

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 17 February 2021  
**Report for:** Decision  
**Report of:** Executive Member for Finance and Governance and the Corporate Director of Finance and Systems

### Report Title

**Executive's Revenue Budget Proposals 2021/22 & MTFS 2022/23 - 2023/24**

### Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2021/22 and Medium Term Financial Strategy (MTFS) for the period 2022/23 - 2023/24.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2021/22 is an increase in the net budget of £3.78m or 2.15%, from £175.52m to £179.30m.
- The budget funding gap for the three years before applying these proposals is now estimated to be £43.27m comprising :
  - £35.19m of additional cost pressures
  - £8.08m of reductions to funding
- The budget gap for 2021/22 of £25.52m comprises
  - £17.18m of business as usual pressures
  - £8.34m of COVID-19 pressures
- The proposals contained in the report close the 2021/22 budget gap of £25.52m via a mixture of measures:
  - Use of reserves of £8.34m to address the COVID-19 pressuresBusiness as Usual Pressures will be addressed by:
  - Additional funding from Council Tax of £5.20m
  - Use of reserves £2.80m
  - Income generation and Service delivery savings £9.18m
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
  - £11.12m in 2022/23, and
  - £10.30m in 2023/24

Throughout 2021 the Executive will continue to review proposals to address this budget gap.

## **Recommendation(s)**

### **That the Executive recommend to Council that it :-**

- a) Approves the 2021/22 net Revenue Budget of £179.30m.
- b) Approves the 2022/23 to 2023/24 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Approves the calculation of the Council Tax Requirement as summarised in Section 8.1 and set out in the Formal Council Tax Resolution in Annex J (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl. Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- d) Approves the proposal to increase Council Tax by 4.99% in 2021/22:
  - o 1.99% general increase in the 'relevant basic amount' in 2021/22, 2022/23 and 2023/24, and
  - o 3% for the 'Adult Social Care' precept in 2021/22.
- e) Approves the continuation of the Council Tax Hardship scheme and awards all existing working age Council Tax Support (CTS) recipients registered as at 31st March 2021 – a discretionary Hardship award equivalent to the value of their 21/22 liability;
- f) Approves the treatment of all new, post 31st March 2021, claims for CTS in accordance with the existing CTS scheme, as the vast majority of recipients will receive 100% support, and ensures direct information and advice for further discretionary support is detailed in notification letters;
- g) Approves the planned application of earmarked reserves as detailed in Section 6.
- h) Approves the Fees and Charges for 2021/22 and those relating to Registration of Births, Death & Marriages and Allotments also shown for 2022/23, as set out in the Fees & Charges booklet.
- i) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges which are within their respective delegated powers during 2021/22 in the event of any change in VAT rate, as appropriate.
- j) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges during 2021/22 which are within their respective delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

- k) Approves the proposal to increase the minimum level of General Reserve for 2021/22 at £8.0m, an increase of £1m from 2020/21 (Section 6.6).
- l) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £415.40m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2021/24) of which £184.37m relates to 2021/22; including the proposal in relation to £10.0m of new prudential borrowing.
- m) Approves the Treasury Management Strategy 2021/22 to 2023/24, including the debt strategy (Section 3), the Treasury Investment Strategy (Section 5) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 3 of the report.
- n) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 7 and detailed in Annex I.
- o) Due to the late publication of the Final Local Government Finance Settlement, Council delegates authority to the Council's designated S151 officer to vary the level of Budget Support Reserve needed to balance the 2021/22 revenue budget in the event of any change at final settlement.

**and confirms that in recommending approval of the above, it has taken into consideration :**

- p) The objective assessment by the Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 6 and Annex H).
- q) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- r) The Council's Public Sector Equality duty.
- s) The results of the consultation on the budget proposals where required.

**In addition, Executive recommends that Council notes the following :**

- t) The approval on 6 January 2021 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2021/22 at 75,816 Band D equivalents.
- u) The estimated Council Tax deficit for 2020/21 has been calculated at £4.06m and will be collected over the three years 2021/2022 to 2023/24 in line with the updated legislation to assist in the management of COVID-19 related pressures. Contributions towards the deficit will be made by the Mayoral Police

and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) in proportion to their 2021/22 precepts.

- v) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- w) The budget gap for the two years 2022/23, £11.12m and 2023/24, £10.30m.
- x) The recurrent budget gap caused by the COVID-19 pandemic is expected to continue into 2022/23 and is estimated that £7.1m will be met from reserves.
- y) That the Capital Programme for 2021/22, 2022/23 and 2023/24 is to be set at an indicative £184.37m, £144.13m and £86.90m respectively (indicative at this stage as a number of capital grants are not yet known).
- z) That the Council Tax figures included in the report for the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) are the recommended provisional amounts pending their formal approval.

**Contact person for access to background papers and further information:**

Name: Councillor Tom Ross, Executive Member for Finance and Governance  
 Graeme Bentley, Director of Finance and Systems  
 Extension: 4884

**Background Papers – None**

**Implications:**

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed budget for 2021/22 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	The report sets out the proposed budget for 2021/22, allocating available resource across service objective heads as detailed in Annex G of the report.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished.

Equality/Diversity Implications	The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.
Carbon Reduction	Various budget proposals in the revenue and capital budgets (Annex D and A of the respective reports) support the carbon neutral action plan.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	Equality Impact Assessments have been carried out where appropriate. The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

### **Other Options**

The Executive is recommending an overall increase to the level of council tax of 4.99% in 2021/22 comprising the increase of 3% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% general increase in the 'relevant basic amount'.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2021/22. If this option were pursued then further savings of £5.20million would need to be identified over and above the significant level of savings already included in this budget report. Alternatively a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the current permitted limits, which would mean a local referendum would be required before any higher increase could be implemented.

The use of reserves has been reviewed (See Section 6) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a prudent level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.

### **Consultation**

The Council has undertaken public consultation on a range of the budget proposals and targeted and specific consultation has been undertaken where relevant.

### **The Public Sector Equality Duty**

The Equality Act 2010 requires public authorities to have regard to the Public Sector Equality Duty in making any decision. The public sector equality duty requires public authorities to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies.

People who have certain protected characteristics are protected under the Equality Act 2010. The nine protected characteristics are: disability, race, age, religion or belief, sex, sexual orientation, gender reassignment, pregnancy and maternity marriage and civil partnership.

The legislation requires that, when carrying out its functions, a public authority must have due regard to:

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and
- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

In considering the report and deciding whether to propose the recommendations to Council the Executive is required to have regard to the Public Sector Equality Duty. In order to satisfy this duty the Executive must consider whether the proposals are likely to discriminate against or disadvantage persons who have protected characteristics as set out above; whether there are mitigation measures which would offset any such impacts which are identified; or whether countervailing factors, namely the significant budgetary pressures facing the Council and the need to make improvements and efficiencies to the services concerned are considered to provide justification for the measures proposed. Where appropriate and necessary Equality Impact Assessments of the proposals have been carried out and these are available to members to assist them in the evaluation of the proposals in the context of the Public Sector Equality Duty.

**Reasons for Recommendation**

To enable the Council to set a Budget Requirement and Council Tax level for 2021/22. The reasons for these recommendations are to deliver a balanced budget for 2021/22 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

**Key Decision**

This is a key decision currently on the Forward Plan: Yes

**Finance Officer Clearance** .....GB.....

**Legal Officer Clearance** .....JLF.....

**CORPORATE DIRECTOR'S SIGNATURE**



To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.



**TRAFFORD**  
**COUNCIL**

**Executive's  
Revenue Budget  
Proposals 2021/22 &  
2022/23 - 2023/24 Medium  
Term Financial Strategy**

**17 February 2021**

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## **FOREWORD by the EXECUTIVE MEMBER for FINANCE and GOVERNANCE TOM ROSS**

I am pleased to present the Council's budget report for the period 2021/22 to 2023/24 which sets out our spending priorities across the revenue budget, capital programme and the Dedicated Schools Grant (DSG) budgets.

I have said before that setting local authority budgets is no easy task and setting our budget plans in the light of the funding reductions since 2010 and addressing the unprecedented current and ongoing impact of the Covid-19 pandemic, means that this has been one of the most difficult budget rounds ever encountered by the Council (and this is before the impact of Brexit and the expected squeezing of public finances that will occur beyond 2021/22).

In its response to the pandemic the Council acted quickly in 2020 and the key role of local government services – social care; public health; supporting services to help the shielded and vulnerable, assisting businesses, as well as continuing to provide the 'business as usual' services our citizens need – was very much recognised by the public. I am proud of our services and our staff but equally so our colleagues in the NHS and of the communities, businesses, partners and organisations of the borough in rising to one of the most significant challenges of our lifetime.

It is worth noting some of our achievements over the last 10 months:

- We have supported **2,799** vulnerable residents with long term services this year, keeping them safe and well in their homes and communities.
- More than **2,000** children and young people have education, health and care plans (EHCP) and **83%** of EHCP have been completed in timescales – an increase of 40% of plans since 2014.
- **1.8 million** healthy school meals have been served to our children and young people.
- **1,192** reablement services have been provided for vulnerable adults, with **545** of those being discharges from hospital to get residents home safely and free up NHS beds.
- We have supplied more than 15,000 supermarket vouchers worth more than **£240,000** to families entitled to a free school meal since the October half term.
- **1,385** vulnerable children visits took place face to face in December 2020 to ensure they are safe and well.
- **92%** of all our children have been supported to be in school, helping our children keep up and catch up with missed education.
- We have had **1,800** colleagues accessing Council systems from home – up from less than **100** in February 2020 – so we could keep the 'show on the road' for residents and businesses.
- We have provided **£47,000** in grants to 17 community groups to support digital inclusion.
- We have provided **850** laptops and PCs to colleagues so we could stay connected.
- We have distributed **650** laptops to schools to help those who need it most with digital inclusion and accessibility.

- **2,324** funeral services have been supported by our Bereavement Support service enabling families to lay their loved ones to rest with dignity in this most difficult of years.
- **336** nominations for EPIC awards have been submitted to recognise colleagues' exceptional work.
- **588** nominations for Cheers for Peers have been submitted to say thank you to colleagues.
- **125** issues of our staff coronavirus newsletter have been produced to enable us to keep in touch.
- **4,855** payments to businesses have been made with a combined value of **£46.5m** to help keep them afloat.
- And a further **354** businesses have been supported through the discretionary grants scheme, worth **£2.37m**.
- **6,343** Trafford Assist applications have been processed and **294** Test and Trace Payments made to support our residents most in need.
- We have rehoused **316** extremely vulnerable people at risk of homelessness, with **122** homelessness preventions.
- **64** people have been supported through A Bed Every Night scheme to enable them to avoid rough sleeping.
- **25,095** tonnes of waste have been collected from our residents' homes – 18.5% more than we expected to collect.
- **1,452** pot holes have been repaired since April 2020 so we can keep the borough moving.
- **1,934** planning applications have been determined which will be key to building back better in recovery.
- There have been **98** Virtual Committee Meetings with Members and **one** Annual Council Meeting
- More than **200** sets of Coronavirus regulations from central government have been interpreted.
- **191,114** online items from our e-Library have been downloaded since March 2020 – an increase of 91% over the same period last year
- Over **129,000** calls from residents and businesses have been answered by the Contact Centre since Lockdown #1 began
- Waterside Arts Centre's digital work – including the brilliant Pride Inside – has been viewed **32,774** times
- We registered **1,242** births after lockdown #1 was lifted (double the same period last year!)
- We paid tribute to our Armed Forces with **4** commemorations.

Underpinning all the Council's responses to the Covid-19 pandemic has been our Corporate Plan, which has provided the foundation to serve the borough's communities, residents, businesses and partners to help mitigate the impact of the Covid-19 pandemic. Adopted in March 2019, the Plan sets out the vision for the borough, ***'Working together to build the best future for all our communities and everyone in Trafford'***. This vision is, in turn, supported by the Council's ***seven corporate priorities*** and the ***'Kind of Council We Want to Be'***.

The impact of Covid-19 on Trafford's communities and business has been extensive and far-reaching and, indeed, it looks likely to continue into 2021. The pandemic has also had a widespread impact on the workforce of the Council and the way in which

the Council delivers services. Our people are our greatest resource and, since late March 2020, the Council – through our EPIC values (Empowered, People-centred, Inclusive and Collaborative) – has utilised technology to allow staff to work seamlessly from home to minimise disruption to services. Facilities such as libraries had to close initially but, where appropriate, staff were redeployed to services such as the Community Hubs. For those officers who could not work from home, including people working in front line services such as social workers and those engaged in refuse collection, working practices have been adapted to ensure their health and wellbeing.

As I write this foreword we are in the middle of another national lockdown but there are positive signs. The national roll-out of the vaccine, initially across our most vulnerable groups, continues at pace and will be key for our communities recovering from the impacts of the pandemic.

We have embarked on a journey to modernise the way we deliver services by collaborating further with partners, improving efficiency and reducing spending where possible, as well as working on our digital strategy and investing in new technologies. As a Council, we are determined to be forward-thinking, fair in our dealings, and provide the appropriate level of support to residents, businesses and communities in need.

The Council, working alongside its partners, has produced a **Recovery Plan** for the borough to ensure that, as a Council and a borough, we ‘Build Back Better’. Overall, the recovery aim is to:

*Create a **bolder, more focussed** council **building on the strengths** of our **people, communities and partnerships** to shape and develop a **new social and economic model** for Trafford that grasps the opportunity for **sustainable and inclusive growth**, while proactively **supporting those most in need** and **addressing inequalities** that may exist.*

Some key opportunities have been identified in the response to the pandemic, namely:

- Seek to build on the huge community, public and VSCE contribution and response so there is a clear way forward for all parts of the community.
- Develop further partnership collaborative working; build on positive ways of working across boundaries and on strong leadership behaviours.
- Contribute to environmental improvement; sustaining emissions reduction through travel strategies.
- Support re-building of businesses, skills and employment opportunities, working with investors to create confidence, investment and supporting those who have lost their jobs to get back into work.
- Accelerate digital strategy – for instance capitalising on delivering adult social care support via technology, supporting those in digital poverty and making greater use of Microsoft Teams.
- Build on the tools for data sharing and homeworking – embrace new ways of working such as staff working in different ways, removing obsolete boundaries and delivering blended learning.
- Improve data intelligence across the system.

A number of key strategies and action plans have been approved, with one in late development to support the residents and businesses of Trafford and also to build on these opportunities, including a broader vision around inclusion and accessibility for all:

- Developing the **Economic Recovery Action Plan**, which will focus on the key issues in the borough including support to businesses, inward investment, town centre regeneration and employment and skills.

The following strategies have recently been approved

- **Carbon Neutral Action Plan**, Across the Council and in partnership across Trafford, we are continuing to make progress with measures that will reduce our carbon footprint and put us on a pathway to carbon neutrality by 2038. In doing so, we will help to improve our environment, our economy and the health and wellbeing of our communities.
- **Poverty Strategy**, this strategy will help deliver our bold vision of reducing the effects of poverty on individuals and families. This is particularly relevant given the large rises in numbers of people submitting unemployment related claims in Trafford since March 2020 which have risen by 117%, the highest in GM and higher than the national average.
- **Equalities Strategy**, the Council and NHS Trafford Clinical Commissioning Group (CCG) are committed to challenging inequality, discrimination and disadvantage. The Corporate Equality Strategy outlines the work being undertaken now and in the future to improve equality of opportunity for our residents, colleagues and partners.

In respect of the **Council's finances**, it is important to understand the impact that the Covid-19 pandemic has had. Regular updates have been provided to the Executive throughout the course of the year and it is worth noting the chronology of the key events that have occurred to allow us to get to a position of being able to present these final budget proposals:-

- February 2020 – balanced budget proposals were agreed by Council with a net revenue budget of £175m.
- March – Outbreak of Covid-19 and national lockdown – this affected all areas of Council services and had a direct impact on the budget, putting unprecedented pressure on expenditure, income streams and the funding we collect in the form of council tax and business rates. Income streams, such as car parking, school catering, registrar services, licensing, planning and building control have all been interrupted. The challenge for 2020/21 and 2021/22 has been for the Council to regain the lost or deferred income to avoid placing an additional burden on the people and businesses of Trafford while, at the same time, attempting to manage its finances effectively.
- The latest estimate of the impact in 2020/21 is £51.5m, equivalent to 30% of our net budget. Over the course of the year Government support has been

received following submission of extensive and frequent financial monitoring information to the Ministry of Housing Communities and Local Government. This has then been used to influence The Treasury to release funding to local government which has been announced in instalments from March through to October.

- In addition, in July the Government issued exceptional guidance allowing in year deficits on the Collection Fund (council tax and business rates) to be repaid over the following three years; meaning that in year shortfalls currently estimated at £8.8m do not impact in 2020/21 but instead should be spread and repaid over the next three financial years.
- Draft budget proposals were approved by the Executive in October. At this stage of the budget process a budget gap had been identified for 2021/22 of £37.5m, comprising anticipated recurring impacts of Covid-19 of £15.6m and other budget pressures of £21.9m. A range of budget proposals were identified to bridge the budget gap but these still left a remaining gap £4.7m.
- Following the draft budget proposals the Government made two national announcements which have assisted in allowing the achievement of balanced proposals for this final budget. These were the Spending Review in November, followed by the Provisional Local Government Financial Settlement in December. These included details of new COVID funding and other measures for 2021/22 which have helped to bridge the budget gap; further details are included in Section 2 of the report.

While these measures are crucial in going some way to address the budgetary pressures in 2020/21, it is clear that the implications of the pandemic for our **budget for 2021/22** and later years are significant. In a number of areas, these pressures will continue although the precise impact will only become clearer over time when, for example, the full economic impact is known, as this will have a significant bearing on funding from business rates and impact on council tax collection and housing benefit awards, particularly following the ending of the Government's Job Retention Scheme. Announcements on any continuing support for the retail, hospitality and leisure sector are not yet known for 2021/22 and an update on this position is likely to be made in the national budget in March. At this stage the impact of the pandemic alone in 2021/22 on the Council's Revenue budget is estimated to be £8.3m with a further £7.1m in 2022/23 and this net pressure will be financed from earmarked reserves, with provision included in futures budget plans to replenish this position over the longer term.

Since the draft budget was presented to Executive on 12 October 2020 there have been a number of factors which have contributed to an overall reduction in the budget gap for 2021/22 from £37.52m to £25.52m and over the next three years from £58.45m to £43.27m. This reduction of £15.18m primarily relates to announcements by the government in the Spending Round in November, such as a local government pay freeze, changes in the national living wage and additional support for any ongoing impacts of Covid-19 in the first part of 2021/22.

There has been a full review of budget assumptions and review of inflationary pressures on pay, goods and services and contractual expenditure as well as including the implications of the Local Government Financial Settlement. The implications of the

projected outturn for 2020/21 have also been considered together with full robustness review of the budget by the Director of Finance and Systems (See Annex I). The Council's Scrutiny Committee has also contributed positively to the budget process and reviewed the budget assumptions and proposals and we will continue to support the work of Scrutiny Committee during 2021/22.

The 2021/22 revised gross budget gap of £25.52m has been met by a combination of the following:-

- Policy Choice Funding Increases amounting to £16.34m, comprising
  - Adult Social Care Precept of 3% to generate £3.21m
  - Increase in the basic rate of Council Tax of 1.99%, generating £1.99m
  - Application of Budget Support Reserve £11.14m
  - Income generation and savings amounting to £9.18m

<b>Summary of the Budget Proposals</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap</b>	<b>25,518</b>	<b>11,408</b>	<b>6,339</b>	<b>43,265</b>
<b>Policy Choice Funding Proposals</b>				
(*) General Increase in basic Council Tax to 1.99%, 1.99%, 1.99%	(1,986)	(2,083)	(2,289)	(6,358)
(*) Social Care Precept increase 3%, 2%, 2%	(3,206)	(2,396)	(2,356)	(7,958)
Contribution from Budget Support Reserve to Support COVID-19 Pressures in 2021/22	(8,341)	8,341		0
Contribution from Budget Support Reserve to Support COVID-19 Pressures in 2022/23		(7,097)	7,097	0
Contribution from Budget Support Reserve (General Budget)	(2,803)	2,803		
<b>Total Policy Choice Funding</b>	<b>(16,336)</b>	<b>(432)</b>	<b>2,452</b>	<b>(14,316)</b>
Savings and Income proposals	(9,182)	143	1,512	(7,527)
<b>Revised Budget Gap (Feb 21)</b>	<b>0</b>	<b>11,119</b>	<b>10,303</b>	<b>21,422</b>

(\*) reflects the referendum principles set by MHCLG for allowable increases in to council tax. To help mitigate the impact of the increases in Council Tax on the most vulnerable groups, we have decided to extend the Council's COVID-19 Council Tax Hardship Fund for the financial year 2021/22. This will mean that all working age recipients of Council Tax Support registered at 31st March 2021 will continue to receive a zero charge for Council Tax in 2021/22 (see para 4.3 for further details).

Our budget plans for 2021/22 include for some significant levels of additional investment, including within the revenue budget:-

- Additional funding for children's and adults social care £7.8m, (excluding grants and savings) with the major items including:-
  - Demographic pressures and increasing social care costs £5.0m
  - Additional investment to support increases in the National Living Wage £1.3m
  - Other contractual inflation £1.5m
- Recurring gross pressures associated with Covid-19 £8.34m

The capital investment plans of £61.8m include proposals for some major new investment; these include in 2021/22:-

- Investment in school buildings of £13.7m
- Major highways and other key infrastructure improvements £10.7m
- Leisure Strategy and Sports Facility Provision £2.7m
- Targeted support to some of our most vulnerable residents £5.4m
- Provision of cycling and walking schemes £9.1m
- Electrical Charging Points 0.5m
- Investment in Red Rose Forest £0.3m
- Improvements to green spaces and Biodiversity £0.7m
- Public realm works in our town centres £3.8m
- Community Safety improvements £0.5m
- Installation of Cleaner Resomation Cremators £1.0m
- Town centre and business loans £0.5m
- Investments in Systems and Assets to improve the way we work £2.5m
- Investment in a small number of other schemes £4.4m
- Decarbonisation of Council Buildings - £4.3m (subject to final approval from SALIX/BEIS)
- Future High Street Fund - £1.7m (this is first year phasing. Part of total allocation of £17.6m)

The Council's Asset Investment Strategy is continuing to support the achievement of a balanced budget in later years and is providing invaluable revenue streams to support the budget. To date commitments of £377m have been made from the Fund and are currently delivering nearly £7m of net benefit to the revenue budget in 2020/21. This is not without risk but we have taken a prudent approach to our investments and are building up a healthy risk reserve to mitigate against any future risks as well as setting amounts aside for future debt repayment. Some of the acquisitions involved some key regeneration sites in the Borough and now they are in the Council's control provide a real opportunity to develop them into assets we can be proud of in the future. An example here is the acquisition of Stretford Mall in Stretford Town Centre and we have recently secured £17.6m from the Government's Future

High Streets Fund Funding to support improvements to the town centre; something which we have been consulting on over recent years.

