

# Agenda Item

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 15 February 2023  
**Report for:** Decision  
**Report of:** Executive Member for Finance and Governance and the Director of Finance and Systems

### Report Title

**Executive's Revenue Budget Proposals 2023/24 & MTFS 2024/25 - 2025/26**

### Summary

This report sets out the Executive's updated 3 year budget strategy, detailed revenue budget proposals for 2023/24 and Medium Term Financial Strategy (MTFS) for the period 2024/25 - 2025/26.

The key summary of figures for the revenue budget are:

- The gross budget gap for the three years before applying policy choice savings and funding proposals is now estimated to be £51.05m of which £24.86m is related to 2023/24.
- The gross budget gap will be reduced over the three years of the MTFS 2023/24 to 2025/26 through permanent measures of £33.97m including:
  - Additional funding from Council Tax of £15.73m (increase of 4.99% 2023/24 and 2024/25 and 2.99% in 2025/26)
  - Income generation and service delivery savings of £18.24m
- Included in these budget proposals is a one off use of Budget Support Reserve of £9.48m over the three year period, reflecting the fact that a significant proportion of the gap occurs in 2023/24 largely due to the impacts of inflation, consisting of:
  - Prior year Business Rates benefits and a one-off distribution from Greater Manchester Combined Authority totalling £5.69m
  - Use of general reserves £3.79m for the remaining gap in 2023/24.
- If all the proposals in this report are implemented there currently still remains a residual gross budget gap of £17.08m, of which :
  - £6.95m is in 2024/25, and
  - £10.13m is in 2025/26
- In order to ensure that we are able to manage the continued pressures on the Council's budgetary position throughout the period of the MTFS and to achieve a balanced budget in those years, the Finance and Change Programme will continue to provide a structured response to these issues and to provide strategic direction and proactive governance around the management of our Finance and Change programme.

- The Budget Support Reserve has been bolstered significantly as part of our previous MTFs to provide a cushion to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic and more recent implications of the downturn in the economy. The balance on this reserve is estimated to stand at £6.54m at the end of 2024/25 and it will support the budget gap over the short-term and provide the necessary investment in the finance and change programme which will support us to deliver a balanced budget in later years.
- The overall budget movement for 2023/24 is an increase in the net budget of £16.81m or 8.73%, from £192.57m to £209.38m.
- The detailed proposals contained in the report close the 2023/24 budget gap of £24.86m via the following measures:
  - Additional funding from Council Tax of £5.69m
  - Income generation and Service delivery savings £11.76m
  - Use of reserves from prior year Business Rates benefits and a one-off distribution from Greater Manchester Combined Authority totalling £3.62m
  - Use of general reserves £3.79m for the remaining gap
- Included in the firm budget proposals for 2023/24 are a number of notable investments including :
  - Additional investment in social care activities of £8.83m
  - Significant investment will also be made in areas to support our most vulnerable residents, including an extension to the council tax support scheme such that 80% of claimants on low income will not have any council tax to pay and administration of support in excess of £3.2m through our Trafford Assist scheme and provision of support to families during school holidays.
  - Growth to accelerate the progress to be a carbon neutral borough by 2038 by providing investment to support additional capacity to continue the progress against the carbon neutral action plan.
  - In addition to the above, the capital programme also includes investment of £11.82m in our highways, a continuation of plans to modernise our leisure centres including decarbonisation work of £16.27m, addressing condition needs in schools and provision of additional school places £14.03m, Town Centre regeneration of £13.57m, investment in Partington Sports Village via the Levelling Up Fund of £4.67m and £7.49m in a Local Authority Housing Fund with the objective to provide long term sustainable accommodation for Ukraine and Afghan families.

## **Recommendation(s)**

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

- a) Approves the 2023/24 net Revenue Budget of £209.38m.
- b) Approves the 2024/25 to 2025/26 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Notes the continued arrangements in relation to an enhanced Finance and Change Programme and the role of the Finance and Change Board who will continue to work with the Executive on the development of sustainable budget plans to support the Council in meeting the financial challenges from 2024/25 onwards
- d) Approves the calculation of the Council Tax Requirement as summarised in Section 8.1 and set out in the Formal Council Tax Resolution in Annex J (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl. Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- e) Approves the proposal to increase Council Tax by 4.99% in 2023/24:
  - o 2.99% general increase in the 'relevant basic amount' in 2023/24, and
  - o 2.0% for the 'Adult Social Care' precept in 2023/24.
- f) Notes the assumptions in the MTFS to increase Council Tax by
  - o An increase in the 'relevant basic amount' of 2.99% in 2024/25 and 1.99% 2025/26, and
  - o for the 'Adult Social Care' precept in 2% in 2024/25 and 1% in 2025/26.
- g) Approves the planned application of earmarked reserves as detailed in Section 6.
- h) Approves the Fees and Charges for 2023/24 and those relating to Registration of Births, Death & Marriages and Allotments also shown for 2024/25, as set out in the Fees & Charges booklet.
- i) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges which are within their respective delegated powers during 2023/24 in the event of any change in VAT rate, as appropriate.
- j) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges during 2023/24 which are within their respective delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.

- k) Approves the virement of £100k from the Neighbourhood Grants budget for a period of two financial years to allow financial support towards the continuation of the Community Hubs.
- l) Approves the proposal to maintain the minimum level of General Reserve for 2023/24 at £9.5m (Section 6.8).
- m) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £388.42m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2023/26) of which £200.58m relates to 2023/24; including the proposal in relation to £7.95m of new prudential borrowing related to the Leisure Strategy of £3.5m and £4.45m to support Local Authority Housing Fund.
- n) Approves the Treasury Management Strategy 2023/24 to 2025/26, including the Debt Strategy (Section 4), the updated policy on Minimum Revenue Provision (Section 5) the Treasury Investment Strategy (Section 6) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 2 of the report.
- o) Approves the flexible use of capital receipts of up to £1.70m over the two years 2023 to 2025 to support the cost of the Modernisation Team in developing the Council's Finance and Change Programme.
- p) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 7 and detailed in Annex I.
- q) Due to the late publication of the Public Health Grant allocations, delegates authority to the Director of Finance and Systems to vary the net Revenue Budget for any changes in the assumed level of this grant.
- r) Delegate authority to the Director of Finance and Systems in consultation with the Executive Member for Finance and Governance to administer the Energy Bills Support Scheme Alternative Fund (EBSSAF) scheme as announced in December 2022. Guidance is yet to be released, and costs will be fully funded by a section 31 grant.
- s) Approves the declaration to be made of the Council's intention to charge up to 100% premium on second homes with effect from 1<sup>st</sup> April 2024 and to bring forward the time period under which a premium can be charged on empty properties from two years to one year. The declaration must be done 12 months prior to commencement as laid out in the draft Levelling Up and Regeneration Bill and is subject to its formal approval.

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

- t) The objective assessment by the Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 1 and 6).
- u) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- v) The Council's Public Sector Equality duty.
- w) The results of the consultation on the budget proposals where required.
- x) The changes to the Council Tax Support Fund 2023/24 as detailed in a separate report to the Executive on 23 January 2023.

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

- y) The approval on 17 January 2023 under delegated powers by the Director of Finance and Systems of the Council Tax Base for 2023/24 at 78,464 Band D equivalents.
- z) The estimated Council Tax surplus for 2022/23 has been calculated at £0.473m, sufficient to release £0.385m to support the Council's budget plans and a distribution of £0.061m and £0.027m representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- aa) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- bb) The budget gap for the two years 2024/25, £6.95m and 2025/26, £10.13m.
- cc) That the Capital Programme for 2023/24, 2024/25 and 2025/26 is to be set at an indicative £200.58m, £132.39m and £55.45m respectively (indicative at this stage as a number of capital grants are not yet known).
- dd) That the Council Tax figures included in the report for the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) are the recommended provisional amounts pending their formal approval.

