Agenda Item 3

TRAFFORD BOROUGH COUNCIL

Report to:	**Executive**
Date:	**11 October 2021**
Report for:	**Decision**
Report of:	**Executive Member for Finance and Governance and the Director of Finance and Systems**

Report Title

Executive's Draft Revenue Budget Proposals 2022/23 & MTFS 2023/27

Summary

This report sets out the Executive's updated 5 year budget strategy proposals including the draft revenue budget proposals for 2022/23 and the Medium Term Financial Strategy (MTFS) for the period 2023/27.

The key summary of figures for the revenue budget, based on current estimates are:

- The draft overall budget movement for 2022/23 is an increase in the net budget of £13.97m or 7.8%, from £179.47m to £193.44m.

- The budget gap for the five years before applying any of these draft budget proposals is currently estimated to be £61.51m comprising:
  - £54.41m of business as usual expenditure and funding pressures
  - £7.10m of COVID-19 pressures

- This report presents a draft set of budget proposals to balance the planned budget gap of £21.75m in 2022/23, which in line with our five year strategy, contributes towards closing this budget gap by £17.10m via a mixture of measures:
  - Additional funding
  - Planned use of earmarked reserves
  - New savings and income generation

- These proposals will now form the basis of consultation with members of staff and, where required, the general public and are therefore subject to change; the draft proposals are also subject to review by the Scrutiny Committee.

- It should be noted that if all the budget proposals in this report are implemented there currently still remains a residual budget gap of £25.05m over the five years, comprising:
  - £4.65m in 2022/23,
  - £10.95m in 2023/24,
  - £3.92m in 2024/25,
  - £3.27m in 2025/26 and
  - £2.26m in 2026/27

- Note this assumes the ongoing impact of COVID-19 pressures in 2022/23 only and the use of reserves to mitigate the potential ongoing risk from the significant income streams from Business Rates and the Asset Investment Strategy. Any further recurrent impact in later years which could not be mitigated by the use of reserves would represent a further increase to the budget gap in those later years.

- Final decisions will be taken by the Executive after taking into consideration further proposals to address the gap, all relevant matters and feedback, at which time a proposed budget will be put to full Council for approval on 16 February 2022.

Recommendations

It is recommended that the Executive:

a) Approve the 2022/27 proposed budget strategy, including the 2022/23 draft revenue budget and the 2023/27 MTFS. The income and savings proposals are included for the purposes of consultation only (where necessary) and these proposals will also be referred to the Scrutiny Committee for their consideration;

b) Notes the proposal to increase Council Tax by 3.99% in 2022/23 (comprising 2.0% adult social care precept and 1.99% general increase) and by similar levels for the remaining years of the MTFS 2023/27;

c) Notes the remaining budget gap for the years 2022/23 to 2026/27;

d) Notes that the draft proposals are subject to various consultation exercises, further analysis of reserves, savings and income including impact assessments, potential future movements in core funding and specific grants, revised costings and robustness assessments.

Contact person for access to background papers and further information:

Name: Cllr Tom Ross Graeme Bentley
Extension: 4336
Background Papers - None

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2022/23 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	The update to the Corporate Plan has been done to ensure alignment with GM priorities where possible.
Financial	The report sets out the proposed draft revenue budget for 2022/23
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. Where appropriate the Council will carry out consultation in relation to specific proposals within the budget. All proposals will also be assessed in line with the Council's Public Sector Equality Duty. Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements. 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	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Sustainability Implications	None arising out of this report.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – any impact on staffing will be subject to consultation.
Risk Management Implications	The risks associated with each budget proposal have been assessed and further work will be undertaken before the final budget is presented to Executive in February 2022.
Carbon Reduction	Various budget proposals in the revenue and capital budgets support the carbon neutral action plan.
Health and Wellbeing Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Health and Safety Implications	An impact assessment of each budget proposal to be carried out.

Other Options

The budget proposals included in this report assume an overall increase to the level of council tax of 3.99% in 2022/23 comprising an increase of 2.0% 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 could be made to increase its 'relevant basic amount of council tax' above these levels. However this would exceed the referendum limits, which would mean a local referendum would be required to be held before any such increase could be implemented. Alternatively not increasing council tax by the level recommended in this report, subject to the final referendum level being notified in December 2021, would increase the overall funding gap by up to £4.48m in 2022/23 which would mean further reductions to expenditure on council services would be necessary.

Consultation
The report recommends that the draft and indicative proposals go forward for consultation (where necessary).

Reasons for Recommendation
To enable consultation with the public, businesses (s65 of the Local Government Finance Act 1992), stakeholders, staff and Scrutiny Committee to take place

Key Decision
This is a key decision currently on the Forward Plan: No

Finance Officer Clearance …DM……..
Legal Officer Clearance *…JL…….……*

DIRECTOR'S SIGNATURE

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

Executive's Draft Revenue Budget Proposals 2022/23 & 2023-27 Medium Term Financial Strategy

11 October 2021

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FOREWORD by the EXECUTIVE MEMBER for FINANCE and GOVERNANCE COUNCILLOR TOM ROSS

I am pleased to present the Council's draft budget report for the period 2022/23 to 2026/27.

The report sets out proposals for the Council's Revenue Budget for 2022/23 and Medium Term Financial Strategy for 2023/27; it also provides an update on the spending priorities across the Capital Programme and the Dedicated Schools Grant (DSG) budgets. The report also details the key financial challenges and issues which will be faced by the Council over the forecast period and sets out the Executive's revenue budget proposals for 2022/23 together with updated budget reduction requirement estimates for the period 2023/24 to 2026/27.

The Medium Term Financial Strategy has a vital role to play in enabling the delivery of the Council's ambition and priorities. COVID-19 has brought about significant change and it is imperative the Council plays a key role in the lives of people as we move into a post-pandemic period. We need to grasp the opportunity to work together to focus improvements and opportunity for our local communities, support the rebuilding of our local economy, including our town centres and address the inequalities faced by some.

For that reason a review has been undertaken of our strategic priorities and the kind of council we want to be to ensure that the vision and priorities are still relevant. There is a need to acknowledge the changing role of Voluntary, Community, Faith and Social Enterprise (VCFSE) groups, and the invigorated partner working that has occurred. The pandemic has also highlighted the emerging and new ways of delivering our health and social care services as well as the need to focus on supporting digital services and reducing inequalities.

More detail on the updated priorities is included in **Section 1.**

The financial context and challenges faced by the Council are detailed in **Section 2.** After over a decade of funding reductions which has seen a reduction of £15bn in core local government funding, the next few years will still pose an extremely difficult financial challenge to the Council.

In a normal period the financial strain caused by inflationary costs on budgets covering pay and contracts, the cost of the national living wage and increasing demand for social care services outstrip any funding increases available to the Council. This challenge to setting a balanced and sustainable budget is further compounded by the uncertainty of the longer-lasting service demands and income stream pressures caused by COVID-19, including the impact on the dividend the Council would normally expect to receive from its shareholding in Manchester Airport; although a recovery is expected in the industry, we have taken a prudent approach to our budget assumptions and have excluded any dividend for the foreseeable future.

The pressures faced by local government have been well articulated by the Public Accounts Committee in their findings following a review of local government finance earlier in the year. These findings recommend the rest of government to be mindful

of the unsustainable funding pressures faced by local government when allocating resources to the sector in future years.

There is still a high level of uncertainty surrounding local government finance, both in terms of next year's funding settlement and locally due to the uncertainty around the future of further business rates retention and fair funding reforms. In addition, the recently announced plans for health and social care reform give little certainty or solution to the immediate funding challenges facing our social care services.

The Spending Review, expected later in October 2021, will at least provide some clarity on the funding settlement for local government which will be further developed with the announcement of the provisional local government settlement in December 2021. These should provide some much needed clarity on local government funding over the next few years, albeit it is imperative that full consideration of the longer term effects of the pandemic on local government finance and the current fragmented approach to funding are addressed.

The starting point for preparing the 2022/23 revenue budget estimates is the Month 4 2021/22 revenue budget forecast outturn position which is summarised in **Section 3.** It highlights a current adverse projected variance for 2021/22 of £2.2m (including continuing pressures related to COVID-19) and elements of this position have been factored into the medium term financial strategy for 2022/23 and later years.

Our Investment Strategy continues to play a major role in supporting delivery of key regeneration priorities and also helping to balance our financial plans. To date, total investments, including commitments, of approximately £337m have been made and these initiatives are already delivering crucial additional revenue that is being used to support our budget plans and maintain public services. Estimated net returns of £7.61m are currently supporting the revenue budget in 2021/22 and the budget plan is to at least maintain this level in future years.

To help plan for the 2022/23 budget, a number of workshops have been held with the Executive and officers firstly to take stock of the overall budget position, the assumptions underpinning the financial forecasts and the extent of the funding gap over the next five years and then to develop proposals to address that gap. This is a longer planning period than the usual three years to better demonstrate the medium term pressures the Council faces.

Since the 2021/22 budget was approved by Council in February 2021, there have been a number of budget changes, with the overall gross budget gap for the next five years now standing at £61.51m, before the inclusion of previously proposed savings and policy choice funding increases.

Budget Movements	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	Total (£'000)
NET BUDGET GAP (Budget Feb 21)	**11,119**	**10,303**	**(96)**	**2,511**	**487**	**24,324**
Reverse 1.99% General Increase in basic Council Tax	2,183	2,289	2,400	2,520	2,647	12,039
Reverse 2% Social Care Precept	2,296	2,356	2,412	2,533	2,661	12,258
Reverse Prior year Savings & Income programmes (Feb 21)	947	293	0	0	0	1,240
Reverse Contribution from COVID-19 Reserve	7,097	(7,097)				0
Gross Budget Gap before Feb 21 Savings and Policy Choice Funding Proposals	**23,642**	**8,144**	**4,716**	**7,564**	**5,795**	**49,861**
Movements in Funding BAU	(4,065)	(1,129)	2,007	586	1,777	(824)
Movements in Budget Assumptions (BAU)	2,175	4,319	3,806	1,170	1,000	12,470
Movements in Funding COVID-19	0	0	0	0	0	0
Movements in Budget Assumptions (COVID-19)	0	0	0	0	0	0
TOTAL BUDGET MOVEMENTS	**(1,890)**	**3,190**	**5,813**	**1,756**	**2,777**	**11,646**
REVISED BUDGET GAP (Oct 21)	**21,752**	**11,334**	**10,529**	**9,320**	**8,572**	**61,507**
ACCUMULATIVE BUDGET GAP (Oct 21)	**21,752**	**33,086**	**43,615**	**52,935**	**61,507**	

The **2022/23 revised gross budget gap is £21.75m** and it is proposed to meet the gap by a combination of the following:-

- Policy Choice Funding Increases amounting to £4.48m (subject to confirmation of thresholds by Government in December 2021), comprising;
  - Continuation of the Adult Social Care Precept of 2% to generate £2.30m
  - Increase in the basic rate of Council Tax of 1.99%, generating £2.18m
- Income generation and savings amounting to £5.52m
- Planned use of earmarked reserves to cover COVID-19 pressures as approved by Executive in February 2021 £7.10m.

Summary of the Budget Proposals	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Revised Gross Budget Gap (Oct 21)	**21,752**	**11,334**	**10,529**	**9,320**	**8,572**	**61,507**
Policy Choice Funding Proposals						
General Increase in basic Council Tax to 1.99% (*)	(2,183)	(2,289)	(2,400)	(2,520)	(2,647)	(12,039)
Reinstate Social Care Precept increase 2.0% (*)	(2,296)	(2,356)	(2,412)	(2,533)	(2,661)	(12,258)
Contribution from Budget Support Reserve to Support COVID-19 Pressures	(7,097)	7,097	0	0	0	0
Total Policy Choice Funding	**(11,576)**	**2,452**	**(4,812)**	**(5,053)**	**(5,308)**	**(24,297)**
Savings and Income proposals	**(5,523)**	**(2,836)**	**(1,796)**	**(1,000)**	**(1,000)**	**(12,155)**
Revised Budget Gap (Oct 21)	**4,653**	**10,950**	**3,921**	**3,267**	**2,264**	**25,055**

This leaves a balance of savings still to be identified of £4.65m before the budget for 2022/23 can be balanced and priority will be given to doing this before final budget proposals are presented to Council for approval in February 2022. This position already assumes a significant use of earmarked reserves, a position which cannot be replicated in future years due to the limited levels of reserves available to the Council. Therefore, at this stage, a wide range of other budget proposals are under consideration to help bridge the remaining gap for 2022/23 and later years.

Given the constraint on the level of reserves it is crucial that service areas, supported by the Modernisation Team, work at pace to deliver further savings to balance the financial position and protect delivery of local services.

A significant challenge in assessing the robustness of the Council's budget proposals and medium term financial stability is forecasting the impact of the many factors affecting our resources. The risks posed by a downturn in the wider economy and the longer term impact of the pandemic will affect both service demand and potentially all of our major sources of income such as the Asset Investment Strategy, Business Rates and Council Tax. Many of these risks are usually managed within our earmarked reserve balances and as part of our obligations to set a balanced and robust budget, we will be reviewing in detail the levels of reserves before the final budget is agreed. A significant risk which has previously been managed within our reserve policy, has been the support provided to Trafford Leisure Community Interest Company which is 100% owned by the Council. The potential ongoing impact on trading income from the pandemic and the revised timetable for the major refurbishment programme will be focused on within the review of reserves.

While the budget gap for 2022/23 is still significant, there remains a number of factors which will impact on the position before the final budget is agreed, including the performance against the current year budget, the spending review expected in the autumn and the provisional local government finance settlement.

As I commented at the beginning of this introduction, the challenge we are facing to achieve a balanced budget for 2022/23 is immense. While this involves difficult decisions, our objective is to achieve a balanced budget, whilst still ensuring that we keep our citizens safe, that we continue to deliver essential services to the most vulnerable in our community and that we support our economy and communities to build back better.

Councillor Tom Ross

Executive Member for Finance and Governance

1. BUDGET PROCESS

1.1 Budget Approach

1.1.1 The budget for 2021/22 was set at the height of the COVID-19 pandemic and this past year has seen local government at its best. Almost overnight, the way the Council had to deliver services and support changed at the start of the pandemic and the Council has continued to adapt to evolving events as the country responds to an ever changing national and local scene. There remains a significant impact on the way Council services are delivered and there are subsequently many financial challenges it faces.

1.1.2 Alongside our efforts to deal with COVID-19 have been our plans to build back better. The Council is determined that, as we emerge out of this pandemic, the future should be bright for everyone in Trafford – residents, businesses and communities alike.

1.1.3 The Corporate Plan is a living document and it is three years since the current plan was approved by the Council. Given the COVID-19 recovery and response impacts, it is timely to review our strategic priorities and the kind of council we want to be to ensure that the vision and priorities are still relevant. We need to acknowledge the changing role of Voluntary, Community, Faith and Social Enterprise (VCFSE) groups, and the invigorated partner working that has occurred. The pandemic has also highlighted the emerging and new ways of delivering our health and social care services as well as the need to focus on supporting digital services and reducing inequalities.