**In respect of climate change** this will continue to be at the forefront of Council decision making and a Carbon Neutral Action Plan has been developed including a number of short, medium and long term actions to support the ambition of becoming carbon neutral by 2038. There are a number of measures in this budget report which provide a start to this process including substantial investment through the Mayor's Challenge Fund in new cycling and walking schemes, and a significant investment in parks and open spaces including new tree planting schemes. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators and further work will be undertaken to understand the business case and financial viability of these proposals. In addition we have recently been notified that a bid for external funding has been agreed in the sum of £4.3m to introduce de-carbonisation measures in our operational buildings. The Asset Investment Strategy has also been reviewed to include priority towards socially responsible and green investments.

On 1st January 2021, the UK left the European Union and a Trade Deal has been agreed. The principles of the Trade Deal are for tariff free trade between the UK and EU, however certain issues around the regulatory framework, rules of origin, Northern Ireland status and increased bureaucracy are likely to have a direct effect on businesses. In addition, the ending of free movement of people from the EU to the UK could have an impact on recruitment and meeting skills gaps. While the implications of the Trade Deal will evolve over time, the Council will be commissioning a review of the potential impacts on businesses, residents and the local economy; and will continue to monitor the implications of the UK's departure from the EU. The full impact is not wholly clear but forecasts from OBR suggest an overall negative impact on GDP which ultimately is likely to impact on public finances in future years.

The proposals in this report still leave a budget gap of £11.12m in 2022/23 and £10.3m in 2023/24 and sustainability of Council budgets remains a major risk. Even without having to contend with reductions to funding the Council is faced with annual expenditure pressures caused by cost of living increases in pay for our staff, contract prices and demography pressures. Our ability to pay for these services through an increase in council tax is limited and means that future sustainability is a major concern. This means that new savings to already stretched Council services will be required on an annual basis unless these pressures can be addressed by additional grant or changes to the future funding arrangements for social care as promised in a future green paper.

Local government will continue to play a vital role in delivery of public services, in combatting the effects of austerity and the effects of Covid-19 on the local community, inclusion and accessibility for all. With a budget gap for the following two years of £21.42m, the size of the challenge remains significant. The impact of Brexit, lack of information on the future of social care funding, potential reset of business rate baselines and expected review of how funding is distributed across local government all add significant pressure and uncertainty in future years. For that reason the Council's Executive and Leadership Team will continue to work on developing further budget proposals during 2021/22 to meet this future financial challenge.

**Councillor Tom Ross**

**Executive Member for Finance and Governance**

## 1 BUDGET PROCESS 2021/22

### 1.1. Budget Approach 2021/24

- 1.1.2 When the budget was set for 2020/21 it was set at a time before the Covid-19 pandemic. Since the onset of Covid-19, the borough has gone through three lockdowns since the start of the financial year and the borough has now been under enhanced restrictions since 31 July. Addressing the unprecedented and ongoing impact of the Covid-19 pandemic has put a severe financial strain on the Council. It had been hoped that the second of these lockdowns, coupled with the commencement of a vaccination programme, would put the borough into a Recovery phase at this stage of the financial year. However, the emergence of a new and more transmissible strain of Covid-19 has resulted in a further lockdown which has impacted the Council's finances further.
- 1.1.3 The outbreak of the Covid-19 pandemic in March has had far-reaching impacts for the economy and communities of the borough. It has also had a deep impact on the way Council services are delivered and has brought many financial challenges. It has rightly been the overriding focus for the Council for the last 11 months but, throughout this time, it has been essential we did not lose sight of those overriding priorities set out within the framework of the Council's vision and its corporate plan.
- 1.1.4 At the heart of the Council's vision is a common cause to make Trafford a better borough; a place where everyone has a chance to succeed and where everybody has a voice. The Council knows it has to do things differently as it cannot do it all and, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through the vision,

***“Working together to build the best future for all our communities and everyone in Trafford”***

it is making a commitment to work together across different services and agencies to make the best use of its resources:

- 1.1.5 The Council has identified seven strategic priorities in the corporate plan that it believes are crucial to enabling Trafford residents, businesses and staff to thrive. These priorities set out the aspirations for our people, place and communities, and how they can affect and improve their daily lives.



#### **Building Quality, Affordable and Social Housing**

Trafford has a choice of quality homes that people can afford



#### **Health and Wellbeing**

Trafford residents health and well-Being is improved and reducing health inequalities



#### **Successful and Thriving Places**

Trafford has successful and thriving town centres and communities



### **Children and Young People**

All Children and Young People in Trafford will have a fair Start



### **Pride in Our Area**

People in Trafford will take pride in their Local Area



### **Green and Connected**

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



### **Targeted support**

People in Trafford will get support when they need it most

- 1.1.6 To deliver on the plan it is also necessary to develop the way we work given the 10 years of austerity that the Council has been through and define the 'Kind of Council We Want to Be'. There is a need to work smarter, make use of digital technology and collaborate with partners where we can. The Council takes a leading role in shaping how joined up services across the sector can best support the borough and is continuously shaping our culture, practices, processes and business models to respond to people's changing needs and expectations. It is working to improve the way it delivers services to meet the needs of a modern Trafford. This is being done so that by 2023:

***The Council will be a people-focused, digitally enabled, commercially minded Council where our high-performing place based services will provide an excellent customer experience making the most of our assets in the borough.***

- 1.1.7 During the latter part of 2019 work began to modernise the Council by rethinking what the shape and purpose of the Council should be and how it works with and for the borough's residents, businesses and partners. A 10 week review was undertaken working with stakeholders and partners to understand the opportunities for change and the projects to catalyse change in key areas as well as the challenges to address. The foundations are in place for undertaking the type of long term structural changes needed to bring the Council into the 21st century. Based on the findings of the review, a work programme for 2020/21 and beyond was prepared.
- 1.1.8 By setting out our plan, corporate priorities and the 'Kind of Council We Want to Be' supported by the modernisation programme, the Council has solid foundations for the future.
- 1.1.9 The Covid-19 outbreak has had a massive impact, as already referenced, but it must provide a further catalyst to develop. It should be used to build on new ways of working and opportunities identified in Response and to build back stronger during the Recovery phase.

1.1.10 As part of developing a planned approach to Recovery, a stocktake was undertaken with staff, businesses, partners and the VCSE community to understand the impact of Covid-19 and what could be learnt from Response. A number of opportunities have been identified that will be developed during the Recovery phase:

- Creating a recovery plan for Trafford and the borough while being flexible in accordance with government advice;
- Capitalising on huge community, public response and VSCE contributions so there is a clear way forward for all parts of the community;
- Developing further partnership collaborative working; build on positive ways of working across boundaries and on strong leadership behaviours demonstrated;
- Contributing to environmental improvement; sustaining emissions reduction through travel strategies;
- Supporting re-building of businesses, skills and employment opportunities, working with investors to create confidence and investment;
- Accelerating the digital strategy such as capitalising on delivering adult social care support via technology, supporting those in digital poverty, making greater use of Microsoft Teams, WhatsApp and other digital technologies;
- Building on the tools for data sharing and homeworking - embrace new ways of working, staff working in different ways, old fashioned boundaries removed, delivering blended learning;
- Improving data intelligence across the system.

1.1.11 In addition, it was vital that the modernisation programme of work planned was revisited to ensure the priority and timescale was appropriate. The opportunities originally identified are still very much needed, although other opportunities did arise. The modernisation programme is currently concentrating on Children's Service redesign, supporting the Ofsted Improvement Plan and reviewing the Children's data and insights. It is also developing a new neighbourhood model/place based community support to meet the needs of residents and businesses with and by partners and communities. We are continuing to work with partners to review our processes and improve customer outcomes in other important areas too, such as domestic violence.

1.1.12 Other activities include the automation of processes across a number of key areas, including but not limited to Exchequer Services, Regulatory Services (such as licensing, parking permits), Registrars, Recruitment and other corporate services. Robotics and moving more services online to improve the experience are key to reshaping how we deliver services in the future. Also, by establishing a new Business Intelligence Unit, we will possess the tools and systems that will inform Trafford's strategic and tactical business decision making and transform the Council into a data-driven and evidence-led organisation.

1.1.13 It is acknowledged that Council employees are its greatest resource. A significant cultural change programme is underway that has a strong focus on establishing a

more strategic commercial and performance orientated culture. Equal weight is put on **how** things are done not just **what** is achieved. In order to achieve the vision and plan a number of key values have been co-produced with staff:

- **EMPOWER** – We inspire and trust our people to deliver the best outcomes for our customers, communities and colleagues.
- **PEOPLE CENTRED** – We value all people, within and external to the organisation and give those around us respect. We will act with honesty and integrity in all that we do.
- **INCLUSIVE** – We are committed to creating an environment that values and respects the diversity and richness differences bring.
- **COLLABORATE** – We build relationships, collaborate, treat people as equal partners and work together to make things happen.

1.1.14 For the borough, it is essential that as a Council we do not lose sight of our key ambition and objectives for 2021/22 and beyond, and the budget proposals remain closely aligned to these. These include:-

- Implementing the carbon neutral framework action plan and Clean Air Plan to deliver net zero emissions; with the other GM authorities and the GMCA, undertake the activities required to implement the clean air plan, improving air quality across the borough.
- Bringing forward Area Action Plans for the Civic Quarter and Stretford town centre – the Council has begun work on two strategic regeneration areas in the Civic Quarter and Stretford town centre, and is developing Area Action Plans to help shape the form and types of development in both location.
- Continuing to develop the Council's Estates strategy and the economic recovery plan across the borough.
- Progressing the development of new housing on Council land – bringing forward new development on key Council sites, including Sale Magistrates Court site, and the former Kellogg's headquarter site, owned jointly with Bruntwood.
- Advancing the Asset Investment Strategy to bring about regeneration and generate income.
- Reviewing the One Trafford Partnership contract – to progress how the delivery of these services could be improved to meet agreed standards.
- Responding to the consequences and impacts of Brexit.
- Progressing 'living well in my community' – supporting and educating Trafford residents, working with them to ensure that they can live a happy healthy life with the access to the services that they need at the right time. This will be done by developing a place-based community model that can respond to local resident's needs.

- Developing ‘living well at home’ – to provide a range of support to enable people to live fulfilling independent lives in their own homes (and other home-settings) for as long as possible.
- Advancing ‘a short stay in hospital’ – to ensure that there is a range of services to support residents when they need additional support, enabling people to return to their normal place of residence and reduce the time they spend in hospital by delivering a number of programmes that aim to address a range of challenges which will need to be managed at a locality, system and national level in order to run an efficient and safe service that does not create health inequalities.
- Reviewing the Leisure offer and provision to improve health and wellbeing of residents by increasing levels of physical activity and promoting healthier lifestyles.
- Progressing a Framework for Change – the review of all our Legal and Governance Services and exploration of opportunities for developing shared services and alternative business models in order to better support and protect the Council in the delivery of its objectives.
- Reviewing our libraries and cultural provision across Trafford – to understand what it takes to facilitate and create a quality and diverse cultural experience that has a lasting impact on people’s lives and the communities they live in.
- Enhancing our approach to Social Value across the Council.
- Progressing the Ofsted improvement plan and modernising Children’s Service to ensure collaborative high quality service delivery that makes a difference.
- Promoting the learning of all our children and support especially for our most vulnerable children where learning has been lost as part of Covid-19.
- Implementing in Children’s Services our co-produced locality right help, right time, early help model.
- Continuing to implement our People Strategy – by focussing on our people with specific attention on how we attract and retain great talent within Trafford Council. We will seek to develop career pathways and create opportunities for continued professional development, ensuring that the Council is a place where career ambitions can be achieved.
- Supporting employee wellbeing – continuing to be a key area of focus and our commitment to support colleagues to have a balanced home and working life will remain a priority. We recognise that in the current Covid climate colleagues are facing new and different anxieties and worries. As such we will ensure that we continue to offer a range of interventions to support colleagues to maintain good mental and emotional health.

- Enhancing our Traded Services – by being commercially competitive and developing and enhancing our range of commercial services to schools (and more broadly), as well as reflecting the pressure Covid-19 has had on these services, we will seek to retain all current contracts and engage new clients in the process.
- Enhancing the borough wide Trafford Partnership – working with Trafford Partnership as part of the recovery strategy to ensure our residents, businesses and communities achieve their potential, particularly those who have been impacted more than others by Covid-19.
- Refreshing and delivering the financial strategy in light of the Spending Review and Covid-19 – to set a new financial strategy for 2021/22 and beyond that addresses the long-term budgetary impact of Covid-19. This strategy will need to ensure that essential services can be funded while also ensuring financial balance.
- Developing the Digital Strategy and investing in new technology – ensuring that digital innovation is at the heart of service changes. This digital strategy will build on the innovation at pace during the first phase of the Covid-19 pandemic. It will also enhance customer experience and create an increasingly agile workforce. By supporting the Local Digital Declaration we are designing services that best meet the needs of citizens.
- Continuing to deliver the Corporate Plan and Strategic Priorities.
- Progressing the modernisation programme and remodelling of services – to rethink the way we deliver our services through to co-design and co-produce our future service delivery.

1.1.15 With this framework as the context, the budget proposals have been developed. Members of the Executive and the Corporate Leadership Team have worked together over the summer and autumn to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority.

1.1.16 However, it must be said that the scale of the challenge for 2021/22 represents the biggest budget gap the Council has ever had to address and, after many years of austerity, budgeting will place an immense strain on the Council's finances.

1.1.17 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. To bridge the budget gap for 2021/22, a number of new savings proposals have been identified and business cases developed.

1.1.18 All the proposals in the report have been subject to review by the Executive and Corporate Leadership Team and subject to robustness reviews, Equality Impact Assessments and public consultation, where appropriate.

1.1.19 The draft budget for 2021/22 was agreed by the Executive on 12th October 2020 and set out the overall approach to the budget to address a budget gap of £58.45m in the revenue budget over the next three years, of which £37.52m related to 2021/22.

1.1.20 At draft budget in October 2020 a number of income generation and savings proposals totalling £14.45m were identified and assumptions were made on increases to the rate of council tax. At that stage a budget gap of £4.71m remained in 2021/22.

<b>Summary of the Budget Proposals</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap (Oct 20)</b>	<b>37,516</b>	<b>9,820</b>	<b>11,109</b>	<b>58,445</b>
<b>Policy Choice Funding Proposals</b>				
Reinstate Social Care Precept increase 2% (*)	(2,188)	(2,327)	(2,300)	(6,815)
General Increase in basic Council Tax to 1.99% (*)	(1,986)	(2,083)	(2,289)	(6,358)
Contribution from Budget Support Reserve to Support Covid-19 Pressures	(15,648)	0	0	(15,648)
<b>Total Policy Choice Funding</b>	<b>(19,822)</b>	<b>(4,410)</b>	<b>(4,589)</b>	<b>(28,821)</b>
Savings continuing from 2019/20	1,466	(196)	1,512	2,782
Savings and Income proposals (New) – See Annex D	(14,452)			(14,452)
<b>Revised Budget Gap (Oct 20)</b>	<b>4,708</b>	<b>5,214</b>	<b>8,032</b>	<b>17,954</b>

1.1.21 Since the draft budget which was approved by the Executive there have been a number of factors which have impacted on the overall budgetary position and are updated in this report:-

- **Section 2** – Review of the Financial Background for Local Government, including the Spending Round and Provisional Local Government Finance Settlement
- **Section 3** – Review of the current year budget monitoring position
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2021/22
- **Section 5** – Proposed Budget 2021/22 – 2023/24
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7** - An update on School Budgets
- **Section 8** – Council Tax Requirement and Statutory Calculations

## **1.2 Consultation**

- 1.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.
- 1.2.2 The Council has undertaken public consultation on a range of the budget proposals and targeted and specific consultation has been undertaken where relevant. The outcome of the consultation has been considered as part of these budget proposals.
- 1.2.3 A number of the proposals involve staff and in a number of areas staff consultation is either being undertaken or is scheduled for later in the year; other proposals including an early retirement/severance scheme and terms and conditions changes have been undertaken on a voluntary basis.

## **1.3 Scrutiny Review**

- 1.3.1 The Scrutiny process for the budget was undertaken across two different sessions on 1 and 3 December to look at the budget plans, key assumptions, risks and challenges and covered:-
- Session 1 - Review of the Place Directorate, Investment Strategy budget, impact of Covid-19 and a review of Council reserves
  - Session 2 – Review of the budgets for Adult Services and Children’s Social Care.
- 1.3.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.
- 1.3.3 Scrutiny Committee comments were submitted to the Executive on 25 January 2020 in the Overview and Scrutiny Review of the Executive’s Draft Budget Proposals for 2021/22 report.
- 1.3.4 The Committee recognised the challenging financial position and the risks faced by the Council and a number of updates were requested from the Executive to support their work over the coming year, including:-
- An update on the in-year budget deficit and details of any contingency plans in place to address any shortfall in savings at its March 2021 meeting;
  - Regular updates on the use of Budget Support Reserve at its meetings during 2021/22;
  - That a review of the Budget Scrutiny process be conducted during the wider review of scrutiny for 2021/22 and the outcome outlined in the annual scrutiny report to Full Council;
  - Following the service review of external placements for children and young people, the Executive report to Children and Young People’s Scrutiny Committee of performance against targets to monitor the reduction of such placements;

- That the Executive continue to strengthen training and support services for foster carers to reduce the number of placement breakdowns in 2021/22;
- That a review into the effectiveness of surge planning for Healthy Young Minds (former CAMHS) services be conducted and reported to the Children and Young People's Scrutiny Committee using service waiting times as measure of effectiveness;
- That Scrutiny be provided with the plans to stimulate the Trafford economy at its first meeting in 2021/22 and Scrutiny would welcome the opportunity to be involved in the planning and delivery of the Council Recovery Plan;
- That Children and Young People's Scrutiny Committee receive a report on how the Voice of the Child and families' feedback is used to shape services;
- That Scrutiny receive regular updates on performance against targets to monitor the activity of the new model for residential care.

1.3.5 The Executive's response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

## 2 FINANCIAL BACKGROUND

### 2.1 Background

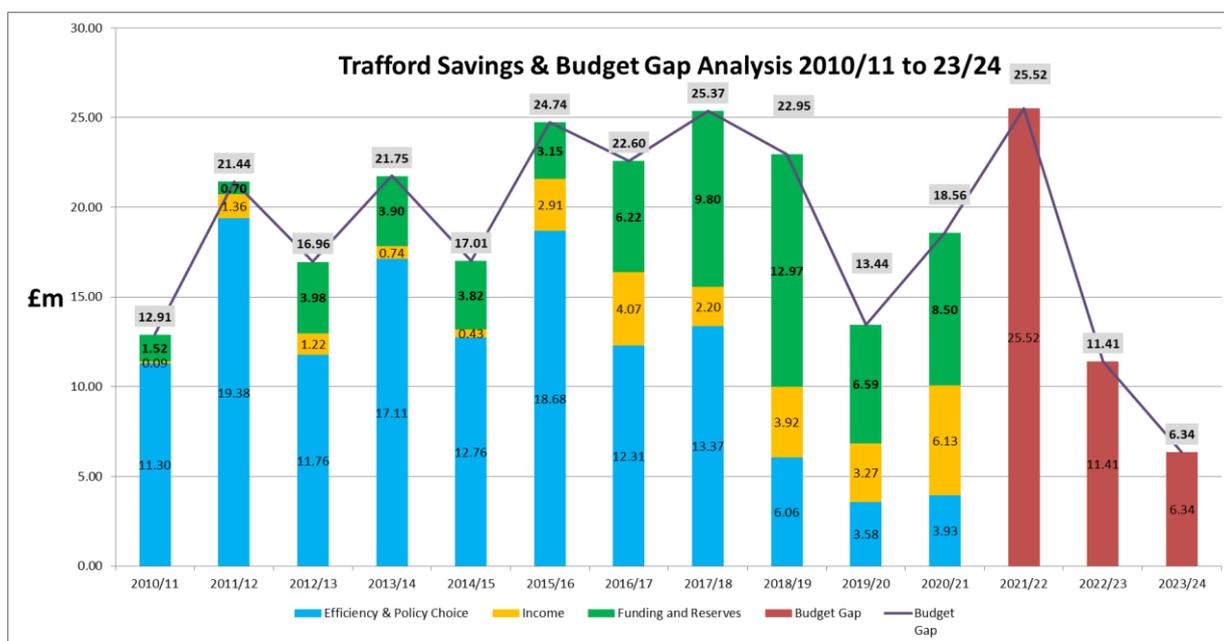
2.1.1 Since 2010 Local Government has faced substantial reductions to overall funding as part of Government plans to reduce fiscal deficits equating to 29% from £28.1bn in 2010/11 to £19.8bn in 2020/21.

2.1.2 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adults and children’s social care; this demand is expected to continue. Other pressures have also been faced including higher national insurance contributions, inflationary pressures on goods and services, the apprentice levy and the National Living Wage.

2.1.3 In addition to the business as usual pressures, the Council has also faced additional demand on services and loss of income as a result of COVID-19. This has resulted in additional pressures of £8.34m in 2021/22, after the receipt of £8.67m of Government support.