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

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

**Background Papers – None**

**Implications:**

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed budget for 2023/24 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	The report sets out the proposed budget for 2023/24, allocating available resource across service objective heads as detailed in Annex G of the report.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished.
Equality/Diversity Implications	The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.
Carbon Reduction	Various budget proposals in the revenue and capital budgets (Annex D and A of the respective reports) support the carbon neutral action plan.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	Equality Impact Assessments have been carried out where appropriate. The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

### **Other Options**

The Executive is recommending an overall increase to the level of council tax of 4.99% in 2023/24 comprising the increase of 2% for the 'adult social care precept' to be earmarked for adult social care expenditure and 2.99% general increase in the 'relevant basic amount'.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2023/24. If this option were pursued then further savings

of £5.69m would need to be identified over and above the significant level of savings already included in this budget report. Alternatively, a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the current permitted limits, which would mean a local referendum would be required before any higher increase could be implemented.

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

The Finance and Change Programme provides a framework for delivering organisational change that supports the delivery of the MTFP. The scale of the financial challenges over the life of the MTFP requires a structured and controlled programme management approach. All change projects will be supported by clear business cases setting out the net business benefits of the changes being proposed.

Doing nothing is not considered a valid option as this would result in an unacceptably high risk of not achieving a balanced and sustainable MTFP. The impact of this would be the greater likelihood of the Council having HM Government intervention as a result of being unable to set a legal budget.

The Finance and Change programme provides a coordinated approach to business change activity. An un-coordinated approach to delivering cross cutting business change risks key projects competing in relation to the time and resources needed to secure their completion increasing the risk of non-delivery.

### **Consultation**

The Council has undertaken consultation on the budget proposals where relevant. The outcome is detailed in Annex K.

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

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

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

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

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

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

### **Reasons for Recommendation**

The Council is under an obligation to set a balanced and sustainable budget and to set the Council Tax Levels for the financial year 2023/24 by 11 March 2023 at the latest. The Council's Director of Finance and Systems (S151) Officer must confirm the robustness of the estimates applied and the adequacy of the Council's reserves as part of the budget setting report to Council. A statement from the S151 officer is included within this report.

The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires the Scrutiny Committee to review the budget proposals to allow for their comments to be considered before the final budget proposals are made to Full Council.

The announcements and consultations made about Government funding for the Council in the Chancellor's Autumn Statement, the Local Government Finance Settlement and the challenges such as high inflation require a robust and timely response to enable a balanced budget to be set.

A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.

As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFS. Significant funding reforms have been signalled by Government and the Council has a reliance on funding sources that are potentially subject to change significantly in the Medium Term, and therefore it is important to continue to monitor the Medium Term position.

In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. The budget reports to the Executive on 15 February 2023 will include the three year Capital Programme 2023-26 and associated capital estimates to be approved.

### **Key Decision**

This is a key decision currently on the Forward Plan: Yes  
If Key Decision has 28 day notice been given : Yes

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



**Legal Officer Clearance**

...DS.....

*G. Bentley*

**DIRECTOR'S SIGNATURE**

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



**TRAFFORD**  
**COUNCIL**

**Executive's  
Revenue Budget Proposals  
2023/24 & 2024/25 - 2025/26  
Medium Term Financial  
Strategy**

**15 February 2023**

# CONTENTS

	<b>Pages</b>
Foreword by the Leader of the Council with responsibility for Finance and Governance	12
<b>Section</b>	
1 Report of the Director of Finance and Systems – Robustness of the Proposed Budget Estimates and the Adequacy of Financial Reserves	14
2 Budget Approach and Process	23
3 Financial Background	29
4 Budget Updates and Proposals	38
5 Proposed 2023/24 Budget & 2024/25 MTFS	44
6 Robustness, Resilience, Risks and Reserves	45
7 Schools Funding and Budgets 2023/24	57
8 Council Tax Requirement and Statutory Calculations	63
<b>Annexes</b>	
A Base Budget Assumptions	67
B Budget Movements & Proposals: Oct 2022 to Feb 2022	68
C Detailed Analysis of Components of the Budget Gap and Changes since Draft Budget	70
D Income and Savings Proposals 2023/24	76
E 2023/24 Indicative Budget categorised subjectively (changes in expenditure and incomes by category)	79
F Details of Reserves by Category	81
G 2023/24 Indicative Budget categorised Objectively (Management Accounts format)	88
H MTFP Risk Assessment	92
I Outline of Schools Funding Formula 2023/24	98
J Formal Council Tax Resolution	99
K Outcome of Budget Consultation	102

## **FOREWORD by the LEADER OF THE COUNCIL (with responsibility for Finance and Governance)**

**Councillor TOM ROSS**

### **Foreword**

I am pleased to introduce Trafford Council's updated Medium Term Financial Strategy (MTFS), which covers the period from 2023/24 to 2025/26. The MTFS underpins the Council's Corporate Plan, which is our key strategic document for identifying our vision, ambitions and priorities, and sets out the approach the Council is taking to deliver these priorities and manage our finances over the next three years.

This is the first Budget I have presented as Leader of the Council and my plan is to make sure we develop our Corporate Plan and deliver a better and brighter future for Trafford.

That said, the pressures on the Council and its finances remain challenging with the ongoing impacts of the coronavirus pandemic and now supplemented by the high levels of inflation that we are all having to contend with. This has meant we have had to address a budget gap for 2023/24 of £24.86m, equivalent to 13% of our 2022/23 budget and on top of £171.1m of savings and efficiencies delivered over the last 12 years. This has been no mean task for an authority like Trafford who already provide value for money services and are one of the lowest spending authorities in the country and with a council tax level some £205 per property lower than the average for our neighbouring districts.

As a Council we are acutely aware that certain groups continue to be disproportionately affected including our older people and those from ethnic minority backgrounds and people on low incomes who have experienced a disproportionate impact from the pandemic and the rising cost of living. We also need to focus on how we can give our young people the best start in life and make up for the challenges they have faced in recent years as a result of the pandemic. Therefore, it is crucial that we address these current inequalities whilst ensuring equitable access to all our services and the Council is focused on working with partners to reduce inequalities in order to build sustainable and healthier futures for the people who live, work and learn in the borough.

Despite the budget challenge there are some key areas of investment within these budget proposals. These include net investment in our social care services; safeguarding vulnerable children, young people and adults and supporting a sustainable care market and the budget includes for additional investment in these areas of £8.83m. We will also continue to develop our approach to joined up working with our health partners to help address the challenges faced in the health service and help reduce health inequalities.

Significant investment will also be made in areas to support our most vulnerable residents; we have a council tax support schemes which helps approximately 13,400 people on low income and is being extended in 2023/24 such that 80% of claimants will not have any council tax to pay. We will administer support in excess of £3.2m through our Trafford Assist scheme and provision of support to families during school holidays whose children receive free school meals; these schemes will support over 10,000 households. We will support our community hubs in the valuable work they continue to

do and the Council will also continue to provide welfare and advice support to households.

In addition, as part of our plan to be a carbon neutral borough by 2038 we will start to develop a carbon budget alongside our financial budget. We already have a carbon neutral action plan which is delivering some notable successes including a range of energy efficiency measures across our council buildings and leisure estate but we are mindful we need to accelerate our progress and that is why the budget includes some new investment to support additional capacity in this area.

