

Responding to Our Medium-Term Financial Plan: Update**Report of the Executive Director People and Neighbourhoods****1. INTRODUCTION AND PURPOSE**

- 1.1. Following November scrutiny committees, where we updated the committee on the children's recovery programme, we are sharing more detail on how this programme fits into the wider context of our budget.
- 1.2. Section 4 of this report outlines how the programme fits into the context of the wider change proposals, budget setting and the in-year financial position.

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;
 - 2.3.1. Children's social care with a significant increase in the need for support linked to children in our care placements, rising cost of external placements linked to the complexity of children's needs and resilience of our families;
 - 2.3.2. 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;
 - 2.3.3. 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;
 - 2.3.4. Homelessness increasing with an acute shortage of affordable housing and more people needing support and increase in the use of temporary accommodation; and
 - 2.3.5. 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 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. The proposals made across all council departments, and presented to Scrutiny committees in November, contribute £8.937m of budget reductions to support the balancing of the Council's 2025/26 budget. There are no additional proposals for this committee.
- 3.2. We published all our change proposals for relevant 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 where appropriate. The EIA 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. THE CHILDREN'S RECOVERY PROGRAMME

4.1. There are several different elements to the Children's financial picture which we talk about separately but have a relationship to each other. The points below seek to explain each element and how they fit together.

The Children's in-year Deficit 2024/25

4.2. There is a forecast deficit of £8.663m for Children's i.e. by year-end (end March 2025) which means we expect to spend £8.663m more than the budget. The reason for the additional spending is that the number of children with the most complex needs (external placements, children with disabilities and children who are entitled to Special Educational Needs (SEN) transport) has exceeded the predictions made when building the 2024/25 budget.

4.3. It is worth noting that the total number of children in care is very similar to what was predicted but the number of them in the most expensive placements is higher than predicted. The difference in cost per child per year between foster care (cheapest) and external placements (most expensive) is c£250k. It can be seen, therefore, that it only takes a few placements to start to build a significant deficit.

4.4. The budget for 2024/25 is £63.353m.

The Children's Budget

4.5. When we set budgets for the following year we take the current year budget and adjust it for a series of assumptions and predictions relating to:

- a) Increases needed for inflation
- b) Increases needed for pay award
- c) Increasing levels of demand, some examples being:
 - i) Children in our care i.e. children which require placements in foster homes or children's homes
 - ii) SEN transport
 - iii) Children with disabilities – packages of care in their home and respite care.
- d) The positive impact of the prevention model i.e. a decrease in the budget requirement
- e) The positive impact of the recovery programme i.e. a decrease in the budget requirement

4.6. Generally speaking, the budget required for the following year is normally greater than the budget for the current year. The prevention model and the recovery programme allow the increase in budget to be smaller than if they were not in place.

- 4.7. The prevention model and recovery programme help to reduce the need for additional budget, but they don't completely prevent the need for an increase; therefore, we refer to them as cost avoidance measures rather than savings measures.
- 4.8. The increasing Children's budget is either funded through additional monies in the government settlement or adds to the Council's savings programme i.e. savings in other departments fund the additional budget for Children's.
- 4.9. For 2025/26 the placements, packages of care etc which are causing the in-year deficit are built into the budget as part of the assumptions around increasing demand.

Children's Recovery Programme

- 4.10. Stockport Family is built on a preventative model which means that we seek to do things which reduce or manage the number of children coming into our care. We know that spending on prevention per child is less than the cost of a child being in foster care or a children's home and usually results in better outcomes for the child.
- 4.11. Often new prevention measures take a few years to have an impact on the numbers of children in our care.
- 4.12. The Recovery Programme is a boosted version of the prevention programme i.e. the creation of more preventative approaches to further reduce the number of children coming into our care. It was developed as a response to forecast deficits i.e. the intention was to bring the spending down so that Children's would have a balance budget.
- 4.13. Another level of the Recovery Programme has recently begun in the form of a detailed review of how the whole system is working to improve children's outcomes across Children's Services and avoid the need for care. It is being completed by Senior Officers and is looking beyond national pressures to see what adjustments to the local system could have a positive effect on the number of children in our care, drawing on the best of practice locally and elsewhere. It is also informed by the national policy framework and in particular the Children's Wellbeing and Schools Bill December 2024 which is bringing legislative change that will require a significant reform of our children's services.¹
- 4.14. An intensive sprint of multidisciplinary panels has taken place to review all current external placements seeking to identify the blockers and challenges across the wider system in achieving the permanence plans for young people in our care.
- 4.15. Findings from the review and any identified actions will form a cross-system improvement plan which will be delivered at pace over the coming weeks and into the new year. This will be monitored by a new Continuous Improvement Board.

¹ [Children's Wellbeing and Schools Bill - Parliamentary Bills - UK Parliament](#)

4.16. The positive impact of the recovery plan has been seen in Q3 with our numbers of children in care coming back down under 500 and evidence that this trajectory can be sustained.

The Council's Savings Programme (MTFP Savings)

- 4.17. Services across the Council are asked to identify measures that will result in the budget they require being less in the following year than it is in the current year. These measures form the savings programme.
- 4.18. The measures taken by Children's as part of the Recovery Programme are already built into their budget requirement and do not fully offset the growing demands, therefore they are classed as cost avoidance and do not form part of the savings programme.
- 4.19. Productivity savings which are those such as maximising the opportunities arising from new grants or vacancy management are being taken across the Council including in Children's, so the efficiencies from these count towards the savings programme and are not accounted for in the Children's Budget as described in section 2.

5. NEXT STEPS AND RECOMMENDATIONS

- 5.1. The Committee is invited to comment on the report and the information presented within the report relevant to the remit of this committee.

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