

MEDIUM TERM FINANCIAL PLAN - FINANCIAL LANDSCAPE AND FORECASTS
2024/25 TO 2027/28

Report of the Deputy Chief Executive and Section 151 Officer

1. INTRODUCTION AND PURPOSE OF REPORT

- 1.1 The purpose of the report is to update the Council's 2024/25 to 2027/28 Medium Term Financial Plan (MTFP) forecasts and assumptions as part of setting a robust and resilient budget and financial plan for the Council.
- 1.2 The MTFP has been continually updated during the year to retest the underpinning forecasts and assumptions and take account of Government announcements including the 2023 Autumn Statement and the Local Government Finance Settlement. This report builds on those updates considering any further national and local changes impacting on the 2024/25 Budget and MTFP. The Council's MTFP continues to be set in the context of significant budget pressures due to inflationary costs and increasing service demand reflecting Stockport residents and businesses increased need for support. Local Government funding is not keeping pace with these increasing costs placing significant pressure on the delivery of services.
- 1.3 Despite the budgetary pressures faced by councils across the country Government's 2023 Autumn Statement and 2024/25 Provisional Local Government Finance Settlement provided no certainty about Council's funding beyond 2024/25. The Autumn Statement made no mention of Local Government funding beyond what had previously been announced in the 2022 Autumn Statement and 2023/24 settlement. It was only after the provisional settlement consultation and lobbying by councils and MPs for greater recognition of the budgetary pressures being faced particularly relating to the provision of social care services that this has been recognised and additional funding allocated to councils in the final settlement albeit without clarity of its continuation beyond 2024/25. The settlement, which is the sixth one-year settlement, again only confirmed previous funding announcements with no recognition of the increased costs and demand due to growing need for support from residents and businesses being faced by councils. It is disappointing that there continues to be no certainty of future funding beyond 2024/25 making the Council's medium term financial planning difficult.
- 1.4 Reviewing the Government's Departmental medium term spending forecasts presents a concerning outlook for Local Government funding over the medium term. Local Government is seen as an unprotected sector in terms of future Government Spending Reviews. Commentators highlight the risk this poses in terms of future funding cuts for the sector to ensure Government's funding commitments to other protected sectors such as Health and Education can be delivered. The Government's Spring Budget in March and a General Election by the end of 2024 will likely have a bearing on this but it is a risk the Council must recognise in its financial plans. Understanding of the Council's financial position in the context of the financial landscape it operates in is increasingly important to inform decision making and ensure

the MTFP is robust and resilient to address the financial challenges ahead. In this context, the underpinning MTFP assumptions and forecasts must be continually retested to address the uncertainty and the financial risk this presents.

1.5 This report needs to be read in conjunction with reports that have been presented to previous Cabinet meetings and those elsewhere on this agenda including:

- **MTFP Update** – retesting of the underpinning MTFP assumptions and forecasts to ensure they are robust and based on the latest available information to inform decision making (presented to the Cabinet meeting in September and Corporate, Resource Management & Governance Scrutiny Committee meeting in October);
- **MTFP Responding to our Medium Term Financial Plan** – setting out the Cabinet’s response to the MTFP and the change proposals being considered to support the balancing of the Council’s 2024/25 Budget (presented to the Cabinet meeting in September and Scrutiny Committee meetings in October, November and January);
- **Stockport Billing Area** – 2024/25 Council Tax Taxbase and Non Domestic Rates Forecast (presented to the Cabinet meeting in December);
- **The 2023/24 Quarter 2+ Budget Monitoring Update** (presented to the Cabinet meeting in January);
- **The Council’s 2024/24 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy** presented elsewhere on this agenda; and
- **The Council’s 2024/25 Capital Strategy and Capital Programme** presented elsewhere on this agenda.

2 DEVELOPMENTS DURING THE FINANCIAL YEAR

2023/24 Forecast Revenue Outturn Position

2.1 As reported in the 2023/24 Quarter 2+ Budget Monitoring Update reported to the Cabinet meeting in January, the forecast outturn position for Cash Limit and Non-Cash Limit budgets is a deficit of £3.944m following the provisional allocation of £6.772m of pandemic financial scarring impact contingency. This deficit is made up of a projected £6.921m deficit in cash limit Portfolios which is offset by a projected £2.977m Non-Cash Limit surplus.

2.2 Officers will continue to work on financial recovery plans to address the in-year pressures to bring cost in line with budgets and mitigate the recurrent impact of the Council’s medium term financial position. Any deficits not offset by non-cash limit surpluses will be funded via one off resources from earmarked reserves and the Council’s General Fund Balance at year end.

Pandemic Financial Scarring Impact Contingency

2.3 The Council is continuing to recover from the financial scarring impacts of the pandemic. This is highlighted in the 2023/24 Quarter 2+ budget monitoring which highlights the increased number of children looked after placements (and the complexity and cost of these placements) across the borough which have

been adversely impacted by the pandemic for example. During the financial year the Council has made positive steps towards recovery and Officers have continually reviewed the extent of the pandemic financial impact. The approved MTFP set aside a total of £33.725m of financial scarring impact contingency covering the period 2023/24 to 2027/28 to mitigate the expected costs and income losses.

- 2.4 The MTFP Update remains prudent on its assumption on the speed of recovery to support the Council's Section 151 Officer's assessment of the robustness and resilience of the Council's MTFP. Following review by Officers, the level of pandemic financial scarring impact contingency has been updated to reflect the current expected financial impact over the medium term period. It is recommended that £29.362m of contingency is held corporately over the medium term period 2024/25 to 2027/28 to mitigate costs and offset income losses as they are incurred. This will ensure the Council has sufficient contingency to mitigate and smooth the financial impact whilst its recovery continues. As the Council continues to recover from the pandemic, it is expected that the need for this contingency can be phased out of the MTFP as service costs are realigned to pre-pandemic levels. Officers will continue to review the need for this contingency as part of future MTFP Updates. If the contingency budgets are not needed (in full or part) they can be released in future years when prudent to do so. This has been evidenced in-year where a review of the contingency as part of the MTFP updates has resulted in a reduction in the forecast of the expected scarring impact of £1.808m to £6.772m in 2023/24 (down from £8.580m contingency held in 2023/24).

Table 1 – Pandemic Financial Scarring Impacts Contingency Budget

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Sales, fees, and charges (SFC) income losses not covered by the Government's income loss compensations scheme	45	45	0	0
Investment and Development Account commercial income losses (rental income and associated costs)	5,288	5,245	5,212	5,368
Leisure provision deficit funding	2,013	2,013	1,013	0
Increase costs of service provision linked to Childrens Social Care	1,155	655	655	655
Total	8,501	7,958	6,880	6,023

Section 114 Notice

- 2.5 There has been a growing number of councils issuing Section 114 (bankruptcy) notices during the year. **The Council's Section 151 Officer believes the likelihood of having to issue a Section 114 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 Section 114 notice despite the significant financial challenges faced to date.

2.6 Learning from other councils and circumstances of their Section 114 notices highlight that each situation is unique. However, 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 not being identified and mitigated; and
- Poor corporate governance and decision making.

2.7 The financial challenge facing the Council should not be understated. Whilst the Section 151 Officer is confident that the Council can set a robust and balanced 2024/25 Budget, the savings requirement in 2025/26 and future years is significant. Addressing this medium-term financial challenge will rely on the continuing robustness and resilience of the Council's financial position underpinned by the Council's MTFP and Reserves Policy. However, the Council's Section 151 Officer highlights the significant budget pressures as a result of inflationary costs and increasing service demand to Members here.

MTFP Updates

2.8 MTFP updates have been presented to Cabinet during the year to ensure the forecasts and assumptions underpinning the MTFP remain robust and support the setting of a balanced budget for 2024/25. This has included:

- Budget, experience, and performance in 2022/23 and 2023/24 to date;
- Review of the financial scarring impacts of the pandemic over the medium term period and the Council's continuing recovery.
- Issues, challenges, and financial prospects facing the Council in 2023/24, 2024/25 and over the medium term period;
- Government announcements impacting on Local Government financing;
- A review of additional expenditure pressures linked to national economic forecasts including increased price inflation, pay inflation, interest rates and pressure demands on supplies and deliveries;
- Review of the expenditure and demand pressures relating to all Cash Limit budgets including Children's and Adults' Social Care and Education services. Spikes in service demand due to the pandemic, cost of living and inflation is resulting in additional costs. This is particularly evident in Children's and Education services where the number of looked after children and need for family support is increasing. These costs have become evident as part of the in-year budget monitoring and likely to have an impact in 2024/25 if not addressed;
- Continuing dialogue with providers of adult care relating to care package fees to understand step change increases to the fees expected by providers in 2024/25. This annual fee setting exercise is being informed by the Cost of Care work, alongside local and national indicators, such as inflation; and
- Review of the MTFP forecasts of future Council Tax and Business Rates income considering ongoing financial hardship for households and

businesses. This will likely have an impact on the Collection Fund income that can be forecast to be collected over the medium term period.