We are also investing in services which affect the look and feel of the borough, as we know how important the environment is for our residents. The Capital Strategy sets out to maximise the capital funding which is available to the authority from a range of different sources and targets those resources at key investment projects which support the delivery of our priorities across these services. These include additional investment of £92m in 2023/24, including £11.8m in our highways, a continuation of plans to modernize our leisure centres £16.3m, addressing condition needs in schools and provision of additional school places £14m, town centre regeneration schemes £13.6m and investment in our parks and green spaces £0.5m.

The Government's Autumn Statement brought welcome news of additional funding for local government over the next two years, but at a local level there remains significant uncertainty over the distribution and certainty of that funding beyond 2024/25 and this is something which we will continue keep a keen eye on over the short and medium term.

I am proud to lead this Council as we emerge from Covid-19 and work through the challenges caused by the high inflation levels and cost of living crisis towards a fairer and more sustainable "new normal". Our many strengths, such as our ambitious approach to our economy, our bold environmental programme, vibrant communities, passionate and committed staff and elected members and good partnerships will stand us in good stead during this challenging period. Our MTFS provides the financial basis for the roadmap set out in the Corporate Plan. As ever, I would like to thank all those involved in the preparation of the MTFS, which concludes many months of work from all our political groups and officers across all directorates.

**Councillor Tom Ross**  
**Leader of the Council**

# TRAFFORD ROBUSTNESS of the PROPOSED BUDGET ESTIMATES and the ADEQUACY OF FINANCIAL RESERVES

## REPORT of the DIRECTOR OF FINANCE AND SYSTEMS to the COUNCIL 15 FEBRUARY 2023 (S25-26 LGA 2003)

### 1.1 Background

- 1.1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council his own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).
- 1.1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.
- 1.1.3 Further detail of robustness exercises supporting this report, relating to the Adequacy of Reserves and Budget Risk Assessment are included in Section 6.
- 1.1.4 The impacts of the high levels of inflation throughout 2022/23 and which are forecast to continue into 2023/24, coupled with the uncertainty regarding future funding for local authorities beyond 2025/26 makes a robust and evidenced assessment of financial governance and future resilience critical. Therefore in drafting the budget reports, and this opinion, close consideration has been attached to professional guidance and views from the Council's external auditor.
- 1.1.5 Guidance and information from the Chartered Institute of Public Finance and Accountancy (CIPFA) includes:-
- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;
  - **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and
  - **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.
- 1.1.6 CIPFA has also have provided advice to local authorities on the financial stress warning signs which have been considered as part of this statement:-
- Running down reserves – a rapid decline of reserves;
  - A failure to plan and deliver savings in service provision to ensure a council lives within its resources;

- Shortening medium-term financial planning horizons – perhaps from four to three years to two years or even one year – this would indicate lack of strategic thinking and unwillingness to confront tough decisions;
- Greater ‘still to be found’ gaps in saving plans – identifying savings for the next financial year only and not beyond;
- Growing tendency for departments to have unplanned overspends and/or carrying forward undelivered savings in the following year

1.1.7 In addition, the National Audit Office requires our external auditors to formally consider whether the Council has made proper arrangements for securing Value for Money. This assessment considers themes centred around Financial sustainability, Governance and Improving economy, efficiency and effectiveness. The latest Auditor’s Annual Report to be presented to the Accounts and Audit Committee has been delayed due to national reporting issues, but previous reports have concluded that the Auditor was satisfied there were no significant weaknesses in the Council’s arrangements in all three areas, other than the matters arising from the Ofsted’s inspection of Children’s Social Care Services, for which the Council has an active improvement plan in place.

## 1.2 The Requirement to Deliver a Balanced Budget

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

1.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued modified guidance to council Chief Finance Officers (CFOs) in 2020/21 to allow councils under budgetary pressure due to COVID-19 the time and space to explore alternatives to freezing spending via a S114 notice.

1.2.3 ***The S151 officer has to consider that the assumptions on which the budget has been proposed, whilst challenging, are manageable within the flexibility allowed by the General Fund balance and the £9.48m reserves earmarked to support the future budget position. This means the he is confident the overall budget position of the Council can be sustained within the overall level of resources available and that the likelihood of being placed in the position where he would be required to consider whether it was appropriate to issue a S114 notice is not a significant risk in the short term.***

## 1.3 Process

1.3.1 The Section 151 Officer has to consider the resilience of the Council and its ability to withstand and mitigate the impact of unknown costs as a result of local and national changes across the medium-term period. The financial impact of the Covid-19 pandemic and the ongoing impacts posed by the high levels of inflation illustrates the importance of ensuring the Council’s financial robustness and resilience to the impact of unplanned for events. This ensures the Council is able to mitigate the

financial impact in the short term whilst permanent funding options are identified and implemented.

- 1.3.2 In addition in March 2022 and in recognition of the budget challenges that lay ahead a Finance and Change Programme was developed led by the Executive Member for Finance and Governance and supported by the Corporate Leadership Team. This Programme, which will continue in 2023/24, has been pivotal to developing a wide range of savings programmes which will help support the sustainability of the Council's budget in both the short and medium term and ensure the Council can continue to "live within its means". As part of this it also remains essential that Chief Officers identify mitigating action to address any in year cost pressures to remain within their budgeted 'cash envelope'.
- 1.3.3 There are a number of ways the Council demonstrates its financial resilience to Members and Trafford residents, these are summarised below and expanded on in section 7 :-
- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
  - **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium-term period;
  - **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
  - **Scrutiny Committee and Accounts and Audit Committee** - regular Member scrutiny of the Council's Financial Management throughout the year; and
  - **Strategic Risk Register** - The Council has a well-developed corporate risk register and a financial risk register that is reviewed and reported on a quarterly basis to the Accounts and Audit Committee.
  - **Internal and External Audit** – independent audits of the Council's financial management throughout the year.
- 1.3.4 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2022/23 budget monitoring process and planning process review have been addressed in the 2023/24 budget wherever appropriate.
- 1.3.5 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by the Financial Management Service.
- 1.3.6 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2023/24 and the assumptions the budget is based on, which includes income targets.



- 1.3.7 With the support of the senior finance staff within the Financial Management Service, the Section 151 officer has undertaken a review of the Executive's budget proposals (both revenue and capital budget and reserves) at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2023/24 and in the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.
- 1.3.8 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year with monthly updates on financial performance reviewed. Savings will continue to be monitored by the Finance and Change Board and through CLT as part of the budget monitoring process which is a well-established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year. In addition monthly budget monitoring is reported to CLT on all high risk budgets.
- 1.3.9 The Council has a controlling interest in a number of companies; these are monitored through a number of structured boards. The viability of these companies is regularly assessed, and any support is provided based on sound evidence. Members and officers sit on these boards and members are provided with all the relevant information to allow them to make informed decisions. External advice on complex structures is taken as required to minimise the risk to the Council and its reserves.
- 1.3.10 In assuring the robustness of the Council's budget it is also important to have regard to the financial management capabilities across the organisation and this includes regular updates to the training given to budget holders and also to Council Members and the range of available training, supported by the Financial Management Service, will be reviewed during the year.

#### **1.4 The Adequacy of Reserves**

- 1.4.1 The Council's financial environment is subject to volatility, as are the demands on services and the needs of the borough's population and environment. The Council updates its priorities in response to these issues. Reserves balances and the use of reserves are therefore an important part of the Council's financial strategy. They are held to help manage the long-term budgetary stability and allow the Council to be able to change without undue impact on Council Tax income forecasts. The adequacy of the Council's General Fund Balance is also a key indicator for the robustness of the budget as a whole, as it provides assurance that potential financial impact of variations to budgets can be managed.
- 1.4.2 Reserves are set at a level that recognises the financial risks facing the Council. The greater the level of uncertainty, the more likely reserves will be needed. The Council prepares its budget using the best information available at the time but inevitably includes some uncertainty. In setting the budget, it is important that Executive take account of the uncertainties involved, both in establishing a suitable

level of balances and contingencies, and in setting an overall strategy for the budget and medium-term financial plan.

