

PART A - MEDIUM TERM FINANCIAL PLAN UPDATE

Report of the Assistant Director for Finance (Interim Section 151 Officer)

1. INTRODUCTION AND PURPOSE OF REPORT

1.1 The purpose of the report is to outline the outcomes of the review of the council's Medium Term Financial Plan (MTFP) 2024/25 to 2028/29. The approved MTFP was set in February in the context of significant budget pressures due to inflationary costs and increasing service demand reflecting Stockport residents and businesses increased need for support. The review has considered the underpinning MTFP forecasts and assumptions approved at the council Budget Meeting on 22 February 2024 and determined whether these forecasts and assumptions are still appropriate considering the context of the financial landscape. The review has taken account of:

- Budget monitoring and performance in 2023/24 and 2024/25;
- Adverse national economic forecasts particularly in relation to price inflation, pay inflation and interest rates;
- The impact of the pandemic recovery and cost-of-living crisis on Stockport residents and businesses increasing demand for services;
- Local context including issues, challenges and financial prospects facing the council in 2024/25 and over the medium-term period; and
- Government announcements impacting on local government financing.

1.2 The table below shows the net adjustments for each year of the MTFP following the review of the forecasts and assumptions underpinning the MTFP.

Table 1: MTFP Update Net Adjustments

	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000
Net Savings Requirement Decrease	1,921	229	300	230

1.3 The MTFP presented in this report extends to 2028/29 to present the current year plus four years to provide transparency on the council's medium term financial forecasts to inform decision making. However, it is noted that the uncertainty and volatility of these forecasts is greater in later years. Members are asked to note that the council's internal MTFP modelling does extend beyond this period but recognising forecast risk and the likelihood of continual change to the underpinning MTFP assumptions and forecasts beyond 2028/29 because of this, later years have not been presented in this report.

1.4 The financial landscape continues to present significant challenges due to the high levels of uncertainty, volatility, and risk. Councils are facing significant budget pressures due to inflationary costs and increasing service demand particularly for those services supporting the most vulnerable. This is affecting all councils across the country, testing their financial resilience and robustness to mitigate and smooth the impact of the financial risks they face whilst continuing to deliver essential services. Despite these challenges, which should not be understated, the Interim Section 151 Officer is confident that the council remains in a financially resilient and robust position but is acutely aware of the budget pressures the council faces whilst

delivering the ambitions and priorities for the borough set out in the Council Plan and Borough Plan.

- 1.5 Given the significant uncertainty, volatility, and risk inherent within the financial landscape, the update of the MTFP will continue to be iterative with underpinning assumptions and forecasts retested throughout the financial year. Officers will continue to review and update the MTFP as further information is made available. The resulting MTFP updates will be reported to Cabinet and Scrutiny during the year as part of the 2025/26 budget setting process.

2. DEVELOPMENTS SINCE 22 FEBRUARY 2024

Chancellor Announcement – ‘Fixing the Foundations’

- 2.1 A ‘*rapid audit of public spending*’ was commissioned by the Chancellor shortly after the General Election in July. The audit identified a £22bn unfunded national spending pressure over 2024/25 and 2025/26. To part-fund this shortfall, the Chancellor announced savings of £5.5bn in the current year (2024/25), rising to £8.1bn next year (2025/26). The pressures identified by the review included:

- Unfunded policy announcements, including extending the Household Support Fund (HSF) for 6 months (to September 2024), and extending the £2 bus fare cap. It is noted that government have recently announced the extension of HSF for a further 6 months (to March 2025);
- Pressures on public spending due to recent national and international events; and
- Higher than expected public sector pay awards following government’s acceptance of the public sector pay recommendations.

- 2.2 The audit’s relatively narrow scope meant it did not refer to specific budget pressures in local government. Pressures in social care (children’s and adults), schools (Education Health and Care Plans - EHCPs) and housing were not mentioned. A wider review of public sector pressures including local government is expected to form part of the government’s planned multi-year Spending Review. It does, however, refer to the financial pressures in aggregate terms, acknowledging the concerns of the sector and the number of councils warning of financial distress and bankruptcy. The audit acknowledged ‘*in local government, in 2024, 19 local authorities needed Exceptional Financial Support to set a balanced budget, with spending on social care increasing to 54% of councils’ general service expenditure*’.

- 2.3 The main outcomes of the audit which affect local government include:

- No additional funding to help local government meet the costs of pay inflation pressures;
- Decision not to proceed with previously announced adult social care charging reforms from October 2025. Funding set aside for these reforms had already been repurposed and allocated to fund councils’ day-to-day social care budget pressures in previous year’s finance settlements. Whilst the timing and approach to adult social care reforms remains uncertain, the current social care grants already allocated to councils are now considered part of councils’ recurrent baseline funding levels; and
- Savings required by government departments to reduce administration costs by 2%, which may impact protected (Health, Education, Defence) and unprotected areas (local government) of government differently.

- 2.4 The government's Autumn Budget will be announced on 30 October and include updated fiscal and economic forecasts from the Office for Budget Responsibility. government departments will receive their 2025/26 budget allocations in October, the first year of a three year spending review. This makes the announcement of a further one-year Local Government Finance Settlement in 2025/26 increasingly likely. It is expected that the settlement will be a rollover settlement. The financial backdrop is clearly very challenging, with government saying that the spending settlement will be tight to stay within their fiscal rules and consistent with their commitments not to raise several of the main taxes. Any changes to councils' settlement funding are therefore likely to be due to funding within the existing local government funding baselines and settlement being realigned rather than additional 'new' funding. Any additional funding announced, although considered unlikely as highlighted, is likely to focus on priority areas such as social care.
- 2.5 The 2025/26 Provisional Local Government Finance Settlement is expected to be announced in mid-December.
- 2.6 Government will complete its multi-year Spending Review in Spring 2025, with years two and three of the spending review being announced. Multi-year Local Government Finance Settlements are expected to follow, initially covering the period 2026/27 to 2027/28. Officers have input into a Greater Manchester spending review submission led by GMCA. The key asks in terms of local government finance being the need to address the sufficiency of funding and need for a sustainable long-term multi-year settlement for local government.
- 2.7 There is cautious optimism about the government announcements and the appreciation of the financial challenges facing councils since the General Election. The government has committed to '*a more empowered, accountable and sustainable local government system*', and will '*use the Spending Review to improve how different tiers of government work together*'. This will '*include consolidating funding streams for local authorities into the Local Government Finance Settlement and rolling out integrated settlements for further Mayoral Combined Authorities*'. However, whilst the council awaits the completion of the government's Spending Review and what impact this will have, the challenge of a financial landscape inherent with uncertainty, volatility and risk remains. For this reason, it is important the council continues to make challenging and informed decisions within its control to maintain its robust and resilient financial position over the medium term.

