant uncertainty, volatility and risk within the financial landscape. The adverse national economy and the continuing cost-of-living crisis following the pandemic continues to significantly increase demand for services and cost of the providing those services to support Stockport residents and businesses. These cost pressures are typically confined to those services supporting the most vulnerable residents such as social care and Special Educational Needs (SEN) services for example, but inflationary costs and increasing interest rates are also impacting other areas of the Council such as increasing costs of IT and Estates and Assets Management. Officers are working on financial recovery plans to manage demand and reduce these costs to align to budgets and address the in-year financial challenge. However, the Council's Reserves Policy gives assurance that resources are available to address and smooth the forecast deficit position in the short term whilst permanent options to address the position recurrently are identified.
- 2.14 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 enough to forecast in Quarters 2 and 3. While the Council's processes for financial management and forecasting its financial position are robust, as highlighted above there is significant volatility in the in-year position which means that forecasting a financial year end outturn position is extremely difficult and subject to significant adverse risk. New and additional budget pressures are being identified frequently linked to adverse national economic conditions and demand. The mitigation of identified in-year budget pressures will need to be considered as part of the in-year budget monitoring and continual update of the Council's MTFP during the financial year.

### **Pandemic Financial Scarring Impacts**

- 2.15 The Council is continuing to recover from the financial scarring impacts of the pandemic. This is highlighted in the 2023/24 Quarter 1+ budget monitoring report which highlights the increased number of children in looked after placements (including the complexity and cost of these placements) across the borough which have been adversely impacted by the pandemic for example. During the 2023/24 budget setting process officers continually reviewed the extent of the financial impact.
- 2.16 A total of £35.035m of Covid-19 financial scarring impact contingency budget was set aside 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 a provisional allocation to offset forecast costs of £8.444m (£8.580m budgeted) in 2023/24. If the contingency budgets are not needed over the medium-term period (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**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Sales, fee, and charges income losses not covered by the Government's income loss compensations scheme	436	345	345	300	300
Investment and Development Account commercial income losses (rental income and associated costs)	4,336	3,932	3,923	4,071	4,080
Leisure provision deficit funding	2,278	3,013	2,013	1,013	0
Increase costs of service provision linked to Children's Social Care	1,530	1,155	655	655	655
<b>Total</b>	<b>8,580</b>	<b>8,445</b>	<b>6,936</b>	<b>6,039</b>	<b>5,035</b>

### **Cost-of-Living Crisis**

- 2.17 The continuing recovery from the pandemic coupled with the adverse national economic conditions is increasing the cost-of-living for residents and the cost of operating for businesses. There is significant pressure on councils to support their communities whilst facing their own financial challenges because of inflationary costs and significant increases in service demand, particularly those services supporting the most vulnerable. This is reflected in the Council's Quarter 1+ outturn forecast which reflects a significant increase in costs linked to children looked after (CLA) placements and complexity, and children with special educational needs. It is

likely residents and businesses will need more support as they face these challenges placing more pressure on services.

## **Section 114 Notices**

2.18 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 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 Section 114 of the Local Government Act. Since Northamptonshire County Council issued its S114 notice in 2018, there has been a growing number of councils that due to financial resilience and robustness issues have had to issue S114 (bankruptcy) notices with further councils of different sizes and locations across the country also on the brink and issuing warnings of their intentions to do so. The most recent and notable being the S114 notice issued by Birmingham City Council. Although each situation is unique, there are some common trends and themes around financial management and governance issues including:

- Poor financial management not providing robustness and resilience to mitigate financial risk;
- Failure to make savings through the provision of efficient and effective services;
- Avoiding required increases in Council Tax to support a balanced budget and sustainable medium term financial position;
- Poor risk management resulting in financial risks being not being identified and mitigated; and
- Poor corporate governance and decision making.

2.19 **The Council's Section 151 Officer believes the likelihood of having to issue a S114 notice in the short-term period remains unlikely.** It is testament to the hard work of the Members and Officers across the Council who have embedded a strong culture of financial management and avoided the need for the Council to issue a S114 notice despite the significant financial challenges faced to date.

2.20 However, the financial challenge facing the Council and Local Authorities across the country is not and should not be understated. The Council has demonstrated the robustness and resilience of its financial management and financial position in previous years underpinned by the strength of its financial management, MTFP, Reserves Policy and Member scrutiny for example. In addition, the Council has recently undergone a LGA Peer Review, demonstrated its compliance with the CIPFA Financial Management Code and undertook a Member led scrutiny review of Local Government Financial and Governance Sustainability. Whilst these tools continue to support and provide assurance of the Council's ongoing financial robustness and resilience, the Council's Section 151 Officer highlights the unprecedented budget pressures as a result of increasing inflation and service demand to Members here. However, the Section 151 Officer remains confident that the Council can meet these challenges using the robust and resilient financial management platform that has been built.

## **Health and Adult Social Care Reform**

2.21 **Social Care Reform** – adult social care reforms previously announced continue to be delayed, with implementation now expected in October 2025 at the earliest. The funding previously announced in relation to these reforms will still be allocated to

Local Authorities to support the cost of additional care plans required and continue work towards an appropriate fair cost of care. This funding equates to £1.3bn in 2023/24 and £1.9bn in 2024/25 to be allocated to Local Authorities. The Council used the analysis from its Fair Cost of Care submission to support the work aligned to 2023/24 fee setting for Adult Social Care, which was presented to Cabinet on the 14 March 2023.