- 1.4.3 A prudent approach needs to be maintained between holding too much and too little money in reserves. If reserves are too low, this increases the Council's exposure to risk and endangers its capacity to deliver priorities in a planned and prudent fashion. Demand led services, major projects, an environment of everchanging legislative requirements, combined with delays in Government Funding reviews all threaten financial stability. However, money held unnecessarily in reserves is not being spent on front line services and the public may not receive full value for money. The Council therefore regularly reviews the reserves position to ensure reserves remain adequate.
- 1.4.4 In comparison to other similar authorities the Council's reserve levels were at a higher average level using the latest available information, however this has been part of a policy to bolster reserves in the short term where possible to support the immediate budget challenges whilst a sustainable savings programme is developed. In addition high level of reserves exist to mitigate significant and unique risks associated with the council's reliance on business rates income and the strategic investment programme. The importance of maintaining an adequate level of reserves has been demonstrated in recent years and planned to be used to support the revenue budget in 2023/24. To mitigate the impact of this application of reserves, these budget plans include for a "repayment of reserves" over the medium to long term.
- 1.4.5 A full risk assessment of the Executive's budget proposals has been undertaken and this has been used to inform the appropriate level of specific earmarked reserves for the major financial risks. The assessment has also concluded that the recommended minimum level of General Fund Balances for 2023/24 be maintained at £9.50m.

## **1.5 2023/24 and Future Budgets**

- 1.5.1 Whilst these budget proposals set a balanced position for 2023/24 there still remains a sizeable budget gap in 2024/25 of £6.95m, rising to £17.08m in 2025/26 when the full impact of the GM levy increases for Transport and Waste Disposal is felt and the additional temporary benefits derived from the business rate retention scheme, including the GM 100% business rate scheme cease. The Council has an underlying structural deficit in any year of in the region of £5m to £7m taking into account estimated increases in council tax. This position is anticipated to come under additional strain; Office for National Statistics projections suggest an increase in Trafford's population of 3.8% by 2031 compared to the national population which is forecast to grow by 4.2%. Given population projections are used heavily in the distribution of local government resources, the impact of the lower than average increase in population in Trafford is likely to have an adverse impact on the share of nationally distributed resources. Therefore, it is even more imperative that the Council prioritises the expansion of its council tax and business rates base to help finance its budget requirement in the future to help mitigate the impact of reductions in Government funding.

1.5.2 The year ahead presents a number of financial challenges, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will take place, at the earliest, in 2025/26. This has potential to give rise to significant financial turbulence because of the high level of reliance on funding generated through the business rate retention schemes. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the Council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. To mitigate against any adverse impact priority has been afforded to maintaining a material Business Rate Risk Reserve.
- The delivery of the savings programme for 2023/24 will be a challenge. All proposals have been subject to review and all business cases have been examined by budget holders and Strategic Finance Managers. There will continue to be significant demands on the capacity of managers and staff and particularly given the size of savings programme. The implementation of the Finance and Change Programme will enable the Council to effectively manage this risk (See Para 5.4).
- A review and realignment of earmarked reserves has been undertaken to ensure specific earmarked reserve balances are maintained at an appropriate level, general balances reflect the risk on the overall revenue budget and budget resilience reserves are sufficient to support finance and change activity that will be required to deliver recurrent savings that will help balance the Council's budget work in future years.
- The approach to investments as included in our investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of action continues to provide a secure source of income to support the revenue budget and remains proportionate. In this regard close attention continues to be given to all updates from DLUHC and the CIPFA Prudential Code. The strategy remains a key risk and it is imperative the council can recycle maturing investments promptly, with due consideration to the security and liquidity of the investments in order to maintain the net income streams the Council's budget is reliant on. This is a major challenge and as a result, assumptions have been included in the MTFP to reduce the levels of net income that are budgeted from 2023/24.
- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs. Further work and

consultation with care providers has been undertaken during 2022/23 and the MTFP includes budget provision which will help the Council move towards paying a market sustainable rate in future years.

## 1.6 Future Years

1.6.1 The decisions in this report and the utilisation of a reserves to balance the 2023/24 budget increases the challenges for future years. Current projections still leave a budget gap of £17.08m over the next two financial years even after assumptions on additional funding raised from general council tax increases and the social care precept of a combined 4.99% in 2023/24 and 2024/25. After over a decade of making savings and achieving additional income to balance the budget there is limited scope to achieve future savings particularly given the increased demand pressures in adults and children's services. Whilst Government has started to acknowledge some of these pressures any additional funding which has been provided has failed to keep pace with these demand pressures.

1.6.2 ***It is therefore crucial that the momentum generated by the Finance and Change Programme during 2022/23 is maintained during 2023/24.***

## 1.7 Dedicated Schools Grant

1.7.1 Current regulations stipulate that a deficit on the DSG must be carried forward to be funded from future DSG income. The Council is forecasting a DSG High Needs shortfall for 2023/24 of £1.42m due to pressures on the High Needs (SEN) placements. An accumulated deficit on the High Needs Block Reserve of £5.57m is forecast at the end of 203/24, However, the DfE has not brought forward a plan to bring levels of funding for High Needs provision up to sustainable levels. Irrespective of this, it is imperative that the council continues to develop and implement its reforms for High Needs to bring expenditure more in line with grant allocations.

## 1.8 Summary

1.8.1 The Council has a strong track record of developing and delivering robust financial plans. This is against a continued very challenging fiscal backdrop, which has seen concerns raised about the financial sustainability of many high-profile councils, requiring specific government intervention.

1.8.2 ***The current assessment is that, whilst the proposals in this report will secure a balanced budget position for 2023/24, Trafford like other local authorities faces serious concerns in achieving a sustainable budget position beyond next year.***

1.8.3 The planned level of expenditure in 2023-24 is significantly greater than our level of planned recurrent funding, as it is over the medium term requiring a use of Budget Support Reserve of £3.79m. This usage of one-off reserves is deemed as affordable in the short term but the high level of recurrent net expenditure forecast to continue would require further significant drawdowns from reserves in future years, which is clearly unsustainable as the Council's usable reserves would be exhausted in the medium term.

- 1.8.4 ***Members should not become complacent about the financial resilience of the Council given the size of the structural deficit in the budget in future years. The use of reserves to balance budget in 2023/24, albeit at a much reduced level compared to recent years is still a significant sum and equates to approximately 40% of available earmarked reserves; this is not sustainable going forward and does reduce budget resilience for the future. The extent of corporate related savings is a sizeable proportion of the large savings programme for 2023/24 and is something in the opinion of the S151 officer an area that will not be an answer in addressing future budget challenges.***
- 1.8.5 In addition the Council has a material reliance on investment income from its Asset Investment Strategy in the magnitude of £5.5m, the reliability of which is now under stress due to the current economic environment. It is also reliant on business rate growth of c£18.0m, the reliance on which is fully dependent on the Government continuing to allow GM retain its 100% business rate growth status. The decision from Government to delay any funding reforms for local government is welcomed because any reset of the system nationally would put this funding source at risk and is why a specific earmarked reserve exists for this.
- 1.8.6 ***All these factors point to the need therefore to maintain the progress achieved with the Finance and Change Programme during 2023/24 such that cost savings can be identified for 2024/25 and later years. our resilience that we are able to present balanced budget proposals again.***
- 1.8.7 The proposals set out in this report can secure a robust budget for 2023/24 but do require a use of reserves to enable a balanced budget to be presented; this is not sustainable position and reserves cannot be used to avoid the requirement for permanent savings.
- 1.8.8 Reserves, whilst relatively low, are adequate for the risks we face and allow for support to the medium-term plan and finance and change programme as set out in the report. However, reserves are a one-off source of funding and the Council needs to continue to identify and deliver permanent reductions in its net expenditure during 2023/24 and future years.
- 1.8.9 In respect of the capital programme, I am confident that the plans outlined for capital investment over the next three years can be funded through available capital receipts and resources.
- 1.8.10 More details on the robustness of the budget plans are included in this report and specifically Section 6 which provides details on the major financial risks facing the Council and projected reserve levels and Section 4.3 which provides further details in the Finance and Change Programme.