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

2023 Autumn Statement and 2024/25 Provisional Local Government Finance Settlement

- 2.10 The Government's Autumn Statement was announced to Parliament by the Chancellor of the Exchequer, Rt Hon Jeremy Hunt MP on 22 November. The statement from the Chancellor provided no certainty about funding for Local Government beyond 2024/25. Announcements focussed on fiscal forecasts and Government's delivery of its fiscal rules. There was no mention of Local Government funding beyond what had previously been announced in the 2022 Autumn Statement and 2023/24 settlement. No confirmation of the continuation of the Household Support Fund (HSF) in 2024/25 presents further budgetary pressure in terms of meeting the need for ongoing resident support with the cost of living which has been supported by £4.3m of HSF funding during 2023/24.
- 2.11 Within the Autumn Statement the Chancellor confirmed his aim to improve productivity in the public sector and to reduce the size of the civil service to pre-pandemic levels. Reviewing the Government's Departmental medium term spending forecasts presents a concerning outlook for Local Government funding over the medium term. Local Government is considered to be an unprotected sector in terms of future funding settlements. Commentators highlight the risk this poses in terms of funding cuts for the sector in future Government Spending Reviews to ensure Government's funding commitments to other protected sectors such as Health and Education can be delivered.
- 2.12 The 2024/25 Provisional Local Government Finance Settlement (PLGFS) was announced to Parliament by the Secretary of State for Levelling up, Housing and Communities Rt Hon Michael Gove MP on 18 December. The settlement is the sixth annual settlement providing no certainty of funding beyond 2024/25. It is recognised that an upcoming General Election and subsequent Government Spending Review will have a bearing on this, any indication of future year funding certainty would be beneficial to the Council's medium term financial planning. This enables better planning transformation and investment decisions to be made to address budgetary pressures and support sustainable service delivery.
- 2.13 The PLGFS confirmed previous funding announcements, with (as expected) no new additional funding announced despite the increasing budgetary pressures faced by many councils across the country. It is disappointing and as described by the Local Government Association '*unthinkable*' that Government did not recognise the increasing costs, and residents and businesses growing need for support creating demand on already pressured services. Whilst the Council notes the CPI inflationary uplift applied in the settlement, inflationary costs faced are currently higher than the CPI measure. For example, important and welcome Living and Minimum Wage increases, increasing cost and demand for social care services, homelessness and temporary accommodations costs, fuel and energy costs, IT/system licencing costs etc.

- 2.14 The costs of meeting the increasing statutory needs of Stockport residents and businesses are not recognised in the settlement. Social Care services supporting vulnerable children and adults are statutory and heavily inspected. The Council has little discretion to reduce costs in these services and where it can there is an inevitable impact on service users. Whilst recognising the importance of non-statutory preventative services, this can lead to a perverse scenario where these services are reduced to achieve savings with a consequential impact on the Council's ability to provide support and prevent need creating demand and pressure on our statutory services. Whilst modest increase in social care funding announced in the settlement is welcomed and goes some way to address the cost pressures faced, it will not resolve the significant cost increase forecast because of inflation, demand due to increased need for support and demographic trend over the medium term.
- 2.15 It is also noted that inflationary uplifts announced in the settlement have been achieved via the redistribution of grant resource, notably the Services Grant rather than new funding. This adversely impacts the council's Medium Term Financial Plan (MTFP) by circa £1.6m in 2024/25 and circa £1.9m from 2025/26. The net impact with the offset of the social care grant increase highlighted above is circa £1.1m in 2024/25 and £1.4m from 2025/26. It is disappointing that Government gave no indication of the significance of the grant resource redistribution on councils prior to the settlement being announced particularly given the Government's Settlement Policy Statement was released on 6 December for this purpose. Government's narrative of councils receiving a 'real terms increase' falsely gives the impression of additional new funding rather than a reduction in one part of the settlement to fund another part of the settlement. Given Government committed to funding inflationary increases as a matter of principle, this approach can be perceived as being misleading and unfair.
- 2.16 The consultation period for the PLGFS ended on 15 January. The Council's submitted consultation response is included in Appendix 4.

Core Spending Power

- 2.17 The PLGFS confirmed the Local Government Core Spending Power will increase by 6.5% (£4bn) in 2024/25. In their announcements Government have highlighted that this represents a 'real terms' increase in funding for the sector. However, this compares to inflation rates in October and expected future forecasts rather than September CPI (6.7%) which have historically been used to set funding levels in the settlement. There is often a lag on inflationary cost increases, this has been evidenced during the year with increases in IT costs for example when contracts have come up for renewal, which is not recognised in this position. In addition, as already highlighted, the cost of growing resident need in demand led services such as social care, homelessness and special educational needs support for example is by far outstripping the funding. Nationally the 2023/24 RA (budget) return for all English councils highlight a planned increase in spend of 12.8% in Adult Social Care and 13.6% in Children's Social Care.
- 2.18 The Council's Core Spending Power increase from 2023/24 is less than the national increase, an increase of 6.2%, reflecting the changes in funding distribution to equalise Council Tax income to support those councils with lower Council Tax Taxbases and redistribution of the Services Grant to fund

other parts of the settlement. It is noted that of all the metropolitan district councils, Stockport has received one of the lowest increases in Core Spending Power in the settlement.

- 2.19 It is also important to note that the Core Spending Power increase assumes all councils will increase their Council Tax by the maximum allowable in 2024/25. Assumed Council Tax income accounts for 59% of the Core Spending Power in 2024/25 highlighting Government's continuing use of assumed Council Tax increases and resulting income to fund local services. To be clear Government are assuming the Council increases Council Tax by 4.99% in 2024/25 when calculating its Core Spending Power; not increasing Council Tax by this amount is forgoing income Government expect the Council to collect to fund local services.
- 2.20 Adjustments to the Council's Core Spending Power have been reflected in the MTFP update presented in this report.

Settlement Funding Assessment

- 2.21 The Council's Settlement Funding Assessment is a component of its Core Spending Power (other components being Council Tax and specific Section 31 Grants such as social care grants) and is how the Government assesses the funding need of each council to support the delivery of local services compared to its assessment of each council's ability to collect income through Business Rates. Settlement Funding Assessment is made up of two funding assessment elements, the Revenue Support Grant (RSG) and the Baseline Funding Level (BFL - the Government's assessment of what a Local Authority needs in terms of retained Business Rates to deliver local services).
- 2.22 BFL is set based on the Business Rates multiplier for the year. This is normally set by increasing the current year multiplier using the confirmed September inflation rate. As part of its continuing support of businesses recovery, Government confirmed there would be no increase to the Business Rates multiplier in 2024/25 for small businesses from the 49.9p multiplier rate in 2023/24. As a result, the Council will be compensated for the loss of Business Rates income, due to the small businesses multiplier, compensation will be received via a Section 31 Grant. Following Government's decision to decouple the small and standard Business Rates multipliers in 2024/25, the standard multiplier will increase to 54.6p based on the September inflation rate.
- 2.23 The calculation of the Council's BFL also impacts on the amount of Business Rates tariff to be paid to Government; this is paid as the Government's assessment of the Council's ability to collect Business Rates income is greater than the Council's BFL (its assessed need). The Council's tariff payment is added to the tariff payments made by other councils, and funds top-up grant payments to councils where their assessed need is greater than their ability to collect Business Rates income; essentially a system of Business Rates income equalisation across councils.
- 2.24 As the Council will continue to be part of the 100% Business Rates Retention Pilot in 2024/25, the adjustments to Settlement Funding Assessment outlined above are reflected in the Business Rates income budget forecast change included in the MTFP update presented in this report.

Public Health Grant

- 2.25 Public health grant is funding that sits outside of the Core Spending Power calculation and is announced separately from the settlement itself although this year this was announced earlier than expected and was part of the policy statement release on 6 December. Funding allocation for 2024/25 is £17.521m an increase of £0.228m (1.3%). Following the Final Settlement, a further £0.146m allocation was announced, the revised funding for 2024/25 is £17.667m and is reflected in the forecasts presented in this report.
- 2.26 As this funding forms part of the Council's 100% Business Rates Retention Pilot, Officers have reflected the increase in funding in the Business Rates forecasts with a corresponding adjustment to the Public Health Cash Limit budget.

Council Tax Referendum Limits

- 2.27 The PLGFS confirmed the Council can increase Council Tax by up to 4.99% in 2024/25.
- 2.99% increase on the general element of Council Tax; and
 - 2% increase in the Adult Social Care Precept.

Council Tax Premium Charges

- 2.28 The Levelling-up and Regeneration Bill which received Royal Assent in October gives Billing Authorities further flexibility to charge a Council Tax premium of 100% on second homes in the borough and also bring forward the time period under which a premium can be charged on long-term empty properties in the borough from two years to one year. The Bill confirms that these amendments have effect for financial on 1 April 2024. To charge a premium for unoccupied and furnished properties, the billing authority will be required to give 12 months' notice and premiums would therefore be payable from 1 April 2025. The Council's intention to charge these premiums following required notice was set out in the Business Rates and Council Tax Discounts Annual Review report approved by the Council meeting in January.

Fair Funding

- 2.29 Contrary to the promise of engagement from Government in the last few years, it has been made clear that Local Government funding reforms linked to a Fair Funding Formula and Business Rate Retention and Reset are not to be introduced until 2025/26 at the earliest.
- 2.30 Whilst the Council welcomes simplification to Local Government funding that will be achieved through reforms it is important to stress the need for the overall amount of funding for the sector is insufficient and needs to be considered in future Government Spending Reviews. This is needed in the first instance to recognise the increasing costs and growing need resulting in increased demand for essential services supporting Stockport residents and businesses. It is important that this is done ahead of any funding allocation reforms being considered.