2.22 **Market Sustainability and Improvement Fund (MSIF)** - the Market Sustainability and Improvement Fund (MSIF) was announced in the autumn statement in November 2022. The primary purpose of the fund is to support local authorities to make tangible improvements to adult social care services in their area, in particular to build capacity and improve market sustainability. The initial allocation to the Council in 2023/24 was £3.005m.

2.23 The government considers that 3 vital target areas of improvement underpin the overarching objective of building capacity and improving market sustainability. These are:

- Increasing fee rates paid to adult social care providers in local areas;
- Increasing adult social care workforce capacity and retention; and
- Reducing adult social care waiting times.

2.24 Department of Health (DoH) have announced further MSIF funding for 2023/24 and 2024/25. The Council's additional funding allocations are £1.952m for 2023/24 and circa £1.1m for 2024/25 assuming the same allocation basis as 2023/24. The funding conditions are the same as the existing MSIF. Officers will understand how this impacts the Adults in year budget and medium-term position in the next iteration of the MTFP update.

2.25 **Discharge Funding** – previously announced as part of the Better Care Fund 2023/24, the Council received £1.362m to support with investment into adult social care services following clients who are discharged from hospital. The Council has used this investment to commission services which support clients back into the community with a continued focus, where appropriate, to supporting people to live independently at home.

### **Greater Manchester Integrated Care System**

2.26 There has been a big focus this year on embedding the new Integrated Care System (ICS) arrangements both locally and regionally. From July 2022, Stockport's Clinical Commissioning Group (CCG) along with other nine CCG's in Greater Manchester came under one organisation as NHS Greater Manchester Integrated Care. The NHS Greater Manchester Integrated Care Board (ICB) key aims are to reduce health inequalities enabling people to be happier and healthier. Stockport Council's Chief Executive has been appointed as Stockport's Place Based Lead for Health and Care and the One Stockport Health and Care Board has been formally constituted and received delegations from NHS Greater Manchester Care (ICB).

2.27 The Council and Greater Manchester Integrated Care - Stockport are currently drafting the Section 75 agreement for 2023/24, aligned to regional and national timescales, with a deadline for agreements to be in place by the 31 October.

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

- 3.1 The Council's MTFP 2023/24 to 2025/26 was approved at the Council meeting on 23 February 2023. This sets out the Council's forecast savings requirement across the MTFP with a forecast cumulative savings requirement of £11.611m in 2024/25 increasing to 23.817m in 2025/26.
- 3.2 The MTFP presented in this report will now extend to 2027/28 to present the current plus four years Appendix 2. The approved MTFP for the period 2023/24 to 2025/26 is included in Appendix 1.

**Table 2: Approved Council Saving Requirement 2023/24 to 2025/26**

	2023/24*	2024/25	2025/26
	£000	£000	£000
Annual Saving Requirement	0	11,611	12,206
Cumulative Saving Requirement	0	11,611	23,817

*\*Savings of £7.302m identified as part of the 2023/24 budget setting process to support the balancing of the Council's budget.*

- 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 2023/24 budget setting process. It is noted that at this point the extent of the adverse national economic conditions was taken into account, but the uncertainty highlights the need for iterative updates to the MTFP to ensure decision making is informed by the most up to date medium term financial position.

#### **2023/24 to 2025/26 MTFP Assumptions**

- 3.4 A list of the key assumptions underpinning the MTFP forecasts approved in February 2023 are shown in the table and listed below.

**Table 3: Approved MTFP Assumptions**

Assumptions	2023/24	2024/25	2025/26
Council Tax General Increase	1.99%	0.00%	0.00%
Council Tax Adult Social Care Precept Increase	2.00%	2.00%	0.00%
Pay Award	4.00%	3.00%	2.00%
Price Inflation (unless specific contract rate)	8.00%	4.00%	2.00%
Employer's Pension Contribution	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	3.21%	5.11%	4.59%
GMCA Transport Levy	4.00%	2.00%	2.00%
GMCA Statutory Charge	4.00%	2.00%	2.00%

- **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.
- **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** – Section 4 provides illustrative detail of what income could be raised through a Council Tax increase in 2024/25.
- **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 2023/24 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 Business Rates income baseline set in 2013 to the current year – the Council alongside the other Greater Manchester councils retain 50% more underlying growth. It is assumed that the Council will retain 75% of the benefit, with 25% retained by the Greater Manchester Combined Authority (GMCA).
- **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 4.0% has been applied to relevant budgets in 2024/25 3% 2025/26 and 2% for future years. 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 these resources are only confirmed as part of the Local Government Finance Settlement in December each year. As a result, forecasts are subject to change.
- **Demand Pressures** – the MTFP includes an annual contingency budget of £2m in 2024/25 to fund the expected demand related service costs. The Council’s Reserves Policy 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.
- **Real Living Wage (RLW) and National Living Wage (NLW)** – the MTFP includes an annual contingency budget of £1.5m to fund the expected costs of the RLW and NLW increases. This can be used to fund any cost increases linked to supplier and provider fees.

3.5 As part of the MTFP update, the forecasts and assumptions underpinning the MTFP (set out above) have been reviewed. Whilst the MTFP update has identified areas

where favourable and adverse adjustments need to be made, given the significant uncertainty, volatility and risk, the financial forecasts will continue to be updated and 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 adverse national economic conditions, the cost-of-living crisis and other policy drivers. As a result, the update of the MTFP forecasts and assumptions will need to continue to be an iterative process throughout 2023/24.