2.1.4 In recent years Government has provided some extra funding for social care by way of specific grant and combined with the introduction of the adult social care precept this has meant that the rates of reduction to overall funding have levelled since 2016/17, albeit in recent years more emphasis is being placed on raising funds through council tax increases.

2.1.5 By 2021/22 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2020/21 was £217.73m. There is a further forecast gap for the next three years of £43.27m, of which £25.52m relates to 2021/22.



## **2.2 Budget 2021/22 and Impact of COVID-19**

- 2.2.1 In February 2020 a budget gap of £15.01m was estimated for 2021/22. Shortly after COVID-19 hit putting pressure on council services and impacting income generation, as a result the budget gap for 2021/22 increased to £37.52m at the time the draft budget was prepared. This included an estimated figure of £15.65m relating to the recurrent impact of the pandemic.
- 2.2.2 At the time of preparing the draft budget, the Government had yet to release the level of support it would make available to address any ongoing COVID pressures and the Council had therefore planned to use reserves to offset the £15.65m of pressures. After the application of reserves, savings proposals and assumptions of increases in Council Tax and Business Rates, the remaining draft budget gap for 2021/22 was estimated at £4.7m.
- 2.2.3 The additional support given to the Council to address the in year pressures as a result of COVID has been announced at different stages throughout the year. This added to the complexity of budget setting as the position has been continuously evolving as we have moved through various stages of lockdown.
- 2.2.4 As part of the Spending Round and Provisional Settlement, the Government clarified the level of support for COVID related pressures which included a one off general grant, a Sales, Fees and Charges compensation scheme based continuing loss income for the first quarter of the new year and a further expansion of the Council Tax and Business Rates compensation scheme. Full details of the new support is included in Section 4.
- 2.2.5 During the first lock down, the Government announced a significant level of support which included a 12 months rates holiday for the financial year 2020/21 for all businesses in the Retail Leisure and Hospitality sectors. The Council has been compensated for this loss through a Section 31 grant which equals approximately £90.0m. The rates holiday is due to end on 31<sup>st</sup> March 2021 and the Government has yet to confirm if the scheme is to be extended. The end of the scheme poses a significant risk to Local Government finance and local businesses. Government Ministers are aware of the risk and it is anticipated that details of any extension may be announced as part of the annual budget on 3<sup>rd</sup> March, however until such time this remains an area of concern.

## **2.3 Spending Round 2021/22**

- 2.3.1 The Chancellor announced the Spending Round on 25 November 2020 and included headline numbers for government departmental spending for 2021/22 only including the level of support for ongoing COVID-19 pressures. A multi-year spending review was expected, however due to the extra pressures caused by COVID, the spending round focused only on one year. Whilst the plans provide local government with some useful numbers on which it can plan for 2021/22 they do not give any certainty in the medium term.

### 2.3.2 The main national headlines announced in the Spending Round included:-

<p><b>COVID-19 funding</b></p> <p>£1.55 billion unringfenced funding 75% of irrecoverable lost council tax and business rates covered SFC compensation scheme extended to Q1 of 2021/22 £670 million to help fund further council tax discounts</p>	<p><b>General revenue funding</b></p> <p>2% general council tax increase referendum limit 3% adult social care precept – can be spread over two years RSG going up in line with inflation (around 0.5%) £300 million social care funding One more round of NHB payments – no legacy Public sector pay freeze in 2021/22</p>
<p><b>Infrastructure/capital</b></p> <p>1% cut to PWLB standard rate but additional checks to access the facility (three-year certification) £4 billion Levelling Up fund (bid-based) £1.7 billion funding for potholes £573 million in Disabled Facilities Grant UK Shared Prosperity Fund to be worth at least £1.5bn pa</p>	<p><b>Other - revenue</b></p> <p>No BR reset in 2021/22 100% BRR 'pilots' continue for a further year BR multiplier freeze (councils to be compensated) No date for fair funding review £254m homelessness funding (incl £103m announced prior to SR)</p>

2.3.3 Whilst this was a one year Spending Review, Office of Budget Responsibility forecasts for 2022/23 onwards suggest departmental spending increases are to be cut by at least £10bn per year up to 2025, compared to the March 2020 Budget. Protected departments like the NHS, Schools and MOD are likely to receive a significant proportion of future funding leaving tight settlements for local government with no medium signs of a move away from austerity. This must be set in the context again of rising demand for public services following the pandemic.

2.3.4 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will now be effective from 2022/23.

2.3.5 **Business Rates** – Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and in addition the Greater Manchester Rates Pool and currently benefits from a significant level of business rate funding and growth to support its budget.

An announcement following the Spending Round has confirmed that the GM 100% Pilot will continue in 2021/22 and the full reset of business rates baselines, originally expected for 2020/21, is to be postponed until 2022/23. Although this is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards, there is a significant risk associated with the financial reliance of business rates and the impact COVID-19 has had on the collection rates and potential for an increase in appeals.

With many authorities forecasting substantial reduction in rates revenue for 2021/22 and higher thresholds in calculating when Government would support any losses, for this reason, the 12 members of the GM and Cheshire Pool have agreed to dissolve the current business rate pool from 2021/22. Whilst this means Trafford will now be considered as an individual authority for the purposes of the business

rates retention scheme, Trafford will still remain part of the Greater Manchester 100% retention scheme.

2.3.6 The overall benefit from business rates growth supporting the Council's 2021/22 budget is £8.26m as detailed in Annex C. This is a reduction of £3.5m from the 2020/21 levels.

2.3.7 However, there still remains uncertainty over the level of funding that will be available from 2022 due to the reset to business rate baselines and a redistribution of funding formula and the overall reserves strategy as outlined in these budget proposals recognises this risk.

## 2.4 Local Government Provisional Finance Settlement

2.4.1 The 2021/22 Local Government Finance Settlement was announced on 17th December 2020. The headline funding measure used by Government to reflect changes in overall funding is called the Core Spending Power (CSP) which includes all the key funding streams available to a local authority including:-

- Settlement Funding Assessment (SFA) (Retained business rate baseline and Revenue Support Grant)
- Section 31 compensation grants for business rate initiatives
- Council tax income
- Improved Better Care Fund
- Adult Social Care Support Grant
- New Homes Bonus
- Rural Services Delivery Grant
- Social Care Grant
- Lower Tier Services Grant (new in 2021/22)

2.4.2 CSP will increase from £49.0bn to £51.2bn (4.5%)

2.4.3 For Trafford the movement in core spending power is as follows:-

<b>Core Spending Power</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
Settlement Funding Assessment	41.803	41.833
Section 31 BR compensation grants	1.460	1.898
Council Tax	103.990	110.475
Improved Better Care Fund	7.983	7.983
New Homes Bonus	1.312	1.078
Social Care Support Grant	5.458	6.516
Lower Tier Services Grant (*)	0.000	0.266
<b>Total</b>	<b>162.005</b>	<b>170.048</b>
<b>% Increase</b>		<b>4.96%</b>

(\*) This is a new grant for 2021/22 to councils with lower tier responsibilities to reflect minor adjustments in the method of distribution.

2.4.4 Trafford's increase is £8.043m or 4.96% (2020/21 £162.0m to £170.0m in 2021/22) which is driven by the relatively high council tax-base and assumes authorities will take advantage of the full extent of the council tax referendum principles outlined below.

2.4.5 At a headline level the provisional settlement reiterated the figures highlighted from the November spending round with the main headlines being:-

- The Council Tax referendum limits for local authorities are in line with those outlined in the spending round. There will be a core council tax referendum principle of up to 2% or £5, if greater for district councils, no change from our draft budget assumptions. An adult social care precept of 3% on top of the core principle, this is 1% higher than our draft budget.
- New Homes Bonus (NHB) funding of £622m will be made available for 2021/22 with proposals for reform to NHB to be outlined in 2021;
- An additional £300m social care grant will be made available.
- A new Lower Tier Services Grant of £111m has been made available for 2021/22;
- An additional £4m has been added to the Rural Service Delivery Grant taking the total distributed to £85m for 2021/22;
- There was a late adjustment to the Improved Better Care Fund increasing allocations for inflation ;
- The Secretary of State confirmed a commitment to the Fair Funding Review and the business rates reset; however it is yet unknown when the reform will be implemented

## **2.5 Council Tax**

2.5.1 Whilst Council Tax in Trafford remains one of the lowest in the country and the second lowest in Greater Manchester, council tax revenues have in the past offered a fairly buoyant source of income due in part to the growth in the tax base. However the level of growth has been scaled back in our budget assumptions to reflect the ongoing pressures of COVID-19 impacting cash collection and a higher cost of the council tax support scheme, a reduction of 2.03% has been assumed in 2021/22. This is expected to recover with an assumed increase in tax base of 2.7% for 2022/23 and 1% thereafter increase thereafter.

2.5.2 Taking these factors into consideration the Corporate Director of Finance and Systems, in accordance with her delegated powers, has approved a Tax Base of 75,816 Band D properties for 2021/22, which is a reduction of 1,570 Band D equivalents on 2020/21.

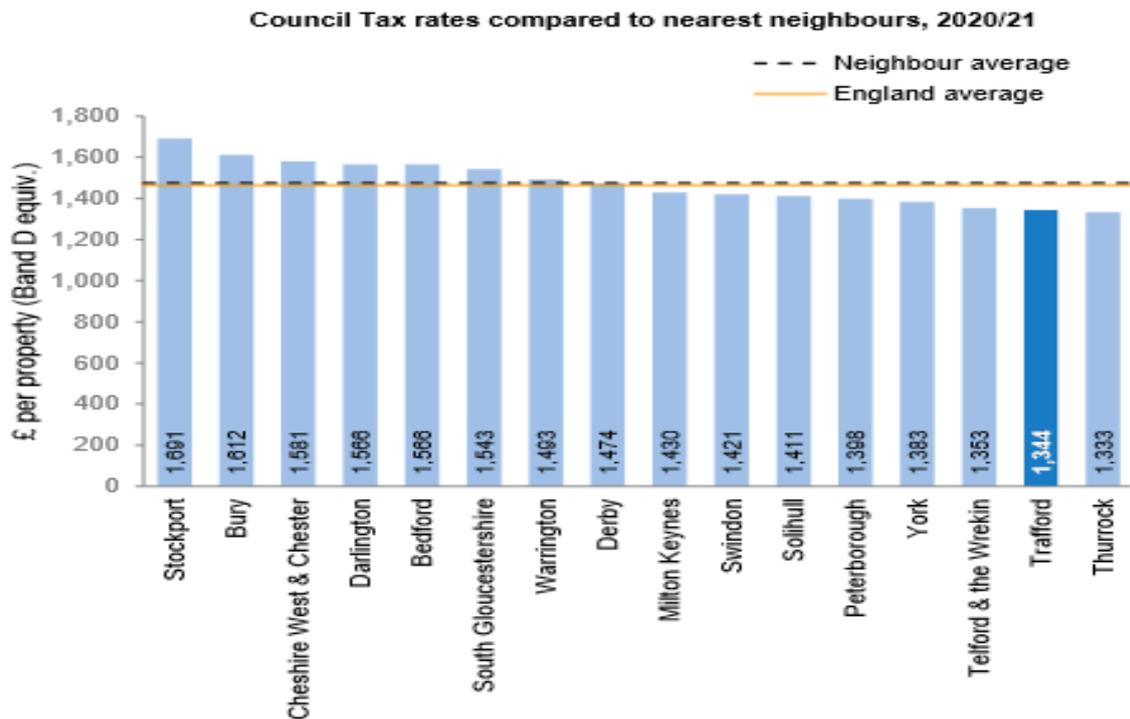
2.5.3 Within the Provisional Local Government Finance Settlement the Government set out its proposals regarding Council Tax referendum principles for 2021/22.

2.5.4 As previously set out in the 2020 Spending Review, to allow Local Authorities to increase their Council Tax by up to 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'. This budget report includes for a 1.99% increase in 2021/22 and a further 1.99% for 2022/23 and later years.

- 2.5.5 For local authorities with social care responsibilities continuation of the flexibility offered by the use of the 'adult social care precept' by allowing an additional 3% increase of Band D precept. This is an increase of 1% over that previously assumed at draft. A further 2% increase has been assumed in the funding assumptions for 2022/23 and later years.
- 2.5.6 Despite the proposal to increase council tax by 4.99% in 2021/22, Trafford will still maintain lower than average council tax rates. Currently, Trafford has the second lowest across all Greater Manchester Authorities. As can be seen in the table below, if Trafford was to increase council tax by 4.99% whilst all other GM authorities remained static, Trafford would remain the second lowest. If in 2020/21 Trafford had increased council tax to match the average across Greater Manchester, it would have resulted in additional income of £14.8m.

<b>Average Band D Council Tax 2020/21</b>	
	<b>£</b>
Wigan	1,316
<b>Trafford</b>	<b>1,344</b>
Manchester	1,425
Bolton	1,516
Tameside	1,528
Bury	1,612
Salford	1,640
Rochdale	1,645
Oldham	1,673
Stockport	1,691
Average GM	1,539
England Average (excluding districts and counties)	1,458
<b>Trafford after 4.99% increase</b>	<b>1,411</b>

- 2.5.7 Trafford's Council Tax of £1,344 is 8.9% lower compared with the average of £1,475 of our statistical neighbours as demonstrated in the chart below. If Trafford were to increase its council tax to £1,475, this would result in additional income of £9.9m



## 2.6 Brexit

2.6.1 Following ratification of the Withdrawal Agreement Bill by the UK Parliament and European Union, the UK left the EU on January 31, 2020. A post-Brexit trade arrangement between the UK and EU was agreed on Christmas Eve 2020, and brings with it its own new rules and regulations.

2.6.2 As of 1st January 2021, the UK has now left the European Union and a Trade Deal has been agreed. The principles of the Trade Deal are for tariff free trade between the UK and EU, however certain issues around the regulatory framework, rules of origin, Northern Ireland status and increased bureaucracy are likely to have a direct effect on businesses. In addition, the ending of free movement of people from the EU to the UK could have an impact on recruitment and meeting skills gaps. While the implications of the Trade Deal will evolve over time.

2.6.3 The full impact is not wholly clear but forecasts from OBR suggest an overall negative impact on GDP which ultimately is likely to impact on public finances in future years.

2.6.4 The Council will be commissioning a review of the potential impacts on businesses, residents and the local economy; and will continue to monitor the implications of the UK's departure from the EU.

## 2.7 Summary

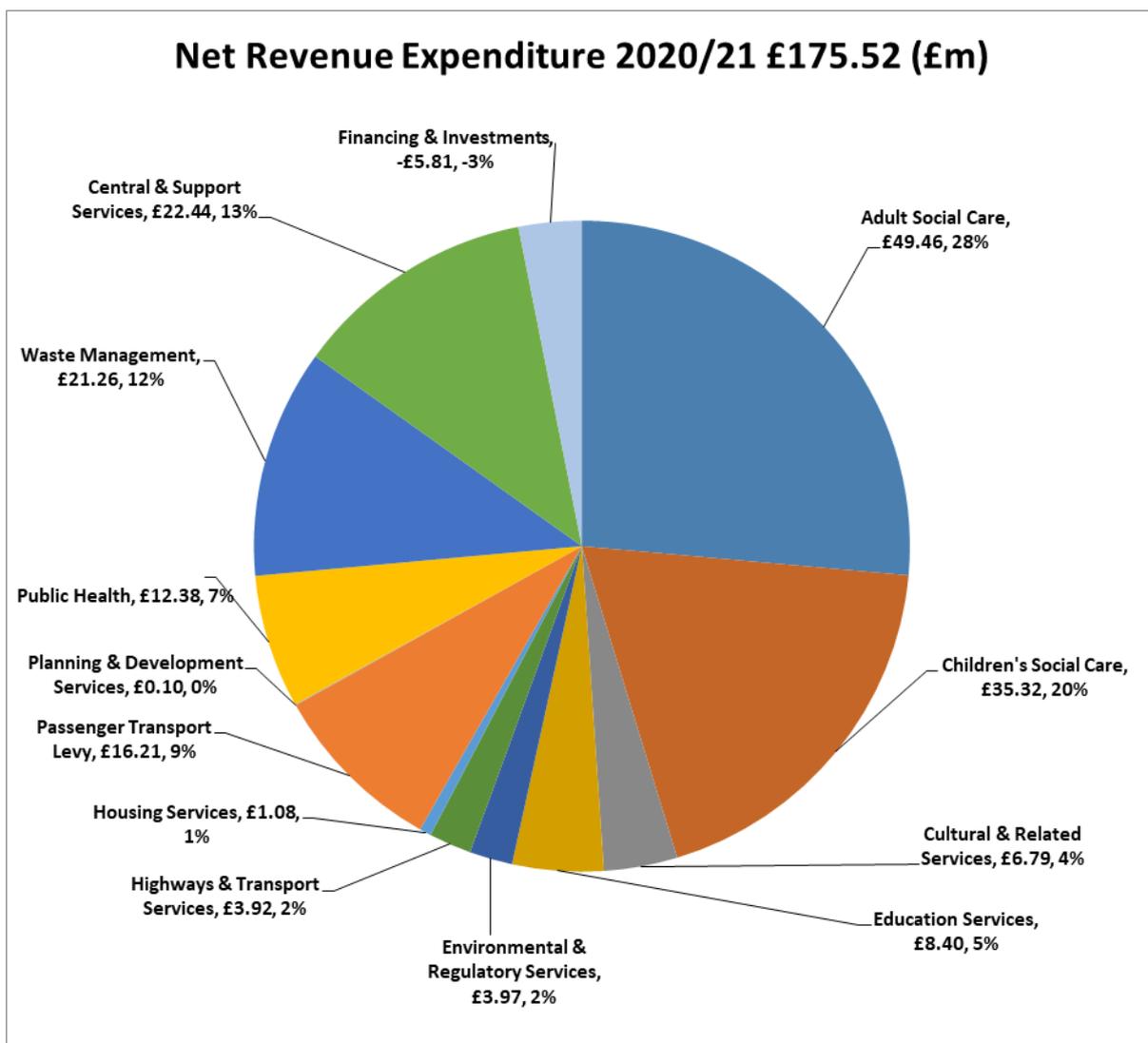
2.7.1 The Spending Review, coupled with the increased funding announced to help local authorities with the additional pressures faced by COVID-19, have provided some positive respite against the funding reductions encountered over the last ten years. Whilst they provide positive support for the budget for 2021/22 the impact of the business rate reset now planned for 2022/23 will reduce business rate funding by

approximately £10.67m. This reduction in funding, together with an assumption around a government transitional protection scheme and growth in business rates post reset have been factored into the projections contained in this budget report.

### 3. BUDGET & MONITORING POSITION 2020/21 as at PERIOD 8 (November 2020)

#### 3.1 Base Budget 2020/21

3.1.1 The Council's current gross budget for 2020/21 is £477.36m however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's net controllable budget agreed by Council in February 2020 was £175.26m and later increased by £261k to £175.52m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget.



#### 3.2 Revenue Budget Monitoring 2020/21 Period 8 (November 2020)

3.2.1 **Impact of COVID-19** - during the course of 2020/21 the implications of COVID-19 have had a major and unprecedented impact on the Council's finances. The net pressures being felt in 2020/21 are shown below.

3.2.2 Delivery of the 2020/21 budget is critical to ensure that budget forecasting for future years can be done on a sound basis. The period 8 (November 2020) revenue budget monitoring report forecasts an underspend of £2.108m as follows:-

<b>Budget Monitoring results by Service</b>	<b>2020/21 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	42,095	41,477	(618)	(1.5)%
Adult Services	49,385	49,596	211	0.4%
Public Health	12,381	12,404	23	0.2%
Place	29,360	36,612	7,252	24.7%
Strategy and Resources	5,128	7,701	2,573	50.2%
Finance & Systems	7,900	7,673	(227)	(2.9)%
Governance & Community Strategy	6,518	6,689	171	2.6%
<b>Total Directorate Budgets</b>	<b>152,767</b>	<b>162,152</b>	<b>9,385</b>	<b>6.1%</b>
Council-wide budgets	22,755	15,984	(6,771)	(29.8)%
<b>Net Service Expenditure variance</b>	<b>175,522</b>	<b>178,136</b>	<b>2,614</b>	<b>1.5%</b>

<b>Funding</b>				
Business Rates	(65,792)	(65,792)		
Council Tax	(103,990)	(103,990)		
Reserves Budget Support	(4,524)	(4,524)		
Reserves to Support COVID-19		(4,722)	(4,722)	
Collection Fund surplus	(1,216)	(1,216)		
<b>Funding variance</b>	<b>(175,522)*</b>	<b>(180,244)</b>	<b>(4,722)</b>	<b>(2.7)%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>(2,108)</b>	<b>(2,108)</b>	<b>(1.2)%</b>
<b>Dedicated Schools Grant</b>	<b>139,392</b>	<b>140,858</b>	<b>1,466</b>	<b>1.1%</b>

3.2.3 It is fair to say that there still remains a significant risk from COVID-19 and therefore caution needs to be attached to these projections. At the time of drafting this report, the Government has just announced the latest national lockdown commencing on 5th January 2021. It is now likely that further pressures will be experienced, particularly regarding income from traded services. Some of these pressures will be offset by the various packages of Government support already in place, such as the Sales, Fees and Charges Compensation Scheme. In addition, as mentioned in the period 6 monitoring report, the Council received an additional £2.23m to accommodate winter pressures relating to COVID-19. Due to the uncertainty surrounding the increased costs related to this latest announcement, the full amount of the additional grant is held in a contingency reserve to cover the expected pressures.

3.2.4 Gross COVID-19 financial pressures are estimated at £51.212m, representing a small reduction from period 6. The net impact after Government support and other contributions is £4.574m which have been offset by other potential savings across other service and corporate contingency budgets, such as adult placement costs and staffing vacancies, which if fully realised should help mitigate the overall COVID-19 pressures to arrive at a net underspend of £2.108m.