Written Statement - Local Government Finance Update

- 2.31 In a written statement on 24 January, the Secretary of State for Levelling Up, Housing and Communities Rt Hon Michael Gove MP announced additional funding for councils. The statement ahead of the final settlement being announced, was made in response to the provisional settlement consultation and lobbying from councils and MPs about the significant financial challenges and budgetary pressures which were not recognised in the council funding announced in the provisional settlement.
- 2.32 An additional £500m of national funding to be allocated through the Social Care Grant to specifically support the provision of children's social care services was announced. It is unprecedented for such a significant amount of additional funding to be announced only a month after the provisional settlement and prior to the final settlement being announced. Whilst the additional funding is welcome, it does highlight again the difficulty of medium term financial planning and informed decision making without the certainty of future funding that is needed and continues to be asked for. Confirmed in the final settlement, the Council will receive a funding allocation of £2.673m in 2024/25 ringfenced to social care. At the point of writing this report, it is assumed the additional funding will be received in 2024/25 only and will not continue beyond 2024/25. Finance Officers are seeking further clarification on this and will provide further update in the MTFP Summer Review later in the year. It is likely that consideration of future social care funding will be part of a Government Spending Review post the upcoming General Election and will have a bearing on this.
- 2.33 An increase in the minimum funding guarantee was also announced in the written statement. This means councils Core Spending Power will increase by a minimum of 4% rather than minimum of 3% announced in the provisional settlement.
- 2.34 Finally the written statement announced the requirement for councils to provide 'productivity plans' to the Department for Levelling Up, Housing and Communities before Government's summer recess. These *plans* 'will set out how local authorities will improve service performance and reduce wasteful expenditure' and should be 'short' and 'draw on work councils have already done'. The plans will be reviewed a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.
- 2.35 Plans will need to be agreed by Council Leaders and Members, and published on council websites, together with updates on progress. Further detail is expected on the content and format of these plans but are expected to cover:
- Transformation of services to make better use of resources;
 - Opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;
 - Ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
 - Barriers preventing activity that Government can help to reduce or remove.

Final Local Government Finance Settlement

2.36 The Final Local Government Finance Settlement (FLGFS) was announced via written statement on 5 February and debated by parliament on 7 February. The following changes to the Council's provisional settlement funding allocations were announced in the final settlement and are reflected in the forecasts presented in this report:

- Additional social care grant funding allocation of £2.673m in 2024/25;
- Increase to the Services Grant of £0.030m, total funding allocation for 2024/25 is £0.335m; and
- Payment of Business Rates Green Plant and Machinery Compensation to compensate for lost Business Rates income because of the introduction of the green plant and machinery exemption in 2022/23. This grant will be paid to councils until the exemption is removed or councils Business Rates baseline are reset (no earlier than 2026/27). The Council will receive £0.124m of compensatory grant in 2024/25 and 2025/26.

Enabling Transformation Through a Robust and Resilient MTFP

2.37 Despite the significant uncertainty, volatility, and risk of the financial landscape the Council remains committed to its continuing recovery, delivering on the ambitions and priorities set out in its Borough Plan and Council Plan, and supporting service transformation to ensure the Council has a robust and resilient budget and MTFP. This is more important than ever given the number of Section 114 notices issued by councils because of financial failure.

2.38 Addressing the financial challenge through service transformation, Cabinet have developed a series of change proposals to enable new ways of working to manage demand, ensure value for money of the Council spend, embrace the opportunities of digital and ensure robust corporate governance. These proposals are framed by the Council Plan priority of ensuring the Council has efficient and effective services to address the financial challenges ahead. The change proposals contribute £5.362m to support the balancing of the Council's 2024/25 Budget. The saving proposals are presented elsewhere on this agenda for approval and inclusion in the Cabinet's proposed 2024/25 Revenue Budget following relevant consultation, engagement, and Member scrutiny.

2.39 It is recognised that to be successful in delivering on the change proposals we will need to deliver to respond to the MTFP can only be achieved by working very differently and this will bring adjustments. As proposals are developed, we will work to understand both the impact on our workforce as well as how this may affect our partners or suppliers as we review contracts and how we approach the delivery of services. We remain committed to the shared priorities and values outlined within the Borough Plan and will be working closely with partners during this period of change to continue to support local employment and strong and productive partnerships.

2.40 There is always a risk that the change proposals identified following further work are no longer robust, achievable, or accepted by the Council following any necessary consultation. The Council can mitigate the impact of this risk as follows:

- Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded that all budget proposals must first be subject to a risk assessment undertaken by the Section 151 Officer. This risk assessment will be completed as part of the budget setting process;
- Using the Council's reserves linked to the budget such as the double running investment reserve to phase the implementation of change proposals, providing time for service transformation plans to be embedded; and
- Providing further support from available one-off resources identified.

Schools Finance Settlement

2.41 The impact of the Schools Finance Settlement is set out in a separate report presented to the Children's and Families Scrutiny Committee meeting on 17 January.

Housing Revenue Account (HRA) 2024/25 Budget and Rent Levels

2.42 The proposed 2024/25 HRA Budget and rent levels is considered elsewhere on the agenda and has been presented to the Economy, Regeneration and Climate Change Scrutiny Committee meeting on 18 January.

3 MEDIUM TERM FINANCIAL PLAN

3.1 The Council's savings requirement presented to the September Cabinet meeting is shown below:

Table 2 – Savings Requirement 2024/25 to 2027/28 as at September

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
00Annual Saving Requirement	10,861	13,941	9,838	9,419
Cumulative Saving Requirement	10,861	24,802	34,640	44,059

3.2 The calculation of the future years' savings requirement is based upon several assumptions relating to identified expenditure pressures. These pressures relate to expected changes in legislation, Government Policy, economic outlook, and local priorities. The table below shows the changes to the 2024/25 savings requirement since the Cabinet meeting on 19 September following retesting of the underpinning MTFP assumptions and forecasts and taking account of Government announcements. Appendix 2 details the changes made to the MTFP forecasts and assumptions to arrive at the Council's updated savings requirements across the medium term.

Table 3 – Changes to the Council’s 2024/25 Savings Requirement

	2024/25 £000
MTFP Savings Requirement @ 19 September 2023	10,861
Adverse MTFP Adjustments	
Price Inflation including Real Living Wage (RLW)	2,688
Social Care, Neighbourhoods and Prevention Investment	2,673
Waste Levy (5%) Transport Levy (2.74%) Increase	130
Childrens Recurrent Pressure – Increased Demand/Need for Support	4,212
Education Recurrent Pressure – Increased Demand/Need for Support	1,969
Other Identified Budget Pressures	730
Favourable Adjustments	
Council Tax Taxbase Growth Increase	(297)
Business Rates Forecast**	(817)
Pandemic Financial Scarring Impact*	(86)
Pension Triple Lock Increase – Impact on Adults Income	(856)
2023 Autumn Statement, PLGFS & FLGFS Adjustments	
Social Care Funding	(3,200)
Services Grant	1,603
New Homes Bonus	(24)
Public Health Increase	374
Business Rates Green Plant and Machinery Compensation	(124)
Favourable One-Off Resources	
GMCA Waste Reserve Return and AGMA Reserve Return	(2,476)
2023/24 Collection Fund Declared	(4,023)
2023/24 Unallocated Contingencies Brought Forward	(2,474)
MTFP Savings Requirement Before Change Proposals	10,863
Cabinet Proposed Change Proposals (subject to approval)	(5,362)
MTFP Savings Requirement	5,501

*Further review and quarterly monitoring as part of the 2024/25 budget setting process.

**Subject to the completion of the Council’s NNDR1 submission to Government at the end of January 2024.

- 3.3 **Pay Inflation** – the MTFP included budget contingency to fund pay inflation increase of 4% in 2024/25 and 3% in 2025/26. It is recognised that if a similar pay agreement to 2023/24 (a flat rate increase which equated to a circa 5% to 6% average increase) is reached between councils and Trade Unions for 2024/25, this would result in an additional cost of circa £1.2m. Funding of any additional in-year costs following agreement of the 2024/25 pay inflation will be met from the use of reserves set aside for budget resilience in the Council’s Reserves Policy. It is noted that pay inflation negotiations for 2024/25 between councils and Trade Unions have commenced.
- 3.4 **Price Inflation Including Real Living Wage (RLW)** – 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 held is 6%. 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 inflation rates have been used.

3.5 Social Care, Neighbourhoods and Prevention Investment – as set out above the Council will receive additional social care funding of £2.673m in 2024/25. Government is clear on the intentions of the additional funding to enable councils to continue to provide crucial social care services, particularly for children, and for councils to invest to help place children's social care services on a sustainable financial footing, whilst also being mindful of the level of adult social care provision. Government suggested areas of investment include investing in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers. Use of this funding needs to be considered in the context of the Council's medium term position and significant savings requirement in 2025/26 and future years. The Section 151 Officer recommends that the funding is used to support investments that increase the pace of the Council's neighbourhoods and prevention transformation programme and areas of focus that will provide positive impact on the delivery of longer term financial sustainability and reduction in the need for reactive support which increases expensive demand on our services. Cabinet is asked to consider specific areas of investment in their proposed 2024/25 Budget. An investment budget of £2.673m matching the additional social care funding allocation confirmed in the final settlement is included in the forecasts presented in this report.