- 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 2024/25 budget setting process and future MTFP updates as further information becomes available. Members are asked to note that in some cases these adjustments are subject to change and require further discussion and modelling.

### **Favourable MTFP Adjustments**

- 3.7 **Business Rates Budget Rebase** – the business rates income forecasts have been reviewed and rebased resulting in a favourable adjustment as a result of the following:

- **Business Rates Retention** – Through the announced GM trailblazer deal in March, the government has committed to further fiscal devolution through allowing GMCA's constituent councils to retain 100% of their business rates for the next 10 years. The Council previously assumed that the 100% Pilot would cease at the end of 2023/24 based on the Government's planned reforms of the Business Rates retention system. The Business Rates income forecasts therefore have been rebased to reflect the increased retention basis.
- **Multiplier Indexation** – the increase in the Business Rates multiplier used to set the Business Rate charges to businesses is set by Government each year using the September inflation rate. It is forecast that this rate could be approximately 6% to 7% by the end of September. On this basis, a 6% multiplier increase has been assumed in the MTFP update presented in this report. It seems unlikely that Government will pass on the cost of the increased multiplier to businesses given the current adverse national economic conditions and will instead freeze the multiplier as they have done in previous years. To compensate councils for the loss of income, Government has previously provided an equivalent Section 31 grant. However, given the extent of the forecast September inflation rate, Government may decide to cap the inflation rate increase applied i.e. only provide compensation for a 5% increase. The MTFP forecasts have been rebased to reflect an expected multiplier freeze and corresponding increase in the compensatory Section 31 grant.
- **Review of Business Rates Provisions** – a review of the provisions held on the Council Balance Sheet in relation to Business Rates bad debt and outstanding appeals highlight that the budgeted forecast annual increase in these provisions to offset expected financial risks can prudently be adjusted to provide a favourable forecast adjustment. This position will be kept under review to ensure emerging financial risks are mitigated.
- **100% Business Rates Pilot Benefit** – the Greater Manchester Trailblazer Deal has given greater certainty of Business Rates income retention. This certainty gives the Council confidence that it can prudently budget for the expected benefit in the year it is achieved rather than in arrears as done in previous years. The MTFP forecasts have been updated to reflect this.

- **Business Rates Baselines Reset** – it is expected that Government will reset Business Rates Baselines in the future aligned to equalise Business Rates growth across councils. Whilst this hasn't been reflected in the MTFP update presented in this report due to the uncertainty of the timing of a reset, it is noted that this would impact of the Business Rates income forecasts shown.

3.8 **Adult Social Care Fee Inflationary Increase** – the MTFP has been updated to reflect the same assumptions as Price inflation on Adult Social Care Fees on the basis of 6% 2024/25, 4% 2025/26 and 2% for future years.

3.9 **Council Tax Premium Charge** – Empty Properties Premiums are charged on unoccupied and unfurnished properties. This is payable in addition to the amount of Council Tax that would be due if the property was occupied. The Government is bringing forward the Levelling-up and Regeneration Bill which will reduce the time period for which a premium should be charged on long-term empty properties, from two years to one year. It will also give billing authorities the discretion to charge a Council Tax premium up to a maximum of 100% on unoccupied and furnished properties, which include second homes. The MTFP has been updated to include an assumption of additional revenue from these premium charges. It is noted that this will be subject to the Council's annual review of Council Tax discounts to be presented to the Corporate Resources Management and Governance Scrutiny Committee and Cabinet later in the year prior to approval by full Council as part of the 2024/25 budget setting process.

3.10 **Future Years Energy Forecasts** – the MTFP update remains prudent on its assumption of the energy costs. After reviewing future years, contingency budgets have been reviewed in the MTFP update reducing the energy allocation for 2024/25 by £0.375m. 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.

### **Adverse MTFP Adjustments**

3.11 **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 6% 2024/25 4% 2025/26 and 2% for future years. These assumptions are included in the MTFP update position presented. This balances the need to mitigate the risk of increasing supplier/contract costs with the affordability of holding a contingency for general inflation. To support this balance, 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 than the 6% general inflation rate assumed due to existing contracts in place specified contractual inflation rates have been used.

3.12 **Pay Inflation** – the employers 2023/24 pay offer will cost the Council circa £6.850m in-year which is set aside in the pay award contingency budget. It is noted that the pay offer has yet to be agreed. Further increases have been assumed for 2024/25 and 2025/26 aligned to this pay offer and the impact of the increasing cost-of-living. Pay inflation in these years is assumed to be 4% in 2024/25 and 3% in 2025/26. These assumptions are included in the MTFP update position presented.

3.13 **Future Years Demand** – given the current increase in demand it is prudent to align future years demand so that there is £2m budget allocation each year to mitigate services demand related costs across the Council.

3.14 **Identified Core Budget Pressure – Corporate Demand** – a small number of other permanent budget pressures have been identified as part of the 2023/24 budget monitoring and ongoing delivery of Council projects and priorities. To ensure the robustness of the MTFP these budget pressures are being addressed however more work is required as a result of the Quarter 1+ monitoring position and it is highly likely that these pressures will increase and adversely impact on the 2024/25 position. This impact will be reflected in the next iteration of the MTFP.

3.15 **Pandemic Financial Scarring Impacts Contingency Budget** – 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 scarring impact contingency budgets continue to be held in the MTFP to offset expected costs of the Council's continuing recovery process, these contingency budgets have been reviewed in the update slightly increasing the financial scarring allocation for 2024/25 by £0.142m. 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.