## **1.9 Conclusion**

- 1.9.1 This statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.

1.9.2 On the basis of the above-mentioned financial planning and monitoring processes and risk assessment of the budget, the Section 151 Officer is able to report (in accordance with section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget for 2022/23 are robust and the recommended level of earmarked reserves and balances are adequate.

## 2 Budget Approach and Process

### 2.1 Budget Approach 2022/26

2.1.2 The strategic direction of the authority is set out in the Corporate Plan, which was updated in November 2021 and is called ***Our Trafford, Our Future***. It is based on an analysis of the borough's strengths, challenges and opportunities and was influenced by local priorities, input from public consultation, government policies, performance information and external inspections. It outlines the vision, outcomes and priorities for the borough that we are seeking to achieve by 2025.

2.1.1 The vision for Trafford is:

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

2.1.2 The key outcomes are:

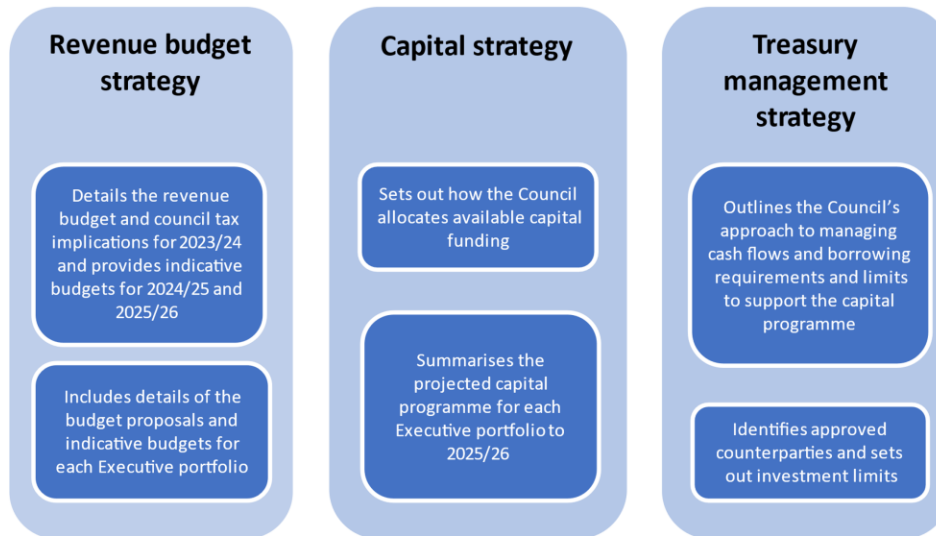
- All our residents will have access to quality learning, training and jobs ;
- All our communities will be happy, healthy and safe;
- All our businesses and town centres will be supported to recover and flourish for the benefit of everyone.

2.1.3 Revisiting the Corporate Plan and strategic priorities also provided 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. The refreshed priorities and performance indicators which will measure success against the Plan include:-



2.1.3 The Medium-Term Financial Strategy (MTFS) complements the Corporate Plan and provides the financial framework within which the priorities will be delivered.

2.1.4 The key aim of the Strategy is to ensure that the Authority has appropriate resources in place to fund key service demands over the next few years. The Strategy includes the establishment of earmarked funds and the allocation of ongoing revenue budget and capital resources for key priorities. There are three supporting strands to this Strategy, which can also be read as standalone documents:-



2.1.5 The core principles underlying the MTFs are as follows:-

- To maintain a sustainable financial position that enables the Council to deliver on its key priorities;
- To make appropriate provision in the budget so that it keeps pace with demand;
- To strive to keep council tax at affordable levels whilst delivering value for money services;
- To ensure that the both its limited capital and revenue resources are allocated to those activities which contribute most to improved outcomes for local people.

2.1.4 It is essential that we do not lose sight of our key ambition and objectives for 2023/24 and beyond and the budget proposals remain closely aligned to these. These include:-

➤ **Reducing health inequalities**

Throughout the pandemic the Council made rapid changes to the ways it supported residents in their community, their own home, in acute care and across health and social care services. There is a 16-year difference in healthy life expectancy and an 8.5-year difference for males and 7.4-year difference for females in life expectancy between our most affluent and most deprived areas and the pandemic has laid bare these inequalities. Nationally, new inequalities have emerged and existing inequalities have intensified. We are responding to these changes to reduce these so all our residents can live long and healthy lives. The benefits of this focus will not necessarily be recognised immediately but we will continue to work closely with our health partners to achieve tangible improvements in this area. The Council's ambition to develop our leisure centres and promote active travel



schemes which are included in our budget plans for 2023/24 and later years will further help to reduce the current levels of health inequality seen across the borough.

➤ **Supporting people out of poverty**

By providing the necessary skills, opportunities, information and advice we will work with partners to give people the choices and power to make best use of their income and prevent and reduce poverty. The Trafford Poverty Action Group is working in partnership to help coordinate activity and make the borough a place where no-one is marginalised or discriminated against due to their financial or material circumstances. The Council is working with stakeholders and undertaking a Poverty Truth Commission so that it can better understand the causes of poverty and how to tackle it; the findings of the work will be communicated during 2023/24 when further work will be developed. In addition, the Executive has recently confirmed its support to be a Living Wage Borough and is progressing an formal application to become Real Living Wage Accredited.

Significant investment will also be made in areas to support our most vulnerable residents; we have a council tax support schemes which helps approximately 13,400 people on low income and is being extended in 2023/24 such that 80% of them will not have any council tax to pay. We will administer support in excess of £3.2m through our Trafford Assist scheme and provision of support to families during school holidays whose children receive free school meals; these schemes will support over 10,000 households. We will also continue to support our community hubs in the valuable work they continue to do with funding of £100k for two financial years, in part, met by viring resources from the Neighbourhood Grants budget. The Council will also to continue to provide welfare and advice support to households.

➤ **Addressing our climate crisis**

In October 2019, the Council pledged to be “net zero carbon” by 2038 and in December 2020 the Council launched its Carbon Neutral Action Plan. The Plan sets out over 100 actions that the Council can take to decarbonise its own operations over the next decade whilst working with our partners to support borough wide Carbon reductions, taking advantage of the huge opportunities for green growth in the local economy. Alongside the Council’s own operations, the main areas targeted in the plan include homes, transport, commerce and industry – with industrial & Institutional Buildings alone accounting for 42% of the estimated Carbon emissions for the Borough.

While many of the actions set out in the Action Plan need to be taken by national government, we remain committed to progressing action locally on a number of priorities, often supported by match-funding from other sources, and leveraging in further funding from the private sector.

The net zero ambition requires a step change in the scale of Borough investment and in our own assets. The Council is currently working with Borough partners,

GMCA and central government to assess the scale of investment required, seek collaborative opportunities and identify sources of funding and finance. It is concerning though that bidding processes can be resource intensive and we need to lobby government for more general funding to be available so we can work with residents, local stakeholders and businesses to spend any money in a more strategic and coordinated way.