2023/24 Outturn Position

- 2.8 The 2023/24 outturn position for the council was reported to the Cabinet meeting on 25 June. A £0.668m outturn deficit for the year was reported. This was balanced using the council's General Fund Balance as part of the financial year end process.
- 2.9 The council's General Fund Balance during 2023/24 was £15.183m. As approved in the 2024/25 Budget, the minimum level of General Fund Balance recommended by the council's Section 151 Officer to support the 2024/25 Budget will remain at £15.183m. The balance is calculated based on the spending experiences and risks to which the council might be exposed to and to provide further robustness and resilience to the council's budget and provides the council with available unallocated resource to mitigate unplanned costs, uneven cash flows and unforeseen financial risk. The use of this balance would only be considered once the use of appropriate earmarked reserves has been exhausted, recognising the opportunity of cost of

using these one-off resources to support the MTFP rather than the intended purpose they were earmarked for.

2024/25 Quarter 1 Forecast Outturn Position

- 2.10 The 2024/25 Quarter 1 forecast outturn position presented to Cabinet elsewhere on this agenda highlights a forecast deficit of £2.637m. This deficit is made up of a forecast £6.336m deficit in cash limit Portfolios which is offset by a forecast £3.699m non-cash limit surplus. It is noted that the forecast includes provisional allocation of £8.042m of Covid-19 financial scarring contingency to offset the additional costs and income losses incurred in the cash limit portfolios.
- 2.11 The 2024/25 Quarter 1 forecast outturn position reflects the continuing financial challenges faced by the council. The adverse national economy and the continuing cost-of-living crisis following the pandemic continues to significantly increase demand for services due to the increased need for support and cost of the providing those services to support Stockport residents and businesses. These cost pressures are mainly confined to those services supporting the most vulnerable residents, such as social care and Special Educational Needs (SEN) services, with associated costs impacting other areas of the council.
- 2.12 Officers continue to work on financial recovery plans to address the in-year budget pressure, bring costs in line with budgets and mitigate the recurrent impact on the council's medium term financial position. Service financial recovery plans are achieving in-year cost avoidance, which would have adversely impacted the Quarter 1 forecast. However, growing need for support and inflationary costs result in a challenging in-year financial position despite this work. As well as service recovery plans, corporate measures continue to be in place to ensure robust financial management principles underpins the delivery of efficient and effective services. The council's Reserves Policy gives assurance that resources are available to address and smooth the forecast deficit position in the short term whilst permanent options to address the position recurrently are identified.
- 2.13 The Quarter 1 forecast outturn position is based on actual data to the end of June. It is possible that financial risks remain unquantified at this stage of the year and will only become clear enough to forecast in Quarters 2 and 3. While the council's processes for financial management and forecasting its financial position are robust, as highlighted above there is significant volatility in the in-year position which means that forecasting a financial year end outturn position is extremely difficult and subject to significant adverse risk. New and additional budget pressures are being identified frequently linked to adverse national economic conditions and demand. There is concern about the recurrent impact of these pressures on the council's medium term financial position. The mitigation of identified in-year budget pressures will need to be considered as part of the in-year budget monitoring and continual update of the council's MTFP during the financial year.

Pandemic Financial Scarring Impacts

- 2.14 The approved MTFP includes £29.362m of pandemic financial scarring impact contingency budget to mitigate the expected costs and support recovery plans over the medium-term period. The Quarter 1 outturn forecast includes a provisional allocation to offset forecast costs of £8.042m (£8.501m budgeted) in 2024/25.

Table 2: 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

2.15 This contingency budget has been held corporately for several years in the expectation that impacted service costs and income would return to pre-pandemic levels. It is apparent from budget monitoring that full recovery in some service areas is not going to be achieved in the medium-term period. As part of the MTFP Update, pandemic financial scarring budget has therefore been realigned as appropriate against relevant cash limit budgets to support ongoing pressures.

Cost-of-Living Crisis

2.16 The continuing recovery from the pandemic coupled with the adverse national economic conditions is increasing the cost-of-living for residents and the cost of operating for businesses. This is highlighted by the following Stockport metrics taken from an Anti-Poverty Update report presented to the Communities and Transport Scrutiny Committee in September:

- In 2022/23, 15.8% of children (9372) are living in absolute low income households, a 26.8% increase compared to 2021/22 (7390);
- In 2022/23, 20.9% (12,395) were living in relative low income households, a 14.5% increase since 2021/22 (10,828);
- In 2021/22, 8% of children live in a family where the two-child limit of benefits had an impact on their income;
- 26% of households are identified as being financial vulnerable (c.32,928 households);
- 24.4% of households are in receipt of Housing Benefit or Housing Element of Universal Credit (February 2024);
- 19,305 households are in receipt of Council Tax Support;
- 17% of households are in receipt of Universal Credit (21,446 households);
- 5774 people are on Pension Credit; and
- 15,203 children are in receipt of means-tested Free School Meals (FSM).

2.17 There is significant pressure on councils to support their communities whilst facing their own financial challenges because of inflationary costs and significant increases in the need for support, particularly those services supporting the most vulnerable. It is likely residents and businesses will need more support as they face these challenges placing more pressure on services.