### **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 including responding to the cost-of-living crisis and adverse economic conditions in terms of energy costs, interest rates and inflation. 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 2023/24. 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 An internal audit of the Council's financial resilience recognising the high corporate risk of failure to deliver the MTFP was completed and issued 11 July 2022. The audit has focussed on providing assurance on the robustness of the Council's financial management and resilience particularly in view of recent financial failures of other councils across the country. The following areas were reviewed as part of the audit:

- 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.

- 3.18 The audit has been completed and provides assurance of the Council's financial management and resilience over the medium-term period alongside recommendations to further improve and strengthen this position. Finance Officers will continue to work through the recommendations made with Internal Audit colleagues to further strengthen the Council's financial management and financial resilience.
- 3.19 There is ongoing regular review of the MTFP to ensure it remains up to date and the financial resilience assessment performed on the MTFP is effective with appropriate contingencies provided for and a strong reserves policy in force. A strong framework is in place for consideration of annual savings proposals with robust budgetary control mechanisms for monitoring of achievement of savings plans. Financial governance arrangements within the leadership team and relevant members are effective.
- 3.20 Strong financial management is an essential part of ensuring public sector finances are sustainable. CIPFA's Financial Management Code (FM Code) provides guidance for good and sustainable financial management in Local Authorities and provides assurance that councils are managing resources and risk effectively. Work has been undertaken by Finance Officers to complete a self-assessment against the requirements of the FM Code and demonstrate that processes are in place (and identify opportunities to strengthen) to satisfy the principles of good financial management and the standards set out in the code. The narrative and evidence have been checked by internal audit and was presented to the Audit Committee in November 2022. This will also be looked at by the Council's External Auditors as part of their annual audit process.
- 3.21 In October the Council participated in an LGA Peer Review where assessors commented on the '*strong financial management within the organisation and good governance*'. In addition, the Council undertook a Member led scrutiny review of Local Government Financial and Governance Sustainability. This was to provide assurance to Members on the Council's financial robustness and resilience and demonstrate where lesson could be taken from recent S114 notices issued by other councils.

#### **MTFP 2024/25 to 2027/28**

- 3.22 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 it also shows further analysis of best-case and worst-case scenarios for pay, price and demand showing the impact any change would have on the MTFP. The table below shows the net adjustments for each year of the MTFP as a result of the above.

**Table 4: MTFP Update Net Adjustments**

	<b>2024/25</b> <b>£000</b>	<b>2025/26</b> <b>£000</b>	<b>2026/27</b> <b>£000</b>	<b>2027/28</b> <b>£000</b>
Net (Favourable)/Adverse Adjustment	(750)	985	1,850	2,711

3.23 Given the significant risks to the Council's MTFP assumptions and forecasts it is recommended that the Council's savings requirement for 2024/25 to 2027/28 are continually reviewed and updated during the financial year. It should be noted that this may result in adjustments identified in this update being subject to change.

3.24 Updates to the MTFP assumptions and forecasts will be reported to Cabinet and Scrutiny as part of the Council's 2024/25 budget setting process as more clarity emerges particularly in relation to Government announcements affecting Local Government funding leading to the Local Government Finance Settlement in December. 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 2024/25 and future years.

3.25 Review of the underpinning assumptions and forecasts will continue as part of the 2024/25 budget setting process. This will focus on further modelling and emerging pressures including:

- The 2023/24 budget monitoring forecasts and identification of recurrent budget pressure which need to be addresses to support the balancing of the 2024/25 Budget;
- Review of inflationary cost and service demand pressures particularly relating to social care services;
- Review of the Council's debt charges (capital financing) position to ensure they are robust and able to mitigate the increase in interest rates over the medium-term period; and
- The recently announced Market Sustainability and Improvement Fund (MSIF) work will be undertaken to consider how this additional funding will be utilised.

#### **4. COUNCIL TAX ILLUSTRATION**

4.1 Council Tax is one approach the Council can use to support the balancing of its budget and address the financial challenge over the medium-term period. The decision to increase Council Tax is always a balanced one, taking into account the impact an increase will have on local residents against the need to ensure the Council has a robust and resilient financial position to continue to deliver essential services to Stockport residents and businesses over the medium-term period. It is clear the context of the cost-of-living crisis must be considered and reflected in any decision to increase Council Tax in 2024/25 and the impact it would have on residents.

4.2 The 2024/25 Council Tax referendum limit has previously (within the Government's Autumn Statement announced in November) been set at 4.99%; 2.99% General increase and 2% Adult Social Care Precept increase. The approved MTFP includes a 2% increase in the Adult Social Care Precept. The increase in the General element is assumed to be 0% and is subject to Cabinet consideration and Council decision as part of the 2024/25 budget setting process. For illustrative purposes, the table below sets out the additional Council Tax income that an increase in the General element would generate – up to the referendum limit of 2.99%.