1.1.4 The review of the Corporate Plan includes mapping both the Council's emerging priorities as well as the Greater Manchester priorities to ensure alignment.

1.1.5 Over a period of six months, the refreshed Corporate Plan has been developed through a series of away days, workshops and briefings, resulting in a refreshed vision, outcomes and priorities. All existing priorities have been reviewed and, if necessary, mapped into the new refreshed priorities. In addition, an online survey for residents, businesses and communities was published to test the definition and understanding of each priority and measures assessed to ensure clarity and transparency longer term.

1.1.6 The new draft vision for Trafford is:

'Trafford - where all our residents, communities & businesses prosper'

1.1.7 The key outcomes are:

- All our residents will have access to quality learning, training and jobs ;
- All our communities will be happy, healthy and safe;
- All our businesses and town centres will be supported to recover and flourish for the benefit of everyone.

1.1.8 The refreshed priorities are:

- **Reducing health inequalities:** we will focus on ensuring more people are in good physical and mental health for longer, focussing on areas of deprivation and ensuring we work better with partners to improve how services are delivered.
- **Supporting people out of poverty:** we will prioritise poverty reduction and prevention to tackle the causes of poverty, and work towards being a borough where no one is marginalised or discriminated against due to financial or material circumstances.
- **Addressing our climate crisis:** we will make a major contribution to both mitigating and adapting to the challenges posed by climate change.
- **Being a more open and accessible Council:** we will ensure the way we serve our borough is built around the needs of residents, businesses and communities, making better use of technology to improve the way we deliver services and ensure our communications are open and accessible to all.
- **Making best use of our resources to deliver quality services:** we will drive the borough's economic recovery from COVID-19 by supporting businesses, increasing investment and improving our economic resilience to ensure Trafford remains a great place to live.

1.1.9 Revisiting the Corporate Plan and strategic priorities also gives the opportunity to review our performance framework to be more data led and outcome focused. We will continue to look at key performance indicators and increased visualisation methods; using dashboards and case studies to 'tell the story' and the impact to the borough.

1.1.10 Trafford has a diverse population and they face many challenges as a result of the pandemic. Resident and customer feedback needs to form a greater part of the delivery of the plan. The Council is looking at the ways we engage with our residents and will continue to work with partners and communities to understand local neighbourhood needs and behaviours, making sure that residents are at the heart of decision-making.

1.1.11 The refreshed corporate plan and priorities are due to be presented for approval at Council in November 2021.

1.1.12 Trafford's recovery plan continues to be updated to reflect the changing circumstances caused by the pandemic. It is designed to support our strategic priorities while building on the momentum and positive experience of collaborative action and care shown by those involved in meeting the evolving needs of residents and businesses impacted by COVID-19. The work delivered through recovery is aligned to and will accelerate the ambitions set out in the refreshed corporate plan. .

1.1.13 A Trafford Partnership Recovery and Renewal Strategy is now adopted with a joint action plan based around the four themes of:

- Business Recovery;
- Employment and Skills;
- Children and Young People; and
- Living Well in the Community.

These themes have one central focus - job creation and development – helping people to get on in life by improving their skills, obtaining employment, assisting business, and investment. Digital skills, greenspace, carbon neutrality and sustainability run throughout the action plan and are at the root of everything we do.

1.1.14 Both organisational and partnership recovery work is underway and sometimes the two are not distinct and separate but complement each other as well as aligning to the wider GM agenda.

1.1.15 Additional funding from central government has been used to support our COVID-19 response and recovery activity to relieve resource pressures across the Council. We will continue to monitor the financial position on an ongoing basis.

1.1.16 It is acknowledged that our people are our greatest resource and throughout the pandemic have demonstrated our EPIC values in the ways they have worked and risen to the challenge of change. This has been achieved despite experiencing personal changes and continually balancing the conflicting priorities presented by COVID-19. Our key values are:-

- **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 happens.

1.1.17 It is essential that we do not lose sight of our key ambition and objectives for 2022/23 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, and with the other GM authorities and the GMCA undertake the activities required to implement the clean air plan, improving air quality across the Borough.

- Continuing the strategic regeneration for the Civic Quarter and Stretford town centre.

- Progressing the development of new housing on Council land including Sale Magistrates Court site, and Lumina Village, the former Kellogg's headquarter site, owned jointly with Bruntwood.

- Advancing the Asset Investment Strategy.

- Reviewing the One Trafford Partnership contract - to progress how the delivery of these services could be improved to meet agreed standards.

- Continuing to respond to the consequences 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 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 step closer to home" – to ensure that there is a range of services that will wrap round our residents when they need additional support, enabling people to both stay in their normal place of residence when they need additional care and supporting people to leave hospital.

- Progressing "a short stay in hospital" – delivering a number of programmes that will aim to address a number 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.

- Continuing with ‘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 Services 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.

- Continuing to develop 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 Trafford 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-19 climate colleagues are facing new and different anxieties and worries and 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) we will seek to review 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 2022/23 and beyond that addresses the long term budgetary impact of COVID-19.

- 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 and will allow more services to be delivered on line and will enhance customer experience and create an increasingly agile workforce.

- 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.

- Deliver the refreshed Corporate Plan and Strategic Priorities.

1.1.18 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 to review the overall budget position and to ensure it supports the delivery of outcomes related to each priority.

1.1.19 However, it must be said that the scale of the challenge for 2022/23 represents a significant budget gap and after many years of austerity, this has placed an immense strain on the Council's finances.

1.1.20 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 2022/23 a number of new savings proposals have been identified and business cases developed.

1.1.21 All the proposals in the report have been subject to review by the Executive and Corporate Leadership Team and further work on robustness, the continued development of business cases and equalities impact will be undertaken before final budget proposals are submitted to the Executive in February 2022.

1.1.22 Whilst there still remains a gap in 2022/23 it is expected that a further review of service savings initiatives will identify further opportunities to close this; albeit a further review of all assumptions, including the in-year monitoring position will be undertaken before setting the final budget for 2022/23.

1.2 Budget & Staff Consultation

1.2.1 Proposals in this report may require consultation with the public, businesses and staff, with the form of consultation to be developed before the end of October 2021.

1.2.2 Details on these draft budget proposals will be made available on the Council's website via the 2022/23 budget pages.

1.2.3 Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements.

1.3 Scrutiny Review

1.3.1 A Scrutiny review will be held during November and December 2021 to review the funding gap in the Council's Medium Term Financial Strategy (MTFS), the assumptions underpinning the overall gap and the plans for budget consultation. In addition the Leader will present the 2022/23 draft budget proposals contained within this report, which will enable Scrutiny members to review the budget proposals and feedback any comments in January 2022.

2. FINANCIAL BACKGROUND

2.1 Background to the Budget

2.1.1 In understanding the budget proposals it is useful to understand the financial envelope within which the Council operates, where resources are allocated and key metrics behind the budget.

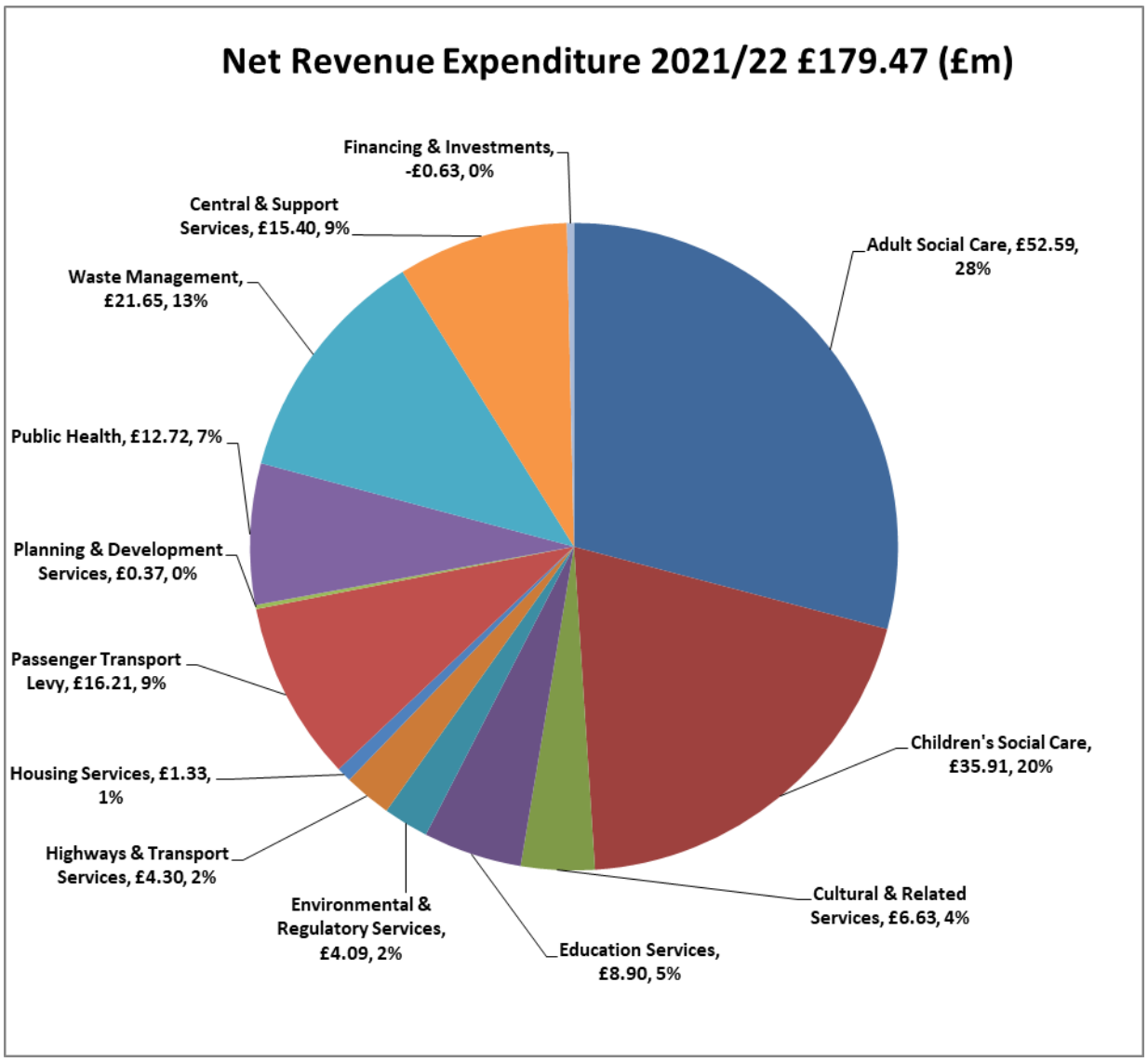
2.1.2 The Council's current gross budget is £480.99m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's gross income budget is £301.52m leaving a total net budget of £179.47m.

2.1.3 The table below demonstrates the movement between gross and net budget.

Gross to Net Budget	2021/22 £m
Gross Expenditure	480.99
Schools DSG	(155.16)
Housing Benefit	(47.66)
Other Government Grants	(29.21)
Sales, Fees & Charges and Rents	(43.54)
Contributions & Re-imbursements	(15.31)
Other Income	(8.65)
Earmarked Reserves	(1.99)
Gross Income	**(301.52)**
Net Budget (*)	**179.47**

	£m
Children's Services	43.00
Adult Services	65.22
Place	29.31
Governance and Community Strategy	7.59
Finance and Systems	7.74
Strategy & Resources and Traded Services	5.44
Council Wide	21.17
	179.47

2.1.4 The Council's net controllable budget agreed by Council in February 2021 was £179.30m. This was increased by £168k to £179.47m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget. This change was formally approved at full Council in July 2021.

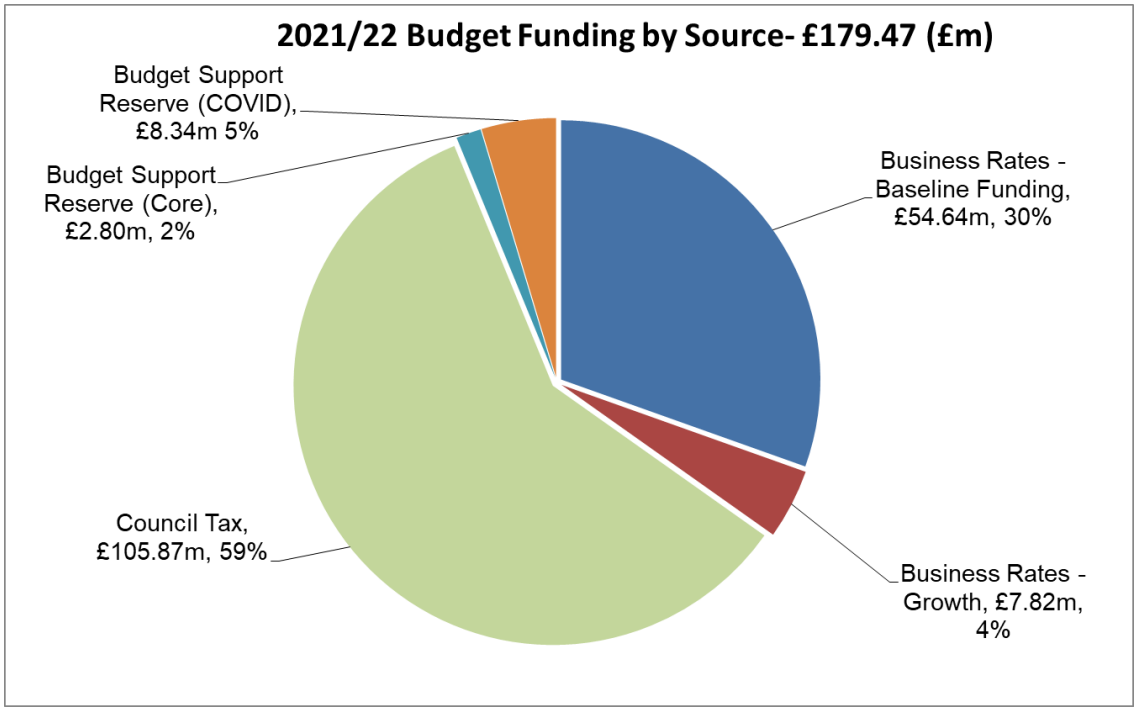


2.1.5 Net revenue expenditure has been used amongst other things to provide and achieve the following:

- Supported over 4,700 residents with a care package
- Provided over 7,400 services to service users
- Provided over 733,000 hours of external home care support
- Over 2,600 children in receipt of children's safeguarding services
- Maintained over 500 miles of roads and footpaths
- Maintained over 27,500 lampposts and 4,500 items of illuminated street furniture
- Responsible for 18,000 highway trees and 50,000 trees within public parks and open spaces
- Empty approximately 40,000 bins of household rubbish every day

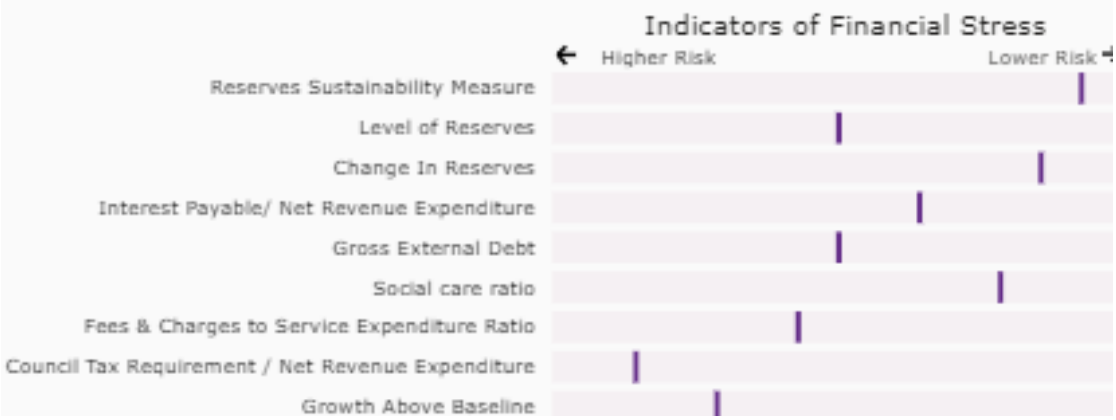
- Support and regulate over 5,000 premises for food, health and safety, trading standards, pollution and licensing
- Assist over 450 existing and start-up businesses in Trafford
- Support approximately 400 people in Trafford into employment via the Trafford Pledge, Working Well, and other employment programmes
- Housing Options Service Trafford (HOST) has helped to prevent 303 households from becoming homeless in 2020/21 whilst also providing housing advice to 41,392 households/individuals.
- Enable the development of 96 new affordable homes across the borough.

