

REPORT TO: CORPORATE, RESOURCE MANAGEMENT AND GOVERNANCE
SCRUTINY COMMITTEE

DATE: 21st JANUARY 2025

REPORT OF: LEADER OF THE COUNCIL
CABINET MEMBER FOR FINANCE AND RESOURCES

REPORT TITLE: RESPONDING TO OUR MEDIUM-TERM FINANCIAL PLAN:
UPDATE

1. INTRODUCTION AND PURPOSE

- 1.1. Following November scrutiny committees we are sharing more detail on our budget change proposals, taking into consideration the feedback received to date.
- 1.2. The appendix to this report outlines the budget proposals being considered by cabinet to address our financial challenges and balance the rising cost of delivering services to the people in our communities who need it most.

2. CONTEXT

- 2.1. The acute pressure on public services runs beyond local government spending with significant national coverage on pressures across all public services. Across the country councils are facing significant and urgent funding gaps.
- 2.2. We provide over 800 services to support and improve the lives of residents, businesses, and visitors in Stockport. Our annual budget in 2024/25 is £336 million. Every year, we must balance our spend with the income we receive.
- 2.3. The cost of delivering our services is increasing, evidenced by the in-year deficit forecast of £3.7m at Quarter 2+, made up of a £10.4m deficit on service (cash limit) budgets which is partly being offset by corporate (non-cash limit) budgets surpluses. Costs continue to grow due to demographics, rising inflationary costs including National Insurance and increases to the National/Real Living Wage. At the same time there is increasing need from residents and businesses to access essential services for support, such as;
 - Children's social care with a significant increase in the need for support linked to looked after children placements, rising cost of external placements linked to the complexity of children's needs and resilience of our families;
 - Children's education, health and care plan (EHCP) assessments increasing special educational needs (SEN) transport costs with associated costs impacting other areas of the council;
 - Adults social care increased need for support, complexity, demographics and costs associated with commissioned packages of care in younger adults, mental health and learning disabilities services;
 - Homelessness increasing with an acute shortage of affordable housing and more people needing support and increase in the use of temporary accommodation; and;

- Increased need for support emerging from the Cost of living crisis - including increased costs of service provision across social care and preventative services.
- 2.4. This, alongside insufficient funding from central government, makes managing our budget in the months and years ahead extremely challenging. There is a significant need to review and increase the funding for local government to cover the rising costs and growing needs for essential services before any funding distribution reforms are considered. While we wait for the government's spending review and planned funding reforms, we continue to shape our budget in an uncertain and unstable environment.
- 2.5. The government announced the 2025/26 Provisional Local Government Settlement on 18 December. This gives us a 5.89% headline increase in our 2025/26 core spending power. This is less than the average increase for England, which is 6%, and for metropolitan borough councils, which is 8.37%. However, the costs of meeting the growing needs of our residents, especially for social care, are rising faster, as evidenced in the in-year deficit forecast. The announced changes to Employers National Insurance Contributions (NICs) will also add more costs. While we will be compensated for direct employer NICs costs, we will be affected by the indirect NICs costs, especially with our partners. We estimate the indirect costs to be around £3.7m in 2025/26, resulting in a net core spending power increase of about 4.6% in 2025/26. The in-year deficit forecast highlights a £10.4m overspend against service (cash limit) budgets, which is 4.01% more spend in the year than what was planned. This means our net core spending power increase in 2025/26 only just covers our current spending levels before further cost increases linked to inflation and increasing need for support from residents and businesses are considered.
- 2.6. We welcome the extra £1.3bn of national funding for local government announced in the settlement. However, we are concerned about how this funding is being distributed to councils in 2025/26 and what it means for the government's planned funding distribution changes. Out of the £1.3bn extra national funding, we received £5.025m (0.39% of the extra national funding), most of which, £4.210m, is for social care. Normally, we expect to get at least 0.5% of national funding.
- 2.7. We are one of only three Metropolitan Borough Councils (outside of London) across the country to get no money from the £600m national funding of the Recovery Grant in 2025/26, the other two being Trafford and Solihull. The way the government has distributed this money to councils shows they are focusing on areas with more deprivation and those with a strong council tax base; as highlighted above this is a concern for us. Whilst there is clearly a need to recognise deprivation in funding distribution, other factors such as population, child deprivation and polarisation must also be considered. Stockport is the eighth most polarised borough in the country in terms of areas of deprivation which can mean up to 11 years difference in life expectancy for residents. Using an average deprivation score calculated in 2019 in the funding distribution does not reflect this polarisation for example.
- 2.8. Recognising our strong council tax base helps us stay financially stable, but increasing reliance on it puts burden on local taxpayers to fund local services. Significant increases in cost and demand for essential local services cannot continue to be funded by Council Tax, a regressive form of taxation. About 64% of our 2025/26 core spending power is expected to come from Council Tax. This continues to present a challenge for us to balance the impact of Council Tax increases on residents with the need for a robust and resilient medium term financial position. Not increasing
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Council Tax means we are forgoing income the government expect us to collect to fund local services in the absence of grant funding.