**Table 5: Illustration of Income Generated Through General Council Tax Increase**

	<b>2024/25</b>
Assumed Council Tax Taxbase*	98,026.8
Increase to Band D Equivalent with 1% General Element Increase (£)	18.83
Additional Funding - 1% General Element Increase (£000s)	1,846
<b>Total Additional Council Tax Income Generated (£000s) – 1%</b>	<b>1,846</b>
Increase to Band D Equivalent with 1.50% General Element Increase (£)	28.25
Additional Funding - 1.50% General Element Increase (£000s)	2,769
<b>Total Additional Council Tax Income Generated (£000s) – 1.5%</b>	<b>2,769</b>
Increase to Band D Equivalent with 2% General Element Increase (£)	37.67
Additional Funding - 2% General Element Increase (£000s)	3,693
<b>Total Additional Council Tax Income Generated (£000s) – 2%</b>	<b>3,693</b>
Increase to Band D Equivalent with 2.5% General Element Increase (£)	47.09
Additional Funding – 2.5% General Element Increase (£000s)	4,616
<b>Total Additional Council Tax Income Generated (£000s) – 2.5%</b>	<b>4,616</b>
Increase to Band D Equivalent with 2.99% General Element Increase (£)	56.31
Additional Funding – 2.99% General Element Increase (£000s)	5,520
<b>Total Additional Council Tax Income Generated (£000s) – 2.99%</b>	<b>5,520</b>

\*Changes to the taxbase following the completion of the CTB1 form in October may result in a change to the income figures shown.

- 4.3 Members are reminded that previous years Local Government Finance Settlements have included the expectation (by Government) that Local Authorities will increase Council Tax by the maximum amount allowable. This is assumed in the Government’s calculation of the Council’s Core Spending Power as part of the finance settlement. In addition, Government have also assumed previously that Local Authorities increase their Adult Social Care Precepts by the maximum increase allowable in their social care funding allocations; the Council’s ability to increase the Precept means it receives a proportionate reduction in national social care grant funding allocations regardless of whether the Council applies the Precept increase or not. By not increasing Council Tax, the Council is permanently forgoing income that Government expects it to collect in its funding assessment and resulting financial settlement. Reserves and available one-off resources can temporarily address the forgone income, but this does not address the permanent income loss.
- 4.4 In addition, Council Tax will be impacted by any increase to the Mayoral Precept Police and Crime Commissioner and the Mayoral General Precept (including Fire Services) in 2024/25. These Precepts are not set by the Council. Confirmation of any increase to these Precepts is expected later in the financial year as part of the GMCA’s budget setting process. Allowable increase limits on these precepts are expected to be announced by Government as part of 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 2024/25 budget setting process.

5.2 The Council remains committed to its MTFP Strategy to address the uncertainty and financial challenge and frame the choices it needs to make about the services it delivers and how they are delivered to do this. This service transformation aims to manage service demand, deliver services more efficiently ensuring value for money is achieved and focus on the outcomes for Stockport residents and businesses. In doing this it is recognised that this strategy will require continuing critical review of all services and bold decisions about how these services continue to be delivered.

5.3 A stable financial platform to enable the Council's transformation programme over the medium-term period is fundamental to the delivery of these priorities. 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. 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:

- Continuing budget monitoring updates during the financial year to ensure the 2023/24 financial position and the approach to balancing that financial position is informed by the latest financial forecasts and information;
- The 2023/24 Reserves Policy presented elsewhere on 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 more important than ever as we are facing very challenging times more so in Childrens and Adults Social Care as demand on services increases.

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 in the short term remains unlikely despite the significant financial challenges faced to date. However, it is noted considering the unprecedented budget pressures that he has also raised his concern about the financial risk of the significant uncertainty, risk and volatility in the forecasts and the financial landscape to Members.

## **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 2023/24 Reserves Policy is 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 financial impact of various issues, taking into account the cost-of-living, inflation, un-funded pay awards and demand pressures, and the general economic shocks we are currently seeing, and how, if needed, resources held in earmarked reserves can be used to support such 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 resources held to fund the Cabinet one-off investments identified in prior year budgets;
- Release of commitments that are funding transformation projects which could meet the legislation to use of available capital receipts to fund revenue projects for example. Further detailed work would be needed to ensure the projects meet the legislation requirements. This would also require a change in legislation in relation to the use of housing capital receipts;
- Release of commitments that are funding costs which could be capitalised and funded by additional borrowing. If the decision was taken to do this further detailed work would be needed to ensure costs meet the accounting requirements to be treated as capital. In addition, capital schemes affected would need to be reassessed to ensure they remain financially viable; and
- Release of revenue resource held to fund the cost of capital schemes. Further detailed work would be needed to determine where these resources could be switched to other forms of capital funding i.e. borrowing and what the revenue cost implications of this would be.

6.4 It is recognised that a sustained and significant short-term use of earmarked reserves to support the Council’s financial robustness and resilience will have a severe impact on the Council and the Borough in terms of delivering its ambitions and priorities, as well as its ongoing resilience. Whilst recognising the need to use earmarked reserves to support the MTFP to smooth the financial impact, for the reasons detailed above, the significant use of these resources will be considered a last resort to limit the need to use earmarked reserves in this way. However, it is recognised that the increasing demand for services and inflationary costs will require the underpinning of the MTFP with earmarked reserves. Following the annual review, realignment of resources held has provided £15m of earmarked reserves to support the Council’s financial robustness and resilience to mitigate financial risk over the medium term. In addition, £11.224m of earmarked reserves are not

currently committed to funding identified costs within the intended purpose they have been earmarked against. It is recommended that the use of earmarked reserves to support the Council's financial resilience over the medium term is limited to £20m before requiring further approval.