2.1.6 The Council's £179.47m net budget is funded mainly from Council Tax and Business Rates.



2.2 Financial Resilience

2.2.1 Each year CIPFA produce a set of benchmarking data which allows authorities to compare themselves with similar authorities across a number of measures. This is called the CIPFA Financial Resilience Index (FRI) and the latest results from 2019/20 are summarised as follows:-



2.2.2 Trafford is considered to have a low to medium level of risk across the majority of indicators such as external debt and interest payable, however is considered to be at high risk in a number of areas:-

- Council Tax Requirement – the Council has a high proportion of its net revenue expenditure funded by Council Tax, this is deemed to be high risk as a large proportion of funding is coming from one source that is subject to volatility.

- Growth above baseline – this indicator calculates the percentage increase of retained business rates compared to the business rate baseline. Trafford is deemed to be at high risk as retained rates have gone up greater than the average of its statistical neighbours and therefore has a greater reliance on business rates as a source of income.

- Fees and Charges to Service Expenditure – This is an assessment of an authority's ability to fund its budget from Fees and Charges. As Trafford's income from Fees and Charges is lower as a proportion of its total budget than its statistical neighbours, this is classed as higher risk. This risk is based on the fact that most fees or charges are set by regulation and it is difficult to influence any significant increase to help support a budget gap.

2.2.3 In previous years the Council's reserve levels as a percentage of net revenue expenditure were deemed a high risk due to their relatively low level compared to statistical neighbours. The financial resilience data has seen Trafford move from high to medium risk, however it should be noted that this included a one-off unspent COVID-19 grant from 2019/20 which was held in reserve as a temporary measure. The removal of this exceptional item would have seen Trafford remain as high risk. For this reason replenishment of reserves should still be given priority to further manage future uncertainty.

2.2.4 It is these areas which become particularly relevant when developing the budget proposals for 2022/23 and later years.

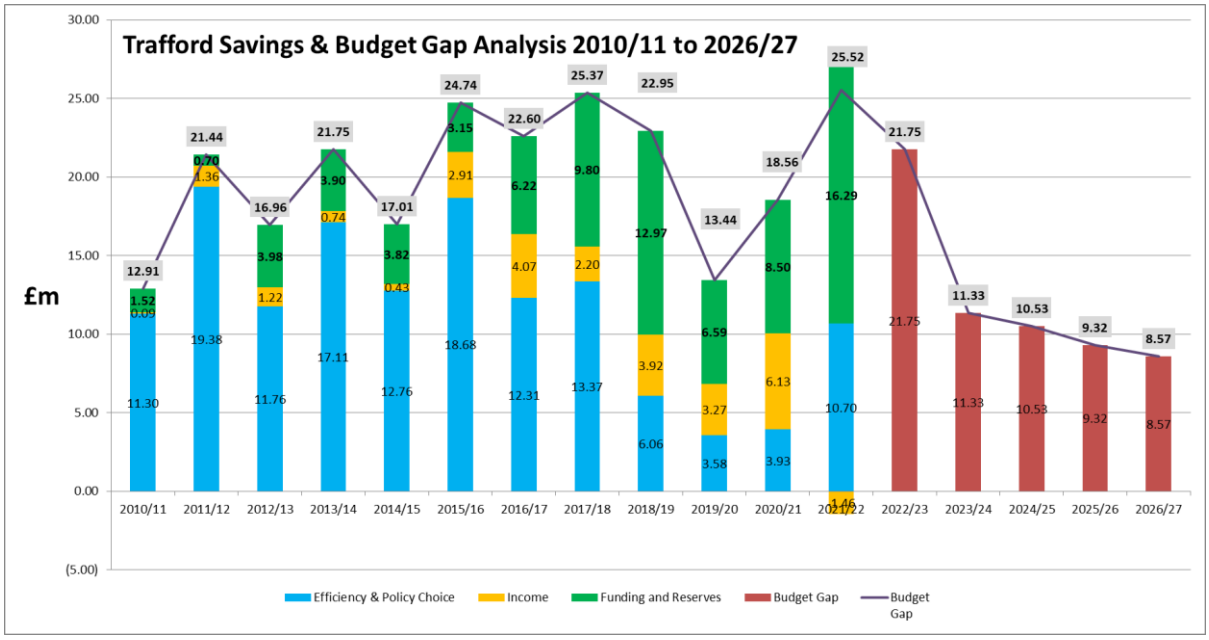
2.3 DELIVERY OF SAVINGS SINCE 2010

2.3.1 Since 2010 the Government has reduced the funding for Local Government as part of its efforts to reduce the fiscal deficit and this equates to a 77% reduction in per-person grant funding for local authorities and has been the longest sustained squeeze on public spending on record.

2.3.2 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adult's 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.

2.3.3 The cost to the Council of the COVID-19 pandemic and the expected on-going financial pressures have also added to the savings requirement for 2021/22 and beyond.

2.3.4 This has meant that by 2022/23 the total value of funding gaps caused by the expenditure pressures and funding reductions from 2010/11 to 2021/22 is £243.25m. There is a further forecast gap for the next five years of £61.51m, of which £21.75m relates to 2022/23.



2.3.5 The table below shows Trafford's total spend per head of population compared to the 36 metropolitan councils for 2019/20. The table highlights that Trafford already has low levels of spend with the lowest across the group. This, coupled with the fact that Trafford receives below average levels of funding, makes the achievement of future savings even more difficult and reduces the scope of new saving initiatives.

Total Service Expenditure per head of population		
	Spend per head of population	**Rank**
Trafford	£707.79	1
Kirklees	£762.97	2
Manchester	£1,094.64	35
Knowsley	£1,214.70	36
Average of all Metropolitan Authorities	**£915.16**	

2.4 Spending Round 2022/23

2.4.1 On 7th September 2021 the Chancellor announced that the 2021 Spending Review will conclude on 27th October 2021 alongside the Autumn Budget. It will be a multi-year spending review covering the years 2022/23 to 2024/25 with core departmental spend increasing in real terms on average 4% per annum.

2.4.2 At this stage a number of assumptions have been made on the outcome of the review and these underpin aspects of the Council's budget plans, including:

- Social Care Grants that local authorities received in 2021/22 will continue;
- A 2% increase in baseline funding;
- Authorities will be able to increase the Band D council tax up to 2% for the basic element and a further 2% for the Adult Social Care precept.

2.4.3 **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 be now be effective from 2023/24.

2.4.4 **Social Care funding** – changes to Social Care funding was announced on 6th September 2021 including a cap on maximum care costs of £86k and an increase in the asset threshold to £100k. These changes will be introduced from October 2023 and will impact the income local authorities receive from Social Care clients. From April 2022 a new UK-wide 1.25% Health and Social Care levy, based on national insurance contributions will be introduced which is estimated to raise £12bn annually to fund investment in health and social care. (Public sector employers are expected to be compensated for the cost of the new levy). A large proportion of this will be used in the short term to cover backlogs faced by the NHS in non-emergency treatment, with a sum of £5.4bn to be used to cover the impact of the new social care charging proposals with c£500m to address the increasing workforce pressures felt by the sector. The methodology for distributing the funding is yet to be determined and will be the

subject to a further consultation later in the autumn which poses a risk for local authorities that the funding is insufficient to offset the lost income. An internal working group has been established to consider the implications for the Council. The Government has indicated that local authorities will continue to have access to sustainable funding although it expects demographic and unit cost pressures will be met through council tax, social care precept and efficiencies.

2.4.5 **Health and Social Care Integration –** the legislative reform of the approach to delivery of health services impacts on the integrated approach between health and care currently operated in Trafford. These reforms need to be in place by 1 April 2022. This will involve the development of an updated financial strategy to oversee the allocation of health resources at a GM and local level, therefore risk exists on the quantum of overall resources going forward as the local GM system is challenged by a significant financial deficit. This has the potential to impact on budget planning going forward.

2.4.6 **Business Rates –** Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot and currently benefits from a significant level of business rate funding and growth to support its budget. At this stage the continuation of the pilot is still unknown and with the annual benefit from the pilot being in the region of £5m, this uncertainty poses a significant risk to the Council's future budget. The full reset of business rates baselines, originally expected for 2020/21, is likely to be postponed until 2023/24. On the face of it, deferring the business rates reset 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. However, it should be noted that there is a significant risk associated with the financial reliance of business rates and the impact COVID-19 has had on the collection rates.

2.5 Summary

2.5.1 Trafford has made significant savings in the last decade since the beginning of austerity in 2010. This has been particularly difficult since Trafford has historically been a low spend, low funded authority when compared to its statistical neighbours. Recent forecasts show that the economy is improving and Government borrowing in Quarter 1 was lower than forecast. The improved figures of stronger than expected government tax receipts and lower than expected spending due to the unwinding of COVID-19 related government support, may indicate the potential for additional resources aimed at replenishing local authority funding. However, there are still a number of unknowns and in setting the budget, assumptions have been made with significant uncertainty surrounding the Social Care Reform and reset of the Business Rates Retention Scheme.

3. 2021/22 BUDGET & MONITORING POSITION

3.1 Revenue Budget Monitoring 2021/22 Period 4 (July 2021)

3.1.1 The approved net budget for 2021/22 agreed at the 17 February 2021 Council meeting was £179.304m. This was subsequently increased by £168k to £179.472m as a result of a minor late change in the financial settlement relating to resources to support the Public Health budget and agreed at the Council meeting on 28th July 2021.

3.1.2 In determining the budget for 2021/22 an overall gap of £25.44m was addressed by a combination of additional resources of £5.20m from Council Tax, use of reserves, £8.34m to address COVID-19 pressures and £2.80m for business as usual pressures, and a net £9.10m of service savings and additional income.

3.1.3 The impact of the pandemic on the Council's finances is anticipated to last for many years and the budget for 2021/2022 includes additional resources of £8.341m to help manage the continuing impact of the pandemic. Pressures were anticipated in client demand, lost income from our strategic investments in the Manchester Airport Group and from Sales, Fees and Charges. These were offset by Government backed support and use of reserves, based on assumptions at the time, that the pandemic would last for the first quarter of 2021/22.

3.1.4 Due to the uncertainty of the impact of COVID-19 the forecasting of pressures was particularly difficult in 2020/21 and this situation continues to be the case into the foreseeable future, given that the easing of the national lockdown was delayed beyond the first quarter of 2021/22.

3.1.5 COVID-19 related pressures are also becoming increasingly difficult to separate from business as usual activity for all but the most obvious cases, such as the loss of Sales, Fees and Charges income in the Place Directorate and the strategic investments in Manchester Airport Group.

3.1.6 The Council continues to provide regular monitoring returns to the Government Departments which will be used at a national level to inform the debate on whether additional resources will be required over the medium term.

3.1.7 Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget.

Table 1: Budget Monitoring results by Service	**2021/22 Budget (£000's)**	**Forecast Outturn (£000's)**	**Forecast Variance (£000's)**	**Percent-age**
Children's Services	42,456	42,401	(55)	(0.13)%
Adult Services	52,447	53,196	749	1.43%
Public Health	12,661	11,880	(781)	(6.17)%
Place	31,078	33,064	1,986	6.39%
Strategy & Resources	5,539	5,589	50	0.90%
Finance & Systems	7,666	7,890	224	2.92%
Governance & Community Strategy	6,147	6,339	192	3.12%
Total Directorate Budgets	**157,994**	**160,359**	**2,365**	1.50%
Council-wide budgets	21,478	21,335	(143)	(0.67)%
Net Service Expenditure variance	**179,472**	**181,694**	**2,222**	1.24%
Funding				
Business Rates (see para. 22)	(62,459)	(62,519)	(60)	
Council Tax (see para. 19)	(105,869)	(105,848)	21	
Reserves Budget Support	(2,803)	(2,803)	0	
Reserves to Support COVID-19	(8,341)	(8,341)	0	
Funding variance	**(179,472)**	**(179,511)**	**(39)**	**0.02%**
Net Revenue Outturn variance	**0**	**2,183**	**2,183**	**1.22%**
Dedicated Schools Grant	**150,236**	**151,445**	**1,209**	**0.80%**

3.1.8 There is a net estimated outturn pressure of £2.18m at Period 4, a minor improvement of £20k since Period 2.

3.1.9 This second monitor of the new financial year provides a forecast outturn based on patterns of expenditure and income from the first four months of the year. It is still relatively early in the financial year and there remains some broad assumptions on future demand and the ongoing impacts of the pandemic. The estimate is subject to variation due to this volatility, however can be used as a broad indication of the direction of travel.

3.1.10 As in previous financial years, a prudent approach has been used in the early period monitoring and although similar patterns of pressures (circa £1m to £2m) were forecast at Period 2 and 4 in the pre-pandemic years of 2018/19 and 2019/20, small favourable outturns (£300k and £1.78m) occurred by year end.