3.6 Waste and Transport Levies - GMCA sets the levies chargeable to the Council for Waste Disposal and Transport. These levies are impacted by population changes, Council Tax Taxbase changes, estimated waste disposal tonnages and inflation and need to be compared to the assumptions already made in the MTFP. As part of the 2024/25 GMCA budget setting process the Council has received indicative notification of the 2024/25 levies as follows:

- A 5% increase on the Council's Waste Disposal Levy in 2024/25; and
- A 2.74% increase on the Council's Transport Levy in 2024/25.

This results in a recurrent cost increase of £1.392m in 2024/25, a net increase of £0.130m on previous forecasts and assumptions. The final 2024/25 Waste and Transport levies will be approved in mid-February as part of the GMCA's 2024/25 budget setting process. Members are asked to note that the GMCA budget setting process is completed in consultation with the Greater Manchester Authority Leaders providing further scrutiny.

3.7 Education, Childrens and Families Portfolio Budget Pressures – the MTFP update includes £6.181m increase in the Cash Limit (service) budget for this Portfolio in recognition of the significant budgetary pressures being realised. Increasing service costs due to price inflation and growing need for support creating demand pressures has resulted in a significant in year forecast deficit of £5.402m for this Portfolio. Nationally there is significant budgetary pressures on Education and Children's Social Care services due to increasing numbers of children looked after; care leavers who cannot secure tenancies and move out of their funded semi-independent placement and increasing number of Special Educational Needs children requiring support. The provider market which supports the Council to meet its statutory requirements in these service areas is

challenged with limited capacity and increasing complexity of need increasing costs. Whilst most providers are focussed on providing safe and secure accommodation for children, there are some who also seek to maximise their profitability and are taking advantage of the challenging market conditions. This has led to call for the capping of social care provider accommodation costs by commentators. This investment supports the Portfolio to address these challenges in 2024/25 with a robust budget in place. Officers will continue to work on financial recovery plans to ensure costs are maintained and where possible reduced through a focus on neighbourhood working and preventive services.

- 3.8 **Other Budget Pressures** – several recurrent budget pressures have been identified as part of 2024/25 budget setting relating to increased service demand due to growing need for support amongst Stockport residents and businesses.
- 3.9 **Council Tax Taxbase Growth** – the MTFP assumes annual growth in the Council Tax Taxbase which is rebased each year aligned to the CTB1 return to Government in October. The 2024/25 Taxbase presented in the MTFP has been set at 98,396.6 Band D equivalent dwellings which is 863.3 Band D equivalent dwellings higher than the 2023/24 Council Tax Taxbase. The additional Council Tax income as a result of the growth in the Taxbase has been updated in the MTFP position presented in this report; the update takes account of forecast Taxbase growth already assumed in the MTFP approved in February 2023.
- 3.10 **Pandemic Financial Scarring Contingency** – 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 MTFP. Financial scarring impact contingency budgets continue to be held in the MTFP to offset expected costs of the Council's continuing recovery process. 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.
- 3.11 **Pension Triple Lock Increase – Impact on Adults Income** - the MTFP has been updated to reflect the 8.5% increase in the pension triple lock confirmed by Government 2024/25 in terms of Adult Social Care client fees.
- 3.12 **Social Care Funding** – relating to inflationary uplifts on 2023/24 funding allocations announced in the PLGFS and announcement in the final settlement of a further £2.673m of funding to support budgetary pressures relating to the provision of social care services.
- 3.13 **Services Grant** – national funding for the Services Grant in 2023/24 totalled £403m with the Council receiving a funding allocation of £1.938m. The MTFP assumed that the funding allocation would continue into 2024/25 based on a rollover settlement. However, the PLGFS confirmed the national funding would reduce to £77m in 2024/25 reflecting the Government's redistribution of this grant to fund other parts of the settlement. The final settlement allocated a further £10m of Services Grant to councils. The overall reduction to the Services Grant has adversely impacted the Council's MTFP by £1.603m in 2024/25. Taking a prudent approach and likely further redistribution of this grant in future settlement, the Council has reduced future year Services Grant funding allocation forecasts to nil in the MTFP.

- 3.14 **Business Rates** – the Business Rates income forecast has been updated to reflect the decoupling of the small and standard Business Rates multipliers impacting on the Baseline Funding Level and Business Rates Baseline and the multiplier cap compensation forecast. Included in the forecast is the Public Health inflationary increase which has been allocated to the Public Health Cash Limit (service) budget as part of the budget setting process.
- 3.15 **Business Rates Green Plant and Machinery Compensation** – This grant will be paid to councils until the Business Rates baseline is reset (no earlier than 2026/27). The Council will receive £0.124m in 2024/25 and 2025/26.
- 3.16 **One-Off Waste GMCA Reserve Return and AGMA Reserve Return** – GMCA have confirmed a total £30m return of Waste Reserve (one-off) monies to the nine waste levy paying Greater Manchester councils. The Council will use its share of the £30m return to support the 2024/25 Budget (share of £20m, allocation of £2.476m) and balancing the Council's in-year deficit position (share of £10m, allocation of £1.214m). In addition, GMCA have confirmed a total return of £0.350m relation to prior year AGMA contribution held in reserve across the Greater Manchester councils. The Council will receive an allocation of £0.036m to support the 2024/25 Budget.
- 3.17 **2023/24 Collection Fund Declared** – 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 2023/24 to be released to the Council's General Fund to support the Council's 2024/25 Budget.
- 3.18 **2023/24 Unallocated Contingencies Brought Forward** – contingency to support the budget and MTFP in 2023/24 is being used as one-off resource in-year to support the balancing of the deficit position. As a result, this resource become available on a recurrent basis in 2024/25 to support the balancing of the 2024/25 Budget and MTFP.
- 3.19 **Cabinet Change Proposals** – the Cabinet's strategy of response to the MTFP financial challenges including its change proposals to support the balancing of the 2024/25 Budget have been set out during the year ahead of Budget Council in February. The change proposals have been to scrutiny committees in October, November, and January. Engagement and consultation with residents, partners, elected members, Council Officers, and trade unions was completed in November and December. been through two rounds of public consultation where relevant. The MTFP update presented in this report assumes all change proposals will be approved by Cabinet in proposing their 2024/25 Revenue Budget.

Allocation of Corporate Contingency Budgets

- 3.20 The impact of increasing demand, demographics and inflationary costs continues to create budgetary pressures particularly in relation to the provision of social care services. To ensure the Council's 2024/25 Budget and MTFP is set on a robust and resilient basis these identified pressures need to be addressed on a permanent basis. It is therefore recommended that £29.532m of corporate contingency budgets are earmarked and allocated to Cash Limit and Non Cash Limit budgets as part of the 2024/25 budget setting process and in-year budget monitoring; £16.543m to be allocated from 1 April, £12.989m to be

held in Corporate Contingencies and allocated as costs are incurred during the financial year.

3.21 The table below shows the proposed allocation:

Table 4 – Proposed Allocation of Corporate Contingencies

	Adult Social Care	Children's Social Care incl Education	Other*	Total
	£000	£000	£000	£000
Amounts Allocated at Budget Setting:				
Corporate Contingency Inflation - Price	7,735	2,112	3,196	13,043
Corporate Contingency - Real Living Wage	1,500	0	0	1,500
Corporate Contingency - Demand Pressures	1,000	1,000	0	2,000
Amounts Allocated at Budget Setting	10,235	3,112	3,196	16,543
Amounts Held at Budget Setting:				
Corporate Contingency Inflation - Pay	1,519	1,012	2,532	5,063
Corporate Contingency – Pension Auto Enrolment	15	10	25	50
Corporate Contingency Inflation – Price	1,005	333	3,424	4,762
Social Care, Neighbourhoods and Prevention Investment	0	0	2,673	2,673
Apprenticeship Levy	0	0	441	441
Amounts Held at Budget Setting	2,539	1,355	9,095	12,989
Total	12,774	4,467	12,291	29,532

*£3.424m unallocated mainly relates to Place and CSS Directorate contracts which will be held in corporate contingencies and allocated during the financial year as costs are incurred.

*£2.474m allocated relates to 2023/24 unallocated contingency brought forward to support the balancing of the 2024/25 Budget.

3.22 It is normal and prudent practice to hold contingency budgets corporately and allocate to services as costs are incurred during the financial year to ensure the Council's budget and MTFP is set on a robust basis. For example, the pay inflation contingency will be released to the Cash Limit (service) budgets during the financial year following agreement of the 2024/25 pay award between employers and Trade Unions.

Updated 2024/25 to 2027/28 MTFP Forecasts

3.23 Taking all the above into account and assuming all the Cabinet's change proposals are approved, the Council has a saving requirement of £5.501m in 2024/25 rising to £54.542m in 2027/28.