- 3.2.5 The Government has issued exceptional guidance during the year which allows authorities to spread the full deficits on the collection fund balances for council tax and business rates over the next three financial years and will therefore have a neutral impact in the current financial year. Without this flexibility the adverse pressure on the Council's budget in 2020/21 would have been a further £8.8m and a forecast outturn of £6.7m.
- 3.2.6 **Council Tax** - forecasting a deficit of £5.307m which is an adverse movement of £580k from period 6. Improvements have been seen in collection rates, however this has been offset by pressures in our tax base due to an increase in discounts and reliefs.
- 3.2.7 **Business Rates** continues to be a complex area and prone to variation which has been exacerbated by the impact of COVID-19. An in-year deficit of £3.5m is still forecast.
- 3.2.8 **Reserves Movements** – Any final in-year underspend in 2020/21 will be transferred to the Budget Support Reserve; in addition work is continuing with the GMCA over the release of other reserves. These will be used to mitigate the risks on the budget in future years.
- 3.2.9 These items above have been considered in developing the budget proposals for 2021/22 and later years.

## 4 BUDGET UPDATES & PROPOSALS

4.1 This section identifies:-

- The revised budget gap for 2021/22 and later years and explains the changes since the draft budget was published in October 2020;
- The final budget proposals to address the budget gap.

### 4.2 Updated Budget Gap

4.2.1 The budget position reported to Council in the October 2020 Draft Budget Report showed an overall gross budget gap of £58.45m over the three year period 2021/2022 to 2023/2024 with £37.52m relating to 2021/22. Of this £21.87m related to business as usual activity and £15.65m to the impact of COVID-19.

4.2.2 Due to the changes announced in the Spending Review and the provisional 2020/21 Local Government Finance Settlement, updates on COVID-19 funding and pressures and updates to policies, assumptions and estimates, the gross budget gap for the three years has now reduced by £15.18m to £43.27m.

4.2.3 In respect of 2021/22 the overall gap moved from £37.52m to £25.52m, of which £17.18m relates to business as usual activity and £8.34m to the impact of COVID-19. This represents a reduction in the gap in 2021/22 of £12.0m since draft of which £4.69m relates to Business as Usual activity and £7.31m is COVID-19.

4.2.4 Details of the improved position of £12m are included in the following paragraphs, however in summary the significant movements since draft relate to :-

- a pay freeze for the majority of staff, a reduction of £1.07m
- changes in the Living Wage rate, a reduction of £1.0m
- additional service grants of £1.43m, largely due to Adults and Children's Social Care Grant of £1.06m
- an improvement in the Collection Fund deficit as a result of Government Support of £0.55m
- Other service growth of £3.1m of which £0.39m relates to childrens placements and £0.5m on home to school transport.
- Improvements in Business Rates income of £2.3m largely relating to a review of the provision for appeals.
- Additional grant income to support ongoing impacts of Covid-19 £8.7m

4.2.5 A full breakdown of the changes to the gross budget gap from Draft to Final are detailed in Annex B and summarised below in relation to both COVID and business as usual (BAU):-

<i>Budget Gap</i>	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total (£'000)
<b>Gross Gap at Draft Budget (Oct 20)</b>	<b>37,516</b>	<b>9,820</b>	<b>11,109</b>	<b>58,445</b>
Movements in Budget Assumptions (BAU)	(1,858)	(16,016)	2,500	(15,374)
Movements in Funding BAU	(2,833)	3,200	(173)	194
<b>BAU Movements</b>	<b>(4,691)</b>	<b>(12,816)</b>	<b>2,327</b>	<b>(15,180)</b>
Movements in Budget Assumptions ( Covid-19)	1,360	5,737	(7,097)	0
Movements in Funding Covid-19	(8,667)	8,667	0	0
<b>Covid-19 Movement</b>	<b>(7,307)</b>	<b>14,404</b>	<b>(7,097)</b>	<b>0</b>
<b>TOTAL BUDGET MOVEMENTS</b>	<b>(11,998)</b>	<b>1,588</b>	<b>(4,770)</b>	<b>(15,180)</b>
<b>REVISED BUDGET GAP (Feb 21)</b>	<b>25,518</b>	<b>11,408</b>	<b>6,339</b>	<b>43,265</b>
<b>CUMULATIVE BUDGET GAP (Feb 21)</b>	<b>25,518</b>	<b>36,926</b>	<b>43,265</b>	

4.2.6 The overall approach to balancing the budget as detailed in the draft budget was based on the principle of separating COVID-19 related pressures from Business as Usual pressures, with the former being met from the use of reserves pending the outcome of the spending review and clarity on the level of Government support. The following paragraphs provide an update on BAU and COVID-19 pressures and funding since the draft budget was presented.

#### 4.2.7 Business As Usual £17.177m in 2021/22 a reduction of £4.69m since draft:-

The significant features of the 2021/22 gap and changes since draft are detailed below with a summary of the base budget assumptions shown in Annex A:

- Pay: includes the updated announcement on the pay award for 2021/22, which proposed a pay award freeze for all staff apart and up to £250 for staff on less than £24,000. A core provision of 2.0% has been assumed in the remaining years. An impact of £3.598m over three years with £0.461m in 2021/22; **a reduction of £1.07m since draft budget.**
- Living Wage: an allowance of £5.770m over the next three years has been provided, which covers projected increases in pay, for external care staff, based on the National Living Wage. The forecast reflects the updated hourly rate announced in the spending review; **a reduction of £1.0m since draft.**
- Inflation: relates to non-staffing budgets and includes contractual and general inflation assumed totalling £7.469m over the next three years, **a slight increase of £0.337m since draft** to reflect potential pressures within the public health contract.
- Levies: an increase of £0.783m (£211k in 2021/22) over three years, **no change in assumptions since draft.**

- Demography: an annual budget increase to reflect the increasing number of adults & children requiring social care of £7.548m over the next three years a **small increase of £0.185m since draft.**
- Service Grants – The draft budget assumed a zero growth in service related grants, the 2020 Spending Review announced additional resources for Adults and Children’s Social Care of which Trafford’s share is £1.059m. Further adjustments have been made relating to the indexation of Better Care Fund Grant of +£0.337m, a reduction in New Homes Bonus Grant of £0.234m which has been offset by a new Lower Tier Services Grant of £0.266m to reflect changes in the method of national distribution, **resulting a net increase in grants since draft of £1.428m in 2021/22.**
- Other - included in the draft budget and **which remain unchanged**, include additional investment in back office infrastructure £0.6m, £0.5m to alleviate the pressures in the housing benefit and further investment budget and additional investment in adult social care of £2m to support the costs of delayed discharges and client costs.
- Other – The following significant other changes have been made since draft to the 2021/22 budget, an additional £0.5m to reflect pressures in the Home to School Transport Budget, £0.385m additional support for children’s placements, £0.460m continuation of the Troubled Families Grant, £0.250m for additional borrowing costs relating to the capital programme, £0.250m assumed pressures in reduced take up of voluntary leave scheme.
- Collection Fund Deficit Repayment – as part of the package of support measures to assist in offsetting COVID-19 costs in 2020/21 authorities have been allowed the ability to offset 2020/21 deficits on both Council Tax and Business Rates over the following three years. Based on the latest forecast deficit and the updated support from Government announced at the Spending Review this deficit has been estimated to increase pressures by £4.614m over the next three years of which £1.538m relates to 2021/22, **an improvement of £0.549m in 2021/22.**
- At the draft budget the total benefit from Business Rates for 2021/22 was estimated at £59.5m, a reduction of £6.3m from 2020/21. The estimated benefit from Business Rates has been updated to £62.3m, **an improvement of £2.8m.**
- Full details of the benefit from Business Rates are shown in Annex C
- Income from the Asset Investment Strategy- because some investments are due for planned repayment by third parties later in 2020/21 and 2021/22 this means the net returns will cease, putting pressure on the budget until suitable replacement investments can be identified. This is a total pressure of £3.32m. No change since draft budget.
- Use of reserves to support the budget in 2020/21 amounted to £4.52m; because reserves are a one-off resource this means that recurrent savings in 2021/22 needs to be found. No change since draft.

#### 4.2.8 COVID-19 Related £8.341m 2021/22 an improvement of £7.307m since draft:-

The table below shows the impact of the COVID-19 related pressures at the time of the draft budget compared with the latest assumptions.

At draft budget the recurrent impact of COVID-19 pressures was estimated at £15.648m in 2021/22 and these pressures were assumed to be neutralised in 2022/23 as the economy returned to pre-covid levels.

Given the uncertainty surrounding the length of pandemic, certain assumptions have been reviewed to reflect the findings of the in-year budget monitoring, updates on the level of Government support and the timeframes for economic recovery in particular surrounding the income from our strategic investment in the Manchester Airport.

The gap in 2021/22 has closed to £8.341m, largely as a result of additional Government Support, however assumptions on the phasing of the pre-pandemic return of the Manchester Airport dividend of £5.597m and the bolstering of a contingency budget of £1.5m have resulted in ongoing pressures of £7.097m in 2022/23.

The paragraphs which follow the table explain the changes in assumptions in more detail.

COVID-19 Budget Gap by Year	Draft Budget				Total
	2021/22 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	
<b>COVID Budget Assumption Pressures</b>					
MAG Dividend	5,597	5,597	5,597	0	11,194
Additional PPE	120	120	0	0	120
Increased cost of childrens placements	1,200	0	0	0	0
Increased cost of Home to School Transport	800	0	0	0	0
Reduced Income from Sales, Fees and Charges	200	1,760	0	0	1,760
Additional ASC Demand	1,000	1,000	0	0	1,000
Increase in Contingency to provide for delayed demand	0	1,500	1,500	0	3,000
Other COVID pressures	0	300	0	0	300
Leisure CIC COVID Support	0	1,700	0	0	<b>1,700</b>

Leisure CIC COVID Support contribution from Reserve	0	(1,700)	0	0	(1,700)
<b>Total COVID-19 Budget Assumption Pressures</b>	<b>8,917</b>	<b>10,277</b>	<b>7,097</b>	<b>0</b>	<b>17,374</b>
<b>COVID Funding</b>					
Reduction in Collection Rates Council Tax	1,994	1,994	0	0	1,994
Reduction in Council Tax (Tax Base and LCTSS)	1,250	1,250	0	0	1,250
5% Fall in Retained Rates Income	3,487	3,487	0	0	3,487
Council Tax Support Grant	0	(1,651)	0	0	(1,651)
COVID Support Grant	0	(5,691)	0	0	(5,691)
Sales, Fees and Charges Compensation Grant	0	(1,325)	0	0	(1,325)
<b>Total COVID-19 Funding by year</b>	<b>6,731</b>	<b>(1,936)</b>	<b>0</b>	<b>0</b>	<b>(1,936)</b>
<b>Total COVID-19 Budget Gap</b>	<b>15,648</b>	<b>8,341</b>	<b>7,097</b>	<b>0</b>	<b>15,438</b>
<b>Contribution from Reserves to support COVID</b>	<b>(15,648)</b>	<b>(8,341)</b>	<b>(7,097)</b>	<b>0</b>	<b>(15,438)</b>

- **Council Tax £3.244m** - During the current financial year the challenges faced by COVID-19 have placed considerable pressure on the Council Tax Collection Fund namely from a reduction in cash collection rates, an increase in the amount of local council tax support awarded and a general delay in the completion of new properties coming online. This has resulted in a reduction in our Tax Base of -2% which was against a previously assumed +1% for 2021/22. **This assumption remains unchanged for the final budget.**
- **Council Tax – Hardship Scheme** - Additional support was also awarded in 2020/21 under the Government’s Council Tax Hardship Scheme, which on top of the Council’s already generous Local Council Tax Support Scheme, enabled all working age recipients of CTS registered on the system on 11th March 2020 to benefit from a zero Council Tax charge. Given the continuing economic uncertainty, it is proposed to extend the Hardship Scheme for a further 12 months; further details are included in Para 4.3.
- **Business Rates £3.487m** – As with Council Tax, the impact on projecting the impact of COVID-19 on Business Rates has added further uncertainty to the accuracy of projections and the recurrent impact in future years. The draft budget included for a broad assumption for a £3.49m reduction in rates income to represent the continued annual pressures being felt in the current financial year. **This assumption remains unchanged for the final budget.** (More details are provided in Annex C).
- **Loss in Airport Dividend - £5.597m 21/22** – The 2020/21 budget includes an estimate of £5.597m annual dividend from our strategic investment in Manchester Airport Group (MAG). The downturn in the aviation sector resulting

from COVID-19 has been dramatic and our draft budget assumed that dividend would not be received in 2021/22, however would return to pre-pandemic levels from 2022/23. Our final budget now includes for the loss of the dividend in full for two financial years. The return of the airport to a position where it may be able to pay a dividend to its shareholders depends on the return of trading levels. **Although there is no change in the effect on 2021/22, the change in our assumptions has led to an additional pressure of £5.597m in 2022/23.**

- **Impact on demand led services social care £1.0m** – The coronavirus pandemic has had a significant impact on the adults and children’s service both in terms of changes to its service delivery and finances. The draft budget had assumed continuing pressure of £1.2m for Children’s placements and £1.0m for Adults plus a further £0.8m to cover the increased costs of home to school transport. Taking into account evidence from the in-year monitoring, the increase in demand in children’s placements and home to school transport have now been built into the base budget as recurrent costs. The assumption on adults placement pressure remains at £1.0m. **An overall reduction of £2.0m since draft budget.**
- **Other Costs - £0.42m** Provisional estimates were included in the draft budget for ongoing costs of PPE at £0.12m and this assumption remains. **Changes in assumptions on additional costs associated with legal expenses and waste collection has increased the gap by £0.3m from draft.**
- **Lost Income from Sales, Fees and Charges £1.76m** – the draft budget assumed lost income from media advertising, totalling £0.2m and after further analysis a number of other lost income streams totalling £1.56m have been included in the final budget. This reflects the Government’s assumptions that the impact of the pandemic will continue in these areas during the first quarter of the year.
- **Leisure Services Recovery Fund (via Leisure CIC) - £1.7m** – It is estimated that the Council will need to provide direct support to our Leisure Community Interest Company. Currently a provision of £1.7m has been set aside in 2021/22, although the announcements on the duration of the current national lockdown will impact on this figure. This pressure will be met from a specific earmarked Leisure risk reserve which has been financed from the accumulation of our annual budget provision and, if successful, Government grant support for the recovery of leisure provision against which the Council has recently submitted a bid to Sport England.
- **COVID-19 Contingency - £1.5m** - The ongoing impact of COVID-19 is difficult to predict and there is a very real risk of latent demand being felt in many services areas, particularly in children’s services and adults mental health. With this in mind a contingency budget provision of £1.5m has been included in the final budget for a period of 2 years. Should the demand materialise the permanency of this budget will be reviewed over the medium term.
- **Government Support - £8.667m** – as part of the 2021 Spending Review the Government announced further measures to support ongoing COVID-19 pressures. The measures of support included:-

- £1.651m Council Tax Support Grant, to help provide funding to local authorities to help them deal with the expected increase in the cost of Local Council Tax Support in 2021-22,
- a further £5.691m of general COVID support Grant and
- additional grant under the Sales, Fees and Charges compensation scheme estimated at £1.325m, to reflect their expectation of continued lost income for the first quarter of the year.

**In summary since the draft budget there has been an overall reduction in the gross budget gap related to COVID-19 pressures of £7.307m in 2021/22 (£15.648m reducing to £8.341m).**

### **4.3 Extension of Trafford's COVID-19 Council Tax Hardship Scheme**

- 4.3.1 As part of its response to COVID-19 in 2020/21, the government announced that it would provide local authorities in England with £500 million of new grant funding to support economically vulnerable people and households in their local area using their discretionary powers under s13A (1) (c) of the Local Government Finance Act 1992.
- 4.3.2 The Government's strong expectation was that the funding should first be used to support working age recipients of CTS with a further reduction in their annual Council Tax 2020-21 bill of at least £150 (or the full liability if it is less than £150). Any remaining funding could be used to provide additional support outside the Council Tax system, for example, through Local Welfare Assistance or similar schemes.
- 4.3.3 During the course of 2020/21, the Council also received, additional resource under the DEFRA and Winter Grant Scheme to support vulnerable families and part of this was applied through our Local Welfare Assistance (LWA) programme. This included resource for the various administrative burdens. These were in excess of requirements and a figure of £0.25m remains uncommitted and therefore can be made available alongside the hardship resource.
- 4.3.4 Trafford's hardship award was £1.56m and was applied to support working age CTS recipients registered on the system at 11 March 2020 by reducing their Council Tax liability in full. As reported in our Period 8 monitor, the final cost is estimated at £0.81m, with the remaining unspent hardship grant of £0.75m being transferred into an earmarked reserve for potential future use.
- 4.3.5 As the economic consequences of the pandemic will remain uncertain for some time and it is felt that the current hardship scheme should be extended for the financial year 2021/22 to support the most economically vulnerable, in the spirit of the original underlying principles on how the grant money should be targeted.

## **Continuation of Trafford's COVID-19 Council Tax Hardship Fund 2021-22 Proposal**

- 4.3.6 Trafford's Council Tax Support (CTS) scheme already provides 100% support to the vast majority of its working age claimants.
- 4.3.7 The number of working age claimants in receipt of CTS is estimated at 8,128 at the 31<sup>st</sup> March, with 1,450 having something to pay towards their 2020/21 Council Tax bill. The cost of continuing the current hardship scheme of awarding them all the full amount of their Council Tax liability, i.e. no Council Tax to pay in 2021/22, would be in the region of £1.02m.
- 4.3.8 It is therefore proposed to award in full all working age CTS recipients registered as at 31<sup>st</sup> March 2021, the remaining balance on their 2021-22 Council Tax account up to the full liability due.
- 4.3.9 The cost of the extension to the scheme at £1.02m can be met from the carried forward balance of the 2020/21 hardship grant, plus the balance of uncommitted resource within the Exchequer Services staffing reserves Local Welfare Assist budget of £0.25m.
- 4.3.10 As the support grant has been provided directly to the Council and to avoid the cost of the scheme falling on the major preceptors, no adjustment will be made to the Council Tax Base for 2021/22. The shortfall in income in the Collection Fund as a result of the extension will be met from a transfer from the Council's General Fund.

### **New CTS claims after 31<sup>st</sup> March 2021**

- 4.3.11 It is proposed that new claims received after 31<sup>st</sup> March 2021 should be administered in accordance with the Council's existing CTS scheme, except for the removal of the minimum income floor for self-employed claimants in line with the Universal Credit (UC) changes.
- 4.3.12 Under this arrangement, the vast majority of working age claimants will receive full CTS due to the 100% maximum award amount as described above. Those that do not qualify for 100% only will not qualify if they have actual earnings/income that exceeds the thresholds.
- 4.3.13 However, to ensure the Council captures any new claimants struggling to pay their remaining Council Tax balance, it would continue to amend the existing notification letter that is sent to residents explaining how much CTS they are entitled to and specifically include how they can access additional COVID-19 information and advice on how they can apply for additional discretionary financial support.

## **4.4 Approach to managing the Budget Gap**

- 4.4.1 The draft budget established the principles to managing the budget gap through the separation of the COVID-19 Related Pressures and Business as usual pressures. A reminder of these principles, and an update on activity, is as follows :-
- COVID-19 Related Pressures – it was proposed that Council reserves are used to support the impact of these pressures in the event that the forthcoming

spending review fails to address the ongoing impact sufficiently. Since the draft report, the Spending Review for 2020 has set out the level of support the Government is making available over the next 12 months and as such this has been reflected in our final budget plans. Our levels and scope of reserves have also been reviewed to reflect the more favourable level of support and their sufficiency to accommodate the range of business risks faced in managing the ongoing uncertainty surrounding the pandemic. More details on the use of reserves is given in Section 5 of the report.

- Business as Usual Pressures – a mix of savings and income proposals were developed to address this gap and specific details are included at Annex D.

## 4.5 Meeting the Gap

4.5.1 The table below shows the final budget position following the update of the Governments Spending Review and clarification on the level of COVID-19 support, the final budget savings proposals and policy choice funding updates.

<b>Summary of the Budget Proposals</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap</b>	<b>25,518</b>	<b>11,408</b>	<b>6,339</b>	<b>43,265</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 1.99%	(1,986)	(2,083)	(2,289)	(6,358)
Social Care Precept increase 3%, 2%, 2%	(3,206)	(2,396)	(2,356)	(7,958)
Contribution from Budget Support Reserve to Support COVID-19 Pressures in 2021/22	(8,341)	8,341		0
Contribution from Budget Support Reserve to Support COVID-19 Pressures in 2022/23		(7,097)	7,097	0
Contribution from Budget Support Reserve (BAU)	(2,803)	2,803		
<b>Total Policy Choice Funding</b>	<b>(16,336)</b>	<b>(432)</b>	<b>2,452</b>	<b>(14,316)</b>
Savings and Income proposals (*)	(9,182)	143	1,512	(7,527)
<b>Revised Budget Gap (Feb 21)</b>	<b>0</b>	<b>11,119</b>	<b>10,303</b>	<b>21,422</b>

(\*) Full details are included in Annex D

4.5.2 A summary of the changes since the Draft Budget Report in October 2020 which included a remaining gap of £4.708m are detailed in Annex B

## 5 PROPOSED 2021/22 BUDGET and 2022/24 MTFS

5.1 The proposed net budget for 2021/22 is £179.304m an increase in the net budget of £3.782m or 2.15%, from £175.522m. Full subjective and objective summaries providing a breakdown of the 2021/22 net budget can be found in Annexes E & H.