3.1.11 The following issues are worthy of being highlighted:

- Children's placements £833k overspend due to an increase in complexity of cases;
- Adults placements £304k overspend, which is due to savings now not expected to be achieved;
- Assumptions on demand remain uncertain, and contingency balances of £1.14m and £1.2m are included for future demand in Children's and Adults Services.
- Staffing budgets (Children's, Adults and Public Health) net underspend of £1.493m largely due to delays in recruiting and service redesign;
- Asset investment strategy – These investments are budgeted to generate a net revenue benefit in 2021/22 of £7.61m although revised forecasts show a potential reduction in receipts generated of £995k. This is largely COVID-19 related due to delays in developer loans being drawn down, lower income from debt facilities due to lower interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 at retail investment sites;
- COVID-19 related pressures in Place and central services directorates of £1.335m, largely related to income pressures in traded services and lower sales, fees and charges as a result of the economic impact of the pandemic lasting longer than the first quarter assumed when setting the budget. Examples of pressures include parking fees and fines £486k, property rentals £300k, outdoor media advertising £400k, planning fees £890k.
- Local Government Pay award – The provisional pay award, currently under consultation with trade unions, for local government at 1.75% for all staff being in excess of budget by £980k. This would require the use of the council wide contingency, leaving a balance of £100k for other unknown pressures during the year.
- The Council Tax outturn is largely in line with budget, however there is a level of uncertainty in the forecast, particularly surrounding the continued demand for Council Tax Support.
- Business Rates outturn is also largely in line with budget, however the complexity in the system and the winding down of Government support packages has added further uncertainty to the accuracy of projections.

3.2 2021/22 Savings Programme

3.2.1 The latest forecast shows that the savings programme is currently expected to deliver savings of £9.85m, which is £2.08m below target. This shortfall has been included in the overall estimated outturn. To date £5.59m has been achieved with £4.3m still to be achieved. There remains significant risk in the delivery of the programme given that 36 schemes are classified as either Red or Amber status. In a number of cases, management action has been undertaken, however there are dependencies, such as changes in demand or legislative changes, which indicate the full saving is at risk of being achieved

in full (Amber) or the saving is unlikely to be achieved despite management action (Red).

3.2.2 Those schemes currently with a Red status give a useful indication of those which are likely to be considered as pressures when developing the 2022/23 budget plans. There is currently a figure of £951k relating to schemes which are unlikely to be delivered, which are largely relating to pressures in Adults Social Care of £628k with £323k in Place Directorate.

3.3 Managing the Risk

3.3.1 Although the estimated outturn is adverse and a potential cause for concern primarily around the delivery of the remaining savings programme, the following actions and mitigating items should be considered:

- A number of contingency items are included in the outturn which have yet to be released. These include £1.14m and £1.2m in Children's and Adults services for potential client demand and also £816k in Council Wide relating to the balance of £1.5m set aside for unknown COVID-19 pressures.
- A cost of £1.4m has been included in the forecast relating to the Hospital Discharge Programme. This figure is likely to reduce as the Government has recently announced the programme will continue until 31st March 2022 although precise details of the extended scheme are not clear at this stage. The final pressure will depend on the resources available and negotiations with the CCG regarding the sharing agreement.
- A review of all earmarked reserves has started to challenge and identify potential uncommitted resource. This will be completed in parallel to the next monitor and draft budget report for 2022/23.
- Discussions will commence with Greater Manchester Combined Authority to review centrally held reserves and the potential to review the local sharing agreement of the Business Rates Growth Pilot monies. Currently £2.7m is forecast to be paid over to the GMCA.
- In order to maintain robust challenge and focus attention on the delivery of the savings programme, the regular budget monitoring reports are supplemented by monthly updates on all demand led budgets and the savings programme are considered by the Corporate Leadership Team.
- The Corporate Leadership Team will also consider the potential to review all non-essential spend, including recruitment, during the course of the year.

3.4 Impact on Future Years

3.4.1 Despite continuing efforts to control expenditure and uncertainties in the forecasts, there are a number of areas where evidence of pressures are sufficiently robust to provide additional resource. Therefore the budget plans for 2022/23 have been bolstered by new investment in the following areas:-

- Children's Services - £1.0m – to reflect the increase in complexity of cases;
- Adults Services - £1.0m – to reflect risk of a budget shortfall when the one off resources for COVID-19 pressures included in the 2021/22 budget are reversed in 2022/23;
- Savings Programmes unlikely to be delivered in 2021/22 relating to adults services of £0.586m;
- The additional net costs relating to the provisional Local Government Pay Award at £0.1m;
- £0.5m as a prudent measure, due to uncertainties surrounding the forecast levels of income for Council Tax.

3.4.2 The uncertainties relating to the forecast income for 2022/23 in the areas of Business Rates, the Asset Investment Programme and trading difficulties currently experienced by our Leisure Community Interest Company will be considered under our reserves strategy in future years as described later in the report.

3.4.3 The outturn position for 2021/22 will be considered further before final budget proposals are brought back to the Executive in February 2022.

4. BUDGET UPDATES & PROPOSALS

4.1 This section identifies:-

- The revised budget gap for 2022/23 and later years.
- The draft set of budget proposals to address the budget gap.

4.2 Updated Budget Gap

4.2.1 The MTFS position reported to Council in the February 2021 Budget Report showed an overall budget gap for 2022/23 and 2023/24 of £21.42m. If the proposed increases in Council Tax and prior year savings programme are excluded this gave a gap of £31.79m for 2022/23 and 2023/24.

4.2.2 Since February the Medium Term Financial Strategy has been updated and expanded from the previous three year timeframe to five years and now includes the financial years 2024/25, 2025/26 and 2026/27. This has enabled the potential ongoing pressure of the pandemic and impacts of major changes, such as the business rate reset, to be modelled over a more relevant period. The immediate focus will however remain to be the next one to three financial years.

4.2.3 With the additional financial years added to the timeframe, the budget gap has increased from £31.79m to £49.86m.

4.2.4 The position has also been updated to reflect changes in non-policy choice funding assumptions such as the delay of the business rate reset until 2023/24 and changes in budget assumptions such as service related growth and demographic pressures. This has increased the gap from £49.86m to £61.51m over the five year period with £21.75m relating to 2022/23. A full breakdown of the changes to the budget gap are detailed in Annex B and summarised below:-

Budget Movements	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	Total (£'000)
NET BUDGET GAP (Budget Feb 21)	**11,119**	**10,303**	**(96)**	**2,511**	**487**	**24,324**
Reverse 1.99% General Increase in basic Council Tax	2,183	2,289	2,400	2,520	2,647	12,039
Reverse 2% Social Care Precept	2,296	2,356	2,412	2,533	2,661	12,258
Reverse Prior year Savings & Income programmes (Feb 21)	947	293	0	0	0	1,240
Reverse Contribution from COVID-19 Reserve	7,097	(7,097)				0
Gross Budget Gap before Feb 21 Savings and Policy Choice Funding Proposals	**23,642**	**8,144**	**4,716**	**7,564**	**5,795**	**49,861**
Movements in Funding	(4,065)	(1,129)	2,007	586	1,777	(824)

BAU						
Movements in Budget Assumptions (BAU)	2,175	4,319	3,806	1,170	1,000	12,470
Movements in Funding COVID-19	0	0	0	0	0	0
Movements in Budget Assumptions (COVID-19)	0	0	0	0	0	0
TOTAL BUDGET MOVEMENTS	**(1,890)**	**3,190**	**5,813**	**1,756**	**2,777**	**11,646**
REVISED GROSS BUDGET GAP (Oct 21)	**21,752**	**11,334**	**10,529**	**9,320**	**8,572**	**61,507**
ACCUMULATIVE BUDGET GAP (Oct 21)	**21,752**	**33,086**	**43,615**	**52,935**	**61,507**	

4.2.5 It is important to explain the components of this gap in 2022/23 as this then influences the overall approach to balancing the budget as detailed in Paragraph 4.3.

4.2.6 **Business As Usual Pressures :-**

The main features are detailed below with a summary of the base budget assumptions shown in Annex A:

Expenditure Pressures

- **Pay -** includes an amount of £2.43m in 2022/23 reflecting a 2% pay award plus an additional 1.75% for the impact of the unbudgeted 2021/22 pay award (previously assumed as a pay freeze). The additional costs of the pay award for 2021/22 have largely been met by a redirection of resources due to the re-profiling of national living wage budget. A core provision for a 2% increase has been assumed for all other years; an impact of £8.9m over five years.

- **National Living Wage and Real Living Wage** - an allowance of £1.53m in 2022/23 or £12.7m over five years. This covers projected increases in the National Living Wage to reach the proposed target for external care staff by 2025/26. The re-profiling of the assumptions behind the increase in the NLW has enabled £0.78m to be redirected towards meeting the unbudgeted cost of the 2021/22 local government pay award. In addition, the figures for 2025/26 and 2026/27 include an additional £2.0m in each year, reflecting the Council's aspiration to reach the hourly rates set out under the Real Living Wage. The additional cost of this aspiration, is dependent on the income from our strategic investments in the Manchester Airport Group returning to pre-pandemic levels (see next paragraph).

- **Treasury Management Strategic Investment Income from Manchester Airport Group (MAG) -** prior to the pandemic the Council budgeted for £5.6m of dividend income from our strategic investments in MAG. The impact the pandemic has had on the aviation industry is well documented and although a full recovery is expected, the uncertainty of the longer term

economic impact of the pandemic makes budget forecasting difficult. In order to remain prudent, the income from our MAG investments have only been included in our long term plans from 2025/26 and furthermore will be used to meet the aspirational cost of working towards the Real Living Wage. As the situation becomes clear, both the aspiration and the assumptions on the income can be adjusted. Other Treasury Management adjustments includes £0.574m in 2022/23 relating to changes in borrowing costs.

- **Inflation General and Contractual** - General Inflation relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years resulting in £0.118m in 2022/23 or £0.605m over five years. Other contractual inflation has been assumed totalling £2.25m in 2022/2023 and £11.68m over five years.

- **Levies:** includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £0.335m in 2022/23 or £0.815m over five years.

- **Demography-** an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care with £4.5m added in 2022/23 and £2.5m in each of the following years. A total of £14.9m over five years. The higher figure in 2022/23 largely reflects increased demand pressures as reflected in the Period 4 monitoring for 2021/22. In addition to the usual assumptions of demographic growth of £2.5m an additional £1.0m has been added in 2022/23 in Children's services and £1.0m in Adults Services

- **Income from the Asset Investment Strategy** - because some investments are due for planned repayment by third parties over the next three years this means the net returns will cease. Whilst it is anticipated that a pipeline of investment opportunities will be maintained, this does create a pressure on the budget until suitable replacement investments can be identified. This is a total pressure of £1.1m in 2022/23 and £3.3m over five years.

- **Other Changes -** additional pressures of £1.68m in 2022/23 or £6.12m over five years. The pressure in 2022/23 includes unachieved savings within Adults Services relating to 2021/22 of £0.6m, amendments in Adults charging policy following a change in legislation £0.25m and £0.75m added to the general contingency to accommodate potential future uncertainty.

Funding Pressures

The gross budget gap includes the following changes in non-policy choice funding:

- **Collection Fund Deficit 2020/21 net benefit**: as part of the package of support measures to assist in offsetting COVID-19 costs in 2020/21 authorities were allowed to spread the estimated cost of both the Council Tax and Business Rates deficits over a three year period 2021/22 to 2023/24. These estimates were subsequently built into our medium term

budget plans. When the 2020/21 accounts were closed, the actual deficit was lower by £1.88m for Council Tax and £1.97m for Business Rates. These one off positive movements have now been included in our income assumptions and have been released over two financial years 2022/23 and 2023/24 with £1.93m in each year.

- **Collection Fund Council Tax** : Although the income from Council Tax for 2021/22 is largely in line with budget, there is a level of uncertainty in the forecast, particularly surrounding the award of Council Tax Support. There also remains a high level of uncertainty on the ongoing impact in future financial years. The Government's Job Retention Scheme (Furlough) is due to be wound down at the time of writing this report and local Council Tax Hardship scheme which was extended for a further 12 months at a cost of £1.02m in 2021/22 will revert to the pre-pandemic scheme from April 2022. Uncertainties surrounding the wider economy make it difficult to forecast levels of income and with this in mind an additional £0.5m has been included within the Business as Usual funding to provide for a potential ongoing pressure.

- **Business Rates Review** – The Council had a budget for Businesses Rates of £62.46m in 2021/22 which included an estimate for growth of £8.4m and a one off reduction of £3.49m relating to the impact of the pandemic in 2021/22. The figure also included the estimate of the 2020/21 rates deficit which the Government had allowed authorities to spread over three years 2021/22 to 2024/25.

  A business rate reset was anticipated in 2022/23, however this has now been delayed until at least 2023/24. This delay has seen a benefit of £0.69m and £1.16m in 2022/23 and 2023/24 over our previous budget assumptions.

  Furthermore, the annual budget for business rates includes a provision which is set aside to cover businesses who successfully appeal against their charge. The level of appeals can vary over time, however a review of the historic trend is indicating that the annual amount set aside can be reduced. This has released £1.50m on a recurrent basis from 2022/23.

  The overall income from rates, along with assumptions on the protection relating to taper arrangements and future growth post reset are anticipated to see a reduction in rates income of £0.86m over five years. Annex B gives details of the separate components of the rates budget.

- **Fair Funding Review** – Prior to the pandemic the Government had announced a review of the method of distribution of resources across local government under the Fair Funding Review. This review has been delayed due to the pandemic and is now expected in 2023/24. Based on the provisional consultation at the time, a reduction in resources of £0.5m per annum was anticipated starting from 2022/23. The re-phasing has benefited 2022/23 by £0.5m.

4.2.7 **Reserves -** Use of reserves to support the budget in 2021/22 amounted to £11.14m made up from £2.80m Budget Support Reserve and £8.34m COVID-

19 General Reserve; because reserves are a one-off resource this means that their removal adds to the gap in 2022/23.

4.2.8 **COVID-19 Related Pressures £7.097m 2022/23:-**

At the time the 2021/22 budget was prepared, an assumption was made that the pandemic would have an impact lasting for 2021/22 and 2022/23 and an approach was taken to treat COVID-19 pressures separately from Business as Usual pressures recognising their time limited nature. The use of Council reserves, along with non-recurrent Government support would be used to support the impact of these pressures.

Our previous medium term budget plans assumed net COVID-19 pressures of £8.341m in 2021/22 and £7.097m in 2022/23. The table below shows the components of the pressures and funding.