- 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 2024/25 Budget and MTFP financial challenge. One off resource 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, the increased inflationary pressures including pay award, increased demand in Children's services 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 updates outlined in the report;
3. Note that the Council's savings requirement has decreased to £10.861m in 2024/25 rising to £44.059m in 2027/28 as a result of the adjustments 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 2024/25 budget setting process; and
5. Approve the recommended use of one-off resources identified during the financial year to support the Council's 2024/25 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](mailto:jonathan.davies@stockport.gov.uk)

Appendix 1 – 2023/24 to 2025/26 MTFP Approved 23 February 2023

2023/24 £000		2024/25 £000	2025/26 £000
	<b><u>Resources</u></b>		
158,726	Council Tax Income	159,530	160,333
24,969	Adult Social Care Precept	28,788	28,933
79,939	Business Rates Income	93,233	69,869
(20,456)	Business Rates Tariff	(22,511)	4,682
28,238	Business Rates Section 31 Grants	21,728	14,677
134	New Homes Bonus Grant	0	0
6,619	Better Care Fund Allocation	6,619	6,619
18,578	Social Care Grant	21,273	21,273
3,005	Sustainability and Improvement Fund	4,502	4,502
1,938	Services Grant	1,938	1,938
6,636	Collection Fund One Off Available Resources	0	0
3,860	Collection Fund 2022/23 Declared	0	0
(2,119)	Covid-19 Collection Fund Deficit Deferral	0	0
<b>310,067</b>		<b>315,100</b>	<b>312,826</b>
	<b><u>Expenditure</u></b>		
223,573	Cash Limits	222,537	224,035
6,072	Pay Inflation	9,588	12,003
302	Pensions - Superannuation and Auto Enrolment	352	352
15,095	Inflation - Price, Energy, Real Living Wage & Supplier Impact	23,418	29,388
500	Demand Pressures	2,500	3,500
428	Apprenticeship Levy	437	445
8,580	Covid-19 Financial Scarring Impacts	8,445	6,936
58,241	Non-Cash Limits	59,434	59,984
<b>312,791</b>		<b>326,711</b>	<b>336,643</b>
<b>2,724</b>	<b>Cumulative Savings Requirement</b>	<b>11,611</b>	<b>23,817</b>
(884)	Appropriation From Reserves	0	0
(1,840)	Appropriation From Reserves - Phasing of Change Proposals	0	0
<b>0</b>	<b>Revised Cumulative Savings Requirement</b>	<b>11,611</b>	<b>23,817</b>

## Appendix 2 – MTFP Update Adjustments

	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
<b>Approved Cumulative Saving Requirement</b>	<b>11,611</b>	<b>23,817</b>	<b>32,790</b>	<b>41,348</b>
<b>Favourable MTFP Adjustments</b>				
Business Rates Forecast - Change Retention Basis to 100% from 2025/26	0	(798)	(813)	(830)
Business Rates Forecast – Multiplier Inflation Applied	(916)	(2,390)	(2,438)	(2,487)
100% Business Rates Pilot Benefit	(2,672)	(2,779)	(2,835)	(2,892)
Adults Fees Inflationary Increase	(1,124)	(1,913)	(2,321)	(2,737)
Council Tax Unfurnished Empty Property Premiums**	(411)	(411)	(411)	(411)
Council Tax Furnished Empty Property Premiums***	0	(766)	(766)	(766)
Energy Forecasts Future Years	(375)	(671)	(671)	(671)
Covid-19 Financial Scarring Impact - Cash Limit Sales, Fees, and Charges Income Losses	(300)	(300)	(300)	(300)
Covid-19 Financial Scarring Impact – Leisure Deficit Funding	(445)	0	0	0
<b>Adverse MTFP Adjustments</b>				
Price Inflation 2024/25 6% 2025/26 4%	3,136	6,394	6,681	6,988
Pay Inflation 2024/25 4% 2025/26 3%	1,194	2,452	2,487	2,574
Future Years Demand	0	1,000	2,000	3,000
Covid-19 Financial Scarring Impact - Investment and Development Account Commercial Income Losses	886	877	932	929
<b>Core Budget Pressures</b>				
Corporate Demand Pressures	277	290	305	314
<b>Adjusted Cumulative Saving Requirement*</b>	<b>10,861</b>	<b>24,802</b>	<b>34,640</b>	<b>44,059</b>

\*Savings requirement shown are cumulative amounts i.e. achievement of £10.861m recurrently in 2024/25 will reduce 2025/26 requirement by the same amount.

\*\* Legislative change requiring unfurnished empty property premium charges to be changed from 12 months of being empty - currently charged from 2 years of being empty.

\*\*\*Subject to approval of the annual review of Council Tax discounts by full Council later in the financial year as part of the 2024/25 budget setting process.

## Appendix 2 (continued) – MTFP Update Adjustments

Assumptions	2023/24	2024/25	2025/26	2026/27	2027/28
SMBC Council Tax General Increase	1.99%	0.00%	0.00%	0.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	2.00%	2.00%	0.00%	0.00%	0.00%
Business Rates Multiplier Increase	4.00%	6.00%	4.00%	2.00%	2.00%
Pay Award	4.00%	4.00%	3.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	8.00%	6.00%	4.00%	2.00%	2.00%
Employer's Pension Contribution	18.70%	18.70%	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	3.21%	5.11%	4.59%	3.64%	3.64%
GMCA Transport Levy	4.00%	2.00%	2.00%	2.00%	2.00%
GMCA Statutory Charge	4.00%	2.00%	2.00%	2.00%	2.00%