Ageing Population

2.18 Stockport is the 'oldest' GM locality, and along with much of the country, Stockport's population continues to age. The population aged 65+ in Stockport has grown by 13% in the last 10 years and is projected to do the same over the next 10 years. The population aged 85+ has grown by 23% in the last 10 years (up by 1,500 people) and is projected to rise by 28% over the next 10 (reaching 11,000). Between 2022 and 2043, the proportion of over 65-year-olds is expected to increase from 20% to 23% of the population (roughly twice the proportions seen in Manchester 10% and 12%). Stockport's ageing population will bring several challenges in terms of how the council and its partners support residents to live healthy lives in their communities, and how it does this with the resources available. Noting the budget pressures being experienced across social care budgets and uncertainty about future government reforms presents a challenging position to deliver this. A Stockport Age-Friendly Partnership has been brought together to tackle this challenge and work towards the aspiration for Stockport to be an age-friendly borough.

Section 114 Notices

2.19 Members will be aware that the council has a legal requirement to deliver a balanced budget. If spending is likely to exceed the available resources the Officer charged with responsibility for the effective financial management of the council, the Interim Section 151 Officer, must issue a Section 114 (S114) notice under Section 114 of the Local Government Act.

2.20 **The council's Interim Section 151 Officer believes the likelihood of having to issue a Section 114 notice in the short-term period remains unlikely but does not understate the financial challenge facing the council and other councils across the country.** 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.

2.21 Whilst the Interim Section 151 Officer is confident that the council set a robust and balanced 2024/25 Budget and MTFP in February, the increasing need for support of council services from residents and businesses, and inflationary cost continues to put pressure on service budgets demonstrated by the in-year Quarter 1 forecast outturn position. This is particularly acute in statutory and heavily inspected services where there is little flexibility to mitigate rising costs, for example increasing pressures on social care budgets due to support needs of vulnerable children and an ageing population, increasing need to support children with special educational needs (SEND) and increases in homelessness presentations and use of temporary accommodation. This position is not specific to Stockport. Councils across the country continue to warn of financial distress and the risk of bankruptcy if insufficiency of funding and areas of budget pressure are not addressed by government.

2.22 Addressing the significant 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 Interim Section 151 Officer also highlights to Members the need for challenging decisions to be made about the delivery of services without which the council's longer term financial robustness and resilience will be impacted and the medium-term financial challenge become increasingly difficult to manage and mitigate.

3. MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE

- 3.1 The council's MTFP 2024/25 to 2027/28 was approved at the Council meeting on 22 February 2024. This sets out the council's forecast savings requirement across the MTFP with a forecast cumulative savings requirement of £26.438m in 2025/26 increasing to £48.895m in 2027/28.
- 3.2 The MTFP presented in this report extends to 2028/29 to present the current plus four years position included in Appendix 2. The approved MTFP for the period 2024/25 to 2027/28 is included in Appendix 1.

Table 3: Approved Council Saving Requirement 2025/26 to 2027/28

	2025/26 £000	2026/27 £000	2027/28 £000
Annual Saving Requirement	26,438	10,218	12,239
Cumulative Saving Requirement	26,438	36,656	48,895

- 3.3 The calculation of the future years forecast saving 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 potential financial implications of these on the council were assessed based on knowledge and assumptions made at the time of reporting the MTFP as part of the 2024/25 budget setting process. It is noted that at this point the extent of the adverse national economic conditions was considered, but the uncertainty highlights the need for iterative updates to the MTFP to ensure decision making is informed by the most up to date medium term financial position.

MTFP Assumptions Approved 22 February

- 3.4 A list of the key assumptions underpinning the MTFP forecasts approved in February 2024 are shown in the table and listed below.

Table 4: Approved MTFP Assumptions

Assumptions	2025/26	2026/27	2027/28	2028/29
Council Tax General Increase	0.00%	0.00%	0.00%	0.00%
Council Tax Adult Social Care Precept Increase	0.00%	0.00%	0.00%	0.00%
Pay Award	3.00%	2.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	3.00%	2.00%	2.00%	2.00%
Real Living Wage	8.33%	6.15%	5.80%	5.48%
Employer's Pension Contribution	18.70%	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	4.59%	3.64%	3.64%	3.64%
GMCA Transport Levy	3.00%	3.00%	3.00%	3.00%
GMCA Statutory Charge	3.00%	3.00%	3.00%	3.00%

- **Council Tax Taxbase** – the council is required to calculate and approve its Council Tax Taxbase for budget setting purposes (the number of chargeable dwellings for budget setting purposes) each year. An assumption of expected Taxbase growth over the medium-term period is included in this calculation.
- **Council Tax Collection Rates** – for budget setting purposes the Council Tax Taxbase is adjusted to take account of the local collection rate experience. The MTFP currently assumes a Council Tax collection rate of 98.75% for budget

setting purposes. This rate reflects the discounts and reliefs given to Ratepayers as well as the amount of expected arrears and bad debts.