COVID-19 Budget Gap by Year	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total
COVID-19 Budget Assumption Pressures				
MAG Dividend	5,597	5,597	0	11,194
Additional PPE	120	0	0	120
Reduced Income from Sales, Fees and Charges	1,760	0	0	1,760
Additional ASC Demand	1,000	0	0	1,000
Increase in COVID-19 Contingency to provide for delayed demand	1,500	1,500	0	3,000
Other COVID-19 pressures	300	0	0	300
Leisure CIC COVID-19 Support	1,700	0	0	**1,700**
Leisure CIC COVID-19 Support contribution from Reserve	(1,700)	0	0	**(1,700)**
Total COVID-19 Budget Assumption Pressures	**10,277**	**7,097**	**0**	**17,374**
COVID-19 Funding				
Reduction in Collection Rates Council Tax	1,994	0	0	1,994
Reduction in Council Tax (Tax Base and LCTSS)	1,250	0	0	1,250
5% Fall in Retained Rates Income	3,487	0	0	3,487
Council Tax Support Grant	(1,651)	0	0	(1,651)
COVID-19 Support Grant	(5,691)	0	0	(5,691)
Sales, Fees and Charges Compensation Grant	(1,325)	0	0	(1,325)
Total COVID-19 Funding by year	**(1,936)**	**0**	**0**	**(1,936)**
Total COVID-19 Budget Gap	**8,341**	**7,097**	**0**	**15,438**

Contribution from Reserves to support COVID-19	**(8,341)**	**(7,097)**	**0**	**(15,438)**

The Council continues to monitor the impact of the pandemic on a monthly basis and provides regular monitoring returns to the Government Departments which have been used at a national level to inform the debate on whether additional resources will be required over the medium term.

There remains a high degree of uncertainty in the forecasting of COVID-19 pressures and this situation will continue to be the case into the foreseeable future, given that the easing of the national lockdown was delayed beyond the first quarter of 2021/22.

The in-year monitoring has identified COVID-19 pressures in excess of the budget assumptions and also highlights underlying risks. These are summarised below, however there is nothing to suggest that the previous assumptions relating to COVID-19 pressures for 2022/23 need to be changed at this stage.

- **Impact on demand led services in social care** – Additional resources of £1.0m were added to the 2021/22 budget to cover potential costs of increased demand within Adults Services due to the pandemic. Although pressures in Adults Services remains stable in the current financial year, there is concern that the service may experience ongoing pressure in 2022/23 once the one off COVID-19 resource of £1.0m is removed. To address these concerns, additional resource of £1.0m has been added within the demographic pressures under Business as Usual.

- **Hospital Discharge Programme** – this programme is designed to support the safe and timely discharge of people who no longer need to stay in hospital. During the height of the pandemic the Government provided resources via the NHS to pay for the associated additional social care costs. The programme and contributions from the NHS was due to be scaled back from September 2021, however at the time of drafting this report the Government has announced a continuation of the programme until March 2022 and also alluded that resources may be made available under the additional Health and Social National Insurance Levy announced in September 2021. For 2022/23 it has been assumed that the Council will work within its existing hospital discharge budget set before the pandemic, pending any further announcement of additional resources.

- **Asset Investment Strategy** – These investments are budgeted to generate a net revenue benefit in 2021/22 of £7.61m, although revised forecasts show a potential reduction in receipts generated of £995k in 2021/22. This is largely COVID-19 related due to delays in developer loans being drawn down, lower income from debt facilities due to lower interest rates, delays in schemes in the pipeline and lower trading income due to COVID-19 at retail investment sites. Should these pressures continue in 2022/23 and beyond they will be mitigated through the investment opportunities in the pipeline plus the flexible use of the Asset Investment Risk Reserve in the medium term.

- **Sales, Fees and Charges -** COVID-19 related pressures in Place and Central Services directorates of £1.335m have been forecast at Period 4, these largely related to income pressures in traded services and lower sales, fees and charges as a result of the economic impact of the pandemic lasting longer than the first quarter assumed when setting the budget. Examples of pressures include parking fees and fines £486k, property rentals £300k, outdoor media advertising £400k, planning fees £890k. It is possible that this pattern of reduced income will continue in to 2022/23, however at this stage the COVID-19 Contingency budget of £1.5m, already included in our assumptions, is thought sufficient to absorb these pressures.

- **Leisure Community Interest Company (CIC) –** The extended business lockdowns caused by the pandemic severely impacted the performance of the Council owned Trafford Leisure CIC. A number of support packages were made available, including a business loan from the Council and a recovery grant from Sports England. The Council's contribution was supported via the use of a Leisure Services risk reserve. The trading impact of the pandemic in 2022/23 onwards remains unclear and for the purposes of budget planning, it is proposed that any further pressures are considered within the reserves strategy highlighted in Section 5.

- **Council Tax** – The budget for 2021/22 included resources to offset the impact of the pandemic on Council Tax collection which totalled £3.24m. A one off Council Tax Support Grant at £1.6m was received from the Government to help offset some of these pressures. The budget assumed that the pressures would be temporary and would recover to pre-pandemic levels from 2022/23. As mentioned in para 4.2.6, there remains a high degree of uncertainty in the system and as such an additional £0.5m has been included for within the Business as Usual funding to provide for a potential ongoing Council Tax pressure.

- **Business Rates** – Prior to COVID-19 the Council was preparing its medium term budget forecast based on the Government's proposed business rate reset, which would see the Council losing its accumulated share of business rate growth since the last reset, offset by some transitional protection the Government may offer. Since COVID-19 the reset has been postponed until at least 2023/24, along with the review of Fairer Funding.

  A reduction in business rates due to COVID-19 of £3.49m was budgeted for in 2021/22 and in-year forecasts are largely in line these assumptions.

  As with Council Tax, the impact on projecting the impact of COVID-19 on Business Rates has added further unknowns to the accuracy of projections and the recurrent impact in future years. A range of Government support packages have been made available over the last two financial years, including reliefs for businesses in certain sectors. These reliefs are due to end from 2022/23 and along with the unknown potential for longer term economic fallout of COVID-19, there is a high level of volatility in the system. It is increasingly difficult to separate out the impact from COVID-19 and business as usual activity and changes in

business rates income have therefore been considered within the general funding in the business as usual section above.

MAG Dividend – The pre-pandemic budget included for £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 as a prudent measure there are no expectations of any dividend income over the next few years. For future years the airport dividend has been considered within the Business as Usual activity.

- **COVID-19 Contingency Budget** – the budget plans for 2022/23 included a non-recurrent figure of £1.5m for potential unknown pressures should the impact of the pandemic last in to 2022/23. This resource is due to be removed from 2023/24 and there are no plans to change this assumption based on the following levels of contingency items. The 2021/22 budget already includes a recurrent figure of £0.70m aimed at replenishing our earmarked reserves which were deleted during the pandemic and there is an additional £0.75m per annum increase in the general contingency budget to accommodate potential future uncertainty across all service activities.

4.3 Approach to the Budget

4.3.1 When the 2021/22 Medium Term Financial Strategy was produced, the overall approach to balancing the 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 to reflect their time limited nature and pending clarity on the level of ongoing Government support.

4.3.2 As time has progressed the separation of COVID-19 pressures from business as usual activity has become increasingly difficult. As described in the previous section, many COVID-19 pressures have now been considered under business as usual activity.

4.3.3 Whilst the overall budget gap for 2022/23 is currently forecast at £21.75m there are a number of uncertainties, particularly around the ongoing implications on the Council's council tax revenues, business rate income, income from Sales, Fees and Charges, Leisure Services and the Asset Investment Strategy. It is therefore proposed that the budget be approached as follows:-

- COVID-19 Related Pressures – continuation of the original strategy in 2022/23 of separating out COVID-19 pressures, where they can reasonably be identified and meeting these from reserves. There are currently no changes to the assumptions made in 2022/23 relating to COVID-19. The temporary contingency of £1.5m already included in our plans for 2022/23, will be used to alleviate potential risks of a shortfall in Sales, Fees and Charges income in the first instance. Other COVID-19 related risks which may cause pressures associated with Business Rates income, the Asset Investment Strategy and Leisure Services CIC are managed against the established specific earmarked risk reserves in these areas, alongside the additional contingency resources of £0.70m already

included in the base budget to replenish reserves, plus planned growth in general contingency of £0.75m per annum over the next five years.

- For an authority like Trafford with a relatively low level of reserves the reliance on reserves presents its own challenge. There are statutory responsibilities of the S151 officer regarding the adequacy of reserve levels and the risks mentioned above have been considered. The level and adequacy of reserves will be considered in detail over the next few months and prior to the final budget report.

- If the S151 officer's opinion was that the reserves levels were below an acceptable level compared to the range of business risks faced and this meant the setting of a balanced budget was at risk then further statutory responsibilities under S114 of the Local Government Finance Act exist. Before the impact of COVID-19 it would have been incumbent on the S151 officer to issue a formal report to Council. Whilst this responsibility still exists the Ministry of Housing Communities and Local Government have asked that if any authority is in this position then they have asked to be contacted to see what exceptional support could be given. More details on the review of the use of reserves is given in Section 5 of the report.

- Business as Usual Pressures – a mix of savings and income proposals have been developed to address this gap and specific details are included at Annex D. All the measures will be developed further over the next few months, including full business case reviews to ensure deliverability and robustness as well as full consideration of the impact on staff and key user groups. Where measures impact on staff the approach will be to prioritise voluntary measures first, rather than compulsory interventions.

4.4 Meeting the Gap

4.4.1 The table below shows the draft budget position following the latest round of budget proposals and policy choice funding updates. A full detailed listing of savings and income proposals can be found in Annex D.

Summary of the Budget Proposals	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**Total £'000**
Revised Gross Budget Gap (Oct 21)	**21,752**	**11,334**	**10,529**	**9,320**	**8,572**	**61,507**
Policy Choice Funding Proposals						
General Increase in basic Council Tax to 1.99% (*)	(2,183)	(2,289)	(2,400)	(2,520)	(2,647)	(12,039)
Reinstate Social Care Precept increase 2.0% (*)	(2,296)	(2,356)	(2,412)	(2,533)	(2,661)	(12,258)
Contribution from COVID-19 General Reserve	(7,097)	7,097	0	0	0	0
Total Policy Choice Funding	**(11,576)**	**2,452**	**(4,812)**	**(5,053)**	**(5,308)**	**(24,297)**

Savings and Income proposals	(5,523)	(2,836)	(1,796)	(1,000)	(1,000)	(12,155)
Revised Budget Gap (Oct 21)	**4,653**	**10,950**	**3,921**	**3,267**	**2,264**	**25,055**

(*) Subject to council tax referendum principles for 2022/23 – to be announced in December 2021.

4.4.2 The value of savings proposals in the report are currently valued at £12.16m over the five year period, with £5.52m planned in 2022/23. This still leaves a budget gap of £4.65m for 2022/23 and a continuing challenge beyond then. Between now and the preparation of the final budget report for 2022/23 consideration will be given to the outcome of the Government's comprehensive spending review, provisional local government finance settlement and promised consultation on social care finance. In addition, a full review of reserves will be undertaken to identify the scope to support this budget position. A range of other budget options will also be developed, with support from the Council's Modernisation Team, to help address the remaining gap for 2022/23 and future year's budget challenge. These include:-

- The implementation of integrated care systems and more joined up work with our partner providers will help drive efficiencies and improve the sustainability around the health and social care system and delivery of the Locality Plan priorities of Living Well at Home, Living Well in My Community and Short Stay in Hospital.
- Review the Discharge to Assess System Flow and use of Ascot House jointly with the CCG;
- One Stop Resource Centre and equipment review;
- Use of technology to allow more residents to remain independent in their own home;
- A review of the learning disability service;
- A review of a shared Fostering Service across Greater Manchester;
- Greater collaboration with the rest of GM on the procurement and provision of high cost children's placements'
- A review of allowance payments in Children's social care
- Review short break criteria and smarter commissioning in Children's services;
- A review of property estate and civic buildings;
- Opportunities within Traded Services;
- Review of discretionary council tax reliefs and support;
- Review of procurement savings from large contracts.

Therefore it will be imperative that any future transformative changes are delivered at pace in order to balance the financial position and protect services in the medium term. This is particularly important given the relatively

low level of available reserves that are available to temporarily support this position.

4.4.3 This budget position will also be reviewed and updated in the context of the 2021/22 budget monitoring position, a detailed review of reserves set out in Section 5 and also to incorporate the impact of the Spending Round in the autumn and the provisional local government finance settlement in December 2021.

4.4.4 Based on current assumptions and proposals the 2022/23 net budget will increase by £13.97m or 7.8%, from £179.47m to £193.44m.

4.4.5 A full Subjective summary providing a breakdown of the 2022/23 net budget can be found in Annex E and an Objective summary below.

Budget	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
Service:					
Children's Services	43,884	45,402	46,381	47,360	48,339
Adult Services (incl. Public Health)	69,372	75,314	79,651	83,880	87,939
Place	29,200	30,832	32,504	33,683	34,862
Governance and Community Strategy	5,969	6,153	6,305	6,457	6,609
Finance and Systems	7,715	7,838	7,965	8,267	8,569
Strategy and Resources	5,019	5,535	5,556	6,050	6,544
Total Service Budgets	**161,159**	**171,074**	**178,362**	**185,697**	**192,862**
Council-wide Budgets	32,280	31,648	32,416	33,184	33,952
Net Budget	**193,439**	**202,722**	**210,778**	**218,881**	**226,814**
Funding:					
Council Tax	(113,526)	(119,242)	(125,404)	(131,710)	(138,335)
Business Rates: Local Share	(153,198)	(156,263)	(159,388)	(162,577)	(165,828)
Business Rates: Tariff Payment	97,996	100,317	102,683	105,099	107,562
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(12,961)	(12,431)	(10,145)	(8,402)	(6,658)
Fairer Funding Assumptions	0	500	1,000	1,500	1,500
Funding	**(181,689)**	**(187,119)**	**(191,254)**	**(196,090)**	**(201,759)**
Movement in Reserves					
Budget Support Reserve	0	0	0	0	0
COVID-19 General Reserve	(7,097)	0	0	0	0
Movement to/(from) Reserves	**(7,097)**	**0**	**0**	**0**	**0**
Cumulative Budget Gap	**4,653**	**15,603**	**19,524**	**22,791**	**25,055**
Annual Budget Gap	**4,653**	**10,950**	**3,921**	**3,267**	**2,264**

5. ROBUSTNESS, RISKS & RESERVES

5.1 Robustness and Risks

5.1.1 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.

5.1.2 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 needs only be sufficient to meet overall expenditure requirements.

5.1.3 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 it is recommended that reserves are reviewed on an annual basis ensuring 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.

5.1.4 The detailed review, which will be reported upon as part of the final budget report will consider :

- The rationale for holding each reserve;
- Whether the approved commitments for the use of each reserve are still needed;
- Whether the level of the Council's reserves remains appropriate to provide resilience against the financial risks and challenges facing the Council;
- Whether the existing reserves need to be reclassified to meet the Council's corporate and strategic objectives over the MTFP period;
- Whether any new reserves need to be created to meet the Council's corporate and strategic objectives going forward; and
- The use of the Council's outturn surplus to replenish existing reserves and/or create new reserves.