MTFP Best & Worst-Case Scenarios Minus = Saving Plus = Cost		2024/25	2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000	£000
<b>Pay Awards</b>	<b>Base</b>	<b>4,710</b>	<b>3,673</b>	<b>2,522</b>	<b>2,573</b>	<b>2,624</b>
	Best 0%pa	0	0	0	0	0
	<i>Impact on Illustrative Case</i>	<i>-4,710</i>	<i>-3,673</i>	<i>-2,522</i>	<i>-2,573</i>	<i>-2,624</i>
	Worst 2%pa	9,419	7,347	5,045	5,146	5,249
	<i>Impact on Illustrative Case</i>	<i>4,710</i>	<i>3,673</i>	<i>2,522</i>	<i>2,573</i>	<i>2,624</i>
<b>Price Inflation</b>	<b>Base</b>	<b>10,533</b>	<b>7,704</b>	<b>4,496</b>	<b>4,624</b>	<b>4,742</b>
	Best 75%	7,900	5,778	3,372	3,468	3,557
	<i>Impact on Illustrative Case</i>	<i>-2,633</i>	<i>-4,559</i>	<i>-5,683</i>	<i>-6,839</i>	<i>-8,025</i>
	Worst 125%	13,166	9,630	5,620	5,780	5,928
	<i>Impact on Illustrative Case</i>	<i>2,633</i>	<i>4,559</i>	<i>5,683</i>	<i>6,839</i>	<i>8,025</i>
<b>Demand Pressures</b>	<b>Base</b>	<b>2,000</b>	<b>4,000</b>	<b>6,000</b>	<b>8,000</b>	<b>10,000</b>
	Best	1,500	3,500	5,500	7,500	9,500
	<i>Cum. Impact on Illustrative Case</i>	<i>-500</i>	<i>-1,000</i>	<i>-1,500</i>	<i>-2,000</i>	<i>-2,500</i>
	Worst	2,500	4,500	6,500	8,500	10,500
	<i>Cum. Impact on Illustrative Case</i>	<i>500</i>	<i>1,000</i>	<i>1,500</i>	<i>2,000</i>	<i>2,500</i>

### 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"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Business Rates Retention	Through the announced GM trailblazer deal in March, the government has committed to further fiscal devolution through allowing GMCA's constituent for local authorities to retain 100% of their business rates for the next 10 years the Council previously assumed that the 100% Pilot would cease at the end of 2022/23 based on the Government's planned reforms of the Business Rates retention system. The MTFP therefore has been rebased to reflect the retention basis.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Monitoring of Government announcements</li> <li>- Business Rates modelling</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Business Rates Reforms, Revaluations and Business Rates Baseline Resets	The delay to the Government's planned reforms 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 could have a potential adverse impact on the amount of income the Council can collect from Business Rates going forward.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Monitoring of Government announcements</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Care Market – Financial Sustainability and Appropriate and Required Care Provision	A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision 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"> <li>- In year monitoring of the costs of care services and commission and understanding of the financial legacy of the COVID-19 financial impact.</li> <li>- Further Government support funding for social care services</li> <li>- Reserves Policy</li> </ul>

Risk Identified	Risk	Risk Mitigation
Capital Financing Costs	A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases (likely in the medium term to address increasing inflation rates), availability of cash on a short-term basis at low interest rates and/or a significant unplanned reduction in the level of the Council's internal balances.	<ul style="list-style-type: none"> <li>- In year monitoring of interest rates by Treasury Management Team</li> <li>- Updates from Treasury Management advisors (Link Asset Services)</li> <li>- MTFP Summer Review</li> <li>- Flexibility built into the capital financing budgets to respond to interest rate increases and new long-term borrowing</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Collection Fund	The in-year Collection Fund position is monitored to determine the forecast surplus/deficit position to be declared and included in the Council Tax and Business Rates Taxbase report to Cabinet. A deficit position on the Collection Fund will need to be funded by the Council in the preceding financial year. The Collection Fund position can be adversely impacted by changes during the year due to declining collection rates, increases in Council Tax support and increasing Business Rates reliefs	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- In year monitoring of collection rates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Council Tax Taxbase	The MTFP includes forecasts of future Council Tax Taxbase growth.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
COVID-19 Pandemic	The 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 assume further financial impact beyond this contingency. The MTFP assumes there will be no further Government support funding.	<ul style="list-style-type: none"> <li>- Continuing monitoring of the COVID-19 financial impact through the quarterly budget monitoring</li> <li>- Council's COVID-19 strategy of response</li> <li>- COVID-19 financial scarring impact contingency</li> <li>- Reserves Policy</li> </ul>
Demand, Price, and Demographic Led Services	Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures. Work is being completed to transform services to	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> </ul>

Risk Identified	Risk	Risk Mitigation
	<p>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 has increased the demand for some services i.e., Childrens, mental health services, public health services etc.</p>	<ul style="list-style-type: none"> <li>- Reserves Policy - Budget Resilience Reserves</li> <li>- Transformation Programme</li> </ul>
Childrens Demand	<p>Continuing and increased demand in Childrens services mainly in Child Looked After (CLA). A recovery plan has been put in place to try and address and reduce the demand which includes short-, medium-, and long-term proposals and will be reviewed and assessed over the medium term and will be factored into future iterations of the MTFP.</p>	<ul style="list-style-type: none"> <li>In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> <li>- Transformation Programme</li> <li>- Childrens services recovery plan</li> </ul>
Devolution	<p>The Greater Manchester devolution process continues to progress. Devolution plans, such as Health and Social Care integration, could impact on MTFP forecasts if the Government considers this as an opportunity to deliver further savings at a national level.</p>	<ul style="list-style-type: none"> <li>- Monitoring of Government Policy</li> <li>- Discussion with colleagues across Greater Manchester</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Education	<p>The Council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional Cash Limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children's requirements within the borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.</p>	<ul style="list-style-type: none"> <li>- DSG Review Group working to address long term budget sustainability of the DSG</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>