- 2.9. We look forward to getting more details about planned changes to how councils are funded. These changes could affect us, so we are looking forward to having our say in the consultation and getting more clarity soon.
- 2.10. Resilient local public services are critical in providing much needed local leadership as well as support and services for local people. We need to continue to have a robust and resilient budget over the medium term. This can only be achieved through difficult decisions, prioritisation, and ambitious changes in the way we work if we are to continue to meet the needs of local people today and in the future.

3. CHANGE PROPOSALS

- 3.1. These reports should be read in conjunction with the MTFP update reports, (Part A and B) which outline the challenging financial circumstances, requiring careful and bold decisions to ensure we can deliver a resilient budget. Our change proposals contribute £8.937m of budget reductions to support the balancing of our 2025/26 budget.
- 3.2. We published our change proposals for scrutiny engagement in November and have carried out public consultation on both the waste and adult social care charging changes. The consultation reports will be shared with the relevant scrutiny committees.

Equality Impact Considerations

- 3.3. We have committed to addressing inequality and holding ourselves accountable for all our people feeling included and valued. The fair and inclusive agenda is a key part of our Council Plan and neighbourhoods and prevention programme. Fair and inclusive is about tackling poverty and inequality and making sure Stockport is a great, diverse place to live where everyone can thrive. We know that poverty causes ill health, drives inequality in health outcomes and increases use of health and care services.
- 3.4. To understand the impact of proposals on people who are socially and economically disadvantaged, Equality Impact Assessments (EqIAs) have been undertaken both the Adult social care and waste proposal. These will be shared with the relevant scrutiny committees.

Environmental Impact Considerations

- 3.5. As part of our commitment to tackling climate change and our journey to being carbon neutral, we will ensure we understand any environmental impacts of our proposals. Environmental Impact Assessments (EIAs) will be completed and will accompany developing business cases. The EIAs will identify and understand any environmental impacts and consequences of the proposals across the borough and suggest how negative impacts may be reversed or mitigated.

4. NEXT STEPS AND RECOMMENDATIONS

- 4.1. The Cabinet are keen to seek further views from Scrutiny on these plans ahead of Cabinet decision making and Budget Council in February.
- 4.2. The Committee is invited to comment on the report and the proposals presented within the report relevant to the remit of this committee.

Appendix Documents

Appendix 1 - Corporate, Resource Management & Governance final proposals

BACKGROUND PAPERS

MTFP update – Cabinet Meeting, 18/09/24

Part.A - MTFP Review

Part.B - Cabinet Response

Anyone wishing to discuss the report should contact Gill Lawton on Tel: 0161 474 3014 or by email at gill.lawton@stockport.gov.uk