5.2 An objective breakdown is shown below:-

<b>Objective Summary The 2021-24 Budget</b>	<b>Final Budget February 2021</b>		
<b>Budget</b>	<b>2021/22 (£'000)</b>	<b>2022/23 (£'000)</b>	<b>2023/24 (£'000)</b>
<b>Service:</b>			
Children's Services	43,002	44,140	45,103
Adult Services (incl. Public Health)	65,222	70,473	75,525
Place	30,231	30,426	33,608
Governance and Community Strategy	6,669	6,575	6,725
Finance and Systems	7,741	7,960	8,183
Strategy and Resources	5,442	5,303	5,569
<b>Total Service Budgets</b>	<b>158,307</b>	<b>164,877</b>	<b>174,713</b>
<b>Council-wide Budgets</b>	20,997	30,795	28,466
<b>Net Budget</b>	<b>179,304</b>	<b>195,672</b>	<b>203,179</b>
<b>Funding:</b>			
Council Tax	(105,868)	(113,139)	(118,886)
Business Rates: Local Share	(150,195)	(153,198)	(156,263)
Business Rates: Tariff Payment	95,720	97,996	100,317
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(7,817)	(9,615)	(7,925)
Fairer Funding Assumptions	0	500	1,000
<b>Funding</b>	<b>(168,160)</b>	<b>(177,456)</b>	<b>(181,757)</b>
<b>Movement in Reserves</b>			
Budget Support Reserve (COVID-19)	(8,341)	(7,097)	0
Budget Support Reserve (BAU)	(2,803)		
<b>Movement to/(from) Reserves</b>	<b>(11,144)</b>	<b>(7,097)</b>	<b>0</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>11,119</b>	<b>21,422</b>
<b>Annual Budget Gap</b>	<b>0</b>	<b>11,119</b>	<b>10,303</b>

5.3 Whilst the budget gap has now been closed for 2021/22 the size of the challenge over the following two years remains significant. For that reason the budget process for 2022/23 will, as in previous years, commence immediately after the approval of the 2021/22 budget such that sufficient time is afforded to consider all options at an early stage.

## **6 ROBUSTNESS, RISKS & RESERVES**

### **6.1 Robustness and Risks**

- 6.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.
- 6.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.
- 6.1.3 In exercising their statutory duty the Director of Finance and Systems, in conjunction with the Corporate Leadership Team, will take all matters and issues into consideration and will make a reasoned assessment of whether the budget is sufficient and robust. The Executive will ensure the minimum reserve level is maintained to ensure the Council can meet its obligations.
- 6.1.4 The Council faces various financial risks to include:
- The ability to deliver savings within agreed timescales.
  - Potential legal challenges to decisions.
  - Fees & charges income differing to assumptions.
  - Variations to external funding and grant allocations.
  - Demographic pressures.
  - Inflation & Interest Rates differing to assumptions.
  - Business Rates growth & the 100% retention scheme pilot and potential costs with backdated appeal costs.
  - Variations to external levies & contracts.
  - Future changes to legislation
  - An increasing level of its funding from local sources
  - Devolution & integration of Health & Social Care (also an opportunity)
  - the ongoing financial impact that the COVID-19 pandemic will have over the medium term, which also cross cuts many of the areas mentioned above
- 6.1.5 In reviewing the robustness of the Council's budget proposals use has been made of some key Cipfa publications around good financial management, prudential property investment and financial resilience. A key concern for the Council continues to be its low level of reserves.

## 6.2 Reserves

- 6.2.1 In August 2019, a new reserves policy was developed which set out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.
- 6.2.2 Under the Local Government Act 2003, the Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that the Reserves Policy is reviewed on a bi-annual basis as part of the draft and final budget process and supplemented with regular reviews as part of the monitoring and financial closedown process. This ensures the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revisions at final budget stage are set out below.

## 6.3 Classification

- 6.3.1 For ease of management, reserves have been grouped into six categories as follows:-
- **Budget Resilience and Smoothing Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures
  - **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan
  - **Corporate Reserves** - statutory and ring fenced reserves
  - **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities
  - **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy.
  - **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

## 6.4 Balances and Review of Reserves

- 6.4.1 The Council usable reserves at 31st March 2020 stood at £91.35m, of which £58.68m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

<i>Usable Reserves</i>	Opening Balance 1/4/20	Est Balance 1/4/2021	Est Balance 1/4/2022	Est Balance 1/4/2023
	£m	£m	£m	£m
Budget Resilience and Smoothing	31.25	36.54	23.24	16.16
Strategic Priority	11.74	8.17	7.38	7.50
Corporate (*)	2.05	89.17	3.50	1.59
General Reserve	7.00	8.00	8.00	8.00
Service Area Priorities	6.64	3.68	2.09	0.65
<b>Earmarked Reserves</b>	<b>58.68</b>	<b>145.56</b>	<b>44.21</b>	<b>33.90</b>
Capital Related Reserves	21.77	15.82	8.26	1.31
School Related Reserves	10.90	10.90	10.90	10.90
<b>Total Usable Reserves</b>	<b>91.35</b>	<b>172.28</b>	<b>63.37</b>	<b>46.11</b>

(\*) As at 1/4/2021, the Corporate Reserves will hold the Section 31 Grants provided by the Government of £87.6m relating to lost business rates income as a result of the award of 100% COVID rates relief to the Retail, Hospitality and Leisure Sector. The reserve will be used in 2021/22 to repay the deficit on the Collection Fund.

- 6.4.2 At the time of writing the draft budget report earmarked reserve balances were projected to fall from £58.68m to £26.05m at the end of 2022/23. This reduction reflecting a use of £15.6m to support the budget in 2021/22.
- 6.4.3 As part of the development of the final budget proposals a further review of reserve levels has been undertaken with due regard placed on ensuring any remaining reserves are sufficient to cover the range of risks faced by the Council. The review also took into account changes in assumptions of ongoing COVID-19 pressures, levels of Government Support and revisions in the in-year estimated outturn position.
- 6.4.4 Taking account of the proposals in this budget report reserve balances are now estimated at £33.90m at the end of 2022/23, a favourable movement since draft budget of £7.85m and reflecting the improvements of the 2020/21 budget position and release of contingency budgets and also the work undertaken by GMCA in identifying resources which can be returned to districts to support their immediate budget pressures.
- 6.4.5 Whilst the overall reserves balances show a more favourable picture there is still a material application of reserves in the short term to support these budget proposals. As a consequence each reserve has been reviewed to ensure it remains at an adequate level given the range of risks faced by the Council. The rationale for holding some key reserves and their application and balances is detailed below.

6.4.6 The balance and proposed commitments against each reserve are shown in detail in Annex F and the following paragraphs summarise the salient changes since the draft budget:-

➤ **Budget Resilience and Smoothing - Budget Support Reserve**

This reserve was established to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. It was proposed at draft budget stage to transfer any available reserves into the Budget Support Reserve to allow sufficient flexibility over the use of the reserves in the future in order to meet the estimated COVID-19 pressures over the medium term.

The final budget for 2021/22 includes an assumption that £11.144m will be met from the Budget Support Reserve, consisting of recurrent COVID-19 pressures of £8.34m and £2.8m required to balance the remaining business as usual budget plans.

A further recurrent COVID-19 pressure in 2022/23 of £7.1m, is also proposed to be met from the Budget Support Reserve, leaving an estimated balance of £3.02m by the end of 2022/2023.

Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth which is offset by an assumed level of growth in Council Tax, leaving a net budget pressure. The current policy recommends that as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure, which would equate to approximately £5.5m. Although this principle remains in place, resources have been redirected towards COVID-19 related pressures, resulting in a shortfall in this aspiration of approximately £2m in the short term. Any surplus resources, for instance through a more favourable outturn, will in the first instance be utilised to bolster this reserve until it reaches its target.

➤ **Budget Resilience and Smoothing - Manchester Airport Dividend Reserve**

This reserve was set aside in the event of an economic downturn or other event which affects the performance of the Airport and future dividends. The reserve policy was amended in 2019 to provide an amount equivalent to 10% (£0.5m) of the usual level of annual dividend. This was reduced from a 50% balance in previous years, in reflection of the healthy financial situation and growth of the airport. The impact of the COVID-19 pandemic on the aviation industry has been well publicised and no dividend is expected to be paid in the current financial year and also in our budget assumptions for both 2021/22 and 2022/23. The reliance of the dividend in our annual budget has brought into focus the importance of this risk reserve to help absorb such volatility. Priority should therefore be given over the medium term to replenishing this reserve to a figure of 50% of the annual pre-covid dividend level. Resource has been set aside in the revenue budget of £0.5m for

bolstering reserves and this will be used to replenish this reserve over the next five years.

➤ **Budget Resilience and Smoothing - Business Rate Risk Reserve**

The full economic impact of the pandemic and the impact of Brexit on local businesses is not clear but inevitably the ability to generate current levels of business rates will be challenged. In 2020/21 all retail properties have received full relief from their business rate liabilities and this relief ends on 31 March 2021. Should the relief not continue in some form, this will place further financial burdens on an already strained retail sector meaning business rate revenues are likely to come under pressure. The Council's budget currently relies on significant levels of business rate income of £62.29m, which is £8.26m above our Baseline Funding Level. The Council is protected against a dramatic fall in business rates, with the Government providing support if a safety net figure is breached. The Council would need to absorb the first £9.7m of loss before the Government support becomes available. It is felt that if business rates were to fall significantly due to the economic impact of the pandemic, this situation would not be unique to Trafford and further Government support would be forthcoming.

A balance of £0.6m is required to support the 2021/22 budget, pending the outcome of potential changes in the terms of the growth pilot sharing agreement as a result of the GM Pool being dissolved.

At the time of the draft budget a significant balance of £5m was maintained in the Business Rate Risk Reserve and as a result of the forecast underspend in business rates as reported at period 8, a further £1.75m will be transferred to the reserve. This will provide a buffer representing approximately 11% of the rates budget.

➤ **Budget Resilience and Smoothing – COVID-19 General Reserve**

The 4<sup>th</sup> Tranche of COVID general support grant at £2.23m has been transferred to this reserve as reported in the Period 8 monitor. It will be utilised to alleviate the risk of unknown costs of COVID-19 should they be higher than anticipated in our budget assumptions.

➤ **Budget Resilience and Smoothing – Housing Benefit Risk Reserve**

A balance of £0.5m has been maintained in this reserve to smooth out volatility in the Housing Benefit budget associated with the collection of prior year overpayment recovery and in-year fluctuations in this demand lead budget. The reserve has been utilised in full in 2020/21 to offset in year pressures and it is thought prudent that this is replenished by an equal amount, given the ongoing economic uncertainty. Additional resource of £0.5m has also been added to the revenue budget in 2021/2022.

➤ **Strategic Priority - Strategic Investment Fund Risk Reserve**

Each strategic property investment business case includes an amount to be set aside to cover any unexpected circumstances, such as lost rental income or a delay in any redevelopments. Pressures faced as a result of the pandemic have again emphasised the importance of this reserve. As such a balance of £0.5m previously earmarked to be transferred to the Business Support Reserve will be maintained here. The year-end balance is anticipated to stand at stand at £6.08m by the end of 2022/2023.

➤ **Strategic Priority - Leisure Centre Risk/Refurbishment Programme**

This reserve was proposed to be utilised in full in 2020/21 to support COVID-19, however pressures will now be absorbed within the estimated outturn. The Council has recently submitted a bid for £0.5m Government support via Sports England to address costs of maintaining/opening leisure services. If successful, this amount will be used to top up this reserve along with the £0.3m annual budget provision. The balance will stand at £1.7m and will be used in full to meet estimated pressures in 2021/22.

➤ **Budget Resilience and Smoothing – Employment Rationalisation**

This reserve was established to meet the one off costs over budget for major restructuring costs (severance/pension strain). The balance brought forward at 1st April 2020 was £1.0m and at final budget it is felt prudent to increase this by £0.5m to absorb the one off costs of the restructuring identified in the savings proposals.

➤ **Corporate**

➤ **Reserves – Council Tax and Business Rates Compensation Reserve**

These two reserves have been set up to hold the Governments support towards meeting the Council Tax and Business Rates deficits in 2020/21. The grants at £4.76m are expected to be paid in 2020/21 and will be carried over in these reserves to be drawn down over three years at £1.59m in line with our budget plans.

➤ **Corporate Reserves - General Reserve**

The level of General Reserve incorporates risk assumptions on pay/inflation, emergency and disaster recovery scenarios, increases in demand led budgets, savings target not being met and business rates/ council tax shortfalls. It is highly unlikely that the events would occur simultaneously and the figure is calculated on a prudent basis. The level of this reserve has been reviewed and will increase to £8.0m (previously £7.0m) to address the level of risks given the economic outlook.

## **6.5 Reserves Linked to Service Area Priorities**

- 6.5.1 The rationale for these reserves is to provide funding to deliver Service Area priorities outside of the MTFP which are largely one off in nature or the timing of delivery cannot be determined accurately.
- 6.5.2 The revised Reserves Policy clarifies that the commitment to create, review and spend these reserves will need to be supported by Corporate Leadership Team as and when required throughout the year in order to confirm that they remain in line with the Council's broad strategic priorities. As referred to in the draft budget a full review of these balances and commitments was undertaken and surplus amounts were redirected towards COVID-19 priorities and the bolstering of the Budget Support Reserve. No significant changes have been made since the review at draft budget.

## **6.6 GENERAL RESERVE**

- 6.6.1 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2020 Council agreed to set the minimum level of the General Fund Reserve at £7.00m as recommended by the Director of Finance and Systems. It is recommended for 2021/22 that this level be increased to £8.0m with some of the significant reasoning behind this decision set out below:-

- In 2021/22 there is significant uncertainty regarding the economic outlook. The implications on the wider economy from the impact of COVID-19 and Brexit led to the possibility of a further economic downturn. It would seem prudent to increase the general contingency by £0.5m to add extra resilience against the effects of such a downturn.
- The level of gross income receivable from the Asset Investment Strategy is approximately £17m in 2021/22 and whilst full due diligence has been undertaken for each investment there is still a risk to this income stream particularly when older investments reach maturity and new investments are being sought. A specific earmarked investment strategy risk reserve has been built up to address generic risks such as rent defaults and property improvement works and is estimated to stand at £5.3m at the end of 2020/21. In order to address the inherent risk of a shortfall in income during the recycling of new investment opportunities the General Reserve will be increased by a further £0.5m.

Advised minimum level of General Reserve	2020/21 £m
Tax & Treasury Management	0.05
Pay & inflation	1.30
Fees and Charges	0.18
Emergency & Disaster Recovery	1.08
Efficiencies	2.45
Demand led budgets	2.00
Other Pressures	0.96
Funding Risk	4.07
<b>TOTAL</b>	<b>12.09</b>
Risk reduction of 34%	-4.09
<b>Advisory level of minimum reserve</b>	<b>8.00</b>

## 6.7 Summary

6.7.1 In summary, the Council's overall budget plans include for a specific application of earmarked reserves in 2021/22 of £15.0m, in part offset by budgeted replenishment of reserves.

- **Budget Support Reserve - £2.80m** required to balance the 2021/22 business as usual budget plans.
- **Budget Support Reserve - £8.34m** required to meet the estimated recurrent COVID-19 pressures in 2021/22, with a further amount of £7.097m earmarked in 2022/23.
- **Leisure Centre Risk Reserve - £1.70m** – a provision required to meet estimated COVID-19 pressures experienced by our Leisure CIC in 2021/22.
- **Council Tax and Business Rates Compensation Reserve - £1.59m** Government support towards the 2020/21 Council Tax and Business Rates shortfall will be drawn down over three years at £1.59m per annum.
- **Business Rate Risk Reserve - £0.6m** to be used to support the budget pending the outcome of potential changes in the terms of the growth pilot sharing agreement as a result of the GM Pool being dissolved.

6.7.2 It is a requirement of the Local Government Act 2003 for the Council's Director of Finance and Systems to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.

6.7.3 Members' attention is drawn to the statement by the Director of Finance and Systems attached at Annex I, which should be taken into account before approving the budget together with the comments made in paragraphs below.

## 7 SCHOOLS FUNDING & BUDGETS 2021/22

### 7.1 Background

7.1.1 Schools are funded from a ring-fenced grant called the Dedicated Schools Grant (DSG). This funding cannot be used for any other Council function. Schools operate within their own budget with any under or over spends taken forward into future years.

There are 4 blocks within the DSG:

- Schools Block (SB) - which funds schools' budgets. This includes £85m for academies.
- Central Schools Services Block (CSSB) – This block reflects the ongoing local authority role in education and is reducing year by year.
- High Needs Block (HNB) – which primarily supports Special Educational Needs (SEN) expenditure. This includes £15m to fund Trafford Special Schools.
- Early Years Block (EYB) - which funds educational provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

### 7.2 Summary Position 2020/21

7.2.1 Schools have provided an essential role within the community during the coronavirus pandemic (COVID19). Although there had been increases in the schools budgets for 2020/21, there were still pressures on these which have been further exacerbated by the coronavirus pandemic.

7.2.2 The latest monitoring position as at the end of November, updated to reflect latest DSG allocations, forecasts a £1.466m over spend for 2020/21.

This is mainly within the HNB because of increases in:

- complexity and demand for places and top-up funding in our own special schools (40 additional places have been funded in year);
- complexity and demand for places exceeding in borough provision resulting in costly out of borough placements;
- the complexity and volume of Education Health Care Plans (EHCPs); and
- home tuition costs.

<b>DSG Overall Position</b>	<b>2020/21 Budget (£m)</b>	<b>2020/21 Expected Outturn (£m)</b>	<b>Variance (£m)</b>
Schools Block	171.944	171.952	0.008
Central School Services Block	1.513	1.478	(0.035)
High Needs Block	29.269	30.794	1.525
Early Years Block	18.491	18.459	(0.032)
<b>Total</b>	<b>221.217</b>	<b>222.683</b>	<b>1.466</b>

The level of central DSG reserve at 1 April 2020 was £2.895m and whilst some is ring-fenced to support specific expenditure, the balance is to support the pressures in the High Needs block.

<b>DSG Central Reserve</b>	<b>Reserves (£m)</b>
<b>Reserve as at 31<sup>st</sup> March 2020</b>	<b>2.895</b>
Growth Fund	0.468
De-delegation	0.847
Pupil Referral Units (PRU)	0.148
Early Years	0.244
<b>Reserve for High Needs Block (excluding PRU)</b>	<b>1.188</b>
<b>Required to balance the HNB for 2020/21 as at the end of November (excluding PRU over spend as separate reserve)</b>	<b>(1.455)</b>
<b>Estimated balance as at 31<sup>st</sup> March 2021</b>	<b>(0.267)</b>

### 7.3 Budget Position 2021/22

The table below outlines the estimated budgets for 2021/22 and how they have moved from 2020/21.

<b>DSG Allocations</b>	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>	<b>Change (£m)</b>
Schools Block	171.944	187.120	15.176
Central School Services Block	1.513	1.553	0.040
High Needs Block	29.269	32.426	3.157
Early Years Block	18.491	18.754	0.263
<b>Total</b>	<b>221.217</b>	<b>239.853</b>	<b>18.636</b>

#### 7.3.1 Schools block

Funding from the teachers' pay grant and the teachers' pension employer contribution grant has been added to the schools' National Funding Formula (NFF) allocations from 2021/22. The funding has been added to the basic per pupil entitlement, the minimum funding levels, and to schools' baselines to make sure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2021/22. When these grants are taken out of the schools block allocation, the increase in funding is £6.982m (4.06%).

The minimum per pupil funding levels ensure that every primary pupil receives at least £4,000 per pupil (7% increase, £3,750 in 20/21), and every secondary school at least £5,150 per pupil (3% increase £5,000 in 20/21). In addition to this, these schools will receive an additional £180 and £265 per pupil to cover the two grants mentioned above.

#### 7.3.2 Central School Services Block (CSSB)

Funding from the pay and pension grants mentioned above have also been added to the CSSB totalling £0.081m. There are 2 elements to the CSSB: ongoing responsibilities that local authorities have a statutory duty to deliver for all pupils; and historic commitments made prior to 2013/14. In line with the government's

reforms to move to a fairer funding system, these have been reducing year on year. The allocation for 21/22, net of the additional grant has reduced by £0.041m.

### 7.3.3 High Needs Block (HNB)

The allocation in the table above also includes an element of the funding from the teachers' pay grant and the teachers' pension employer contribution grant. Without these, the allocation is £31.840m an increase of 8.78%.

There are still significant pressures within the HNB due to:

- Financial pressures in the Schools block results in schools turning to the local authority for help with high needs pupils rather than looking to use available funding within their budgets;
- A continued increase in the numbers and complexity of EHCPs (we are currently funding 2,262 EHCPs which is an increase of 231 (11%) from this time last year);
- The needs of many pupils are becoming more complex;
- Increase in the number of places funded in our own special schools (which are now close to capacity – 73 additional places are being funded in 21/22)
- Lack of places in our own Special Schools resulting in costly out of borough places being sought (places required 378, an increase of 22% from this time last year);
- The demand for home tuition increasing; and
- National policy changes have made inclusion in mainstream increasingly difficult for many learners.

In addition to the above the effects of COVID-19 on the high needs block are not yet fully known but it is expected that schools will require further funding to assist with additional pupil need for emotional support as a result of the pandemic which will put further strain on this budget.

A full review of budget assumptions for future years has been undertaken with expenditure expected to increase by approximately £3.7m in 21/22 and £1.11m in 22/23 and 23/24. Over the three years this will amount to £6m based on the following:-

- Continued increase in the level of EHCP payments to schools & tuition costs (£1.9m)
- An uplift in complexity of need leading to a rise in special school top-ups (£1.4m)
- Increase cost of out of borough placements caused by increasing complexity and lack of places in our own special schools (£1.5m)
- Inflationary cost increases on out of borough placements, pay and running costs (£0.5m)
- Pay and pension grant expenditure (£0.6m)

At this stage the budget does not include any potential increase as a result of COVID-19 as it is not yet known the extent to which this may put a pressure on the HNB.

The High Needs allocation for 2021/22 is £32.426m, an increase of £2.6m (8.8%) on the 2020/21 allocation (excluding the mainstreamed grant). The assumption is that this will increase by 2% in subsequent years.

Although Local Authorities have seen increases in their HNB funding for 2021/22, the government has committed to pursue a review of the special educational needs and disability (SEND) system to see what further improvements are necessary to ensure that it supports children and young people with SEND as effectively as possible. This is expected to begin in spring 2021.

The table below sets out a summary of the HNB position.

<b>High Needs Block Summary</b>	<b>2021/22 (£m)</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>
Required HNB budget	32.980	34.090	35.202
HNB grant	32.426	33.075	33.736
<b>(Surplus)/Deficit</b>	<b>0.554</b>	<b>1.015</b>	<b>1.466</b>

Although the additional grant is welcome it is insufficient to keep up with increasing costs over the years.