5.2 Classification

5.2.1 For ease of management, reserves have been grouped into seven 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;

- **COVID-19 Reserves –** This is a new category of reserves which specifically holds the resources earmarked to support COVID-19 pressures and timing differences relating to the accounting treatment of the Collection Fund deficit caused by the pandemic;
- **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 are not 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 are not considered as part of the Reserves Policy.

5.3 Balances

5.3.1 The Council's usable reserves at 31st March 2021 stood at £200.34m, of which £165.42m relates to Earmarked revenue reserves as shown below. The projected usage over the next three years has been provisionally estimated, however these will be subject to a detailed review before the final budget is concluded.

Usable Reserves	Opening Balance 1/4/2021 £m	Estimated Balance 1/4/2022 £m	Estimated Balance 1/4/2023 £m	Estimated Balance 1/4/2024 £m
Budget Resilience and Smoothing	21.23	22.19	18.03	18.05
COVID-19 Reserves	114.27	11.62	2.82	1.23
Strategic Priority	13.76	9.08	7.33	6.91
Corporate	(2.94)	0.50	0.13	0.00
General Reserve	8.00	8.00	8.00	8.00
Service Area Priorities	11.10	4.37	0.81	0.28
Earmarked Reserves	**165.42**	**55.76**	**37.12**	**34.47**
Capital Related Reserves	19.75	12.20	5.24	5.24
School Related Reserves	15.17	10.45	10.45	10.45
Total Usable Reserves	**200.34**	**78.41**	**52.81**	**50.16**

The balance and provisional commitments against each reserve are shown in detail in Annex F.

5.4 Using Reserves to Support the Budget

5.4.1 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these reserves to be deployed to finance recurrent expenditure. Holding these types of reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience.

5.4.2 The impact of COVID-19 has demonstrated the importance of maintaining sufficient reserves and their application has gone someway to help mitigate a substantial part of the budget gap and in allowing the Council to meet its obligations in setting a balanced budget in the short term. The ongoing impact and duration of COVID-19 on the Council's finances will remain unknown for some time. Many pressures are likely to manifest as business as usual as the pandemic has likely changed society and behaviours for the long term. Should the recurrent impact be higher or last longer than anticipated and into future years, the level of remaining reserves will be insufficient to meet such a scenario.

5.4.3 Although the Council has significantly lower levels of reserves than its neighbours, the ability to redirect these resources to support our budget has never been so critical in Trafford's history and therefore any decision around the use of Earmarked reserves to support its budget decisions has not been taken lightly.

5.4.4 The level of Earmarked reserves the Council holds is in part reflective of the past funding levels of the Council in comparison to its need to spend. This means that, as the lowest funded Council in Greater Manchester, it has accumulated one of the lowest levels of Earmarked reserves.

5.5 Main Reserves Initial Observations at Draft Budget Stage

5.5.1 A significant balance of £165.42m was brought forward at 1st April 2021, however the following observations relating to the main reserves should be noted:

Budget Resilience and Smoothing Reserves

- **Budget Support Reserve -** This reserve had a brought forward balance of £6.35m at 1st April 2021 of which £2.8m is committed to support the 2021/22 budget. A figure of £4.0m has been transferred from the COVID-19 General Reserve to support future general pressures and reflecting the realignment of COVID-19 pressures to business as usual activity. A balance of £7.54m is projected at the end of 2023/24. The latest Reserves Policy suggests a figure of 50% of the annual budget gap to be held in this reserve as a buffer against budget volatility. A target of circa £5.0m is suggested.

  The current in-year budget monitoring position as at period 4 is a projected overspend of £2.18m. It is still relatively early in the financial

year to predict this with 100% accuracy, but in the event that this cannot be brought back in line then an element of this reserve balance will need ring-fencing for this.

- **Business Rate Risk Reserve -** This reserve represents the biggest reserve under the category of Resilience and Smoothing at £6.53m at 1st April 2021. £0.6m is being used to support the 2021/22 budget, leaving a balance of £5.93m at the end of 2021/22.

  The Council has a budget from Business Rates income of approximately £68m and due to the complexities in the system such as the uncertainty surrounding the long term impact of the pandemic, a potential downturn in the general economy along with the forthcoming business rate reset, the importance of maintaining a suitable balance in this reserve cannot be underestimated.

- **Manchester Airport Dividend Reserve** – this reserve was established to provide resilience if the income from our strategic investments in the airport was reduced. In the event of the pandemic, the reserve was used in full in 2020/21. As part of the longer term plans to replenish the level of reserves over the medium term, to provide an increased level of financial resilience, a recurrent amount of £0.5m was included in the 2021/22 budget. This was initially directed towards this reserve, although it is anticipated that flexible use of this resource may be required as the various risks evolve.

COVID-19 Reserves

- **COVID-19 Various** - A substantial balance of £114.27m relates to various COVID-19 Reserves, of which £113.04m is fully committed to meet either the prior year shortfall in the Collection Fund or our current budget plans. A small balance of £1.23m remains uncommitted.

Strategic Priority

- **Asset Investment Strategy Risk Reserve -** this reserve is the largest reserve within the category of Strategic Priority and stood at £6.2m at 1st April 2021. The reserve was established as a contingency for potential loss of income and additional cost due to delays in the investment property programme. The flexible use of this reserve has been required during the pandemic due to the significant impact of delays in developer loans being drawn down and shortfalls in rental income as reported in the Period 4 monitor. It is likely that this reserve will remain a critical tool in managing the ongoing risks associated with the programme.

- **Leisure Centre Risk Reserve** – this reserve was established prior to the pandemic to manage the expected shortfall in income during the buildings refurbishment programme. The full balance on the reserve has been used to support the impact that the pandemic has had on the trading income of the Leisure CIC. A figure of £0.215m has been budgeted to replenish this reserve on an annual basis. There remains a high degree of uncertainty on the ongoing trading impact, particularly in

2022/23 and as part of the annual review, the adequacy of this reserve will be a priority.

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 balance is currently £8.0m and was based on the minimum agreed as part of the risk and resilience exercise when preparing the current budget.

Service Area Priority Reserves

- **Service Area Priority Reserves various** - This category of reserves holds service area reserves which have largely built up from prior years underspends, including unspent grants. Most elements are contractually committed, however all commitments will be thoroughly challenged as part of the annual review and updated as part of the final budget proposals.

5.6 Summary of initial review of Reserves

5.6.1 Although the reserve balance brought forward is substantial at £165.42m, the majority of this relates to COVID-19 reserves which are ring fenced to meet the 2020/21 Collection Fund shortfall.

5.6.2 Current budget plans have already assumed that £22.24m of reserves will be drawn down, including £2.80m in 2021/22 from the Budget Support Reserve and £8.34m in 2021/22 and £7.10m in 2022/23 from the COVID-19 General Reserve.

5.6.3 The Council faces significant risks in a number of areas such as:

- In year budget pressures and the potential shortfall of the current savings programme cascading into 2022/23;

- Unknown pressures in future years associated with risk from Business Rates uncertainty and potential shortfalls in the income derived from the Asset Investment Strategy;

- Supporting the risks of the strategic priority programmes, the biggest of which relates to providing support for the Leisure CIC following the impact the pandemic and the long term plans for a major refurbishment of the centres to make them fit for purpose for the future.

5.6.4 There appears to be little headroom for any further substantial release of resources to support the budget gap and at the same time provide sufficient robustness to absorb the major financial risks over the short term. However a detailed analysis of all reserves and adequacy of balances will be concluded and reported on as part of the final budget report.

6. SCHOOLS FUNDING & BUDGETS 2022/23

6.1 Background

6.1.1 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.

6.1.2 **Summary Position 2021/22**

Schools have provided an essential role within the community during the coronavirus pandemic (COVID-19). Although there had been increases in the schools budgets for 2021/22, there were still pressures on these which have been further exacerbated by the coronavirus pandemic.

The latest monitoring position as at the end of July 2021, updated to reflect latest DSG allocations, forecasts a £1.21m over spend for 2021/22. See table below.

This is mainly within the HNB because of increases in:

- complexity and demand for places and top-up funding in our own special schools (12 additional places have been funded in year);
- complexity and demand for places exceeding in-borough provision resulting in costly out of borough placements;
- complexity and volume of Education Health Care Plans (EHCPs); and
- home tuition costs.

This area of the budget is under significant pressure which is likely to increase.

DSG Overall Position P4	2021/22 Budget (£m)	2021/22 Expected Outturn (£m)	Variance (£m)
Schools Block	187.120	186.945	(0.175)
Central School Services Block	1.553	1.512	(0.041)
High Needs Block	32.619	34.045	1.426
Early Years Block	18.754	18.754	0
Total	**240.046**	**241.256**	**1.210**

The level of central DSG reserve at 1 April 2021 was £1.753m and most is ring-fenced to support specific expenditure as detailed in the table below:

DSG Central Reserve	Reserves (£m)
Reserve as at 31st March 2021	**1.753**
High Needs *	(0.181)
Growth Fund	0.739
De-delegation	0.669
Central Schools Services Block (CSSB)	0.222
Pupil Referral Units (PRU)	0.184
Early Years	0.120
Total	**1.753**

*This represents a deficit (overdrawn) position as at 31st March 2021

6.1.3 **Budget Position 2022/23**

The table below outlines the provisional budgets for 2022/23 and how they have moved from 2021/22:

DSG Allocations	2021/22 (£m)	2022/23 (£m)	Change (£m)
Schools Block	187.120	191.093	3.973
Central School Services Block	1.553	1.506	(0.047)
High Needs Block	32.619	35.174	2.555
Early Years Block	18.754	18.754	0
Total	**240.046**	**246.527**	**6.481**

Schools block

The increase in funding is £3.973m (2%).

The minimum per pupil funding levels ensure that every primary pupil receives at least £4,265 per pupil (2% increase, £4,180 in 21/22), and every secondary school at least £5,525 per pupil (2% increase £5,415 in 21/22).

Central School Services Block (CSSB)

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 2022/23, net of the additional grant has reduced by £0.047m.

High Needs Block (HNB)

The allocation for 2022/23 is £35.174m an increase of 7.8%.

There are still significant pressures within the HNB due to:

- The SEND Code of Practice significantly raised expectations and aspirations for parents for children with SEND including increasing the age range from 0-25 years with no additional financial resource;
- A continued increase in the numbers and complexity of EHCPs (we are currently funding 2,348 EHCPs which is an increase of 86 (3.8%) from this time last year) which can be due to advances in life-expectancy for children with complex conditions; more awareness and better diagnoses; and increasing poverty;
- Lack of places in our own Special Schools resulting in costly out of borough places being sought;
- Staffing cuts in mainstream schools impacting on their ability to cater for children with SEND;
- The sharp focus on inspection and through the broader accountability framework does not incentivise mainstream schools to be inclusive.

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 £1.5m in 2022/23 and £1.2m in 2023/24 and 2024/25. Over the three years this will amount to £3.9m based on the following:-

- Continued increase in the level of EHCP payments to schools & tuition costs (£1.0m);
- An uplift in complexity of need leading to a rise in special school top-ups (£1.5m);
- Increased cost of out of borough placements caused by increasing complexity and lack of places in our own special schools (£0.9m);
- Inflationary cost increases on out of borough placements, pay and running costs (£0.5m).

The High Needs allocation for 2022/23 is £35.17m, an increase of £2.55m (8%) on the 2021/22 allocation. The assumption for future years, taking a prudent approach is that this will increase by 4%.

Although Local Authorities have seen increases their HNB funding for 2022/23, 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 has been promised for a while but continues to be delayed.

The table below sets out a summary of the HNB position over the next three financial years:

High Needs Block Summary	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Required HNB budget	35.534	36.755	37.979
HNB grant	35.174	36.581	38.044
(Surplus)/Deficit	**360**	**174**	**(65)**

Although the additional grant is welcome it is insufficient to keep up with increasing costs over the years. Trafford is not alone in that the grant received is not keeping up with demand. Almost all local authorities recently surveyed expected HNB budgets to be in deficit for 2021/22 with deficit budgets sometimes doubling each year.

High Needs share of the DSG Central Reserve	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
High Needs Deficit brought forward	(0.181)	(1.607)	(1.967)	(2.141)
Movements in year	(1.426)	(0.360)	(0.174)	0.065
Estimated balance at year end Surplus/(Deficit)	**(1.607)**	**(1.967)**	**(2.141)**	**(2.076)**

New provisions were put into regulations so that local authorities are required to carry forward overspends to their schools budget and which must be addressed by using one of the following options:

- Carry the whole or part of the deficit forward to be dealt with in the schools budget in the next or following financial year, deducting it from the money available for those financial years;
- 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.

Options being considered to address the funding pressures are as follows:

- Movement across blocks of funding including 0.5% from the School's Block (requires funding forum agreement and will be considered at the November 2021 meeting), this would equate to £900k;
- Review of EHCP bandings;
- Review of commissioning arrangements with external providers to ensure best value;
- Utilising SEND Joint Strategic Needs Assessment to support sufficiency and commissioning planning;
- Review of local area specialist provision utilising investment from capital grant of £1.6m to increase capacity in-borough to manage demand; and
- Inclusion and preventative services.

6.1.4 **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 has not materialised as every school's starting point is very different as a result of historic individual local formulae decided by local authorities (LA's) with floors and protections in place.

The introduction of a hard formula, in which the Education Skills and Funding Agency (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. The ESFA are currently consulting on this but that implementation is not likely to take place 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. LA's 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.

7. CAPITAL STRATEGY AND INVESTMENT PROGRAMME

7.1 Background

7.1.1 The Capital Strategy and Programme aims to provide a long term vision of the Council's planned capital expenditure, capital financing and treasury management activity and how these can contribute to the provision of services through the Capital Programme and the Asset Investment Strategy (Commercial Properties and related portfolio). In addition to supporting the Council's Corporate Objectives, specific objectives of the capital programme are:

- Regeneration of Strategic Locations including, Civic Quarter, Sale Town Centre development, the Stretford Masterplan and Altrincham Town Centre Masterplan;
- Green Initiatives including Cycle Network, Active Travel, EV Charging and Red Rose Forest;
- Decarbonisation, including corporate buildings;
- Leisure Strategy – "Increasing Physical Activity";
- Investment in Highways and Infrastructure;
- Schools - Expansion Programme and Improvement;
- One Public Estate, including rationalisation of public sector assets;
- Adult Social Care – Disabled facilities provision;
- Increase the availability and range of suitable housing options for people within Trafford and improve the quality and standard of existing housing;
- Affordable Housing;
- Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route;
- Parks and greenspaces improvements;
- Asset Investment Strategy, including strategic property acquisitions and the provision of senior development or investment debt where this supports regeneration including employment space, job creation, housing and promotes low carbon schemes;
- Community Asset Transfer.

7.1.2 Carbon Neutral Action Plan - The Council declared a Climate Emergency on 28th November 2018, which committed it to tackle climate change and work towards carbon neutrality for Trafford as an area as well as for the Council. Following this declaration, a Carbon Neutral Action Plan was been developed which identified deliverable actions across Trafford. This Action Plan was approved, by the Council's Executive, on the 14th December 2020 as a working document, to be progressed and monitored.