- **Council Tax Increases** – Section 4 provides illustrative detail of what income could be raised through a Council Tax increase in 2025/26.
- **Business Rates Growth** – Business Rates forecasting is complex and volatile. The MTFP is based on the government's assessment of what can be collected adjusted by local knowledge and experience of collection rates. However, a small change in the gross Business Rates payable in-year because of changes in rateable value or increase in appeals by businesses is difficult to predict and can have a significant impact on the actual benefit realised at the end of the financial year. For this reason, the MTFP does not assume growth in the Business Rates Taxbase.
- **Business Rates 100% Retention Pilot Benefit** – based on the 2024/25 NNDR1 (Business Rates income budget) submitted to government in January, the council expects to benefit from the Pilot. The agreed calculation compares retained rates, section 31 grants, the tariff/top up, RSG and Public Health grant which would have been received in the 50% retention scheme to the equivalent amounts received in the 100% Pilot. The benefit (additional Business Rates income retained) reflects the retention of growth from the Business Rates income baseline set in 2013 to the current year – the council alongside the other Greater Manchester Councils retain 50% more underlying growth. It is assumed that the council will retain 75% of the benefit, with 25% retained by the Greater Manchester Combined Authority (GMCA).
- **Price Inflation** – the price inflation rate assumptions used are calculated using inflation data held by the Office of National Statistics and inflation rate forecasts provided by Link Asset Services, the Council's Treasury Management advisors. A general inflation rate of 6.0% has been applied to relevant budgets in 2024/25, 4% 2025/26 and 2% for future years. Where there are specific inflation rates included in contracts these inflation rates have been used.
- **Government Grant Resource Inflation** – the council receives Section 31 grants from government to fund specific priorities and known national pressures such as adults and children's social care. The forecast continuation and increase of these grants is based on the best available information. However, it is noted that these resources are only confirmed as part of the Local Government Finance Settlement in December each year. As a result, forecasts are subject to change.
- **Demand Pressures** – the MTFP includes an annual contingency budget of £2m in 2025/26 to fund the expected demand related service costs. The council's Reserves Policy also sets aside monies to meet the costs of demand more than that budgeted for.
- **GMCA Levies** – the MTFP includes assumptions about the expected increase to the levy budgets based on GMCA modelling of expected costs. As part of the GMCA scrutiny and budget setting process further modelling will be completed on expected costs with resulting changes to the levies expected to be confirmed later in the financial year.
- **Real Living Wage (RLW)** – the MTFP includes an annual contingency budget to fund the expected costs of the RLW increases. This can be used to fund any cost increases linked to supplier and provider fees. The RLW in general includes several factors which can lead to changes in the rate such as changes in the price of goods and services, tax and the benefits system. A rate of 10% has been applied to relevant price contingency budgets that effect supplier and provider fees for 2024/25, 8.33% 2025/26, 6.15% 2026/27 and 5.80% 2027/28.

Confirmation of the RLW increase for 2025/26 will be announced on 23 October. As a result, forecasts and assumptions are subject to change.

- 3.5 As part of the MTFP update, the forecasts and assumptions underpinning the MTFP (set out above) have been reviewed. Whilst the MTFP update has identified areas where favourable and adverse adjustments need to be made, given the significant uncertainty, volatility and risk, the financial forecasts will continue to be updated and change over the coming months. The council will need to ensure it has the financial resilience and flexibility to respond to any changes that the government announces such as the current economic conditions, the cost-of-living crisis and other policy drivers. As a result, the update of the MTFP forecasts and assumptions will need to continue to be an iterative process throughout 2024/25.
- 3.6 The following paragraphs provide details of where favourable and adverse adjustments need to be made to the MTFP forecasts following the MTFP update. These adjustments will need to be considered as part of the council's 2025/26 budget setting process and future MTFP updates as further information becomes available. Members are asked to note that in some cases these adjustments are subject to change and require further discussion and modelling.

Favourable MTFP Adjustments

- 3.7 **Social Care Grant** – An additional £500m of national funding was allocated through the Social Care Grant to specifically support the provision of children's social care services. The additional funding was only announced a month after the provisional settlement and prior to the final settlement being announced for 2024/25. Whilst the additional funding was welcomed, it did 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 received a funding allocation of £2.673m in 2024/25 ringfenced to social care. At the point of setting the 2024/25 Budget, it was assumed the additional funding will be received in 2024/25 only and would not continue beyond 2024/25. The council has since had confirmation that this funding allocation will continue. Therefore, the £2.673m has been included in the MTFP as recurrent funding allocation.
- 3.8 **General Price Inflation** – the MTFP identifies the budget required to meet the costs of inflationary pressures on specific service budgets, including energy costs, across the medium-term period. The current assumed general inflation rate is 3% 2025/26 and 2% for future years. These assumptions are included in the MTFP update position presented. This balances the need to mitigate the risk of increasing supplier/contract costs with the affordability of holding a contingency for general inflation. To support this balance, the MTFP does not apply inflation to all non-staffing budgets, inflation is only applied to specific budgets where it is appropriate to do so. With inflation now starting to reduce we are not expecting significant above inflation increases in supplier and provider fees in 2025/26. 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 3% general inflation rate assumed, due to existing contracts in place specified, contractual inflation rates have been used.
- 3.9 **Pandemic Financial Scarring Impacts Contingency Budget** – the overall budget has been reduced by £0.790m in 2025/26 reflecting a better than expected recovery in some areas. However, it is apparent from budget monitoring that full recovery in some service areas is not going to be achieved in the medium-term period. As part

of the MTFP Update pandemic financial scarring budget has been released or realigned as appropriate to support ongoing pressures against relevant cash limit budgets. Recurrent allocation of £0.655m to Children's cash limit reflecting the increased number and complexity of need of Children Looked After following the pandemic and £4.5m Investment and Development Account reflecting the impact on rental income following the pandemic has been realigned. The leisure management fee contingency will continue to be held in corporate contingency as the position is still expected to recover and support is forecast to be needed for the next 2 financial years; £2.013m in 2025/26 and £1.013m in 2026/27.

Adverse MTFP Adjustments

- 3.10 **Identified Core Budget Pressure – Fleet Loan Facility Vehicle Depreciation** – the fleet management loan facility report was taken to Cabinet on 25 June 2024. There is an associated vehicle cost of depreciation for this facility. The MTFP update includes an adverse adjustment for the depreciation costs.
- 3.11 **Identified Core Budget Pressure – Children's and Education** – additional budget pressures have been identified for the recurrent impact of in-year pressures. This is linked to the ongoing demand, increased complexity of cases, the rising cost of placements in the external market and challenges and cost pressures associated with the statutory requirement to provide Special Educational Needs (SEN) transport support to our most vulnerable pupils across the borough. Further reviews are needed on the in-year recurrent pressures which will be undertaken during the year and inform updates to the MTFP.