Table 5 – 2024/25 Budget Position as at 22 February 2024

	2024/25 £000
<u>Resources</u>	
Council Tax Income	160,131
Adult Social Care Precept	28,896
Business Rates Income	85,113
Business Rates Tariff	(21,770)
Business Rates Section 31 Grants	30,197
Business Rates Green Plant and Machinery Compensation	124
New Homes Bonus Grant	24
Better Care Fund	6,619
Social Care Grant	24,458
Market Sustainability and Improvement Fund	5,614
Services Grant	335
One-Off GMCA Waste Reserve Return	2,476
One-Off Collection Fund 2022/23 Undeclared Surplus*	3,860
One-Off Collection Fund 2023/24 Declared	4,023
	330,100
<u>Expenditure</u>	
Cash Limits Service Budgets	254,268
Pay Inflation	5,063
Pensions - Superannuation and Auto Enrolment	50
Inflation - Price, Energy, Real Living Wage & Supplier Impact	4,762
Social Care, Neighbourhoods and Prevention Investment	2,673
Apprenticeship Levy	441
Pandemic Financial Scarring Impacts	8,501
Non-Cash Limits Corporate Core Budgets	59,843
	335,601
Savings Requirement – Total Expenditure less Total Resources	5,501

**As set out in the Collection Fund report presented to Cabinet in December, this is net of £1.233m required to replenish the Collection Fund reserve, having used it to smooth the timing of resources being released from the Collection Fund into the General Fund in 2022/23.*

- 3.24 Members are reminded that the MTFP forecasts presented are based on the best information available at the time of writing this report.
- 3.25 The updated 2024/25 to 2027/28 MTFP is shown in Appendix 1.
- 3.26 A forecasting risk remains due to the uncertainty of council level funding allocations, the amount of national funding available to fund Local Government beyond 2024/25 and a possible change in Government priorities following an upcoming General Election and subsequent Government Spending Review. Whilst reforms to Local Government funding continues to be delayed, now expected in 2025/26 at the earliest, future year MTFP assumptions and forecasts are based on the prior experience in relation to funding allocation methodologies etc. This uncertainty makes medium term financial planning difficult. Furthermore, it is unclear when delayed reforms to social care will recommence, on what basis and how they will now be funded. Given the uncertainty in relation to this area of funding the MTFP assume Adult Social Care funding from 2025/26 onwards will continue on a cash flat basis.

Council Tax

- 3.27 The MTFP position presented above assumes a 0% increase in the general element of Council Tax in 2024/25 and future years. As confirmed in the PLGFS, the Council can increase Council Tax by up to 4.99% (2.99% General, 2% Adult Social Care Precept) before triggering a local referendum.
- 3.28 The 2% increase in the Adult Social Care Precept in 2024/25 is assumed in the MTFP position presented in this report which was agreed at the 2023/24 Budget Council meeting.
- 3.29 The table below provides an illustration of the additional Council Tax income generated at different levels of increase. The favourable adjustment this has on the Council's revised 2024/25 savings requirement is also shown.

Table 6 – Illustration of Council Tax Increase

	2024/25 Council Tax Income £000	2024/25 Savings Requirement £000
Council Tax Off	0	5,501
Council Tax On - 1%	1,853	3,648
Council Tax On – 1.5%	2,780	2,721
Council Tax On – 2%	3,707	1,794
Council Tax On – 2.5%	4,633	868
Council Tax On – 2.99%	5,541	(40)

- 3.30 In proposing a Council Tax increase, Members are reminded that Government assumes councils will increase Council Tax by the full allowable increase each year in its calculation of Core Spending Power. Thus, any increase below the allowable 4.99% will represent income forgone and be below Government expectation in terms of their calculation of the Council's Core Spending Power.

2024/25 Mayoral Precepts

- 3.31 Whilst the decision on Mayoral Precepts do not directly impact on the Council's MTFP, the level of increase in terms of the impact on the Council's own Council Tax increase and the Stockport Council Tax Taxpayers will need to be considered. The Mayoral Police and Crime Commissioner Precept referendum limit is set at a maximum £13 increase in 2024/25. The Mayoral General (including Fire) Precept does not have a referendum limit set by Government.
- 3.32 Both Mayoral Precepts for Band D dwellings were approved at the GMCA Budget meeting on 9 February as follows:
- Mayoral Police and Crime Commissioner Precept - £13
 - Mayoral General (including Fire Services) Precept - £5

4 RISK ASSESSMENT

- 4.1 The Council's financial position over the medium term is increasingly challenging. Funding is not keeping pace with increasing service costs due to

the increasing need for support from residents and businesses. This is particularly acute in relation to services supporting our most vulnerable residents where significant budgetary pressures are being realised in year.

- 4.2 Despite the continuing ask of Government alongside other councils for greater funding certainty, the underpinning MTFP forecasts and assumptions are cautious about the impact of an upcoming General Election and subsequent Government Spending Review. Caution from commentators about the Government's future fiscal forecasts and departmental funding commitments which suggest an adverse funding position and funding cuts for Local Government as a sector in future years presents significant financial risk. The overall quantum of funding for Local Government remains insufficient to fund essential services supporting Stockport residents and businesses. Whilst we wait for greater certainty about future finance settlement from Government, the Council's financial position must continue to be robust and resilient on a recurrent basis to mitigate the financial risk uncertainty presents.
- 4.3 Careful management and identification of these risks is essential, and as already highlighted, updates to the MTFP forecasts and assumptions will need to be continual. Details of the risks inherent within the MTFP forecasts and assumptions and how these will be mitigated are set out in Appendix 3.

Risk Assessment of Budget Proposals

- 4.4 Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded that all budget proposals must first be subject to a risk assessment undertaken by the Section 151 Officer.

5 MITIGATING THE RISKS

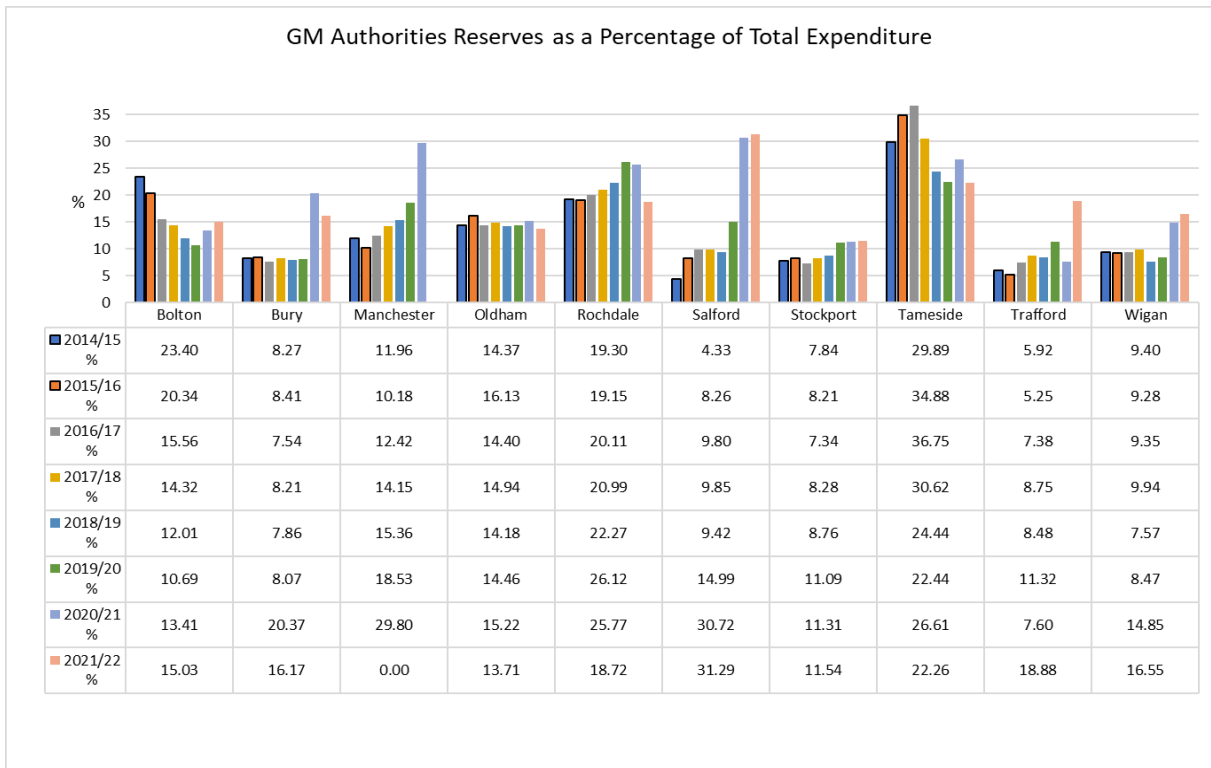
General Fund Balance

- 5.1 The Council's Section 151 Officer is required to prepare a statement on the adequacy of the proposed financial reserves and the robustness of the budget estimates. As set out in this report the overall financial risk position remains unchanged from the position twelve months ago, and in some respects could be considered to have worsened given the significant financial challenges ahead.
- 5.2 Based on the Section 151 Officers risk assessment it is recommended that the Council's General Fund Balance is held at the level set in 2023/24 at £15.183m. The Section 151 Officers risk assessment is presented in the proposed Cabinet Revenue 2024/25 Budget report presented elsewhere on this agenda.