Whilst good progress has been made it is important that it accelerates the progress it has already made. So far some positive actions have been delivered including a range of measures across our administrative buildings and leisure centres. In addition the budget plans also include for an extension in the network of cycle facilities together some investments through our Asset Strategy which have strong sustainability credentials. That said progress on delivering a sustained path to net zero has proved challenging. In 2020/21 an 11% reduction in CO2 was achieved on the Council's own assets but this reduction fell to just over 1% in 2021/22. These budget plans include for additional investment to increase capacity and resource to progress on its action plan and accelerate the progress needed to deliver on our carbon ambitions.

Planned actions for 2023/24 include:-

- Review current targets and compare to national and global science-based targets;
- Ensure governance is in place with regular reporting, and develop and consider how the carbon budget aligns with wider borough targets;
- Produce draft Zero Carbon Energy Plan and assess financial implications;

2.1.6 With this framework as the context, the budget proposals have been developed. The draft budget for 2023/24 was agreed by the Executive on 24th October 2022 and set out the overall approach to the budget to address a budget gap of £45.89m in the revenue budget over the next three years, of which £25.82m related to 2023/24.

2.1.7 The report summarised the work throughout the year of the Finance and Change Programme which was established to drive forward the development of a three-year change programme which would support the achievement of a balanced and sustainable budget in both the short and medium term. This programme was based around a number of key themes:-

- **Budget Proposals** – assessing and analysing all new ideas and determining any quick wins.
- **Managing Service Demand** – reviewing demand led services and pressures and undertaking deep dives on key areas of spend.
- **Digital First** - considering Trafford's digital solutions to manage information/data and support service delivery and redesign.

- **Asset Management** – consider the assets that are required to deliver the strategy and services.
- **Service Reviews** – reviewing all services to include a financial target while giving consideration to existing strategy, the local context and previous decisions.

2.1.8 The draft budget included a number of income generation and savings proposals totalling £11.39m were identified and assumptions were made on increases to the rate of council tax and use of reserves. At that stage a budget gap of £8.52m remained in 2023/24.

<i>Summary of the Budget Proposals</i>	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000
<b>Revised Gross Budget Gap (Oct 22)</b>	<b>25,819</b>	<b>9,576</b>	<b>10,495</b>	<b>45,890</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 1.99% (*)	(2,266)	(2,390)	(2,523)	(7,179)
Social Care Precept increase 1.0% (*)	(1,139)	(1,184)	(1,232)	(3,555)
Budget Support Reserve	(2,500)	200	2,300	0
<b>Total Policy Choice Funding</b>	<b>(5,905)</b>	<b>(3,374)</b>	<b>(1,455)</b>	<b>(10,734)</b>
Savings and Income proposals	(11,394)	(3,486)	(3,272)	(18,152)
<b>Revised Budget Gap (Oct 22)</b>	<b>8,520</b>	<b>2,716</b>	<b>5,768</b>	<b>17,004</b>

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

- **Section 3** – Review of the Financial Background for Local Government, including the Revenue Budget position for 2022/23, Spending Round and Provisional Local Government Finance Settlement
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2023/24
- **Section 5** – Proposed Budget 2023/24 – 2025/26
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7** – Schools Funding and Budgets
- **Section 8** – Council Tax Requirement and Statutory Calculations

## **2.2 Consultation**

- 2.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.
- 2.2.2 The Council has undertaken consultation on the budget proposals where relevant. The outcome of the consultation has been considered as part of these budget proposals and has resulted in no change to the draft proposals. Further details of the consultation are shown in Annex K.
- 2.2.3 A number of the proposals involve staff, notably an early retirement/severance scheme and terms and conditions changes have been undertaken on a voluntary basis.

## **2.3 Scrutiny Review**

- 2.3.1 The Scrutiny process for the budget was undertaken across three different sessions in November and December to look at the budget plans, key assumptions, risks and challenges and covered:-
- Session 1 – Review of all budget assumptions included in the draft budget proposals
  - Session 2 - Review of the Place Directorate, Investment Strategy budget, impact of Covid-19 and a review of Council reserves
  - Session 3 – Review of the budgets for Adult Services and Children’s Social Care.
- 2.3.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.
- 2.3.3 Scrutiny Committee comments were submitted to the Executive on 23 January 2023 in the Overview and Scrutiny Review of the Executive’s Draft Budget Proposals for 2023/24 report.
- 2.3.4 The Executive’s response to the Scrutiny Committee issues and recommendations can be found in a separate report on the Executive agenda.

### 3 FINANCIAL BACKGROUND

#### 3.1 Background to the Budget

3.1.2 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.

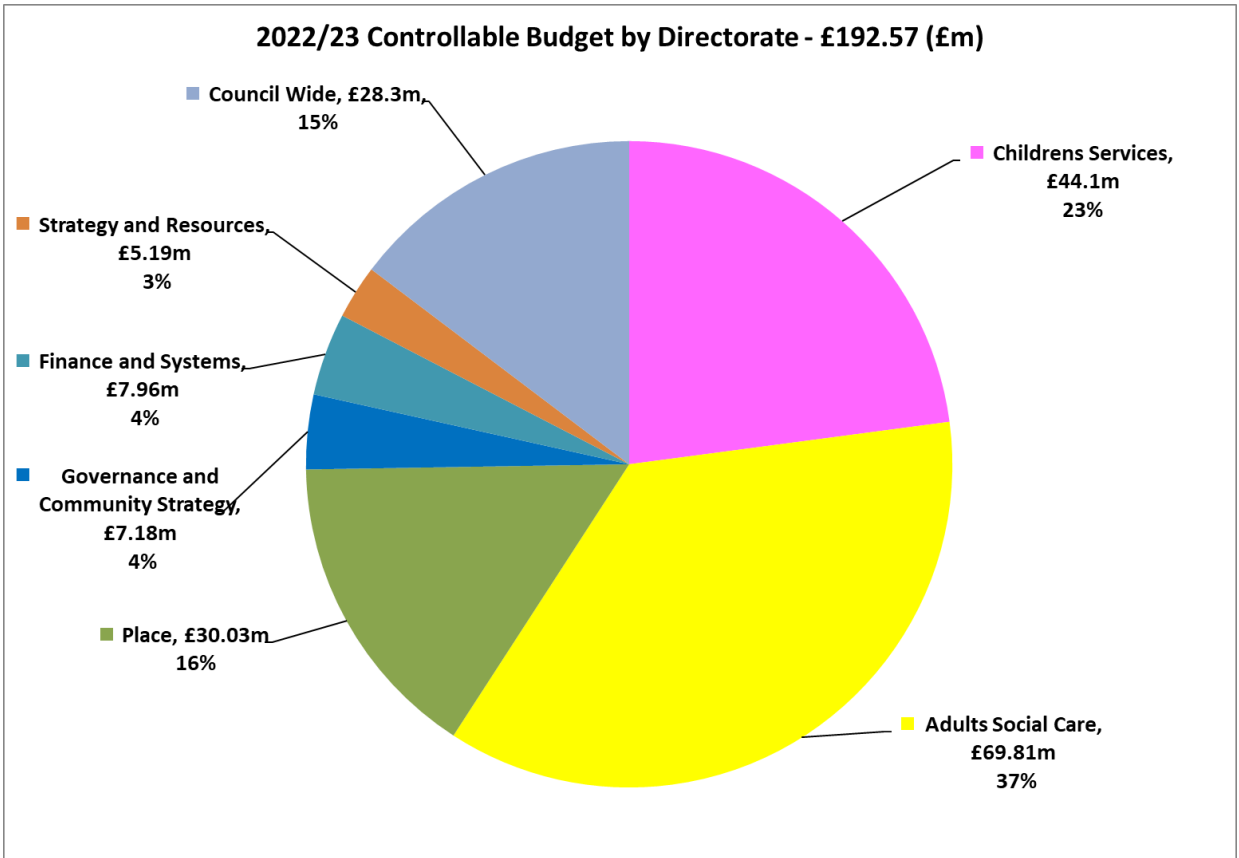
3.1.3 The Council's current gross budget 2022/2023 is £514.90m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's gross income budget is £322.33m leaving a total net budget of £192.57m.