Favourable One-Off MTFP Adjustment

- 3.12 **Collection Fund 2023/24 Outturn Above Declared** – the council's share of the Collection Fund 2023/24 outturn over and above the declared position submitted in January 2024 is £1.391m; this will be used to support the council's 2025/26 budget.

MTFP Risk Assessment and Mitigation

- 3.13 The financial environment facing councils is subject to significant risk because of changes to funding arrangements and the spending pressures that they will face over the medium-term period. As a result, careful management and identification of these risks will be essential, and as already highlighted, updates to the MTFP forecasts and assumptions will need to be continual during the year. Details of the risks inherent within the MTFP forecasts and assumptions and how these will be mitigated are set out in Appendix 3.
- 3.14 Given the inherent risks, a further internal audit of the council's financial resilience is being completed and will be reported to Audit Committee later in the year. The review will focus on providing assurance on the robustness of the council's financial management and resilience particularly in view of financial failures of other councils across the country. The following areas were reviewed as part of the internal audit:
- Effectiveness of financial planning assessment, for example, adequate assumptions and reasonable financial estimates;
 - Processes are in place for testing of sensitivity of assumptions, sensitivity of scenarios for key cost drivers, service demands and resources;
 - Processes for the consideration of findings and trends from the CIPFA Financial Resilience Index and incorporated within the MTFP as appropriate;

- Processes for the preparation of the MTFP, regular review and inclusion of adequate contingencies to address risks;
- Effectiveness of reserves policy and its operation;
- Monitoring processes to ensure agreed savings proposals have been achieved and where appropriate, factored into forward financial planning processes; and
- Financial governance effectiveness within the Corporate Leadership Team and the Member for Finance and Resources. Rigorous examination of underlying assumptions and financial estimates and implementation of financial savings plans with constructive challenge being provided throughout.

3.15 Ongoing review of the MTFP to ensure it remains up to date and the financial resilience assessment performed on the MTFP is effective with appropriate contingencies provided for and a strong reserves policy in force. A strong framework is in place for consideration of annual savings proposals with robust budgetary control mechanisms for monitoring of achievement of savings plans. Financial governance arrangements within the leadership team and relevant members are effective.

3.16 Strong financial management is an essential part of ensuring public sector finances are sustainable. CIPFA's Financial Management Code (FM Code) provides guidance for good and sustainable financial management in Local Authorities and provides assurance that councils are managing resources and risk effectively. Work has been undertaken by Finance Officers to complete a self-assessment against the requirements of the FM Code and demonstrate that processes are in place (and identify opportunities to strengthen) to satisfy the principles of good financial management and the standards set out in the code.

MTFP 2025/26 to 2028/29

3.17 Appendix 2 shows the adjustments that need to be made to the MTFP based on the forecast and assumption changes identified by the MTFP update. It also shows further analysis of best-case and worst-case scenarios for pay, price and demand showing the impact any change would have on the MTFP. The table below shows the net favourable adjustments for each year of the MTFP:

Table 5: MTFP Update Net Adjustments

	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000
Net Savings Requirement Decrease	1,921	229	300	230

3.18 Given the significant risks to the council's MTFP assumptions and challenging forecasts it is recommended that the council's savings requirement for 2025/26 to 2028/29 are continually reviewed and updated during the financial year. It should be noted that this may result in adjustments identified in this update being subject to change.

3.19 Updates to the MTFP assumptions and forecasts will be reported to Cabinet and Scrutiny as part of the council's 2025/26 budget setting process as more clarity emerges particularly in relation to government announcements affecting local government funding leading to the Local Government Finance Settlement in December. The reports will clarify the impact of the risks on the council over the medium-term period once known and how the available resources identified can be

utilised to mitigate these and/or reduce the council's savings requirement in 2025/26 and future years.

3.20 Review of the underpinning assumptions and forecasts will continue as part of the 2025/26 budget setting process. This will focus on further modelling and emerging pressures including:

- The 2024/25 budget monitoring forecasts and identification of recurrent budget pressure which need to be addressed to support the balancing of the 2025/26 Budget;
- Review of inflationary cost and service demand pressures particularly relating to social care services;
- Review of the council's debt charges (capital financing) position to ensure they are robust and able to mitigate the increase in interest rates over the medium-term period; and

4. COUNCIL TAX ILLUSTRATION

4.1 Council Tax is one approach the council can use to support the balancing of its budget and address the financial challenge over the medium-term period. The decision to increase Council Tax is always a balanced one, considering the impact an increase will have on residents against the need to ensure the council has a robust and resilient financial position to continue to deliver essential services to Stockport residents and businesses over the medium-term period. It is clear the context of the continued cost-of-living crisis must be considered and reflected in any decision to increase Council Tax in 2025/26 and the impact it would have on residents.

4.2 At the time of writing this report we have not had confirmation of the 2025/26 Council Tax referendum limit. The increase in the General and Adult Social Care Precept element is assumed to be 0% in the MTFP update presented and that will change subject to Cabinet consideration and council decision as part of the 2025/26 budget setting process.

4.3 For illustrative purposes, the tables below sets out the additional Council Tax income and Adult Social Care Precept income that an increase would generate – up to the 2024/25 referendum limit of 4.99%.