<b>High Needs share of the DSG Central Reserve</b>	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>
Usable reserves brought forward	1.188	(0.267)	(0.821)	(1.836)
Movements in year	(1.455)	(0.554)	(1.015)	(1.466)
<b>Useable reserves remaining</b>	<b>(0.267)</b>	<b>(0.821)</b>	<b>(1.836)</b>	<b>(3.302)</b>

New provisions were put into regulations so that local authorities are required to carry forward overspends to their schools budget either in the immediately following year or the year after. The impact of these statutory provisions are that a local authority with a DSG deficit from the previous year must either:

- Carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year, deducting it from the money available for that financial year;
- Carry part of it forward into the new financial year and the rest of it into the following financial year;
- Carry all of it into the following financial year; or
- Apply to the Secretary of State for authorisation to disregard the requirements if it wishes to fund any part of that deficit from a source other than the DSG.

This creates a new requirement that a deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this.

Therefore savings will need to be identified and the high needs task and finish group has already been re-established to look at savings and measures necessary to

balance the high needs budget. A report on this will be brought to the Executive in July 2021.

#### **7.4 Future Changes**

##### National Funding Formula (NFF)

A National Funding Formula (NFF) was introduced in 2018/19 the aim of which was to create a level playing field by creating a national formula with a single set of values for each of the factors relating to pupil and school characteristics. The intention was that when fully implemented, there would no longer be different sums of money received by schools with similar pupil profiles. However this hasn't materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LAs) with floors and protections in place.

The introduction of a hard formula, in which the ESFA will calculate and distribute allocations directly to schools and academies using the NFF, was to take place in 2020/21 after 2 years of a soft formula. However this has been delayed due to the recognition that efforts need to be focussed on meeting the challenges of COVID-19. The Education Skills and Funding Agency (ESFA) have said that they will begin consultation in spring 2021 but that implementation is not likely until 2024/25 or 2025/26.

The soft formula involves the ESFA applying the national formula values to individual schools' data and aggregating the allocations at LA level. They then add funding for historic spending factors which currently sit outside the NFF. LAs receive the total funding as a Schools Block allocation and distribute it between schools using a local formula. Trafford Schools' Funding Forum opted to mirror the NFF as a local formula in 2018/19.

## 8. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

### 8.1 Budget Requirement

8.1.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011, requires the Council to make the following calculations:

- an estimate of the Council's gross revenue expenditure - Section 31A(2),
- an estimate of anticipated income - Section 31A(3),
- a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the Council Tax Requirement,
- a calculation of the Council's 'relevant basic amount' of Council Tax, calculated by dividing the Council Tax Requirement by the council tax base (expressed in Band D's).

8.1.2 If the proposals in this budget report are agreed, the calculation for the 2021/22 Council Tax Requirement will be as follows:

Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2021/22	£
<b>Service Budget</b>	
<b>Gross Expenditure</b>	
Service expenditure	480,817,335
<b>Gross Income</b>	
Fees, charges and specific grants	(301,513,690)
<b>Service Area Net Budget</b>	<b>179,303,645</b>
<b>Financing Budget</b>	
Retained Business Rates Baseline	(54,474,679)
Business Rates (Growth & S31 Grants)	(7,659,549)
Cont from Business Rate Risk Reserve	(600,000)
Business Rates Prior Years accumulated (Surplus)/Deficit	83,468,589
Contribution from Business Rate Deficit Reserve	(83,468,589)
Business Rates Estimated Deficit (COVID-19) 1/3 Spread	1,773,322
Government Support towards Business Rates Estimated Deficit (COVID-19)	(1,329,992)
Council Tax Estimated Deficit (COVID-19) 1/3 Spread	1,352,857
Government Support towards Council Tax Estimated Deficit (COVID-19)	(257,618)
Application of Budget Support Reserve (BSR)	(11,144,499)
<b>Financing Net Budget</b>	<b>(72,340,158)</b>
<b>Council Tax Requirement</b>	<b>106,963,487</b>
<b>Council Tax Base in Band D's</b>	<b>75,816</b>
<b>Relevant Basic Amount of Council Tax</b>	<b>£1,410.83</b>

8.1.3 The Corporate Director of Finance and Systems in accordance with her delegated powers approved the 2021/22 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 6 January 2021 at 75,816, which is a reduction of 1,570 Band D equivalents on 2020/21. The 2021/22 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,578, Dunham Massey 235, Warburton 165 and Carrington 126.

## 8.2 Council Tax Increases

8.2.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its “relevant basic amount of Council Tax” by an amount equal to or exceeding a level set out by the Government annually. For 2021/22 a figure of 5% has been set, which is a combination of the core principle of 2% and the ‘adult social care precept’ of 3%.

8.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2021/22 by 4.99%:

- 1.99% general increase in the ‘relevant basic amount’, and
- 3.0% for the ‘Adult Social Care’ precept.

8.2.3 The calculation of the percentage change in “Relevant Basic Amount of Council Tax”, for Trafford Services is shown below :

	2020/21	2021/22
Council Tax Base	77,386	75,816
Council Tax Requirement with Levies (£)	103,989,759	106,963,487
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,225.92	1,252.66
Social Care Precept	117.86	158.17
Relevant Basic Amount of Council Tax	1,343.78	1,410.83
<b>% increase in Relevant Basic Amount of Council Tax</b>	<b>3.99%</b>	<b>4.99%</b>

8.2.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 4.99%, which is within the 5% figure set by Government in 2021/22 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.

8.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £10.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing to freeze their Band D precept.

8.2.6 Partington Town Council, at its meeting on 7 December 2020, elected to keep the level of Band D Council Tax at £52.04 in 2021/22, the same as in 2020/21.

Carrington Parish Council passed a resolution on 17 December 2020 to keep the Band D Council Tax at £30.00 in 2021/22, the same as in 2020/21. Warburton Parish Council at its meeting on 3 November 2020, elected to set a Band D Council Tax of £50.00 in 2021/22. Dunham Massey Parish Council is not setting a Precept in 2021/22.

### 8.3 Council Tax Levels and Bandings

8.3.1 The overall Precepts and Council Tax levels for 2021/22 for Trafford properties are as follows:

Council Tax per Precepting Body	Precept Amount £	Council Tax per Band D Property £	Council Tax Level Increase
Trafford Services (inclusive of 'Adult Social Care Precept')	106,963,487	1,410.83	4.99%
Mayoral Police and Crime Commissioner (see note)	16,550,633	218.30	£10.00/ 4.80%
Mayoral General Precept (including Fire Services) (see note)	6,895,465	90.95	£Nil/ 0.00%
<b>Total (excluding Parishes)</b>		<b>1,720.08</b>	<b>4.69%</b>
Partington Precept	82,119	52.04	0.00%
<b>Total for Partington</b>		<b>1,772.12</b>	<b>4.84%</b>
Carrington Precept	3,780	30.00	0.00%
<b>Total for Carrington</b>		<b>1,750.08</b>	<b>4.90%</b>
Warburton Precept	8,250	50.00	N/A
<b>Total for Warburton</b>		<b>1,770.08</b>	<b>7.73%</b>

8.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 12 February 2021.

8.3.3 The council tax for 2021/22, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

Band	Valuation range (in 1991 prices)	Council Tax (Excl. Parishes) £	Council Tax for Partington £	Council Tax for Carrington £	Council Tax for Warburton £
A	Up to £40,000	1,146.71	1,181.40	1,166.71	1,180.04
B	Over £40,000 and up to £52,000	1,337.82	1,378.30	1,361.15	1,376.71
C	Over £52,000 and up to £68,000	1,528.95	1,575.21	1,555.62	1,573.39
D	Over £68,000 and up to £88,000	1,720.08	1,772.12	1,750.08	1,770.08
E	Over £88,000 and up to £120,000	2,102.32	2,165.92	2,138.99	2,163.43
F	Over £120,000 and up to £160,000	2,484.56	2,559.73	2,527.89	2,556.78
G	Over £160,000 and up to £320,000	2,866.79	2,953.52	2,916.79	2,950.12
H	Over £320,000	3,440.16	3,544.24	3,500.16	3,540.16

## BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2021/22 £m	2022/23 £m	2023/24 £m
<b>Service Expenditure</b>			
Pay: Inflation	0.0%	2.0%	2.0%
£250 for employees on < £24k in 2021/22 only	£0.46	£1.55	£1.59
Pay: Pension Inflation	0.0%	0.0%	0.0%
	£0.00	£0.00	£0.00
Pay: Increments & Pension Auto-Enrolment	£0.00	£0.00	£0.00
Pay: Living Wage	£1.26	£2.38	£2.13
General Inflation: Prices	0.0%	2.0%	2.0%
	£0.00	£0.12	£0.12
Contractual Obligations: Inflation Specific e.g. energy	£2.56	£2.25	£2.31
Levies: Waste (GMWDA) Levy Increase	£0.21	£0.34	£0.24
Demographics: Children	£1.76	£0.00	£0.00
Adults	£2.25	£2.00	£1.90
<b>Treasury Management</b>			
Investment Rates	0.20%	0.20%	0.20%
Debt Rates	2.50%	2.50%	2.50%
<b>Funding</b>			
Council Tax rate increase (Adult Social Care)	3.00%	2.00%	2.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%
Council Tax base increase	(2.03)%	2.70%	1.00%
Change in Baseline Funding Level :-			
Baseline Funding (Core) %	0.00%	2.00%	2.00%
Baseline Funding (Core) £m	£0.00	£0.73	£0.74
Baseline Funding (RSG) %	0.55%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.03	£0.00	£0.00
Baseline Funding (PH) %	0.00%	0.00%	0.00%
Baseline Funding (PH) £m	£0.00	£0.00	£0.00

**Budget Movements & Proposals: Draft Budget Oct 20 to Final Feb 21**

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>Total £000</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct 20)</b>	<b>4,708</b>	<b>5,214</b>	<b>8,032</b>	<b>17,954</b>
Movements Since Draft affecting the Gross Gap				
Reverse one off contribution from Reserves COVID-19	0	(15,648)	0	(15,648)
Regent Road car park slipped	78	(78)	0	0
Demographic Growth Children	0	(1,000)	0	(1,000)
Changes to New Home Bonus	234	0	0	234
Lower Tiers Allocation Grant	(266)	0	0	(266)
Additional Social Care Grant	(1,059)	0	0	(1,059)
Borrowing to Support Capital Programme	250	250	0	500
Pay Award 21/22	(1,072)	0	0	(1,072)
Home to School Transport	500	0	0	500
Childrens Placements	885	0	0	885
Increase to General Contingency - to cover any Public Health Inflation	337	0	0	337
Indexation of Better Care Fund Grant	(337)	0	0	(337)
Adjustment to Contingency (sufficient held in Children's)	(500)	0	0	(500)
Continuation of Troubles Families Grant	(460)	460	0	0
Adjustment to National Living Wage assumptions	(1,000)	0	0	(1,000)
Reduction in Voluntary Leave Scheme	250	0	0	250
Loss in MAG Dividend	0	0	2,500	2,500
<b>CHANGES TO BUDGET ASSUMPTIONS BAU</b>	<b>(1,858)</b>	<b>(16,016)</b>	<b>2,500</b>	<b>(15,374)</b>
Rates adjustments to assumptions	(2,824)	1,655	(250)	(1,419)
20/21 Council Tax Deficit Spread over 3 years	(41)	0	0	(41)
Changes to Council Tax Base	32	1,545	77	1,654
<b>CHANGES TO FUNDING BAU (NON POLICY CHOICE)</b>	<b>(2,833)</b>	<b>3,200</b>	<b>(173)</b>	<b>194</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>Total £000</b>
Investment Rephasing	0	5,597	(5,597)	0
Remove increased cost of childrens placements	(1,200)	1,200	0	0
Remove increased cost of home to school Transport	(800)	800	0	0
Increase in Contingency to provide for delayed demand	1,500	0	(1,500)	0
Reduced Income from Sales, Fees and Charges	1,560	(1,560)	0	0
Other COVID pressures	300	(300)	0	0
Leisure CIC Support	1,700	(1,700)	0	0
Leisure CIC Reserve Contribution	(1,700)	1,700	0	0
<b>CHANGES TO BUDGET ASSUMPTIONS (COVID-19)</b>	<b>1,360</b>	<b>5,737</b>	<b>(7,097)</b>	<b>0</b>
Council Tax Support Grant	(1,651)	1,651	0	0
COVID Support Grant	(5,691)	5,691	0	0
Sales, Fees and Charges Compensation Grant	(1,325)	1,325	0	0
<b>CHANGES TO FUNDING (COVID-19)</b>	<b>(8,667)</b>	<b>8,667</b>	<b>0</b>	<b>0</b>
<b>CHANGES IN MEETING THE GAP</b>				
<b>CHANGES TO SAVINGS AND INCOME PROPOSALS</b>	<b>3,804</b>	<b>339</b>	<b>0</b>	<b>4,143</b>
Additional +1% Social Care Precept	(1,018)	(69)	(56)	(1,143)
Contribution from Budget Support Reserve (COVID pressures) 21/22	7,307	8,341	0	15,648
Contribution from Budget Support Reserve (COVID pressures) 22/23		(7,097)	7,097	0
Contribution from Budget Support Reserve	(2,803)	2,803	0	0
<b>TOTAL CHANGES TO POLICY CHOICE FUNDING</b>	<b>3,486</b>	<b>3,978</b>	<b>7,041</b>	<b>14,505</b>
<b>REVISED BUDGET GAP (Feb 21)</b>	<b>0</b>	<b>11,119</b>	<b>10,303</b>	<b>21,422</b>

**Business Rates Retention GM Pilot****Annex C****Business Rates Benefit Calculation 2020/2021 to 2023/2024**

	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Gross Rates Payable	186,028,107	183,901,072	188,531,566	192,221,029
Transitional Adjustments and Mandatory & Discretionary Reliefs	(19,231,360)	(16,677,821)	(16,862,565)	(17,199,817)
<b>NET RATES PAYABLE</b>	<b>166,796,747</b>	<b>167,223,252</b>	<b>171,669,001</b>	<b>175,021,213</b>
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(10,742,245)	(14,151,164)	(10,862,355)	(11,076,112)
<b>NNDR Income</b>	<b>156,054,503</b>	<b>153,072,087</b>	<b>160,806,646</b>	<b>163,945,101</b>
Local Share	154,493,958	151,541,366	159,198,579	162,305,650
Tariff	(95,749,897)	(95,720,118)	(97,995,651)	(100,316,695)
<b>Retained Business Rates</b>	<b>58,744,061</b>	<b>55,821,248</b>	<b>61,202,928</b>	<b>61,988,954</b>
<b>Baseline Funding Level (BFL)</b>	<b>54,444,900</b>	<b>54,474,679</b>	<b>55,203,041</b>	<b>55,945,971</b>
Growth	4,299,161	1,346,569	5,999,886	6,042,983
SAICA Renewable Energy	82,944	82,944	84,603	86,295
Section 31 Compensation Grants	10,832,326	9,001,875	9,083,240	9,325,303
<b>Growth/(Decline) to Baseline</b>	<b>15,214,431</b>	<b>10,431,388</b>	<b>15,167,729</b>	<b>15,454,581</b>
GM Pilot 'No Detriment' Over Payment	(9,019,836)	(5,543,677)	(8,837,496)	(8,981,605)
GM Pilot 'No Detriment' Over Payment Rebate	4,509,918	2,771,839	4,418,748	4,490,802
<b>Business Rates Benefit over BFL</b>	<b>10,704,513</b>	<b>7,659,550</b>	<b>10,748,981</b>	<b>10,963,778</b>
Release of Prior Year Surplus/ (Collection of Deficit)	(4,915,710)	91,715,105		
Contribution from reserves	4,915,710	(91,715,105)		
Contribution from Business Rates Risk Reserve	642,817	600,000		
Business Rates Growth Reset			(10,664,378)	(10,877,483)
<b>Business Rates Growth</b>	<b>11,347,330</b>	<b>8,259,550</b>	<b>84,603</b>	<b>86,295</b>

## Total Benefit from Business Rates

<b>Benefit from Business Rates</b>	<b>2020/21 £000's</b>	<b>2021/22 £000's</b>	<b>2022/23 £000's</b>	<b>2023/24 £000's</b>
Core Baseline Funding	36,418	36,418	37,146	37,889
Revenue Support Grant	5,385	5,415	5,415	5,415
Public Health Grant	12,642	12,642	12,642	12,642
<b>Total Baseline Funding Level (BFL)</b>	<b>54,445</b>	<b>54,475</b>	<b>55,203</b>	<b>55,946</b>
Business Rates Benefit above Baseline	11,347	8,260	85	86
Assumptions on Transitional Protection			8,973	7,282
Assumption on Growth Post Reset			1,000	1,000
Collection of 2020/21 COVID deficit over three years		(1,773)	(1,773)	(1,773)
Government Support at 75% of estimated 20/21 deficit		1,330	1,330	1,330
<b>Business Rates Benefit over BFL</b>	<b>11,347</b>	<b>7,817</b>	<b>9,615</b>	<b>7,925</b>
<b>Total Benefit from Business Rates</b>	<b>65,792</b>	<b>62,291</b>	<b>64,818</b>	<b>63,871</b>
<b>Yearly Change</b>				
Change in BFL		30	728	743
Change in Business Rates Benefit		(3,087)	2,489	215
Change in 2020/21 COVID deficit		(443)	0	0
Change in Business Rates Benefit post reset			(691)	(1,904)
<b>Yearly Change</b>		<b>(3,500)</b>	<b>2,526</b>	<b>(946)</b>

Loss in Business Rates over period £(3.500)m + £2.526m + £(0.946)m = £(1.920)m

## Income &amp; Savings Proposals 2020/23

Theme/Title	Service Area	Description of Saving	2021/22 £000's
<b>Income Proposals from previous years</b>			
Traded Services	Central	Traded Services income inflation increase	(281)
New Investment Income	Place	Effect of previous year's Investment Strategy income dropping out	2,824
<b>TOTAL</b>			<b>2,543</b>
<b>Savings Proposals</b>			
<b>Savings carried forward from 2020/21:-</b>			
Person Centred - Reshaping	Adults	Continuation and roll out of the let's talk and right care for you approach to promote independence and support better outcomes	(301)
Liberty Protection Safeguards (LPS)/Portal - Reshaping	Adults	The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.	(201)
Homecare Pilot	Adults	A number of pilots which will trial new ways of working, supporting positive outcomes for service users with financial benefits for the Council	(256)
Market Management	Adults	Pursuing alternative purchasing arrangements with providers.	(68)
Supported Living	Adults	To maximise the current service capacity within the in-house Supported Living Service.	(123)

<b>New Savings in 2021/22:-</b>			
Person Centred reshaping - Mental health and learning disability	Adults	Reshaping of models and care pathways to create a single point of access for care letting, incorporating the lets talk and right care for you approach to promote independence and support better outcomes.	(500)
Learning Disabilities - supported accommodation	Adults	Retender the learning disability supported living accommodation commissioned within Trafford, on a patch basis.	(173)
Learning Disabilities - Develop an assessment facility (Shawe Road)	Adults	The reconfiguration of Shawe Road into an emergency accommodation and assessment unit.	(30)
Care Market - DtA	Adults	Retender of the discharge to assess (DtA) beds	(172)
Care Market – extra care housing	Adults	To develop the extra care housing options, utilising technology, to support people living with dementia for longer in these settings.	(10)
Care – 1:1 hourly rate	Adults	Alignment of the hourly rate for 1:1 hours provided	(10)
Home Care – SaMS	Adults	Retender and reconfiguration of the stabilise and make safe (SaMS) service	(187)
Home Care – rapid discharge	Adults	Reconfiguration of the rapid discharge service	(36)
Digital front door	Adults	Drive through efficiencies and savings as the digital portal is launched at the front door.	(30)
Care at home	Adults	Remodelling of the care at home services	(150)
Community Enhanced Care (CEC)	Adults	Remodelling of the CEC service via the new rapid support services and SAMS.	(150)
General Procurement Savings Target	Adults	Generation of savings on contracts.	(24)

Modernisation of Children's Service	Children	Redesign of Children's Social Care to ensure that the service is organised in the most efficient way that supports effective practice.	(524)
Business Systems	Children	Re-modelling and realignment of Business support within Children's Services	(56)
Home to School Transport	Children	Removal/amendment of the discretionary criteria on home to school transport with the re-introduction of a charging policy.	(48)
Children Placements	Children	A review of demand and placements for looked after children.	(1,500)
General Procurement Savings Target	Children	Generation of savings on contracts.	(18)
LED street lighting – extend to remaining stock	Place	Energy saving from replacing lanterns on cast iron and decorative columns with LED (including replacement of columns where required)	(25)
Property Estates review	Place	Improve efficiency of operational estate, including for example a review of occupation and use of Sale Waterside, Altrincham Town Hall and Flixton House (while still retaining Council ownership). Review opportunities for improved income generation from property assets	(220)
Business rates review	Place	Review rateable value of Council estate	(50)
Parking charges realignment	Place	Increase charges in villages to align with town centres.	(64)
Amended parking tariffs - town centres	Place	A range of charging options assessed for amending the current parking charges in town centres.	(136)
Other Parking Income - Additional Enforcement	Place	Additional enforcement will generate a higher net income from fines	(10)

Charges to capital – operational services client team	Place	Allocation of relevant staff costs which are supporting capital schemes (creates a revenue saving but increases pressure on capital budgets).	(150)
New investment income	Place	This will be in line with our investment strategy, with the aim of replacing income that will be lost when some current investments are repaid.	(3,000)
Major events recovery of support services costs	Place	Holders of major events to pay for all associated support services, for example street cleansing, traffic management.	(207)
Amey call centre telephony operating hours reduced in line with Council contact centre	Place	Saving includes 9-5 access only	(24)
Dim street lights by approximately 20%	Place	Where safe to do so, dimming LED lights further than currently done, delaying when lights come on, and switching lights off earlier in the morning.	(75)
Move to wildflower / good verge guide throughout the Borough.	Place	Positive bio-diversity impact. Some cutting will still take place to maintain sightlines (e.g. for highways).	(95)
Grass cutting review	Place	Grass cutting: Move the cut frequency to 21 days	(67)
20% of greenspaces moved to conservation areas	Place	Reduced maintenance in specified areas	(36)
Cease Night Scouting of Streetlights	Place	Cease provision of all Night Scouting Services - defects reported by residents through the normal means on the main arterial routes.	(9)
Pay inflation	Place	Pay freeze for staff on LG terms and conditions in line with national pay award	(50)