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

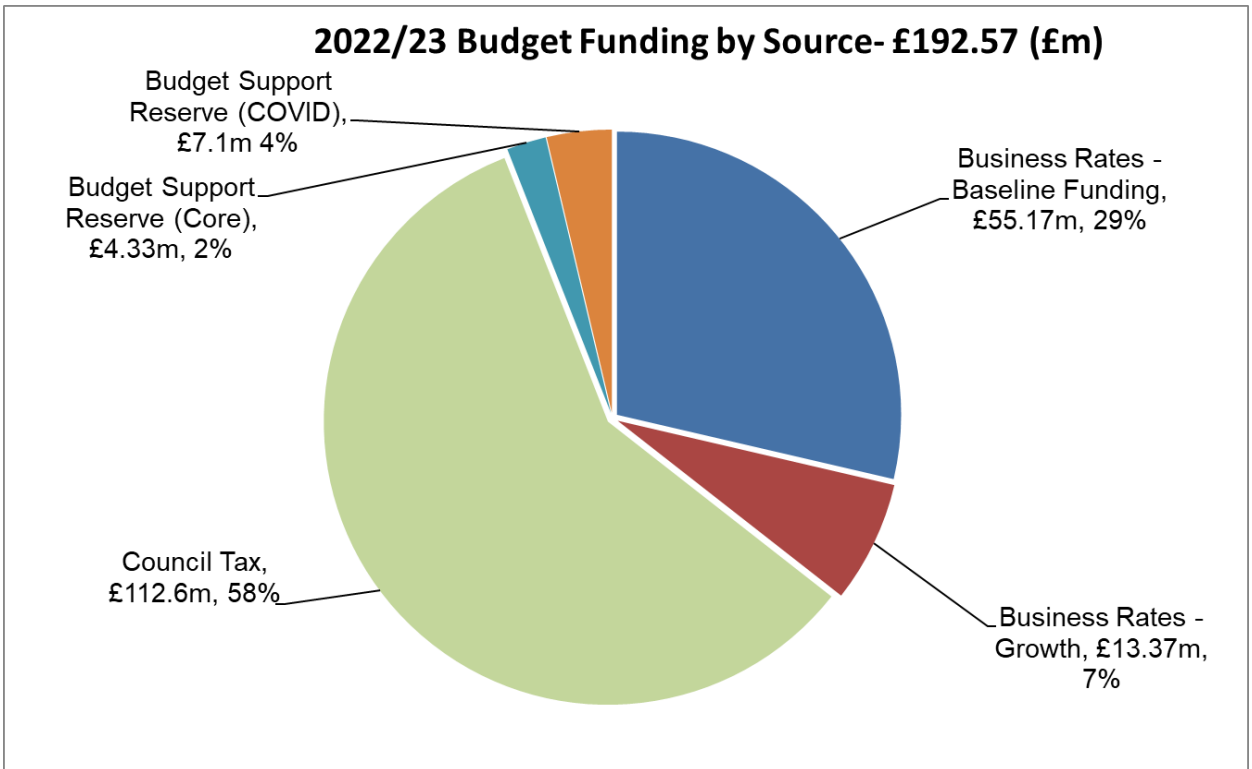
Gross to Net Budget	2022/23 £m		£m
<b>Gross Expenditure</b>	514.90	Children's Services	44.10
Schools DSG	(166.94)	Adult Services	69.81
Housing Benefit	(47.66)	Place	30.03
Other Government Grants	(31.60)	Legal and Governance	7.18
Sales, Fees & Charges and Rents	(43.99)	Finance and Systems	7.96
Contributions & Re-imbursments	(18.69)	Strategy & Resources and Traded Services	5.19
Other Income	(10.08)	Council Wide	28.30
Earmarked Reserves	(3.37)		<b>192.57</b>
<b>Gross Income</b>	<b>(322.33)</b>		
<b>Net Budget (*)</b>	<b>192.57</b>		

(\*) The budget for each Directorate is shown at the time as agreed by Council in February 2022 and excludes virements agreed during the year.

3.1.5 The Council's net controllable budget agreed by Council in February 2022 was £192.57m.



3.1.6 The Council's £192.57m net budget is funded mainly from Council Tax and Business Rates.

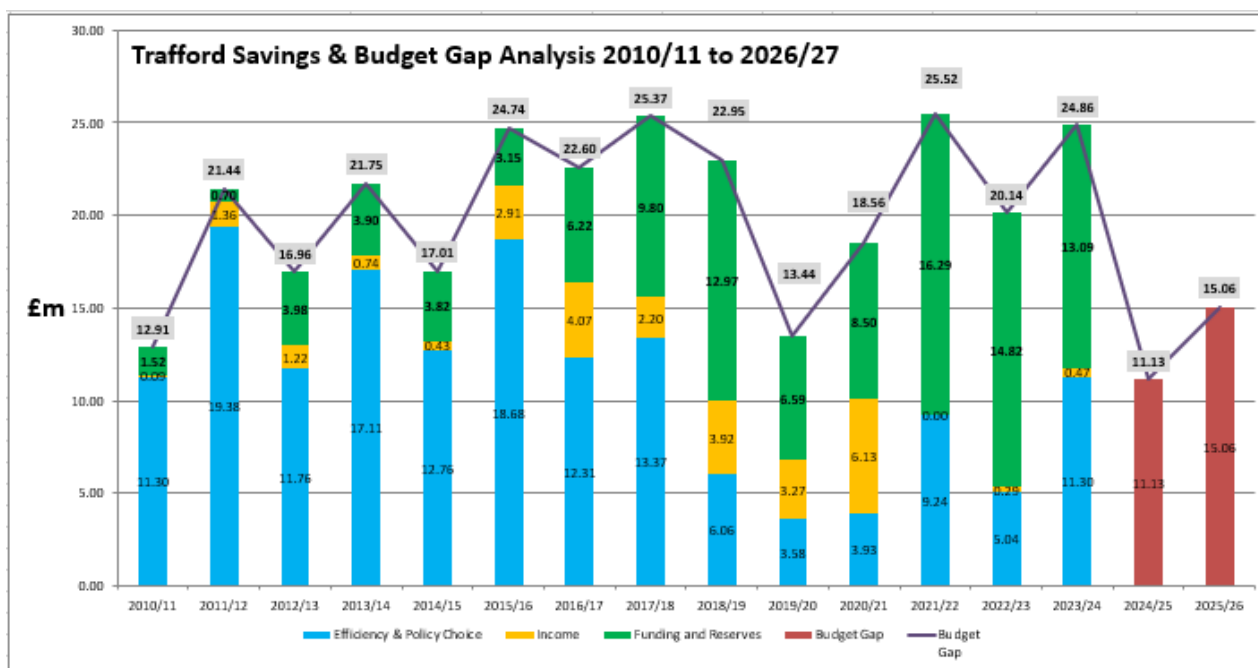


### 3.2 Delivery of Savings Since 2010 and the Size of the Gap 2023/24 to 2025/26

3.2.2 Since 2010 Local Government has faced substantial reductions to overall funding as part of Government plans to reduce fiscal deficits resulting in a £15bn real terms reduction to core government funding between 2010 and 2020.

3.2.3 Alongside reductions in funding, local authorities have had to deal with growth in demand for key services, most notably adults and children’s social care; this demand is expected to continue. Other pressures have also been faced including higher inflationary pressures on pay, goods and services, the apprentice levy and the National Living Wage. In addition to the business as usual pressures, the Council has also faced additional demand on services and loss of income as a result of COVID-19.