7.1.3 This Carbon Neutral Action Plan included a number of actions, both short and long term, to help the Council achieve its de-carbonisation objectives. The Council's programme of capital investment for 2021/22 and later years contains a number of schemes supporting the priorities of the Action Plan. These include the following:

- Substantial investment, through the Mayor's Challenge Fund, in new cycle and walking schemes;
- Decarbonisation of public estate buildings;
- The installation of electric vehicle charging points at Regent Road car park.

7.2 Capital Programme 2021-24

7.2.1 The value of the indicative capital programme for 2021/22 to 2023/24, approved in February 2021, was £415.40m, including £244.56m of Asset Investment Strategy resources and £170.84m for the general capital programme. The overall programme has since been revised to £437.83m, of which £271.97m relates to the Asset Investment Strategy and £165.86m to the general capital programme, as reported as part of the period 4 budget monitoring. The net reduction of £4.98m for the general programme is due to a number of factors, as set out below:

- Re-phasing of Mayors Cycling and Walking Challenge Fund as notified by GMCA of £15.90m;
- Net re-profiling from 2020/21 included in the Outturn Report to the Executive in June 2021; £3.21m;
- New SEND grant allocation for 2021/22 advised from the DFE; £1.68m;
- Increase in revenue contribution to support DFG support;£400k;
- Increase in Capital Maintenance grant allocation for 2021/22 as advised from DFE and uplift in assumed grant level for following years; £1.35m;
- Re-profiling of other schemes as part of in year monitoring process; £4.28m.

7.2.2 The capital programme utilises all known available capital funding sources including prudential borrowing, capital grants and contributions, and capital receipts from the Council's Strategic Land Review Programme. A review of the current expected level of capital receipts has been undertaken and compared to the requirement identified to fund the original three year capital programme approved in February 2021. This now indicates an over-

programmed level within the capital programme of £3.8m which is an increase of £0.9m when the budget was set in February 2021. This is a result of an overall reduction in the level of receipts anticipated from the Council's self-development schemes. This reduction is due to increased build costs, and additional levels of affordable and sustainable housing being included in the schemes. In addition to this, delays in realising capital receipts, included those associated with COVID-19, and development returns are increasing the requirement for short term borrowing which come with associated revenue costs, forecast to be £3.05m in the current year.

7.2.3 Any shortfall in the ability to fund the capital programme will need to be managed through the identification of additional sites to sell or develop, increased development returns on current schemes, or a reduction of the current programme for those schemes funded through internal resources.

7.3 General Capital Programme 2022/24

7.3.1 The remaining two years of the three year budgeting period has a programme of works totalling £116.69m. Based on current levels of activity there is a high risk that a programme of this size may not be deliverable within this timeframe, not least due to capacity. This will be reviewed as part of the bidding process.

7.3.2 Currently included in the next two years of the programme, there are some significant elements of standalone works, these include;

- Leisure Strategy "Increasing Physical Activity" - £7.9m;
- Stretford Masterplan – Future High Street Fund (incl other contributions) - £20.2m;
- Mayors Cycling and Walking Challenge Fund - £16.4m;
- Carrington A1 Relief Road - £13.7m.

7.3.3 As part of the three year budget strategy all service areas have been requested to submit new capital bids for the three years from 2022 to 2025. This includes identifying schemes where resources are no longer needed and re-bidding for schemes in the current 2021/24 programme where those schemes are uncommitted along with new priorities across 2022/25. A review of the future years' programme will be undertaken and reported back to the Executive in February 2022. This will include reviewing existing planned programmes against available resources and any new emerging priorities, including any invest to save measures required to support future revenue savings.

7.3.4 Due to the current expected level of over programming detailed above, it is anticipated that any request for new schemes can only be approved into the capital programme if the funding deficit is first addressed. This can only be facilitated if schemes currently within the approved programme are reprioritised, or new funding sources are identified. In addition to capital receipts, new funding can include grants, external contributions, and revenue savings to fund borrowing.

7.4 Asset Investment Strategy

7.4.1 The updated Strategy approved by the Executive in November 2020, supported by a total budget of £500m, seeks to acquire a balanced portfolio of investment assets to promote Trafford Council's Strategic Priorities while creating a suitable income stream to support local services.

7.4.2 As part of the Strategy decision making process, an Investment Management Board (IMB) oversees the approval of new acquisitions and undertakes a performance management role. This process is supported by independent external advice on each acquisition.

7.4.3 The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £381.13m. The facility agreements at The Crescent (£44.26m) and phase one of the Hut Group (£30.20m) were repaid in 2020/21, and phase two of the Hut Group (£32.25m) was repaid in June 2021. This means the balance of the approved £500m which is available for further investment is £163.13m.

7.4.4 These investments were budgeted to generate a net revenue benefit in 2021/22 of £7.61m. The forecast net income, however, is £4.6m lower, at £2.9m. The Council has reviewed this position and put in place mitigations which have increased the net income position to £6.61m, a deficit of £1.00m compared to budget.

7.4.5 In the period 2022 to 2025, the Council will seek to maintain the level of benefit that the Strategy contributes to the MTFP in net income. It will do this by continuing to invest in suitable investment assets that meet the criteria of the Strategy. This includes the recycling of amounts that are repaid or recouped from existing assets.

Base Budget Assumptions

Annex A

Base Budget Assumptions	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Service Expenditure					
Pay: Inflation – 2021/22 (not yet agreed)	1.75%	n/a	n/a	n/a	n/a
Pay: Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
	£2.43	£1.59	£1.62	£1.62	£1.62
Pay: Pension Inflation	0.0%	0.0%	0.0%	0.0%	0.0%
	£0.00	£0.00	£0.00	£0.00	£0.00
Pay: Living Wage	£1.53	£2.16	£1.82	£3.68	£3.51
General Inflation: Prices(*)	2.0%	2.0%	2.0%	2.0%	2.0%
	£0.12	£0.12	£0.12	£0.12	£0.12
Contractual Obligations: Inflation Specific e.g. energy (*)	£2.25	£2.31	£2.37	£2.37	£2.37
Levies: Waste (GMWDA) Levy Increase/ (Decrease)	£(0.67)	£0.49	£0.49	£0.00	£0.00
Demographics: Children	£2.00	£1.00	£1.00	£1.00	£1.00
Adults	£2.50	£1.90	£1.50	£1.50	£1.50
Treasury Management					
Investment Rates	0.14%	0.42%	0.55%	0.55%	0.55%
Debt Rates	2.50%	2.50%	2.50%	2.50%	2.50%
Funding					
Council Tax rate increase (Adult Social Care)	2.00%	2.00%	2.00%	2.00%	2.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%	1.99%	1.99%
Council Tax base increase	2.20%	1.00%	1.00%	1.00%	1.00%
Change in Baseline Funding Level :-					
Baseline Funding (Core) %	2.00%	2.00%	2.00%	2.00%	2.00%
Baseline Funding (Core) £m	£0.74	£0.76	£0.78	£0.80	£0.82
Baseline Funding (RSG) %	0.00%	0.00%	0.00%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.00	£0.00	£0.00	£0.00	£0.00
Baseline Funding (PH) %	0.00%	0.00%	0.00%	0.00%	0.00%
Baseline Funding (PH) £m	£0.00	£0.00	£0.00	£0.00	£0.00

(*) To be reviewed before the final budget report is presented in February 2022.

Annex B

Breakdown of the Movements in the Budget Gap

Budget Movements	2021/22 (£'000)	2021/22 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total (£'000)
Gross Budget Gap before Feb 21 Savings and Policy Choice Funding Proposals	**23,642**	**8,144**	**4,716**	**7,564**	**5,795**	**49,861**
Changes in Funding Assumptions BAU						
Release of difference in Estimated Council Tax Deficit and Actual (20/21)	(941)	1	940	0	0	0
Release of difference in Estimated Rates Deficit and Actual (20/21)	(987)	0	987	0	0	0
Lower Provision for Business Rate Appeals	(1,500)	0	0	0	0	(1,500)
Impact of delay in Business Rate Reset	(691)	(1,160)	53	54	1,744	0
Impact of delay in Fairer Funding	(500)	0	0	500	0	0
Potential Pressures in Council Tax	554	30	27	32	33	676
Movements in Funding Assumptions (BAU)	**(4,065)**	**(1,129)**	**2,007**	**586**	**1,777**	**(824)**
Movements in Budget Assumptions BAU :						
Remove Bus Reform Contribution to Reserve	0	(1,500)	0	0	0	(1,500)
Children's Demographic Growth	1,358	1,000	1,000	1,000	1,000	5,358
Children's Client pressures from 2021/22	1,000	0	0	0	0	1,000
Adult's Client pressures from 2021/22	1,000	0	0	0	0	1,000
Aspiration of working towards Real Living Wage	0	0	0	2,000	2,000	4,000
Impact of Higher Pay Award (21/22)	877	0	0	0	0	877
Changes in National Living Wage	(776)	22	306	170	0	(278)

Assumptions						
Fair Price of Care	(500)	0	0	0	0	(500)
Homecare Sustainability Rescheduled to 23/24	(1,000)	1,000	0	0	0	0
Adults Savings 20/21 pressures	586	0	0	0	0	586
Norfolk Judgement Adults Clients charging	250	0	0	0	0	250
MAG investment assumptions	0	3,097	2,500	(2,000)	(2,000)	1,597
Continuation of Troubled Family Grant for further year	(400)	400	0	0	0	0
Better Care Fund Indexation	(200)	0	0	0	0	(200)
Other Budget Assumptions	(20)	300	0	0	0	(70)
Movements in Budget Assumptions (BAU)	**2,175**	**4,319**	**3,806**	**1,170**	**1,000**	**12,470**
Movements in Funding/ Budget Assumptions (COVID-19):						
No movements	0	0	0	0	0	0
Movements in Funding/Budget Assumptions (COVID-19)	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL BUDGET MOVEMENTS	**(1,890)**	**3,190**	**5,813**	**1,756**	**2,777**	**11,646**
REVISED BUDGET GAP (Oct 21)	**21,752**	**11,334**	**10,529**	**9,320**	**8,572**	**61,507**
ACCUMULATIVE BUDGET GAP (Oct 21)	**21,752**	**33,086**	**43,615**	**52,935**	**61,507**	

100% Business Rates Retention GM Pilot

Annex C

Business Rates Benefit Calculation 2021/2022 to 2026/2027

	2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Gross Rates Payable	183,901,072	188,323,543	192,008,935	195,694,327	199,748,259	203,802,190
Transitional Adjustments and Mandatory & Discretionary Reliefs	(16,677,821)	(17,011,377)	(17,351,605)	(17,698,637)	(18,052,609)	(18,413,662)
NET RATES PAYABLE	167,223,252	171,312,166	**174,657,331**	**177,995,691**	**181,695,649**	**185,388,529**
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(14,151,164)	(8,380,961)	(7,874,133)	(8,360,225)	(11,527,575)	(11,760,662)
NNDR Income	153,072,087	162,931,205	**166,783,198**	**169,635,466**	**170,168,075**	**173,627,867**
Local Share	151,541,366	161,301,893	165,115,366	167,939,111	168,466,394	171,891,588
Tariff	(95,720,118)	(97,995,651)	(100,316,695)	(102,684,160)	(105,098,974)	(107,562,085)
Retained Business Rates	**55,821,248**	**63,306,241**	**64,798,670**	**65,254,951**	**63,367,420**	**64,329,504**
Baseline Funding Level (BFL)	**54,474,679**	**55,203,041**	**55,945,971**	**56,703,760**	**57,476,704**	**58,265,107**
Growth	1,346,569	8,339,979	8,852,699	8,551,191	5,890,716	6,064,396
SAICA Renewable Energy	82,944	84,603	86,295	88,021	89,781	91,577
Section 31 Compensation Grants	9,001,875	9,234,077	9,502,632	9,733,314	10,431,560	10,554,149
Growth/(Decline) to Baseline	**10,431,388**	**17,658,659**	**18,441,626**	**18,372,526**	**16,412,057**	**16,710,122**
GM Pilot 'No Detriment' Over Payment	(5,543,677)	(10,487,335)	(10,959,602)	(10,866,884)	(9,898,962)	(10,001,749)
GM Pilot 'No Detriment' Over Payment Rebate	2,771,839	5,243,668	5,479,801	5,433,442	4,949,481	5,000,874
Business Rates Benefit over BFL	**7,659,550**	**12,414,992**	**12,961,825**	**12,939,084**	**11,462,576**	**11,709,248**
Release of Prior Year Surplus	91,715,105					
Contribution from Deficit Reserve	(91,715,105)					
Contribution from business rates risk reserve	600,000					
Collection of 2020/21 COVID-19 estimated deficit over three years	1,773,322	1,773,322	1,773,322			
Government Support at 75% of estimated 20/21 deficit	(1,329,991)	(1,329,991)	(1,329,991)			
Release of difference in Est and Act 20/21 deficit		987,000	987,000			

Business Rates Growth Reset			(12,875,530)	(12,851,063)	(11,372,794)	(11,617,671)
Net Business Rates Benefit	**7,816,219**	**12,958,661**	**629,965**	**88,021**	**89,782**	**91,577**
Transitional Protection on BR Reset			6,731,648	4,487,765	2,243,883	0
National Redistribution of BR Post Reset			3,900,000	3,900,000	3,900,000	3,900,000
Growth Post Reset			1,169,000	1,669,000	2,169,000	2,668,000
Business Rates Benefit post Reset	**7,816,219**	**12,958,661**	**12,430,612**	**10,144,786**	**8,402,664**	**6,659,577**

Total Benefit from Business Rates

Benefit from Business Rates	**2021/22 £**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**	**2026/27 £**
Core Baseline Funding	36,418,133	37,146,495	37,889,425	38,647,214	39,420,158	40,208,561
Revenue Support Grant	5,414,711	5,414,711	5,414,711	5,414,711	5,414,711	5,414,711
Public Health Grant	12,641,835	12,641,835	12,641,835	12,641,835	12,641,835	12,641,835
Total Baseline Funding Level (BFL)	**54,474,679**	**55,203,041**	**55,945,971**	**56,703,760**	**57,476,704**	**58,265,107**
Business Rates Benefit over BLF	**7,659,550**	**12,414,992**	**12,961,825**	**12,939,084**	**11,462,576**	**11,709,248**
Business Rates Growth Reset	0	0	(12,875,530)	(12,851,063)	(11,372,794)	(11,617,671)
Contribution from business rates risk reserve	600,000	0	0	0	0	0
Collection of 2020/21 COVID-19 deficit over three years	(1,773,322)	(1,773,322)	(1,773,322)	0	0	0
Government Support at 75% of estimated 20/21 deficit	1,329,991	1,329,991	1,329,991	0	0	0
Release of difference in Est and Act 20/21 deficit		987,000	987,000			
Transitional Protection on Reset estimated at	0	0	6,731,648	4,487,765	2,243,883	0
Redistribution of National Scheme estimated at	0	0	3,900,000	3,900,000	3,900,000	3,900,000
Assumed Growth Post Reset	0	0	1,169,000	1,669,000	2,169,000	2,668,000
Add back temporary reduction in rates in 2021/22 due to pandemic (to allow comparison of movement over five years)	3,490,000					
Total Benefit from Business Rates	**65,780,898**	**68,161,702**	**68,376,583**	**66,848,546**	**65,879,368**	**64,924,684**
Benefit over Baseline Funding Level	**11,306,219**	**12,958,661**	**12,430,612**	**10,144,786**	**8,402,664**	**6,659,577**