Reduce weed spray from 2 to 1 per annum	Place	Saving in operational delivery of spraying of weeds	(20)
Review cemetery and opening closing contract	Place	Review subcontractor agreement - deliver differently	(20)
Change missed bin response timeframes	Place	Review timeframes for returning to justified missed bins from 24hrs to next working day / 48hrs	(50)
Renegotiate contract performance targets in high cost areas and change in specification of the Amey contract as part of the 7year review	Place	Saving in operational costs e.g. out of hours call out, street lighting response times etc.	(82)
Miscellaneous Licence fees	Place	Improved cost recovery relating to licence fees.	(10)
Review greenspace partnerships	Place	Review contribution to City of Trees and reduce other contributions.	(80)
Place Directorate/Strategic Services and Vacancy Review	Place	Various measures around staffing structures	(250)
Planning and Development	Place	Use of increased planning fee income to cover salary costs in the strategic planning service.	(222)
Remove Free After 3 Car Parking	Place	Remove free Christmas parking after 3pm – additional income	(50)
General Procurement Savings Target	Place	Generation of savings on contracts.	(45)

Review Financial Management Service	Finance and Systems	Would require a service review in the autumn and mainly involve the review of vacant posts and senior management. It would be necessary to ensure the S151 officer is still able to fulfil the statutory financial role of the Council.	(358)
Exchequer Services - robotics and system modernisation	Finance and Systems	Vacant posts would be deleted but introduction of robotics would enable costs to be taken out without reduction in service delivery standards and no impact on the public.	(300)
Review ICT Service - contract and licencing reductions	Finance and Systems	Review of current ICT contracts and licences	(197)
General Procurement Savings Target	Finance and Systems	Generation of savings on contracts.	(3)
Business support – shared services	Strategy and Resources	Review administrative support with a view to exploring shared services, maximising efficiency and potential withdrawal of vacancies.	(150)
Reduce Training Budget by 33%	Strategy and Resources	To undertake mandatory and essential training only for a period of 2 years.	(75)
Review of Directorate vacancies	Strategy and Resources	Managing vacancies within the Directorate to maximise savings.	(35)
General Procurement Savings Target	Strategy and Resources	Generation of savings on contracts.	(2)
Contact Centre - review opening hours	Governance and Community Strategy	The current openings hours for the Contact Centre are 08:30 – 17:30 Monday – Friday. The proposal is to reduce opening hours by 1 hour a day to 09:00 – 17:00 Monday to Friday and realise a staff saving. Reducing opening hours would bring Trafford more in line with other GM authority opening hours.	(115)

General Procurement Savings Target	Governance and Community Strategy	Generation of savings on contracts.	(22)
Voluntary Redundancy/Severance Scheme	Council-wide	Introduction of a VR/VS scheme which allows colleagues to apply to leave the Council's employment through voluntary means. Scheme rules would apply, with the main considerations being impact on ability to deliver services, as well as cost implications (e.g. redundancy and pension strain).	(708)
General Procurement Savings Target	Council-wide	Generation of savings on contracts.	(86)
9 day fortnight - voluntary	Council-wide	A scheme that allows colleagues to apply for a permanent 9 day fortnight. Would use the flexible working policy guidance as a framework to make it a permanent contractual change.	(60)
<b>TOTAL VALUE OF SAVINGS PROPOSALS</b>			<b>(11,725)</b>
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>			<b>(9,182)</b>

## 2021/22 Subjective Budget Analysis

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	STRATEGY & RESOURCES £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>NET BUDGET Brought Forward</b>	<b>42,038</b>	<b>61,769</b>	<b>29,360</b>	<b>6,518</b>	<b>7,880</b>	<b>5,181</b>	<b>22,776</b>		<b>175,522</b>
<u>Budget Pressures :</u>									
Pay	46	37	10	34	55	227	52		<b>461</b>
Living Wage	24	1,183	48	0	0	0	0		<b>1,255</b>
General Inflation	18	24	45	22	3	2	2		<b>116</b>
Contractual Inflation & Obligations	411	1,007	863	26	97	154	0		<b>2,558</b>
Levies	0	0	208	0	0	0	3		<b>211</b>
Demographics/ Care Costs/ Social Worker	1,756	3,250	0	0	0	0	0		<b>5,006</b>
Grants, Legislative & Service Transfers	0	(1,396)	0	0	0	0	(8,695)		<b>(10,091)</b>
Loss of Income	0	0	212	0	0	0	0		<b>212</b>
Treasury Management	0	0	0	0	0	0	5,363		<b>5,363</b>
Policy Choice Investment	0	0	0	0	0	0	0		<b>0</b>
Other	855	1,769	1,574	340	635	350	2,350		<b>7,873</b>
<b>Total Budget Pressures</b>	<b>3,110</b>	<b>5,874</b>	<b>2,960</b>	<b>422</b>	<b>790</b>	<b>733</b>	<b>(925)</b>		<b>12,964</b>
<u>Budget Savings</u>									
Income Generation	0	0	2,824	0	(71)	(210)	0		<b>2,543</b>
Savings Proposals Efficiencies & Policy Choice	(2,146)	(2,421)	(4,913)	(271)	(858)	(262)	(854)		<b>(11,725)</b>
<b>Total Approved Budget Proposals</b>	<b>(2,146)</b>	<b>(2,421)</b>	<b>(2,089)</b>	<b>(271)</b>	<b>(929)</b>	<b>(472)</b>	<b>(854)</b>		<b>(9,182)</b>
<b>PROPOSED NET BUDGET</b>	<b>43,002</b>	<b>65,222</b>	<b>30,231</b>	<b>6,669</b>	<b>7,741</b>	<b>5,442</b>	<b>20,997</b>	<b>0</b>	<b>179,304</b>

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>Funding:</b>									
Council Tax								(101,880)	<b>(101,880)</b>
Council Tax - 1.99% General Increase								(2,027)	<b>(2,027)</b>
Council Tax - 2% Adult Social Care Increase								(3,056)	<b>(3,056)</b>
Council Tax 20/21 Estimated Deficit								1,353	<b>1,353</b>
Council Tax Government Support (COVID-19)								(258)	<b>(258)</b>
Business Rates: Local Share								(150,195)	<b>(150,195)</b>
Business Rates: Tariff Payment								95,720	<b>95,720</b>
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(8,260)	<b>(8,260)</b>
Business Rates 20/21 Estimated Deficit								1,773	<b>1,773</b>
Business Rates Government Support (COVID-19)								(1,330)	<b>(1,330)</b>
<b>Funding Total</b>								<b>(168,160)</b>	<b>(168,160)</b>
<b>PROPOSED FUNDING</b>								<b>(168,160)</b>	<b>(168,160)</b>
<u>Additional Use of Reserves:</u>									
Budget Support Reserve								(11,144)	<b>(11,144)</b>
<b>FUNDING FROM RESERVES</b>								<b>(11,144)</b>	<b>(11,144)</b>
<b>BUDGET GAP</b>									<b>0</b>

## Details of Reserves by Category

## Annex F

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2020	TOTAL COMMITTED 20/21 to 22/23 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 20/21 to 22/23 £000	REVISED BALANCE £000	Narrative
Budget Resilience	MAG Dividend	(550)	(1,000)	(1,550)	550	(1,000)	Previously released <b>in full to support COVID-19</b> pressures. Reviewed at final budget stage, policy to accumulate a balance of 50% of budgeted dividend (approx. £2.5m) to be replenished over five years to reduce risk of future dividend fluctuations. £0.5m increase in annual budget identified to replenish reserve.
Budget Resilience	Budget Support	(9,855)	14,237	4,382	(7,401)	(3,019)	<b>Included realignment from various reserves to support COVID-19 +£10.87m at draft budget</b> , plus £3.7m from GMCA redistribution, less £4.5m agreed budget support in 20/21. Reviewed during preparation of final budget to reflect budget underspend in 20/21 +£2.1m plus Business Rates growth pilot benefit +£2.72m transfers to reinstate various earmarked reserves plus transfer £1m to bolster General Reserve. Drawn down in 21/22 for general budget support £2.8m, <b>plus recurrent COVID pressures over 2 years of £15.44m</b>
Budget Resilience	Business Rate Risk Reserve	(7,978)	(507)	(8,485)	2,335	(6,150)	<b>£2.4m released to support COVID-19 pressures.</b> Increased by underspend in rates budget in 20/21 £1.75m and committed £0.6m to support budget in 21/22, pending outcome of GM rate pool benefits sharing agreement. Remaining balance deemed sufficient to meet underlying business rate volatility.
Budget Resilience	Covid Grant Reserve	(4,722)	4,722	0	0	0	Reserve created from 1st Tranche of support grant paid in 19/20. Will be drawn down in full 20/21.

Budget Resilience	Insurance Reserve	(1,900)	0	(1,900)	200	(1,700)	<b>£200k released for COVID-19 pressures.</b> Balance £1.7m sufficient for potential insurance claims.
Budget Resilience	Earmark Gen - Employment Rationalisation	(1,000)	1,250	250	(500)	(250)	Reserve increased by £0.5m as part of review of final budget robustness to provide sufficient resource to meet anticipated costs of rationalisation in 21/22 and 22/23.
Budget Resilience	Housing Benefit Overpayment Reserve	(500)	500	0	(500)	(500)	Brought forward balance utilised if full to meet underlying pressures in 20/21. Additional resource added to MTFP so need for reserve to mitigate risk should be minimal. Reviewed at final budget robustness and increased by £0.5m to reflect risk of 21/22 budget pressures due to COVID-19
Budget Resilience	High Needs Support Reserve	(468)	0	(468)	468	0	Higher Needs Support Reserve established to meet potential demand in Children with higher needs
Budget Resilience	Timperley Sports Club Synthetic Pitch	(78)	78	0	0	0	This will be used towards replacing synthetic pitches across the Borough
Budget Resilience	Earmark Gen - Legal Expenses	(106)	105	(1)	0	(1)	Reserve established as a contingency to cover volatility in costs associated with defending legal cases.
Budget Resilience	Earmark Gen - Local Search Litigation Costs Settlement	(142)	99	(43)	43	0	Reserve established as a contingency for potential back claims regarding changes in local search litigation costs
Budget Resilience	Earmark Gen - Civic vehicle reserve	(37)	0	(37)	19	(18)	Replacement of mayoral vehicle, <b>50% released for COVID-19 pressures.</b>
Budget Resilience	Smoothing - Waste Levy	(1,059)	487	(572)	488	(84)	To smooth the effects on the Council's budget of movements in the waste levy over the medium term. <b>£0.488m released to support COVID-19 pressures</b>
Budget Resilience	Smoothing - Winter Maintenance	(120)	120	0	0	0	To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.
Budget Resilience	Smoothing - Elections	(144)	144	0	0	0	To smooth the elections budget across the 4 year Municipal cycle.
Budget Resilience	Smoothing - Interest Rate	(2,132)	242	(1,890)	1,000	(890)	£1.0m released to support CIVID-19 pressures. Remaining balance sufficient to

							meet potential short term volatility in the financial markets
Budget Resilience	Exchequer Services Reserve	(142)	141	(1)	0	(1)	Accumulated underspend of unspent grants (ring-fenced for activities such as fraud work, ICT systems, Universal Credit)
Budget Resilience	EU Exit Funding Reserve	(315)	0	(315)	0	(315)	Government funding to be used to enhance capacity and capability within local authorities in preparation for EU Exit related activities
Budget Resilience	COVID-19 General Reserve	0	(2,234)	(2,234)	0	(2,234)	Balance of 4th tranche of General COVID-19 support grant held in reserve to <b>support potential ongoing pressures related to COVID-19</b>
Budget Resilience	Council tax Hardship Reserve	0	0	0	0	0	Balance of Council tax Hardship Grant not spent in 2020/21 £0.75m. To be used to support hardship cases in 2021/22
<b>Sub-Total Budget Resilience and Smoothing</b>		<b>(31,248)</b>	<b>18,384</b>	<b>(12,864)</b>	<b>(3,298)</b>	<b>(16,162)</b>	
Strategic Priority	Transformation Fund	(532)	531	(1)	0	(1)	see below
Strategic Priority	Transformation Fund Match Funding Reserve	(4,286)	1,699	(2,587)	2,000	(587)	Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs. <b>A figure of £2m has been identified as available to support COVID-19 pressures, with remaining commitments now built in to the MTFP.</b>
Strategic Priority	Strategic Investment Fund Risk Reserve	(3,893)	(2,186)	(6,079)	0	(6,079)	Reserve established as a contingency for potential loss of income, additional cost due to delays in investment property fund/ <b>A figure of £0.5m was released to support the COVID-19 pressures. Balance transferred back to this earmarked reserves after review of final budget robustness.</b>

Strategic Priority	Leisure Centres Refurbishment Reserve	(668)	300	(368)	0	(368)	Reserve to manage the risk during leisure centre refurbishment programme and any economic downturn. Particularly loss of income, changes in assumptions for demand, inflation and also risk of potential default on development loan. A budget provision of £300k exists to increase the reserve annually, at draft budget the <b>full balance (£0.967m) in 20/21 was released to meet COVID-19 pressures. Reviewed at final budget and balance retained in this earmarked reserve to meet ongoing COVID pressures in Leisure Trust in 21/22. Provisionally increased by £0.5m to reflect expected bid to Sports England re COVID impact. £1.7m provision could be drawn down in 21/22.</b>
Strategic Priority	Children's Action Fund Reserve	(378)	378	0	0	0	A new reserve of £1.5m which was established in 2019/20 for investment in Children's Services following the recent OFSTED inspection. It is anticipated that this will be drawn down during 2020/21.
Strategic Priority	Bus Reform	(1,500)	0	(1,500)	1,500	0	Reserve established to hold Trafford's share of redistributed GM reserves. To be held for future bus reform however <b>released in full to support COVID-19 pressures.</b> Revenue budget to be provided in 23/24 to reinstate reserve.
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(488)	488	0	(468)	(468)	Major Projects can result in abortive costs and the transfer of schools with deficits can also result in costs which need to be written off and so a small reserve has been created to protect against these two write off risks. Reserve maintained at current levels.
<b>Sub-Total Strategic Priority</b>		<b>(11,745)</b>	<b>1,210</b>	<b>(10,535)</b>	<b>3,032</b>	<b>(7,503)</b>	
	NDR Deficit Reserve	(792)	792	0	0	0	Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting and is not available for any other purpose

Corporate	Star Procurement Earmarked Reserve	(617)	618	1	0	1	STAR revenue budget under/overspends to be carried forward. Commitment to spend is approved by STAR Board (Stockport, Trafford, Rochdale and Tameside). Ring-fenced reserve for members of STAR
Corporate	Planning Income Reserve	(358)	357	(1)	0	(1)	A reserve established to hold surplus planning income in line with Government requirements to reinvest increases in fee income towards improvements in planning services. This is a ring fenced reserve with specific statutory conditions attached to it.
Corporate	Council Tax Smoothing Reserve	(285)	285	0	0	0	Reserve established to hold Trafford's contribution towards Council Tax over distribution 19/20
Corporate	Council Tax Compensation Grant Smoothing Reserve	0	(258)	(258)	0	(258)	New reserve established at Final budget stage to hold Government support in meeting 20/21 Council Tax deficit. Will be drawn down over 3 years as planned in MTFP
Corporate	Business Rates Compensation Grant Smoothing Reserve	0	(1,330)	(1,330)	0	(1,330)	New reserve established at Final budget stage to hold Government support in meeting 20/21 Business Rates deficit. Will be drawn down over 3 years as planned in MTFP
Corporate	General Reserve	(7,000)	0	(7,000)	(1,000)	(8,000)	This is the reserve that the Council is required to hold to protect against in year financial shocks. This has been held at the same level (£7m) for the past 5 years. Robustness review at Final budget stage recommended increase to £8m to absorb higher risks during current climate.
<b>Sub-Total Corporate</b>		<b>(9,052)</b>	<b>464</b>	<b>(8,588)</b>	<b>(1,000)</b>	<b>(9,588)</b>	
Service Area Priority	Earmark Gen - ICT Development	(625)	300	(325)	287	(38)	Reserve established to ensure there are funds available for the replacement of equipment such as ICT and to smooth out maintenance costs as a result of the Digital Investment programme. <b>£288k released to support COVID-19 pressures</b>
Service Area Priority	Economic Development	(663)	600	(63)	0	(63)	Reserve set aside specifically for economic development related projects.

Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(18)	18	0	0	0	Funds earmarked for ICT upgrades plus additional costs associated with the new Altrincham library.
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(40)	40	0	0	0	Carry forward of prior year spend due to slippage on projects - committed on schemes.
Service Area Priority	Earmark Gen - Community Safety	(319)	318	(1)	0	(1)	Investment in Community Safety initiatives.
Service Area Priority	Earmark Gen - LAA Performance Reward Grant	0	0	0	0	0	Revenue element of grant to be allocated to schemes via the Trafford Partnership - £75k to support 2019/20 budget proposals.
Service Area Priority	One Trafford Partnership Reserve	(2,129)	1,392	(737)	500	(237)	Established to hold contractor penalty payments to be invested in one-off Partnership schemes. <b>£500k released to support COVID-19 pressures.</b>
Service Area Priority	Sports Partnership Reserve	(215)	216	1	0	1	Ring-fenced funding from Sports Partnership to be used on specific projects
Service Area Priority	Earmarked Service C/fwd. <b>CFW</b> (was CYP)	0	0	0	0	0	
Service Area Priority	Earmarked Service C/fwd. <b>Place</b>	(651)	525	(126)	209	83	Service Carry Forward Place. £209k released to support COVID-19 pressures.
Service Area Priority	Earmarked Service C/fwd. <b>T&amp;R</b>	0	0	0	0	0	
Service Area Priority	Earmarked Service C/fwd. <b>G &amp; CS</b>	(127)	126	(1)	0	(1)	Service Carry Forward Governance and Community Services
Service Area Priority	Earmarked Service C/fwd. <b>F &amp; S</b>	(380)	381	1	72	73	Service Carry Forward Finance and Systems. <b>£72k released to support COVID-19 pressures.</b>
Service Area Priority	Earmarked Service C/fwd. <b>P &amp; TS</b>	(570)	570	0	0	0	Service Carry Forward People and Traded Services
Service Area Priority	Earmarked Service C/fwd. <b>Children</b>	(453)	0	(453)	0	(453)	Service Carry Forward Children's
Service Area Priority	Traded Services Reserve	(451)	234	(217)	200	(17)	Service Carry Forward Traded Services. <b>£200k released to support COVID-19 pressures.</b>
<b>Sub-Total Service Area Priority</b>		<b>(6,641)</b>	<b>4,720</b>	<b>(1,921)</b>	<b>1,268</b>	<b>(653)</b>	
<b>SUB-TOTAL Earmarked Reserves</b>		<b>(58,686)</b>	<b>24,778</b>	<b>(33,908)</b>	<b>2</b>	<b>(33,906)</b>	

Capital Related Reserves	(21,772)					
School Related Reserves	(10,898)					
<b>SUB-TOTAL</b>	<b>(32,670)</b>					
<b>Total Reserves</b>	<b>(91,356)</b>					

## 2021/22 Objective (Service) Budget Analysis

## Annex G

SERVICE EXPENDITURE ANALYSIS	Net Budget 2020/21 (£'000)	Proposed Net Budget 2021/22 (£'000)	Movement (£'000)
<b>Children's Service</b>			
Children with Complex and Additional Needs	909	768	(141)
Commissioning	1,628	1,714	86
Children's Social Services	28,237	28,229	(8)
Education and Early Years' Service	6,496	7,095	599
Early Help Delivery Model	2,049	2,522	473
First Response	2,557	2,510	(47)
Youth Offending Service	161	163	2
DSG		0	0
<b>Children's Service Sub-Total</b>	<b>42,037</b>	<b>43,002</b>	<b>964</b>
<b>Adults Service (incl. Public Health)</b>			
Client Costs	54,816	58,809	3,993
BCF and Other Grants	(19,494)	(20,820)	(1,326)
Assistive Equipment and Technology	1,004	991	(13)
Social Care Activities - Care Management	10,778	11,185	407
Commissioning and service delivery	2,285	2,338	53
Public Health	12,381	12,718	337
<b>Adult Service Sub-Total</b>	<b>61,770</b>	<b>65,222</b>	<b>3,451</b>
<b>Place</b>			
One Trafford Partnership	17,093	17,779	686
Street Lighting Energy	868	811	(57)
Media Advertising	(817)	(417)	400
Waste Disposal Levy	15,695	15,903	208
Strategic Management	1,586	1,408	(178)
Property Investment Fund	(7,431)	(7,607)	(176)

<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2020/21 (£'000)</b>	<b>Proposed Net Budget 2021/22 (£'000)</b>	<b>Movement (£'000)</b>
Sport and Leisure	118	119	1
Economic Growth & Planning	2,026	1,729	(297)
Public Protection & Enforcement	523	617	94
Parking Services	(1,166)	(982)	184
Strategic Support Services	866	870	4
<b>Place Sub-Total</b>	<b>29,361</b>	<b>30,231</b>	<b>869</b>
<b>Governance and Community Strategy</b>			
Legal & Democratic Services	2,428	2,677	249
Access Trafford	3,065	2,966	(99)
Partnerships and Communities	503	369	(134)
Arts and Culture	714	848	134
Directorate Wide Efficiency -G&CS	(193)	(192)	1
<b>Governance and Community Strategy Sub-Total</b>	<b>6,517</b>	<b>6,669</b>	<b>151</b>
<b>Finance and Systems</b>			
Finance Services	5,283	4,707	(576)
ICT Services	2,785	3,222	437
Transformation	0	0	0
Directorate Wide Efficiency -F&S	(188)	(188)	0
<b>Finance and Systems Sub-Total</b>	<b>7,880</b>	<b>7,741</b>	<b>(139)</b>
<b>People and Traded Services</b>			
Human Resources	2,572	2,525	(47)
Communications	240	240	0
Executive	463	463	0
School Crossing Patrols	438	442	4
Bereavement Services	(678)	(658)	20
Catering & Cleaning Traded Services	244	444	200