Risk Identified	Risk	Risk Mitigation
Fair Funding Formula	<p>Contrary to the promise of engagement from DLUHC last year it has been made clear that Fair Funding and Business Rate Reset are not to be introduced over the remainder of this parliament.</p> <p>Based on the three-year Government Spending Review and the additional funding announced for Local Government nationally, the MTFP forecasts the possible impact of the fair funding formula and associated financing reforms expected. This assumes the roll-in of existing national funding streams that are expected to cease post the review into resulting settlement funding assessment in future years settlements. This is based on expert opinions and assumptions (i.e., Pixel Financial Management) in the absence of any funding allocations beyond 2023/24 and there presents a risk to the Council's MTFP if the funding forecasts do not crystallise. An optimism bias has been included in the forecast calculations.</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Financial Robustness and Resilience	<p>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.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Budget setting</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Internal Audit</li> </ul>
Government's Comprehensive Spending Review and Local Government Finance Settlement	<p>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 announcements made were for the next two financial years covering 2023/24 and 2024/25. It is disappointing that it falls short of the full multi-year settlement needed. The settlement gives no certainty of council resource allocations in 2024/25 and no certainty of the quantum of Local Government funding nationally beyond 2024/25 and continue to make medium term financial planning difficult.</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms</li> <li>- Reserves Policy</li> <li>- Available one-off resources</li> </ul>
Integrated Care System	<p>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</p>	<ul style="list-style-type: none"> <li>- Links to relevant Officers across the Council involved in the ICS.</li> <li>- Links into GM and GMCA colleagues involved in the ICS in their localities.</li> </ul>

Risk Identified	Risk	Risk Mitigation
	stage. The Greater Manchester ICS came into operation from 1 July 2022.	<ul style="list-style-type: none"> <li>- Links into Health colleagues.</li> <li>- Establishment of a shadow locality Board, Executive Group, and relevant sub-groups to oversee the development of the locality arrangements in Stockport.</li> </ul>
Levies	Future years' waste and transport levies have yet to be formally agreed by the GMCA which could impact on the MTFP forecasts. The future waste levy increase will be dependent on the delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases.	<ul style="list-style-type: none"> <li>- Discussions with GMCA colleagues throughout the year to understand position on levies</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> </ul>
National Living Wage	The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result.	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- National Living Wage contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>
Non-Cash Limit Surpluses	Deficits against Cash Limit budgets are currently offset by surpluses against Non-Cash Limit budgets. Non-Cash Limit budgets have been reduced in previous years MTFP Updates which means the ability to support the Cash Limit budget pressures using Non-Cash Limit surpluses will diminish going forward.	<ul style="list-style-type: none"> <li>- Identification of Cash Limit expenditure pressures as part of MTFP Summer Review and annual budget setting process</li> <li>- Allocation of contingency budgets as part of the budget setting process</li> </ul>
Pay Award	The Council has forecast for an annual 4% pay inflation increase in the MTFP for 2024/25 and 3% in 2025/26. Recent regional pay consultations indicate that Trade Unions are negotiating a similar deal to 2022/23. Negotiations between Trade Unions and employers are ongoing and expected to conclude later in the financial year;	<ul style="list-style-type: none"> <li>- Monitoring of pay award negotiations</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>

Risk Identified	Risk	Risk Mitigation
	Any further update will need to be factored into the next iteration of the MTFP.	
Price Inflation	<p>Whilst estimates have been made in the MTFP, forecasts of specific inflation cost pressures remain uncertain and could adversely impact the MTFP further, if for example inflation rates increase more over the medium-term period.</p> <p>Furthermore, the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Childrens and Adult Social Care services) is resulting in price increases in excess of inflation and the cost-of-living crisis exacerbated by the adverse national economic conditions and the ongoing war in Ukraine.</p>	<ul style="list-style-type: none"> <li>- Monitoring of inflation rates</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Energy Inflation	<p>Estimates have been made in the MTFP, forecasts of energy unit costs remain uncertain and could adversely impact the MTFP if for example the unit costs increase further over the medium-term period. Furthermore, the complexity of bulk buying over different periods of time results in different unit costs through the medium term therefore an assumption as an average unit cost has been made.</p>	<ul style="list-style-type: none"> <li>- Monitoring of energy unit costs</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Reserves	<p>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 ongoing adverse national economic conditions, cost-of-living crisis and recovery from the pandemic. A recognition of the 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>	<ul style="list-style-type: none"> <li>- Reserves Policy</li> <li>- Identified available one off resources</li> </ul>

Risk Identified	Risk	Risk Mitigation
Transformation Programme	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. In addition, there is a risk the Council does not have the required workforce capacity and/or skills to deliver on its service transformation ambitions and priorities.	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy – Invest to Save and Double Running Reserve</li> </ul>
UK Leaving the EU	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. To date this impact has been masked by the impact of the pandemic and adverse national economic conditions exacerbated by the war in Ukraine.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms</li> </ul>