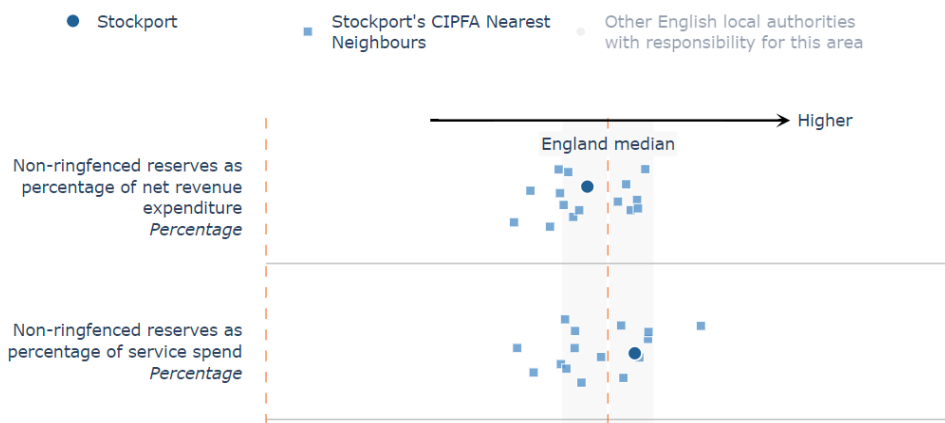
Reserves Policy

- 5.3 Reserves play an essential role in the robust financial management of the council over the medium term. Whilst reserves do not provide a permanent source of funding, they provide the council with short-term budget resilience to mitigate the impact of unexpected financial pressures and funding changes. They also support the delivery of transformational change to support the delivery of budget efficiencies and delivery of the council's ambitions and priorities.
- 5.4 Whilst councils continue to be encouraged by Government to use reserves to fund pressures and balance their budgets, it is important to recognise that

significant use of reserves will impact on the council's financial robustness and resilience. As set out in the Reserves Policy, as at 31 March 2023 the council had circa £83m of earmarked unallocated resources held in reserves. In general, these resources are earmarked to support the council's budget resilience, investments and comply with accounting requirements. This equates to circa 11% of the council's total expenditure (revenue and capital).



5.5 The Office for Local Government (OfLOG) Local Authority Data Explorer also highlights that the council's earmarked reserves (per the 2021/22 published accounts) are within the median range when compared to its CIPFA statistical neighbouring councils and all English councils. However, significant accelerated use of reserves to fund budget pressures and balance budgets will adversely impact on this position and expose the council to a resilience risk in terms of ability to invest and absorb financial shocks. the Council is not an outlier in the amount of reserves held and against some comparators holds less than other similar sized Council's. This is prior to the use and allocation of reserves up to 2023/24 and also the need to finance the in-year forecast deficit.



Indicator (click for source data)	Financial year	Stockport	Median of Stockport's CIPFA Nearest Neighbours	England median (Unitary, Metropolitan and London Boroughs)
Non-ringfenced reserves as percentage of net revenue expenditure	2021-22	47.2%	42.9%	54.9%
Non-ringfenced reserves as percentage of service spend	2021-22	52.9%	39.5%	44.6%

5.6 The Cabinet approved the 2023/24 Reserves Policy for the Council at its meeting on 19 September. The Policy sets out the priority areas linked to the Council's corporate and strategic objectives for which it was recommended reserves should be held. The need to use reserves to mitigate financial risk is recognised in the council's Reserves Policy. Increasing demand for services and inflationary costs requires the underpinning of the MTFP with the use of identified earmarked reserves. It is recognised that if needed resources held in earmarked reserves could be uncommitted to meet any funding gap over the medium term period. However, this needs to be managed over the medium term to ensure a managed approach to the use of reserves and the impact this has on the Council's continuing financial robustness and resilience.

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

6.1 The financial implications are outlined in the body of this report.

7 LEGAL CONSIDERATIONS

7.1 The Monitoring Officer has reviewed the report and confirms that all the proposals are appropriate from a legal and statutory perspective.

8 HUMAN RESOURCES IMPACT

8.1 The Head of HR and Organisational Development has reviewed the report and confirms that all the proposals are appropriate from a Human Resources perspective.

9 EQUALITIES IMPACT

9.1 In developing the change proposals (subject to approval) included within the MTFP, Equality Impact Assessments (EqIAs) have been undertaken by Officers. These EqIAs have considered the impacts on those with protected characteristics alongside other groups that experience discrimination and have also detailed mitigating actions taken to lessen any negative impact upon these groups. They have also considered the cumulative impact of multiple proposals against any specific groups. EqIAs accompanied the final change proposals presented to January Scrutiny Committee meetings and Cabinet for approval elsewhere on this agenda.

10 ENVIRONMENTAL IMPACT

10.1 As part of the Council's commitment to tackling climate change to become carbon neutral, in developing the change proposals (subject to approval)

included in the MTFP, Officers have considered and understood the environmental impacts. Environmental Impact Assessments (EIAs) completed have identified any likely environmental impacts and consequences across the borough as a result of the proposals and have suggested how negative impacts may be reversed or mitigated. EIAs have been completed and accompanied the final change proposals presented to January Scrutiny Committee meetings and Cabinet for approval elsewhere on this agenda.

11 CONCLUSIONS

- 11.1 Despite the robust and resilient financial management of the Council, the financial position over the medium term is increasingly challenging. Local Government funding is not keeping pace with increasing service costs due to price inflation and demand for services particularly for those supporting vulnerable residents. This is evidenced in the in-year deficit outturn forecast presented above in terms of a £5.402m deficit forecast for the Education, Children and Families Portfolio. Whilst the Council remains confident about setting a robust and resilient budget for 2024/25, the savings requirement in 2025/26 and future years is significant.
- 11.2 Following the MTFP Update adjusting the underpinning forecasts and assumptions set out in this report, the Council has a £5.501m saving requirement in 2024/25.
- 11.3 The Cabinet is recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2024/25 Cabinet Revenue Budget. Members are reminded that when considering the presentation of a balanced budget it is recognised that ideally permanent spending reductions or permanent resource increases are considered in the first instance. If one-off resources are applied to support the MTFP this will only temporarily reduce the Council's savings requirement in future years.

12 RECOMMENDATIONS

12.1 The Cabinet was recommended to:

- Note the details of the 2024/25 Provisional Local Government Finance Settlement and the announcement of the Final Local Government Finance Settlement;
- Note, and comment upon as appropriate, the financial forecasts and assumptions for 2024/25 to 2027/28;
- Note and approve the indicative budget adjustments since the MTFP Update presented to the Cabinet meeting on 19 September resulting in savings requirement of £5.501m in 2024/25;
- Note and approve the recommendation to use the £2.673m of additional social care grant funding allocation to support investment in social care, neighbourhood and prevention in 2024/25;
- Approve the allocation of £16.543m of the corporate contingency budgets to Cash Limit budgets as part of the budget setting process;
- Note the Section 151 Officer's recommendation to hold the Council's General Fund Balance at its current level £15.183m in 2024/25 aligned to his risk assessment of the budget and the adequacy of reserves and balances to support the Council's 2024/25 Budget; and

- Take the necessary steps to propose a final balanced 2024/25 Budget including any proposed Council Tax increase to be recommended for approval at the Council meeting on 22 February 2024.

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 – 2024/25 to 2027/28 Medium Term Financial Plan

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
<u>Resources</u>				
Council Tax Income	160,131	161,584	162,387	163,191
Adult Social Care Precept	28,896	29,158	29,303	29,448
Business Rates Income	85,113	95,021	96,869	98,766
Business Rates Tariff	(21,770)	(22,630)	(23,436)	(24,258)
Business Rates Section 31 Grants	30,197	24,163	24,709	25,191
Business Rates Green Plant and Machinery Compensation	124	124	0	0
New Homes Bonus Grant	24	0	0	0
Better Care Fund	6,619	6,619	6,619	6,619
Social Care Grant	24,458	21,785	21,785	21,785
Services Grant	335	0	0	0
Market Sustainability and Improvement Fund	5,614	5,614	5,614	5,614
One-Off GMCA Waste Reserves Return & AGMA Reserve Return	2,476	0	0	0
One-Off Collection Fund 2022/23 Undeclared Surplus	3,860	0	0	0
One-Off Collection Fund 2023/24 Declared Surplus	4,023	0	0	0
	330,100	321,438	323,850	326,355
<u>Expenditure</u>				
Cash Limit Service Budgets	254,268	255,237	253,870	254,464
Pay Inflation	5,063	8,736	11,263	13,836
Pensions – Superannuation and Auto Enrolment	50	50	(146)	44
Inflation – Price, Energy, Real Living Wage & Supplier Impact	4,762	16,931	26,119	35,201
Social Care, Neighbourhoods and Prevention Investment	2,673	0	0	0
Demand Pressures/Increased Need for Support*	0	2,000	4,000	6,000
Apprenticeship Levy	441	450	459	468
Pandemic Financial Scarring Impacts	8,501	7,958	6,880	6,023
Non-Cash Limits - Corporate Core, Levies and Borrowing Costs	59,843	62,105	63,680	64,862
	335,601	353,467	366,125	380,898
Cumulative Savings Requirement – Total Expenditure Less Total Resources	5,501	32,029	42,275	54,542

* Demand contingency allocated in full to Cash Limit service budgets in 2024/25.