Yearly Changes detailed						
Change in BFL		728,362	742,930	757,789	772,944	788,403
Change in Business Rates Benefit over BLF		4,755,442	546,833	(22,741)	(1,476,508)	246,672
Removal of contribution business rate risk reserve		(600,000)	0	0	0	0
Release of difference in Est and Act 20/21 deficit		987,000	0	987,000	0	0
Collection of 2020/21 COVID-19 deficit over three years		0	0	1,773,322	0	0
Government Support at 75% of estimated 20/21 deficit		0	0	(1,329,991)	0	0
Business Rates Growth Reset		0	(12,875,530)	24,467	1,478,269	(244,877)
Change in Business Rates Benefit Post Reset		0	11,800,648	(1,743,883)	(1,743,883)	(1,743,883)
Change in temporary reduction in rates in 2021/22 due to pandemic (to allow comparison of movement over five years)		(3,490,000)				
Yearly Change		**2,380,804**	**214,881**	**(1,528,037)**	**(969,177)**	**(954,684)**

Total reduction in Business Rates from 2021/22 (excluding the temporary reduction in 2021/22 due to the pandemic) is +£2,380,804 - £214,881 -£1,528,037 - £969,177 - £953,684 = -£856,214
The figures above includes a number of assumptions relating to the reset of the baselines, including;

- Recovery of the reduction in income in 2021/22 due to the pandemic
- Indexation on our Baseline Funding to continue at 2%
- 100% pilot retention scheme to continue.
- Transitional protection – we are assuming there will be a protection scheme post reset which protects on a tapering basis
- It is estimated that following a national reset £1.3bn of business rate growth will then be redistributed through the new fair funding formula; this represents approximately £3.9m of additional funding for the Council based on current distribution methodologies.
- Assumed £1m growth post reset

Savings and Income Proposals

Annex D

Note:- In line with the Executive's stated objective at this stage any service savings proposal affecting staff are achieved by voluntary means wherever possible, for example by voluntary severance.

Theme/Title	Service Area	Description of Saving	2022/23 £000's
Targeted savings on Children Placements (absorb demographic growth)	Children's	A review of demand and placements for looked after children.	(1,358)
Staffing Efficiencies	Children's	Review of staffing establishment outside of the main redesign programme.	(110)
Sub-Total Children's			**(1,468)**
Direct payments	Adults	Boost the uptake in DP usage to reduce commissioned or other expenditure.	(50)
Smoking Cessation	Adults	Reduce prevalence of community smoking and thereby improve long-term individual health and reduce support demand.	(40)
Weight Management	Adults	Address issue of community obesity and reduce long-term health conditions that result.	(64)
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.	(100)
Learning Disabilities - supported accommodation	Adults	Retender the learning disability supported living accommodation commissioned within Trafford, on a patch basis.	(113)
Sub-Total Adult's			**(319)**
Review of estates income	Place	Realignment of 21/22 savings assumed in 22/23	(90)
Expand number of EV charging points on a revenue share model	Place	Expand number of EV charging points on a revenue share model	(150)
Recycle Strategic Investment Income Falling Out	Place	To maintain net income at its current level.	(1,040)

Reduction in Waste Levy and use of smoothing reserve	Place	Savings from GM Waste contract and use of smoothing reserve.	(1,000)
Review of resident parking permits and parking charges	Place	Review of a range of options will be undertaken to ensure charges are suitable whilst also recognising potential impact on users and businesses.	(100)
Safety at Sports Grounds certificates	Place	Increased charge – to better recover costs	(20)
Decarbonisation of Public Sector Buildings	Place	Expected energy savings	(75)
Sub-Total Place			**(2,475)**
Traded Services	Strategy & Resources	Traded Services income inflation increase	(214)
Flexible use of capital receipts/one off resources to cover transformational activity (phase 1)	Strategy & Resources	To utilise the flexibility in the use of capital receipts to fund transformational activity.	(500)
Sub-Total Strategy & Resources			**(714)**
Traded Services	Finance & Systems	Traded Services income inflation increase	(72)
Digital Strategy	Finance & Systems	Increased use of digital technology to deliver better and more efficient services.	(100)
Sub-Total Finance & Systems			**(172)**
Civic function/ Mayoral Attendant/Car	Governance and Community Strategy	A range of temporary measures.	(54)
Sub-Total Governance & Community Strategy			**(54)**

Voluntary Redundancy/Severance Scheme	All Services	Introduction of a VR/VS scheme which allows colleagues to apply to leave the Council's employment through voluntary means. Year 2 impact of 2020/21 scheme.	(211)
Additional Savings from Advanced Pension Payment	Council Wide	Realisation of recurrent savings from advance pension payment	(100)
9 day fortnight	Council Wide	Continuation of the voluntary scheme	(10)
Sub-Total Council Wide			**(321)**
TOTAL SAVINGS AND INCOME PROPOSALS			**(5,523)**

Note:- In line with the Executive's stated objective at this stage any service savings proposal affecting staff are achieved by voluntary means wherever possible, for example by voluntary severance.

2022/23 Subjective (Spend) Budget Analysis

Annex E

	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
NET BUDGET Brought Forward	**42,456**	**65,108**	**31,065**	**6,160**	**7,666**	**5,539**	**21,478**		**179,472**
Budget Pressures:									
Pay	423	299	165	122	208	319	893		**2,429**
Living Wage	24	1,501	0	0	0	0	0		**1,525**
General Inflation	18	25	46	22	3	2	2		**118**
Contractual Inflation & Obligations	418	690	902	2	80	154	0		**2,246**
Levies	0	0	335	0	0	0	0		**335**
Demographics/ Care Costs/ Social Worker	2,000	2,500	0	0	0	0	0		**4,500**
Grants, Legislative & Service Transfers	60	(200)	0	0	0	0	8		**(132)**
Loss of Income	0	0	(357)	0	0	0	0		**(357)**
Treasury Management	0	0	0	0	0	0	574		**574**
Strategic Investment Programme	0	0	1,090	0	0	0	0		**1,090**
Short Term COVID-19 Service Pressures	0	(1,120)	(1,470)	(240)	0	(350)	0		**(3,180)**
Short Term COVID-19 Service Grants	0	0	0	0	0	0	8,667		**8,667**
Other	(47)	916	(35)	0	0	91	750		**1,675**
Total Budget Pressures	**2,896**	**4,611**	**676**	**(94)**	**291**	**216**	**10,894**		**19,490**
Budget Savings									
Income Generation	0	0	(50)	0	(72)	(214)	0		**(336)**
Savings Proposals Efficiences & Policy Choice	(1,468)	(347)	(2,491)	(97)	(170)	(522)	(92)		**(5,187)**
Total Approved Budget Proposals	**(1,468)**	**(347)**	**(2,541)**	**(97)**	**(242)**	**(736)**	**(92)**		**(5,523)**
PROPOSED NET BUDGET	**43,884**	**69,372**	**29,200**	**5,969**	**7,715**	**5,019**	**32,280**	**0**	**193,439**
Funding:									
Council Tax								(109,317)	**(109,317)**
Council Tax - 1.99% General Increase								(2,176)	**(2,176)**
Council Tax - 2% Adult Social Care Increase								(2,187)	**(2,187)**
Council Tax 20/21 Estimated Deficit								1,353	**1,353**
Council Tax Gov Support (COVID-19)								(258)	**(258)**
COVID Council Tax diff est/act deficit								(941)	**(941)**
Total Council Tax Funding								**(113,526)**	**(113,526)**
Business Rates: Local Share								(153,198)	**(153,198)**
Business Rates: Tariff Payment								97,996	**97,996**
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(12,417)	**(12,417)**
Business Rates 20/21 Estimated Deficit								1,773	**1,773**
Business Rates Gov Support (COVID-19)								(1,330)	**(1,330)**
COVID Rates diff est/act and Gov Grant Support Smoothing Reserve								(987)	**(987)**
Total Business Rates Funding								**(68,163)**	**(68,163)**
PROPOSED FUNDING								**(181,689)**	**(181,689)**
Additional Use of Reserves:									
Budget Support Reserve								0	**0**
COVID Support								(7,097)	**(7,097)**
Movement in Reserves Total								**(7,097)**	**(7,097)**
FUNDING FROM RESERVES								**(7,097)**	**(7,097)**
BUDGET GAP									**4,653**

Details of Reserves by Category **Annex F**

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2021	TOTAL COMMITTED 21/22 to 23/24 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 21/22 to 23/24 £000	REVISED BALANCE March 24 £000
Budget Resilience	Manchester Airport Group Dividend	0	(1,500)	(1,500)	0	(1,500)
Budget Resilience	Budget Support	(6,347)	2,803	(3,544)	(4,000)	(7,544)
Budget Resilience	Business Rate Risk Reserve	(6,529)	3,600	(2,929)	0	(2,929)
Budget Resilience	Insurance Reserve	(1,700)	0	(1,700)	0	(1,700)
Budget Resilience	Earmark Gen - Employment Rationalisation	(1,166)	500	(666)	0	(666)
Budget Resilience	Housing Benefit Overpayment Reserve	(500)	0	(500)	0	(500)
Budget Resilience	Timperley Sports Club Synthetic Pitch	(93)	78	(15)	0	(15)
Budget Resilience	Earmark Gen - Local Search Litigation Costs Settlement	(93)	66	(27)	0	(27)
Budget Resilience	Earmark Gen - Civic vehicle reserve	(24)	24	0	0	0
Budget Resilience	Smoothing - Waste Levy	(571)	550	(21)	0	(21)
Budget Resilience	Smoothing - Winter Maintenance	(120)	120	0	0	0
Budget Resilience	Smoothing - Elections	(308)	320	12	0	12
Budget Resilience	Smoothing - Interest Rate	(2,161)	390	(1,771)	0	(1,771)
Budget Resilience	Exchequer Services Reserve	(237)	230	(7)	0	(7)
Budget Resilience	EU Exit Funding Reserve	(300)	0	(300)	0	(300)
Budget Resilience	Sale PFI Bullet Payment	(1,086)	0	(1,086)	0	(1,086)

Sub-Total Budget Resilience and Smoothing		**(21,235)**	**7,181**	**(14,054)**	**(4,000)**	**(18,054)**
COVID-19	COVID-19 General Reserve	(20,672)	15,438	(5,234)	4,000	(1,234)
COVID-19	Council Tax Hardship Reserve	(1,131)	1,131	0	0	0
COVID-19	Council Tax Compensation Grant COVID-19 (75%)	(767)	767	0	0	0
COVID-19	Business Rates Compensation Grant COVID-19 (75%)	(3,990)	3,990	0	0	0
COVID-19	NDR Rates Exceptional Deficit Reserve (Section 31 Grants)	(87,713)	87,713	0	0	0
Sub-Total COVID-19 Budget Resilience and Smoothing		**(114,273)**	**109,039**	**(5,234)**	**4,000**	**(1,234)**
Strategic Priority	Transformation Fund	(532)	532	0	0	0
Strategic Priority	Transformation Fund Match Funding Reserve	(3,750)	3,750	0	0	0
Strategic Priority	Strategic Investment Programme Risk Reserve	(6,201)	0	(6,201)	0	(6,201)
Strategic Priority	Leisure Centres Risk Reserve (*)	(1,368)	938	(430)	0	(430)
Strategic Priority	Children's Action Fund Reserve	(138)	138	0	0	0
Strategic Priority	Bus Reform	(1,500)	1,500	0	0	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Transfer	(275)	0	(275)	0	(275)
Sub-Total Strategic Priority		**(13,764)**	**6,858**	**(6,906)**	**0**	**(6,906)**
Corporate	NDR Deficit Reserve	4,124	(4,124)	0	0	0
Corporate	Star Procurement Earmarked Reserve	(546)	546	0	0	0
Corporate	Planning Income Reserve	(358)	358	0	0	0

Corporate	Council Tax Smoothing Reserve	(285)	285	0	0	0
Corporate	General Reserve	(8,000)	0	(8,000)	0	(8,000)
Sub-Total Corporate		**(5,065)**	**(2,935)**	**(8,000)**	**0**	**(8,000)**
Service Area Priority	Earmark Gen - ICT Development	(589)	340	(249)	0	(249)
Service Area Priority	Economic Development	(704)	937	233	(240)	(7)
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(20)	20	0	0	0
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(4)	4	0	0	0
Service Area Priority	Earmark Gen - Community Safety	(568)	568	0	0	0
Service Area Priority	Earmark Gen - Modernisation	(306)	306	0	0	0
Service Area Priority	One Trafford Partnership Reserve	(1,859)	1,858	(1)	0	(1)
Service Area Priority	Sports Partnership Reserve	(165)	165	0	0	0
Service Area Priority	Earmarked Service C/fwd **CFW** (was CYP)	0	0	0	0	0
Service Area Priority	Earmarked Service C/fwd **Place**	(967)	719	(248)	240	(8)
Service Area Priority	Earmarked Service C/fwd **G & CS**	(95)	95	0	0	0
Service Area Priority	Earmarked Service C/fwd **F & S**	(1,057)	1,057	0	0	0
Service Area Priority	Earmarked Service C/fwd **P & TS**	(612)	612	0	0	0
Service Area Priority	Earmarked Service C/fwd **Children**	(111)	111	0	0	0
Service Area Priority	Earmarked Service C/fwd **Adults**	(3,779)	3,779	0	0	0
Service Area Priority	Traded Services Reserve	(261)	243	(18)	0	(18)
Sub-Total Service Area Priority		**(11,097)**	**10,814**	**(283)**	**0**	**(283)**

SUB-TOTAL Earmarked Reserves	**(165,434)**	**130,957**	**(34,477)**	**0**	**(34,477)**
Capital Related Reserves	(19,752)				(5,243)
School Related Reserves	(15,167)				(10,446)
SUB-TOTAL	**(34,919)**				**(15,689)**
TOTAL USABLE RESERVES	**(200,353)**				**(50,166)**

(*) work is ongoing to understand the trading position of the Leisure CIC in 2021/22 and potential ongoing impact in 2022/23. Once clarified, this will feed into the review and adequacy of reserves prior to the final budget being considered.