<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2020/21 (£'000)</b>	<b>Proposed Net Budget 2021/22 (£'000)</b>	<b>Movement (£'000)</b>
Music Service	239	359	120
Business Intelligence	1,126	1,799	673
Directorate Wide Efficiency -People	537	(170)	(707)
<b>People and Traded Services Sub-Total</b>	<b>5,181</b>	<b>5,442</b>	<b>263</b>
<b>Total Service Budget</b>	<b>152,746</b>	<b>158,305</b>	<b>5,559</b>
<b>Council Wide Service</b>			
Transport Levy	16,209	16,209	0
Flood Defence	149	152	3
Coroner's & Mortuary	728	728	0
AGMA/ Other	495	495	0
Contingencies, Provisions and Corporate savings	1,837	2,854	1,017
Interest Receivable (incl. Airport Dividend)	(7,545)	(702)	6,843
Loan Debt (principal and interest)	9,163	7,683	(1,480)
Insurance	840	860	20
Members Expenses	870	886	16
Other Centrally held budgets	1,934	2,434	500
Central Grants	(1,906)	(10,605)	(8,699)
<b>COUNCIL-WIDE BUDGETS</b>	<b>22,774</b>	<b>20,996</b>	<b>(1,780)</b>
<b>Proposed Net Budget</b>	<b>175,520</b>	<b>179,304</b>	<b>3,779</b>

**REPORT of the DIRECTOR OF FINANCE AND SYSTEMS  
to the COUNCIL 17 FEBRUARY 2021  
ROBUSTNESS of the 2021/22 PROPOSED BUDGET ESTIMATES  
(S25-26 LGA 2003)**

**1. INTRODUCTION**

- 1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).
- 1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.
- 1.3 A summary of this report providing the general opinion is included within the main report at section 6.
- 1.4 In drafting the budget reports close consideration has been given to various publications and relevant information from Cipfa, namely:-
- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;
  - **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and
  - **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.
- 1.5 In respect of the FRI there are a number of areas which show the Council to have higher levels of risk compared to similar local authorities, particularly:-
- **the level of reserves** as a proportion of net revenue budget – this is a recognised risk and whilst the Council has successfully replenished reserves in previous years, their relatively low level remains a concern particularly given the planned application over the next two years to support the ongoing costs related to the impact of Covid-19 which are not met from government support. To mitigate the impact of this application of reserves these budget plans include for a “repayment of reserves” over the medium to long term. In addition, based on the overall budget monitoring position as reported to Executive in January 2021 it is expected that some material contributions will be made to reserves in 2020/21. Given the size of the budget gap in 2022/23 prioritisation will be given to replenishing the budget support reserve to a level of 50% of this budget gap in 2021/22 by reallocating from other reserve areas.
  - **the level of business rate growth** above baseline supporting budget – this continues to be an ongoing and significant risk given the impact of Covid-19

on the economy, particularly the retail, hospitality and leisure sectors. The Council's budget currently relies on business rate growth of £8.3m above nationally set business rate baselines. A Government safety net exists which means it would step-in only in the event that business rate income fell by 7.5% below business rate baselines. For Trafford this would equate to an overall fall in income of £11m, equivalent to a fall in overall rateable values of £22m before any Government support was forthcoming. If business rate income falls then this risk is borne by the Council and is therefore a significant budget risk for which a Business Rate Risk Reserve is maintained; the estimated balance of this is £6.1m at 31 March 2021. The ongoing impact of Covid-19 and Brexit will inevitably place Trafford at a greater risk as a result of the large business rates base in Trafford including both Trafford Park and the Trafford Centre and key town centre sites. To protect businesses in the retail, hospitality and leisure sectors in 2020/21 from the effects of Covid-19 all retail, hospitality and leisure received 100% relief on their business rate bills, at a cost nationally in the region of approximately £11bn. Whilst Government has said it would review the extent of any continued support to the sector in 2021/22 the economic situation places a significant financial risk on the Council in the event of a contraction in the business rates base caused by closures of retail businesses; the extent of this will be directly linked with the form of any continuing Government support for businesses from April 2021.

- In addition any future national reset of the business rate system would impact on the levels of business rate funding supporting the budget plans, although Government have strongly indicated that any adverse implications would be dampened by a national transitional protection scheme. A significant business rate risk reserve is also maintained in the Council's accounts as well as a prudent provision to offset the impact of future business rate appeals.

## **2. IMPACT OF Covid-19**

- 2.1 After eleven years of austerity funding reductions the ability to balance budgets is extremely challenging. Compounding this has been the impact of the Covid-19 Pandemic in 2020/21 and its medium term impact on not just ongoing expenditure and income pressures but also on funding the Council receives from council tax and business rates.
- 2.2 These budget plans assume an ongoing impact in 2021/22 and then abating in 2022/23, albeit a longer term pressure is included on council tax collection rates. To meet the pressures in the short term the financial plans in this budget report have been aligned to the Government assumptions at this stage which assume the majority of cost and income pressures to continue through the first quarter of 2021 and for which they have announced ongoing funding support for these. Given these plans were announced prior to the national lockdown in January there is now a risk these pressures could continue for longer. Within the budget plans the general contingency budget has been bolstered to cover any longer term implications if no additional government support is announced.
- 2.3 What we do know is that our overall "business as usual" expenditure pressures in a number of areas are unavoidable with rises in costs due to pay inflation and living wage increases, general inflation on contracts and goods and services and demography are predicted to cost the Council in the region of £10m annually with assumed increases in Council Tax only part mitigating these pressures. It is

imperative that local government receives news of longer term funding certainty when the Government announces its Spending Review in 2021.

- 2.4 Given the short term uncertainty, the pressures on the financial plans caused by Covid-19 and the size of the remaining budget gap in 2022/23 the risk attached to our budgetary position will continue to be a classed as a significant risk in the Strategic Risk Register.

### **3. PROCESS**

- 3.1 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2020/21 budget monitoring process and planning process review have been addressed in the 2021/22 budget wherever appropriate.
- 3.2 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by the Financial Management Service.
- 3.3 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2021/22 and the assumptions the budget is based on, which includes income targets.
- 3.4 With the support of the senior finance staff within the Financial Management Service, I have undertaken a review of the Executive's budget proposals (both revenue and capital budget and reserves) at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2021/22 and in the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.
- 3.5 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year with monthly updates on financial performance reviewed. Savings will continue to be monitored through CLT as part of the budget monitoring process which is a well-established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year. In addition monthly budget monitoring is reported to CLT on all high risk budgets.
- 3.6 I have also taken account of how the Council is likely to react if an adverse financial situation was to arise during the year. This helps in assessing the adequacy of reserves.
- 3.7 In assuring the robustness of the Council's budget it is also important to have regard to the financial management capabilities across the organisation and this includes regular updates to the training given to budget holders and also to Council Members and the range of available training, supported by the Financial Management Service, will be reviewed during the year.

#### 4. BUDGET 2021/22

4.1 **The year ahead presents a number of financial challenges**, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required. These are detailed below and paragraph 4.2 refers specifically to concerns for 2022/23 given the expected reset of the business rate retention scheme baselines, implementation of fairer funding and compounded by the use a one-off reserves supporting the 2021/22 budget.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will now take place in 2022/23 rather than 2021/22 as originally intended. This will give rise to significant financial turbulence and has made financial forecasting extremely difficult. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the Council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. The delay in resetting the system, whilst in part good news, exposes the Council to a further year of potential decline in business rate funding and ongoing impact of the Covid-19 pandemic. To mitigate against any adverse impact priority has been afforded to maintaining a material Business Rate Risk Reserve.
- The delivery of the savings programme will be a challenge. All proposals have been subject to review and all business cases have been examined by budget holders and Strategic Finance Managers. There will continue to be significant demands on the capacity of managers and staff and particularly given the size of savings programme.
- There is potential for increases in demand on social care services in both children's and adult services following in the recovery stages from the Pandemic. Whilst the full implications are not known at this stage this poses a risk to the budget. In addition a small number of the savings proposals are high risk or require further consultation. **Therefore an additional temporary increase to the general contingency within the "council wide" section of the budget of £1.5m for the next two years has been included in the budget plans to mitigate these risks.**
- A review and realignment of earmarked reserves has been undertaken to cover potential and expected pressures in a number of areas including the Housing Benefit budget, the continuing pressures that will be faced by Trafford Leisure during 2021 and a bolstering of the Employment Rationalisation Reserve to cover the impact of voluntary severance cost in 2021.
- The approach to investments as included in our investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of action continues to provide a secure source of income to support the revenue budget and remains proportionate. In this regard close attention continues to be given to all updates from MHCLG and the Cipfa Prudential Code. A review of all

assets is undertaken on an annual basis to determine the appropriateness of the level of specific reserve set aside to cover all outstanding risks. Particular pressure will be felt during 2021 on the investments made to support town centre regeneration and in the event that interventions are not sufficient to minimise any losses that arise, any shortfalls in income required to cover borrowing costs will be funded by the Investment Risk Reserve.

- Additional investment is being made in our Children's Services teams, particularly Early Help with the aim that through this service modernisation programme there will be an increase in the quality of services and lead to reduced demand and in later years and ultimately, net budget savings. In the event that future savings are not achieved to the level anticipated, additional headroom has been included in the general contingency.
- The Council has ambitions to undertake some substantial regeneration and development in the Borough with particular focus on town centre regeneration and provision of new housing. An outcome of this is that it will generate new capital receipts which can be used to support capital investment in the Council's property and infrastructure but given the lead in times to some of this development it is likely to mean that more of the capital receipts are realised in 2022/23 and 2023/24. This potentially will give rise to some short term temporary borrowing to finance the capital programme, the costs of which will be financed from the Interest Rate Smoothing Reserve.
- **Having assets that are in good condition and suitable for the delivery of Council priorities is crucial and in order to support this additional prudential borrowing of £10m has been included to cover required investment in our key assets.**
- There is always the risk that the Council could face legal challenge in relation to any of the decisions it makes, and whilst every effort has been made to guard against the likelihood of successful challenge, the costs of defending any such proceedings can be significant;
- The uncertainty that exists on demand led services, particularly in adults and children's social care continues to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2021/22 budget plans to reflect the latest demand pressures.
- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs;
- Pressures are continuing to be felt on school budgets and also in high needs provision where government funding increases are not keeping pace with the demands on expenditure. A working group is currently being established to look at how this pressures can be addressed in 2021/22.

## 5. FUTURE YEARS

- 5.1 The decisions in this report and the utilisation of a level of temporary reserves funding increases the challenges for future years. Current projections still leave a budget gap of £11m in 2022/23 even after assumptions on additional funding raised from general council tax increases and the social care precept. After eleven years of making

savings and achieving additional income to balance the budget there is limited scope to achieve future savings given the increased demand pressures in adults and children's services. Whilst Government have started to acknowledge some of these pressures any additional funding provided has failed to keep pace with these demand pressures.

5.2 It is therefore crucial that as soon as this budget is agreed both senior officers and Executive Members begin consideration of the corporate priorities and overall budget strategy in advance of any further funding updates during 2021. This exercise should aim to be well under way by the end of Q1 2021/22 and identify a range of options that can address the significant budget gap for 2022/23 in advance of funding announcements which are expected to be made in the autumn of 2021.

5.3 It is unlikely that any indicative funding figures will be made available by Government until late summer or early autumn 2021 which will make financial planning difficult for 2022/23 and is why advance work needs to commence in March and April. A number of potential mitigating factors exist:-

- In the summer/autumn there will be a longer-term Spending Review, alongside the Fair Funding Review (FFR) of the allocation and distribution of those resources, and a review and upcoming reset of the business rates tax.
- The outcome of the FFR and Business rate reset is now expected during 2021 and at this stage it will be necessary to review the existing budget assumptions, particularly those included for the transitional arrangements that are to be put in place.
- The continuing modernisation programme and digital improvements are expected to yield some benefits which are capable of supporting the budget.
- The Council's current budget contains a modest level of discretionary services which will be reviewed during 2021 as well as fees and charges.
- It is imperative that the Council lobby Government for a change in the current council tax referendum levels such that more discretion is afforded for those authorities with a below average level of council tax.

5.4 Given the size of the budget gap in future years it has been necessary to review the level of the Budget Support Reserve and the proposals in this report recommend a full rationalisation and review of reserves such that a balance of £5.5m can be reinstated, being 50% of the remaining budget gap for 2022/23. This will provide a prudent level of budget resilience for the 2022/23 budget process. The reinstatement of the Budget Support Reserve to such a level is a key financial priority and whilst a challenge for the Council given the low level of reserves could be achieved by:-

- Earmarking any outturn savings achieved in 2020/21
- Potential one-off redistributions from AGMA budgets, including waste and retained business rates
- Review of Service Area Priority Reserves
- Review of Business Rate Risk Reserve

5.5 During the year school balances are reviewed and whilst a number of schools are operating with an in-year deficit they have sufficient reserve cover in most instances to support this. Where necessary a team comprising of finance, HR and support from school improvement help support schools in financial difficulty. In a small number of cases some schools have licensed deficits, the position of which is regularly monitored to ensure recovery action plans are developed and implemented. In the event of sponsored academisation the responsibility of any legacy school deficit remains with the local authority, therefore our reserves strategy takes this risk into consideration.

## **6. OUTCOME OF REVIEW**

6.1 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible. As part of the review of draft savings proposals, risk assessment and mitigating action a number of changes in assumptions were subsequently made, the salient ones are as follows:

- It is a key priority to reinstate the level of the Budget Support Reserve to a level equivalent to 50% of the remaining budget for 2021/22, i.e. £5.0m
- Priority to be given to replenish reserves over the long term given the significant use to support any short term impact caused by Covid-19
- Temporary increase to the general contingency budget to cover the risk associated with the delivery of the savings programme, continuing impact of Covid-19 and to cover any pressures on social care services in the recovery stages from Covid-19.
- Priority be given to an increase in the level of general reserve from its current level of £7m to £8m primarily due to the risks around the Investment Strategy and business rate funding pressures.
- Start the 2022/23 budget immediately to commence scenario planning in the event the upcoming national budget and spending review fail to address the financial pressures of local government
- Proportionality of the Investment Strategy has been assessed and appropriate and prudent levels of risk reserve and MRP are being set aside.
- A full review of the fair price for care level for adult social care homes
- A pressure on the Housing Benefit budget caused by an increase in temporary, homeless and supported accommodation costs which are not fully reimbursed through housing subsidy. This shortfall is being compounded by a reduction in recovery rates for benefit overpayments and a move to Universal Credit. Therefore a specific reserve has been created.
- Earmark an element of the Interest Rate Smoothing Reserve in the event there is a need to undertake any short term borrowing to support the capital programme.
- Increase in budget provision within Adults Social Care due to the impact the external care market is having on client costs.
- The leisure centre strategy will need further review before the commitment of the next phases of development.

## **7. CONCLUSION**

- 7.1 This statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.
- 7.2 On the basis of the above mentioned financial planning and monitoring processes together with the risk assessment of the budget, the Director of Finance and Systems is able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £8m for 2021/22.

## Annex I

### OUTLINE OF 2021/22 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

-	<b>Description</b>	<b>Amount per pupil</b>		<b>Pupil Units</b>		<b>Sub Total</b>	<b>Total</b>
	Primary (Years R-6)	£3,207.18		21,024.00		£67,427,752	
	Key Stage 3 (Years 7-9)	£4,495.16		9,956.00		£44,753,813	<b>£144,143,132</b>
	Key Stage 4 (Years 10-11)	£5,057.21		6,320.00		£31,961,567	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
Deprivation	FSM	£462.51	£462.51	2,849.00	2,051.00	£2,266,299	<b>£11,104,888</b>
	FSM6	£578.13	£844.58	3097.20	2,802.54	£4,157,555	
	IDACI Band F	£216.17	£311.69	1,754.14	1,346.47	£798,873	
	IDACI Band E	£261.42	£417.26	1,504.76	1,183.27	£887,106	
	IDACI Band D	£412.23	£583.16	1267.26	805.88	£992,361	
	IDACI Band C	£447.43	£633.43	656.38	628.64	£691,885	
	IDACI Band B	£477.59	£683.71	731.58	742.71	£857,195	
	IDACI Band A	£623.38	£869.71	318.69	293.14	£453,613	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
English as an Additional Language	EAL 3	£553.00	£1,493.09	2,403.24	236.40	£1,681,957	<b>£1,726,094</b>
Mobility		904.91	1297.03	43.30	3.82	£441,137	
		<b>Amount per pupil</b>		<b>Eligible proportion of primary and secondary NOR respectively</b>			
Prior attainment	Low Attainment % new EFSP	£1,100.97		5,131.86		£5,650,022	<b>£9,056,850</b>
	Low Attainment % old FSP 78						
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,669.05		2,041.18		£3,406,829	
Lump Sum						£118,442.01	<b>£9,949,129</b>
Split Sites							<b>£40,000</b>
Rates							<b>£1,573,195</b>
Additional funding under the minimum funding level (primary £4,180 secondary £5,415)							<b>£6,126,692</b>
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>							<b>£183,719,981</b>

Minimum Funding Guarantee (MFG is set at + 2%)	<b>£2,434,967</b>
<b>Total Funding For Schools Block Formula</b>	<b>£186,154,949</b>
<b>less de-delegation</b>	<b>-£651,866</b>
<b>less Education functions</b>	<b>-£216</b>
<b>Total Funding For Schools Block Formula less de-delegation</b>	<b>£185,502,867</b>

## Formal Council Tax Resolution

### The Council is recommended to resolve as follows:

1. It be noted that on 6th January 2021 the Council calculated
    - (a) the Council Tax Base 2021/22 for the whole Council area as 75,816 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
    - (b) 1,578 for dwellings in the Parish of **Partington**;
    - (c) 126 for dwellings in the Parish of **Carrington**;
    - (d) 165 for dwellings in the Parish of **Warburton**;

to which Parish Precepts relate.
- It is recommended : -**
2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2021/22 (excluding Parish precepts) as £106,963,487.
  3. That the Council agrees the calculation of the Aggregate Amounts for the year 2021/22 in accordance with Sections 31 to 36 of the Act:
    - (a) £573,334,655 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
    - (b) £466,277,019 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
    - (c) £107,057,636 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
    - (d) £1,412.07 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
    - (e) £94,149 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
    - (f) £1,410.83 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
    - (g) £1,462.87 **Parish of Partington** being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's

area mentioned at 3(e) above divided by the amount at 1(b) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) £1,440.83

**Parish of Carrington**

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(c) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate

(i) £1,460.83

**Parish of Warburton**

being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(c) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate

4. The council tax set by Trafford Council includes a 3.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2021/22 the Mayoral Police and Crime Commissioner and the Mayoral General (including Fire Services) have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.
6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate shown in the tables below as the amounts of Council Tax for 2021/22 for each part of its area and for each of the categories of dwellings.

**Valuation Bands**

<b>Council Tax Schedule 2021/22</b>	<b>Band A £</b>	<b>Band B £</b>	<b>Band C £</b>	<b>Band D £</b>	<b>Band E £</b>	<b>Band F £</b>	<b>Band G £</b>	<b>Band H £</b>
<b>Trafford Council (including Adult Social Care Precept)</b>	940.55	1,097.31	1,254.07	1,410.83	1,724.35	2,037.87	2,351.38	2,821.66
<b>Mayoral Police and Crime Commissioner Precept</b>	145.53	169.78	194.04	218.30	266.81	315.32	363.83	436.60
<b>Mayoral General Precept (including Fire Services)</b>	60.63	70.73	80.84	90.95	111.16	131.37	151.58	181.90
<b>Sub total</b>	<b>1,146.71</b>	<b>1,337.82</b>	<b>1,528.95</b>	<b>1,720.08</b>	<b>2,102.32</b>	<b>2,484.56</b>	<b>2,866.79</b>	<b>3,440.16</b>

<b>Partington</b>								
Parish only	34.69	40.48	46.26	52.04	63.60	75.17	86.73	104.08
Parish & District only	975.24	1,137.79	1,300.33	1,462.87	1,787.95	2,113.04	2,438.11	2,925.74
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,181.40</b>	<b>1,378.30</b>	<b>1,575.21</b>	<b>1,772.12</b>	<b>2,165.92</b>	<b>2,559.73</b>	<b>2,953.52</b>	<b>3,544.24</b>
<b>Carrington</b>								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	960.55	1,120.64	1,280.74	1,440.83	1,761.02	2,081.20	2,401.38	2,881.66
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,166.71</b>	<b>1,361.15</b>	<b>1,555.62</b>	<b>1,750.08</b>	<b>2,138.99</b>	<b>2,527.89</b>	<b>2,916.79</b>	<b>3,500.16</b>
<b>Warburton</b>								
Parish only	33.33	38.89	44.44	50.00	61.11	72.22	83.33	100.00
Parish & District only	973.88	1,136.20	1,298.51	1,460.83	1,785.46	2,110.09	2,434.71	2,921.66
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,180.04</b>	<b>1,376.71</b>	<b>1,573.39</b>	<b>1,770.08</b>	<b>2,163.43</b>	<b>2,556.78</b>	<b>2,950.12</b>	<b>3,540.16</b>

### PARISH COUNCIL PRECEPTS

Parish/Town Council	2020/21			2021/22			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,573	81,859	52.04	1,578	82,119	52.04	0.0%
Carrington	125	3,750	30.00	126	3,780	30.00	0.0%
Warburton	166	0	0	165	8,250	50.00	N/A
<b>TOTAL</b>	<b>1,864</b>	<b>85,609</b>		<b>1,869</b>	<b>94,149</b>		