Table 6: Illustration of Income Generated Through General Council Tax and Adult Social Care (ASC) Precept Increase

General Council Tax and Adult Social Care Precept Increase	2025/26
Assumed Council Tax Taxbase	99,289
Current Band D General 2024/25 (£)	1,683.72
Adult Social Care Precept Current Band D 2024/25 (£)	293.67
Total Band D 2024/25 (Council Only excludes Mayoral Precepts) (£)	1,977.39
Increase to Band D Equivalent - 2% ASC Precept (£)	39.55
Total Additional 2% ASC Precept Generated (£000s)	3,927
Increase to Band D Equivalent - 1% General Element and 2% ASC Precept (£)	59.32
Total Additional 1% General Element and 2% ASC Precept Generated (£000s)	5,890
Increase to Band D Equivalent - 1.5% General Element and 2% ASC Precept (£)	69.21
Total Additional 1.5% General Element and 2% ASC Precept Generated (£000s)	6,872
Increase to Band D Equivalent with 2% General Element and 2% ASC Precept (£)	79.10
Total Additional 2% General Element and 2% ASC Precept Generated (£000s)	7,854
Increase to Band D Equivalent with 2.5% General Element and 2% ASC Precept (£)	88.98
Total Additional 2.5% General Element and 2% ASC Precept Generated (£000s)	8,835
Increase to Band D Equivalent with 2.99% General Element and 2% ASC Precept (£)	98.67
Total Additional 2.99% General Element and 2% ASC Precept Generated (£000s)	9,797

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

- 4.4 Members are reminded that previous years Local Government Finance Settlements have included the expectation by government that local authorities will increase Council Tax by the maximum amount allowable. This is assumed in the government's calculation of the council's Core Spending Power as part of the finance settlement. In addition, government have also assumed previously that Local Authorities increase their Adult Social Care Precepts by the maximum increase allowable in their social care funding allocations; the council's ability to increase the Precept means it receives a proportionate reduction in national social care grant funding allocations regardless of whether the council applies the Precept increase or not. By not increasing Council Tax, the council is permanently forgoing income that government expects it to collect in its funding assessment and resulting financial settlement. Reserves and available one-off resources can temporarily address the forgone income, but this does not address the permanent income loss.
- 4.5 In addition, Council Tax will be impacted by any increase to the Mayoral Precept Police and Crime Commissioner and the Mayoral General Precept (including Fire Services) in 2025/26. These Precepts are not set by the council. Confirmation of any increase to these Precepts is expected later in the financial year as part of the GMCA's budget setting process. Allowable increase limits on these precepts are expected to be announced by government later in the year.

5. RESPONDING TO THE FINANCIAL FORECASTS

- 5.1 The financial challenge facing the council over the medium-term period remains significant. Officers will continue to monitor the MTFP and report the requirement for further adjustments to the forecasts and assumptions to ensure the council has a robust and resilient medium term financial plan as part of the 2025/26 budget setting process.

5.2 A stable financial platform is required to support the ambitions and priorities of the council over the medium-term period which is fundamental to achieving a resilient budget. As well as delivering better outcomes for residents and reshaping services so they are fit for the future, the transformation programme is intrinsically linked to the delivery of the MTFP and the provision of services within the resources available. The robust financial management and scrutiny processes the council has in place provides this stable platform upon which it can continue to address the medium-term financial challenge. This includes:

- Continuing budget monitoring updates during the financial year to ensure the 2024/25 financial position and the approach to balancing that financial position is informed by the latest financial forecasts and information;
- Officers continuing to work on financial recovery plans to address the in-year budget pressure, bring costs in line with budgets and mitigate the recurrent impact on the council's medium term financial position.
- The 2024/25 Reserves Policy presented elsewhere on this agenda and the continuing update of this to ensure earmarked reserves remain aligned to the council's corporate and strategic priorities whilst providing assurance that resources are available if needed to support the council's response to the financial landscape and provide a mechanism to smooth the financial impact in the short term and;
- Continuing updates of the MTFP during the financial year to ensure the forecast and assumptions are based on the latest available information.

5.3 Whilst the report highlights the significance of the financial challenges facing the council, the council's Interim Section 151 Officer remains confident that at this moment, based on the robust financial management in place, the council can respond to the challenging financial forecasts over the medium-term period. However, it is increasingly apparent that there is a growing amount of financial distress amongst councils across the country due to insufficient funding not keeping pace with the increasing cost of providing services to residents and businesses. The Interim Section 151 Officer therefore stresses to Members the importance of making challenging and timely decisions about the delivery of services without which the council's longer term financial robustness and resilience will be impacted and the medium-term financial challenge become increasingly difficult to manage and mitigate.

6. RESERVES POLICY

6.1 An annual review of the council Reserves Policy is completed each year to ensure that the council's earmarked reserves remain aligned to the priority areas identified over the medium-term period. Following the annual review, the 2024/25 Reserves Policy is presented for approval to Cabinet elsewhere on this agenda.

6.2 The priority areas identified within the Reserves Policy are:

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

- 6.3 The purpose of the Reserves Policy is to provide the council with assurance about the level of resources available to mitigate the impact of unplanned and unexpected events over the medium-term period. On this basis the annual review of the Reserves Policy has also considered the financial impact of the volatility in the financial landscape, and how, if needed, resources held in earmarked reserves can be used to support such impacts. The policy has purposefully realigned resources to provide additional financial resilience for this purpose. The review also recognises and provides assurance that resources held in earmarked reserves could be uncommitted to meet any funding gap over the medium-term period with the caveat that significant use for this purpose would have a severe impact on the council and the borough in terms of future ambitions and priorities. However, it is important in the context of demonstrating a robust and resilient medium term financial plan that the council understands the options available to it including:
- Release of resources held to fund the Cabinet one-off investments identified in prior year budgets;
 - Release of commitments that are funding transformation projects which could meet the legislation to use available capital receipts to fund revenue projects for example. Further detailed work would be needed to ensure the projects meet the legislation requirements. This would also require a change in legislation in relation to the use of housing capital receipts;
 - Release of commitments that are funding costs which could be capitalised and funded by additional borrowing. If the decision was taken to do this, further detailed work would be needed to ensure costs meet the accounting requirements to be treated as capital. In addition, capital schemes affected would need to be reassessed to ensure they remain financially viable; and
 - Release of revenue resource held to fund the cost of capital schemes. Further detailed work would be needed to determine where these resources could be switched to other forms of capital funding i.e. borrowing and what the revenue cost implications of this would be.
- 6.4 It is recognised that a sustained and significant short-term use of earmarked reserves to support the council's financial robustness and resilience will have a severe impact on the council in terms of delivering its ambitions and priorities, as well as its ongoing resilience. Whilst recognising the need to use earmarked reserves to support the MTFP to smooth the financial impact, for the reasons detailed above, the significant use of these resources will be considered a last resort to limit the need to use earmarked reserves in this way. However, it is recognised that the increasing demand for services and inflationary costs will require the underpinning of the MTFP with earmarked reserves. Following the annual review, realignment of resources held has provided £17.520m of earmarked reserves to support the council's financial robustness and resilience to mitigate financial risk over the medium term. In addition, £9.640m of earmarked reserves are not currently committed to funding identified costs within the intended purpose they have been earmarked against. It is recommended that the use of earmarked reserves to support the council's financial resilience over the medium term is limited to £20m before requiring further approval.
- 6.5 In previous years, the council has been able to identify available one-off resources to support the budget, MTFP and/or its capital investments through returned resources from GMCA and Collection Fund accounting for example. Given the financial challenges highlighted, if additional one-off resources are returned to the council during the year and/or created locally, it is recommended that these resources are considered within this context and used to support the in-year