Appendix 1 (continued) – 2024/25 to 2027/28 Medium Term Financial Plan Underlying Assumptions

Assumptions	2024/25	2025/26	2026/27	2027/28
SMBC Council Tax General Increase	2.99%	0.00%	0.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	2.00%	0.00%	0.00%	0.00%
Pay Award	4.00%	3.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	6.00%	4.00%	2.00%	2.00%
Real Living Wage	10.09%	6.15%	5.80%	5.48%
Business Rates Multiplier Increase Standard	6.62%	4.00%	2.00%	2.00%
Employer's Pension Contribution	18.70%	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	5.00%	4.59%	3.64%	3.64%
GMCA Transport Levy	2.74%	3.00%	3.00%	3.00%
GMCA Statutory Charge	2.74%	3.00%	3.00%	3.00%

MTFP Best & Worst-Case Scenarios Minus = Saving Plus = Cost		2024/25	2025/26	2026/27	2027/28
		£000	£000	£000	£000
Pay Awards	Base	4,710	3,673	2,522	2,573
	Best 0%pa	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>
	Worst 2%pa	9,419	7,347	5,045	5,146
	<i>Impact on Illustrative Case</i>	<i>4,710</i>	<i>3,673</i>	<i>2,522</i>	<i>2,573</i>
Price Inflation	Base	13,220	10,691	7,671	7,572
	Best 75%	9,915	8,018	5,753	5,679
	<i>Impact on Illustrative Case</i>	<i>(3,305)</i>	<i>(5,978)</i>	<i>(7,896)</i>	<i>(9,789)</i>
	Worst 125%	16,525	13,364	9,589	9,465
	<i>Impact on Illustrative Case</i>	<i>3,305</i>	<i>5,978</i>	<i>7,896</i>	<i>9,789</i>
Demand Pressures	Base	2,000	4,000	6,000	8,000
	Best	1,500	3,500	5,500	7,500
	<i>Cum. Impact on Illustrative Case</i>	<i>(500)</i>	<i>(1,000)</i>	<i>(1,500)</i>	<i>(2,000)</i>
	Worst	2,500	4,500	6,500	8,500
	<i>Cum. Impact on Illustrative Case</i>	<i>500</i>	<i>1,000</i>	<i>1,500</i>	<i>2,000</i>

Appendix 2 – 2024/25 to 2027/28 MTFP – Changes to Forecast Savings Requirement

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Savings Requirement Approved on 23 February 2023	11,611	23,817	32,790	41,348
MTFP Forecasts and Assumption Changes				
Pay Inflation	1,194	2,452	2,487	2,574
Price Inflation – including Real Living Wage (RLW) & Energy	5,448	11,397	14,859	18,113
Social Care, Neighbourhoods and Prevention Investment	2,673	0	0	0
Demand/Increased Need for Support	0	1,000	2,000	3,000
Waste Levy (5%) and Transport Levy (2.74%) Increase	130	342	565	799
Pension Triple Lock Increase – Impact on Adults Income	(1,980)	(2,992)	(3,517)	(4,054)
Council Tax – Taxbase Growth	(297)	(297)	(297)	(297)
Council Tax – Unfurnished Empty Property Premiums	(411)	(411)	(411)	(411)
Council Tax – Furnished Empty Property Premiums	0	(766)	(766)	(766)
Collection fund 100% Business Rates Pilot Benefit	(2,672)	(2,779)	(2,835)	(2,892)
Business Rates – 2024/25 Multiplier Inflation Applied, Retention Basis to 100% from 2025/26 and Forecast	(1,733)	(4,003)	(4,081)	(4,106)
Recurrent Borrowing Cost Budget	0	1,500	500	0
Pandemic Financial Scarring Impacts				
Pandemic Financial Scaring Forecast Adjustment	56	1,022	841	988
2023 Autumn Statement and Settlement Adjustments				
Social Care Funding	(3,200)	(527)	(527)	(527)
Services Grant	1,603	1,938	1,938	1,938
New Homes Bonus	(24)	0	0	0
Public Health Increase	374	374	374	374
Business Rates Green Plant and Machinery Compensation	(124)	(124)	0	0
Additional Expenditure Pressures				
Childrens Recurrent Pressure – Increased Demand/Need for Support	4,212	4,676	3,469	3,501
Education Recurrent Pressure – Increased Demand/Need for Support	1,969	1,735	1,762	1,788
Other – Staffing, Public Realm, IT Licencing and IT Maintenance	377	526	535	533
Homelessness	0	800	800	800
Ash Tree Die Back	280	280	280	280
TLC Waste Collection Fleet Vehicles	350	350	350	400
Cabinet Change Proposals				
Transformation Programme/Change Proposals 2024/25 (subject to approval)	(5,362)	(5,362)	(5,362)	(5,362)
One Off Resources				
GMCA Waste Reserve Return & AGMA Reserve Return	(2,476)	0	0	0
2023/24 Collection Fund Surplus Declared	(4,023)	0	0	0
2023/24 Unallocated Contingencies Brought Forward	(2,474)	(2,919)	(3,479)	(3,479)
Revised Savings Requirement	5,501	32,029	42,275	54,542

Appendix 3 – MTFP Risk Assessment

Risk Identified	Risk	Risk Mitigation
Business Rates Localisation	The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
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"> - 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 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"> - 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

Risk Identified	Risk	Risk Mitigation
Care Market – Financial Sustainability and Appropriate and Required Care Provision	A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision 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
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"> - In year monitoring of interest rates by Treasury Management Team - Updates from Treasury Management advisors (Link Asset Services) - MTFP Summer Review - Flexibility built into 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 and increasing Business Rates reliefs	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - In year monitoring of collection rates - Reserves Policy - Identified available one-off resources
Council Tax Taxbase	The MTFP includes forecasts of future Council Tax Taxbase growth	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
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"> - 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 - 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 has increased the demand for some services i.e., Childrens, 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
Childrens Demand	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.	In year budget monitoring - Changes to service operating models - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme - Childrens services recovery plan

Risk Identified	Risk	Risk Mitigation
Education	<p>The Council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional Cash Limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children's requirements within the borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.</p>	<ul style="list-style-type: none"> - DSG Review Group working to address long term budget sustainability of the DSG - Reserves Policy - Identified available one-off resources
Fair Funding Formula	<p>Contrary to the promise of engagement from DLUHC in 2022/23 it has been made clear that Fair Funding and Business Rate Reset are not to be introduced over the remainder of this parliament. 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 2024/25 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"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
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 announcements made were for one financial year covering 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.	<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 came into operation from 1 July 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 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	<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
	<p>is expected that this will lead to stability in the future waste levy increases.</p>	
<p>National Living Wage</p>	<p>The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result.</p>	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models - National Living Wage contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves
<p>Real Living Wage</p>	<p>The obligation for the Council to meet the increasing costs as a result of the RLW continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the RLW increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result.</p> <p>The Council has been accredited as a Real Living Wage (RLW) Employer by the Living Wage Foundation. The RLW is the only rate independently calculated according to the cost of living through pricing a basket of household goods and services. It provides a voluntary benchmark for employers that wish to ensure their staff earn a wage they can live on which is more than the government minimum or 'National Living Wage)</p>	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models - Real Living Wage contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves

Risk Identified	Risk	Risk Mitigation
Non Cash Limit Surpluses	Deficits against Cash Limit budgets are currently offset by surpluses against Non-Cash Limit budgets. Non-Cash Limit budgets have been reduced in previous years MTFP Updates which means the ability to support the Cash Limit budget pressures using Non-Cash Limit surpluses will diminish going forward.	<ul style="list-style-type: none"> - 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	The Council has forecast for an annual 4% pay inflation increase in the MTFP for 2024/25 and 3% in 2025/26. If a similar deal to 2023/24 was agreed, this would be more than we are currently assuming. Negotiations between Trade Unions and employers will be ongoing and would be expected to conclude in the financial year. Any further update will need to be factored into the next iteration of the MTFP.	<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	<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.</p>	<ul style="list-style-type: none"> - Monitoring of inflation rates - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one off resources
Energy Inflation	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 could result in different unit costs through the medium term therefore an assumption as an average unit cost has been made.	<ul style="list-style-type: none"> - Monitoring of energy unit costs - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one off resources

Risk Identified	Risk	Risk Mitigation
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 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.	<ul style="list-style-type: none"> - Reserves Policy - Identified available one off resources
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"> - In year budget monitoring - MTFP Summer Review - MTFP Updates - Reserves Policy – Invest to Save and Double Running Reserve - Workforce Investment reserve
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.	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) Government reforms

Appendix 4 – Consultation Response

Response ID ANON-1UW8-AVVW-S

Submitted to Provisional local government finance settlement 2024-25 consultation.

Submitted on 2024-01-15 17:19:05

Introduction

What is your name?

Name: Jonathan Davies

What is your email address?

Jonathan.davies@stockport.gov.uk

This is an official response from?

Select from the following:

Local Authority Officer

Name of organisation:

Stockport Council

What is your position?

Position/job title:

Assistant Director for Finance (Deputy S151)

Distribution of the Settlement Funding Assessment

1 Do you agree with the government's proposed methodology for the distribution of the Revenue Support Grant in 2024-25?

Neither agree or disagree

Please explain your answer:

The Council welcomes confirmation of the inflationary increase to Revenue Support Grant in 2024/25. However, it is noted that an increase of 6.5% has been applied yet for the 12 months to September 2023 CPI increase published by the Office of National Statistics was 6.7%.