financial position, the 2025/26 Budget and MTFP financial challenge. One off resource identified to date have been reflected in the MTFP Update.

7. FINANCIAL AND RISK ASSESMENT CONSIDERATIONS

7.1 The financial implications are outlined in the body of this report

8. LEGAL CONSIDERATIONS

8.1 There are no legal considerations.

9. HUMAN RESOURCES IMPACT

9.1 There are no HR impacts as a result of the content of the report.

10. EQUALITIES IMPACT

10.1 There are no equalities impacts as a result of the content of the report.

11. ENVIRONMENTAL IMPACT

11.1 There are no environmental impacts as a result of the content of the report.

12. CONCLUSIONS AND RECOMMENDATIONS

12.1 Cabinet is recommended to:

1. Note the outcomes of the MTFP update including the identified core budget pressures in Children's and Education services, the fleet loan facility vehicle depreciation and the highlighted changes to the MTFP forecasts and assumptions approved in February;
2. Approve the forecast and assumption adjustments as a result of the MTFP updates outlined in the report;
3. Note that the council's savings requirement has decreased to £24.517m in 2025/26 rising to £61.898m in 2028/29 as a result of the adjustments highlighted and subject to further review and updates during the financial year;
4. Note that due to the significant uncertainty, volatility, and risk of the financial landscape the assessment of the MTFP forecasts and assumptions will continue to be iterative with further updates to the MTFP reported to Cabinet as part of the 2025/26 budget setting process; and
5. Approve the recommended use of one-off resources identified during the financial year to support the council's in-year financial position, the 2025/26 Budget and MTFP.

BACKGROUND PAPERS

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Lisa Joy on Tel: 07966372177 or by email on lisa.joy@stockport.gov.uk

Appendix 1 – 2024/25 to 2027/28 MTFP Approved 22 February 2024

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
<u>Resources</u>				
Council Tax Income	165,672	167,175	168,006	168,838
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
	335,641	327,029	329,469	332,003
<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
Positive Investment - Highways Drainage, Parking Enforcement & Road Safety	200	0	0	0
Drainage Cleaning	160	0	0	0
Arm's Length Management Organisation (ALMO) Housing review	100	0	0	0
Demand/Increased Need for Support Pressures*	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
	336,061	353,467	366,125	380,898
Cumulative Savings Requirement	420	26,438	36,656	48,895
Appropriation from Reserves	(420)	0	0	0
Cumulative Savings Requirement - Total Expenditure less Total Resources	0	26,438	36,656	48,895

Appendix 2 – MTFP Update Adjustments

	2025/26 £000s	2026/27 £000s	2027/28 £000s	2028/29 £000s
Approved Cumulative Saving Requirement @ 22 February 2024	26,438	36,656	48,895	62,128
Favourable MTFP Adjustments				
Social Care Grant	(2,673)	(2,673)	(2,673)	(2,673)
Price & Energy Inflation Assumption	(1,465)	(1,463)	(1,598)	(1,751)
Adverse MTFP Adjustments				
Fleet Loan facility Vehicle Depreciation	220	440	660	890
Children's Services - recurrent impact of in-year pressures	4,179	4,179	4,179	4,179
COVID19 Financial Scarring Impacts				
Realignment of Covid19 Financial Scarring	(790)	(712)	(868)	(875)
Favourable One-Off Resources				
Collection Fund 2023/24 Outturn above Declared	(1,392)	0	0	0
Adjusted Cumulative Saving Requirement After MTFP Adjustments	24,517	36,427	48,595	61,898

**Savings requirement shown are cumulative amounts i.e. achievement of £24.517m recurrently in 2025/26 will reduce the saving requirement in future years by the same amount.*

Appendix 2 (continued) – MTFP Update Adjustments

<u>Assumptions</u>	2024/25	2025/26	2026/27	2027/28	2028/29
SMBC Council Tax General Increase	2.99%	0.00%	0.00%	0.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	2.00%	0.00%	0.00%	0.00%	0.00%
Pay Award	4.00%	3.00%	2.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	6.00%	3.00%	2.00%	2.00%	2.00%
Real Living Wage	10.00%	8.33%	6.15%	5.80%	5.48%
Employer's Pension Contribution	18.70%	18.70%	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	5.00%	4.59%	3.64%	3.64%	3.64%
GMCA Transport Levy	2.75%	3.00%	3.00%	3.00%	3.00%
GMCA Statutory Charge	2.75%	3.00%	3.00%	3.00%	3.00%