The Council would strongly contend and be able to demonstrate that the inflationary pressures faced by Local Government are currently higher than the CPI measure e.g. important and welcome Living and Minimum Wage increases, increasing cost and demand for children and adult social care, fuel and energy costs, IT/system licencing costs etc.

The costs of meeting the increasing statutory needs of our residents are not recognised within the settlement. Services provided such as social care to vulnerable children and adults living in Stockport, are statutory and heavily inspected. This leaves little discretion for the Council to reduce costs and where it does the impact on Stockport's most vulnerable residents must be considered. This leads to a perverse scenario where cost reductions must inevitably be identified from the non-statutory preventative services; it is these services which are provided to reduce costs and demand. Whilst the Council attempts to avoid this scenario, recognising the

importance of the non-statutory preventative services, it is becoming increasingly difficult to do so whilst addressing the significant budget pressures faced. The Council asks the Government to do more to address the budget pressures and find a sustainable funding model which doesn't add further burden to Council Tax Taxpayers.

It is also noted that the funding increase needed to provide councils with an inflationary increase has been achieved through a redistribution of funding elsewhere in the settlement; a redistribution of the Services Grant rather than new additional funding. It is disappointing that no indication of the intended approach to providing councils with a 'real terms increase' and the significance of the Service Grant redistribution needed to achieve this was given prior to the settlement being announced particularly as the Government's Settlement Policy Statement was released on 6 December for this purpose. The narrative of councils receiving a 'real terms increase' falsely gave the impression of additional settlement funding rather than a reduction in one part of the settlement to fund an increase in another. Ministers had committed to funding the inflationary increases as a matter of principle, so finding the resources from elsewhere in the settlement (from a redistribution of the Services Grant) is unfair.

Whilst recognising that an upcoming General Election and subsequent Government Spending Review will have a bearing on future settlements, the Council is disappointed that Government have not provided an indication of future years funding. Even if limiting this to confirmation that the 2025/26 settlement will be a rollover cash flat settlement helps to support the Council's decision making in relation to its medium-term financial planning. The Council again asks Government to provide this indicative detail to aid future planning and ensure local decision making is informed by a robust understanding of the future direction of travel in relation to Local Government funding. This will enable better planning, transformation, and investment decisions to be made to address the expected cost pressures and support a sustainable service delivery going forward.

The Council expects Government to assess and fund the new burdens costs as a result of decoupling the Business Rates multiplier particularly in relation to Business Rates system update costs.

The Council believes it is vital that the final settlement provides clarity on the continuation of the Household Support Fund (HSF) in 2024/25. The Council highlights the support the Household Support Fund Phase 4 has provided to residents in 2023/24 and the impact this will have on those residents continuing to struggle with the increased cost of living if the fund doesn't continue. The Council is certain that if HSF does not continue it will be Local Government that will have to deal with the consequences and the financial impacts that will result.

The Council asks that the final settlement confirms that the 2022/23 Business Rates Levy surplus of circa £220m will be allocated (in full) to councils in 2023/24 using settlement funding assessment as the basis for allocation i.e. same allocation basis as 2021/22 surplus allocated in the 2022/23 Final Settlement.

2 Do you agree with the government's proposals to roll grants into the local government finance settlement in 2024-25?

Agree

Please explain your answer:

Whilst the roll in of specific grants in 2024/25 does not impact on the Council's settlement directly, the Council is supportive of a simplified approach to Local Government funding via a simplified grants system and the roll in of further grants in future settlements.

The Council welcomes further simplification to Local Government funding in future Government Spending Reviews and Local Government Finance Settlements. Whilst recognising the need for reforms such as fairer funding methodology and Business Rates retention, the Council wishes to highlight the need for the overall quantum of funding for Local Government to be reviewed and increased in the first instance to address increasing cost and demand for essential services supporting Stockport residents and businesses before any funding allocation reforms are considered.

Council Tax

3 Do you agree with the proposed package of council tax referendum principles for 2024-25?

Neither agree or disagree

Please explain your answer:

Generally the Council is supportive of the proposed 2024/25 Council Tax referendum principles. This does give the Council flexibility to raise funding through Council Tax increases.

However, the Council continues to be unhappy with the Government's response to funding services via local taxation. There continues to be a shift of the burden of funding Council services to local Council Tax Taxpayers. The impact increases have on residents who are already struggling with the rise in the cost of living is always considered alongside the need for a robust and resilient medium term financial position. Significant increase in cost and demand for council services cannot continue to be funded by Council Tax, a regressive form of taxation.

Supporting the need for greater certainty supporting the funding of social care services to Stockport's most vulnerable residents, the Council asks Government to confirm the continuation of the Adult Social Care Precept increase beyond 2024/25.

Funding Guarantee

4 Do you agree with the government's proposals to maintain the Funding Guarantee for 2024-25?

Agree

Please explain your answer:

Generally the Council is supportive of a minimum funding guarantee being included in the settlement however questions whether the protection of New Homes Bonus (NHB) should be included in this guarantee. The NHB was top-sliced from the settlement quantum as an incentive for a certain policy outcome. The ability to benefit from NHB could be seen to derive from a fortuitous availability of land and it seems unfair to those Councils without land availability for this 'incentive' to be protected in perpetuity via the funding guarantee at the expense of other Councils.

Authorities responsible for the delivery of social care services, like Stockport, have not benefitted and are unlikely to benefit from the minimum funding guarantee in future settlements due to their social care funding allocations. Whilst we recognise this funding does increase the Council's Core Spending Power, as set out in the response to Question 5, the increasing costs of these services outstrips the funding provided. Many of the Authorities benefiting from the minimum funding guarantee do not have these budgetary pressures. The Council therefore contends that the skewed allocation of this funding in the settlement is unfair and asks Government to consider a different funding allocation methodology for the minimum funding guarantee.

It is also noted that the funding increase needed to deliver this in 2024/25 has been funded by a reduction in the total Services Grant which has had an adverse impact on the Council's financial position (see response to Question 8).

Distribution of Adult and Children's Social Care Resources

5 Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2024-25?

Neither agree or disagree

Please explain your answer:

The Council warmly welcomed the adult social care funding that was included in last year's settlement however was extremely disappointed that the quantum made available to meet the increasing needs of our residents with social care requirements and entitlements was not appropriately recognised in the settlement for 2024/25. Greater certainty is needed about the future of this funding linked to rising costs and demand for service as well as the delayed reforms. Whilst the previous additional funding and the modest increases in 2024/25 goes some way to address the cost pressures faced it will not resolve the significant cost increases as a result of inflation, demand, and demographic trends. It is also noted that the important and welcome increase in the National Minimum Wage is greater than the inflationary increase on funding which is placing greater cost pressure on the delivery of services to vulnerable residents.

The Council calls for immediate and greater recognition of the cost pressures within Children's Social Care, again linked to inflationary cost, and increasing service demand. There needs to be more direct funding of Children's Social Care to address these cost pressures going forward.

The continuation of one-off funding announcement by Government does not help councils to plan and inform decision making to address the cost pressures faced. The Council ask Government to determine how a more sustainable and longer-term funding mode for social care services (Adults and Children's) can be achieved.

Other grants – New Homes Bonus, Rural Services Delivery Grant and Services Grant

6 Do you agree with the government's proposals for New Homes Bonus in 2024-25?

Neither agree or disagree

Please explain your answer:

Further certainty is needed on the future of New Homes Bonus beyond 2024/25. A consultation on this was issued by Government 3 years ago, continuing one-off funding allocations that started in 2020/21 provide no certainty of when it will cease and how the resources used to

fund the NHB will be returned to the local government finance quantum. The Council asks for greater certainty and funding made available from the cease of New Homes Bonus in future years to be redistributed to councils via the Settlement Funding Assessment.

7 Do you agree with the government’s proposals for Rural Services Delivery Grant in 2024-25?

Neither agree or disagree

Please explain your answer:
No comment.

8 Do you agree with the government’s proposals for Services Grant in 2024-25?

Strongly disagree

Please explain your answer:

Redistribution of the Services Grant funding within the settlement has adversely impacted the Council’s medium term financial planning late in the 2024/25 budget setting process and now poses a challenge to balancing the 2024/25 Budget. It is disappointing that Government gave no indication of the significance of the grant redistribution on councils, £406m redistributed, prior to the settlement being announced particularly given the Government’s Settlement Policy Statement was released on 6 December for this purpose. It is also noted that the December 2022 Settlement Policy Statement said core grants would “continue as they are now” in 2024/25. By implication, this included the Services Grant.

Whilst some clarity of the use of the Services Grant redistribution has been given post settlement, the Council asks for greater transparency on how the £406m has been used to fund inflationary uplifts, minimum funding guarantee and contingency.

Impacts of these proposals

9 Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic?

No

If yes, please add your comments and provide supporting evidence:

Part Time Work for Full Time Pay

10 Do you have any views about the Government using levers in future local government finance settlements (those occurring after 2024-25) to disincentivise the ‘four day working week’ and equivalent arrangements of Part Time Work for Full Time Pay?

No

If yes, please add your comments:

The Council believes the decision and approach to workforce planning should be made at a local level to address local issues i.e. recruitment and retention, wellbeing, productivity etc.

The Council does not agree with the proposal that ‘levers’ should be used in future settlements to disincentivise a ‘4 day working week’.