MTFP Best & Worst-Case Scenarios Minus = Saving Plus = Cost		2025/26	2026/27	2027/28	2028/29
		£000	£000	£000	£000
Pay Awards	Base	3,673	2,527	2,573	2,624
	Best 0%pa	0	0	0	0
	<i>Impact on Illustrative Case</i>	<i>-3,673</i>	<i>-2,527</i>	<i>-2,573</i>	<i>-2,624</i>
	Worst 2%pa	6,122	5,054	5,146	5,248
	<i>Impact on Illustrative Case</i>	<i>2,449</i>	<i>2,527</i>	<i>2,573</i>	<i>2,624</i>
Price Inflation	Base	10,419	7,688	7,581	7,637
	Best 75%	7,814	5,766	5,586	5,728
	<i>Impact on Illustrative Case</i>	<i>-2,605</i>	<i>-1,922</i>	<i>-1,895</i>	<i>-1,909</i>
	Worst 125%	13,024	9,610	9,476	9,546
	<i>Impact on Illustrative Case</i>	<i>2,605</i>	<i>1,922</i>	<i>1,895</i>	<i>1,909</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>-0,500</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>0,500</i>	<i>1,000</i>	<i>1,500</i>	<i>2,000</i>

Appendix 3 – MTFP Risk Assessment and Mitigation

Risk Identified	Risk	Risk Mitigation
Business Rates Localisation	<p>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.</p>	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
Business Rates Retention	<p>Through the announced GM trailblazer deal last year, 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 MTFP was rebased last year to reflect the retention basis.</p>	<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	<p>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. As part of the 2024/25 reserves policy a new reserve has been established to mitigate the Business Rates Reset which is now expected after 2025/26. This will continue to be monitored at each reserves policy review as more information is received.</p>	<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, quality care that represents value for money and meets individuals' social care needs.	<ul style="list-style-type: none"> - In year monitoring and forecasting of the costs of care services - Continued business partner working with social care commissioners and engagement with external providers on fee setting. - Potential for 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
Demand, Price, and Demographic Led Services including population growth	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	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models

Risk Identified	Risk	Risk Mitigation
	<p>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.</p>	<ul style="list-style-type: none"> - Future demand modelling - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme
Children's Demand	<p>Continuing and increased demand and complexity in Children's services mainly in Child Looked After (CLA). A recovery plan has been put in place including the development of a joint commissioning and funding panel with Health partners to try and address and reduce the demand which includes short-, medium-, and long-term proposals and will be reviewed and assessed over the medium term and will be factored into future iterations of the MTFP.</p>	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme - Children's services recovery plan
Devolution	<p>The Greater Manchester devolution process continues to progress. Devolution plans, such as Health and Social Care integration, could impact on MTFP forecasts if the government considers this as an opportunity to deliver further savings at a national level.</p>	<ul style="list-style-type: none"> - Monitoring of Government Policy - Discussion with colleagues across Greater Manchester - MTFP Summer Review - MTFP updates - Reserves Policy - Identified available one-off resources
Education	<p>The council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If the Dedicated Schools' Grant (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

Risk Identified	Risk	Risk Mitigation
Fair Funding Formula	<p>Contrary to the promise of engagement from DLUHC now MHCLG last year, it has been made clear that Fair Funding and Business Rate Reset are not to be introduced over the remainder of this parliament.</p> <p>Based on the three-year Government Spending Review and the additional funding announced for local government nationally, the MTFP forecasts the possible impact of the fair funding formula and associated financing reforms expected. This assumes the roll-in of existing national funding streams that are expected to cease post the review into resulting settlement funding assessment in future years' settlements. This is based on expert opinions and assumptions (i.e., Pixel Financial Management) in the absence of any funding allocations beyond 2024/25, and therefore 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
Financial Robustness and Resilience	<p>Adverse impact on the council's ongoing financial resilience and robustness will impact on its ability to deliver the transformational change needed to meet the financial challenges over the medium-term period.</p>	<ul style="list-style-type: none"> - 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	<p>Announcements linked to the Government's Spending Review and subsequent Local Government Finance Settlement will impact on the council's resource base over the medium-term period. Having had a General Election and a forthcoming spending review, we are expecting a one year roll over settlement for 2025/26 and there could be some changes focusing on areas of priority. It is disappointing that it falls short of the full multi-year settlement needed. The Government's multi-year settlement spending review is expected to be completed by spring 2025 and commitment to a multi-year settlement covering 2026/27 to 2028/29 will be welcome to make medium term planning a little easier.</p>	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) government reforms - Reserves Policy - Available one-off resources

Risk Identified	Risk	Risk Mitigation
	However, up until this time it will continue to make medium term financial planning difficult.	
Integrated Care System – NHS Greater Manchester	NHS Greater Manchester (NHS GM) has significant recurrent financial pressures aligned to commissioning health care provision in the region. Savings proposals from NHS GM may have cost implications for Social Care in the council.	<ul style="list-style-type: none"> - Links to relevant Officers across the council involved in the Integrated Care System (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 is expected that this will lead to stability in the future waste levy increases.	<ul style="list-style-type: none"> - Discussions with GMCA colleagues throughout the year to understand position on levies - MTFP Summer Review - MTFP Updates
Real and National Living Wage	The obligation for the council to meet the increasing costs as a result of the Real and 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 Real and National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result.	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models - National Living Wage contingency budget - 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 3% pay inflation increase in the MTFP for 2025/26 and 2% in 2026/27. Recent regional pay consultations indicate that Trade Unions are negotiating a similar deal to 2023/24. Negotiations between Trade Unions and employers are ongoing and expected to conclude later 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	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. Furthermore, the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Children's and Adult Social Care services) is resulting in price increases in excess of inflation and the cost-of-living crisis.	<ul style="list-style-type: none"> - Monitoring of inflation rates - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one-off resources
Reserves	Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified. This is particularly important to mitigate and smooth the financial impact of significant budget pressures due to inflationary costs and increasing service demand. 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

Risk Identified	Risk	Risk Mitigation
Transformation Programme	The council's Transformation Programme is key to the delivery of the council's MTFP and ensuring its financial sustainability over the medium-term period. Successful delivery of the service transformation needed will aim to address rising service demand, achieve value for money and deliver outcomes. In addition, there is a risk the council does not have the required workforce capacity and/or skills to deliver on its service transformation ambitions and priorities.	<ul style="list-style-type: none">- In year budget monitoring- MTFP Summer Review- MTFP Updates- Reserves Policy – Invest to Save and Double Running Reserve