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



3.2.5 By 2023/24 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2023/24 has been £288.25m. There is a further forecast gap for the two years of £26.19m which poses a significant risk for Trafford making future savings and efficiencies difficult. This is compounded by the comparably low levels of funding as follows :

- Trafford receives the lowest funding per head of population across all greater Manchester authorities based on Core Spending Power at a rate of

£746.88 for 2022/23 compared to a GM average of £890.75 and our Statistical Neighbours of £826.96.

- If Trafford received the average funding per head as its GM neighbours, it would benefit from an additional £34.20m per annum and an additional £19.03m if compared with Statistical Neighbours.
- Low level of council tax – Despite the proposal to increase council tax by 4.99% in 2023/24, Trafford will still maintain lower than average council tax rates. Currently, Trafford has the second lowest rate across all GM Authorities and would remain the second lowest if Trafford increased council tax by 4.99% whilst all other authorities remained static.
- If Trafford raised its Council Tax to the average of GM neighbours (£1,658) this would raise an additional £15.87m per annum.

Greater Manchester Mets	Average Band D Council Tax 2022/23 £	2023/24 Trafford Increase at 4.99%
Wigan	1,409	
<b>Trafford</b>	<b>1,453</b>	<b>1,526</b>
Manchester	1,541	
Bolton	1,623	
Tameside	1,652	
Bury	1,741	
Salford	1,774	
Oldham	1,792	
Rochdale	1,779	
Stockport	1,811	
<b>Average GM</b>	<b>1,658</b>	<b>1,526</b>

- An increase of 4.99% would equate to £1.39 per week for a Band D property
- Low spend per head of population – Trafford has the lowest total expenditure per head of population across all GM authorities and 4<sup>th</sup> lowest across all metropolitan authorities at £1,371.58.
- Trafford have joined a group of twenty lowest funded councils (the F20) to lobby government for a temporary resource solution pending the Fair Funding Review. The F20 Group argues for the Government to introduce a funding floor, to quickly bring the least well-resourced local authorities up to a feasible level. If a funding floor were set at 90% of the average core spending power of local authorities, Trafford would receive an extra £24 per head or £5.70m.



### **3.3 Events during the year impacting the budget**

#### **The Revenue Budget Position for 2022/23**

- 3.3.1 In updating the MTFS is important to have consideration to what is happening in the current financial year to make sure any pressures on the budget are recognised in future planning.
- 3.3.2 The latest monitoring information is showing a projected budget overspend of £4.97m. This has been caused, in part due to the continuing trend of demand outstripping national and local funding increases for local government, but exacerbated by the abnormally high level of inflation. This has particularly affected the cost of staff pay awards, energy and contract costs and the impact of the associated cost of living crisis on demand for services.
- 3.3.3 The Government has not provided any direct financial support for 2022/23 to help local government offset these impacts, other than some limited support towards energy costs. This position is being mitigated where possible through management action and accelerating savings from the Finance and Change Programme into 2022/23 where possible. The impacts of inflation are compounded in 2023/24 and are a key reason for the increasing budget gap in future years. In addition a number of other service demand pressures have had to be reflected in the 2023/24 budget, including children's placement and the rising costs of home to school transport.

#### **Autumn Statement and Local Government Provisional Finance Settlement**

- 3.3.4 The Chancellor's Autumn Statement on 17 November 2022 has been described by local government finance leaders as "better than expected" and announced resources that partially improved the budget position for 2023/24 but still left a significant budget gap for later years. It introduced additional funding for social care and a delay to charging reforms. The Statement included additional resources of £2.8bn and £4.7bn in 2023/24 and 2024/25 respectively, funded through a combination of additional flexibilities for council tax, new grants and retaining the funding in the system originally intended to support the adult social care charging reforms. In addition other key measures included:-
- Household Support Fund - £1 billion to be provided to enable the extension of the Household Support Fund in England over 2023-24.
  - Core Schools Budget Uplift – An increase the core schools budget by £2.3 billion in 2023-24 and a further £2.3 billion in 2024-25.
  - Business Rates – Included a package of reliefs and support to help businesses. The support package is worth £14bn over two years:-
    - 75% relief for Retail, Hospitality and Leisure (RHL) sectors in 2023-24 (£2.3bn in 2023-24). Local authorities will be compensated in the usual way through s31 grants.

- 3-year support for small businesses (scheme for properties losing Small Business Rates Relief or Rural Rates Relief) (£190m per year for 3 years). Again, local authorities will be fully compensated.

3.3.5 The announcement of the Provisional Local Government Finance Settlement on 19 December announced for 2023-24 and 2024-25 represented the largest increases in Core Spending Power (CSP) that local government has received for more than a decade. Assuming authorities increase their Band D by the maximum allowed, CSP will increase nationally by 9.2% in 2023-24 from £54.54bn to £59.54bn and by a further 7.9% in 2024-25. The key changes to CSP being:-

- **Council Tax - “Core”** Band D council tax thresholds will be 2.99% in 2023-24 and 2024-25 (or £5 if that is higher for shire districts and fire authorities). Police and crime commissioners can increase by £15 in 2023-24 (and £10 in 2024-25). The **Adults Social Care Precept** will be 2% in 2023-24 and 2024-25
- **Social Care Grant** – The Social Care Grant has increased by £1,506m to £3,852m. However, £161m of the increase is due to the roll-in of the Independent Living Fund (not previously within the CSP). The “true” increase is £1,345m, which is funded from the postponement of adult social care charging reforms +£1,265m, and +£80m from other parts of the settlement (potentially NHB).
- **Improved Better Care Fund** – no change, the funding remains at £2,140m
- **New - Market Sustainability and Fair Cost of Care Fund** – Rolled in Market Sustainability and Fair Cost of Care Fund - This £162m grant has been rolled into the ASC Market Sustainability and Improvement Fund. A further £400 million intended to assist local authorities to make tangible improvements to adult social care, and, in particular, to address discharge delays; social care waiting times low fee rates; workforce pressures; and to promote technological innovation in the sector. This grant will have reporting requirements and should increase to £845 million in 2024/25. The grant will be distributed using the 2013/14 adult social care relative needs formula and is ringfenced.
- **New - Adults Social Care Discharge Fund** - In 2023/24, this is worth £300m, and is intended to form part of Better Care Fund plans, aimed at reducing delayed transfers of care. The NHS is receiving the same amount to also put into Better Care Fund plans, for a total of £600m across both sectors. The £300m grant is being allocated on the basis of the improved Better Care Fund shares 2022/2023 (meaning all allocations are approx. 14% of BCF allocations). The fund will grow by a further £200m on the local government side in 2024/25, with no change to distribution methodology
- **Reduced: Services Grant** (Previously the 2022/23 Services Grant) – This grant has been reduced from £822m to £464m. This reduction is due to the cancellation of the increase in National Insurance Contributions and to move

funding to the Supporting Families programme. The methodology for the grant remains unchanged.

- **New Homes Bonus** - The 2023/24 allocations have been announced at £291m; a reduction of £265m on 2022/23. There have been no changes to the design of the scheme for 2023/24, with a single year's new allocation. The large reduction in funding from the scheme is due to all prior years' legacy payments having now been paid.

3.3.6 For Trafford, CSP has increased by 9.34% from £181.03m to £197.94m which assumes:-

- council tax will be increased by the maximum permitted level of 4.99% for council services and increases to the tax-base £6.2m,
- compensation funding due to the government capping the business rate multiplier and additional funding for adult social care and other grants £8.5m and
- changes in settlement funding £2.2m.

	<b>2022-23</b>	<b>2023-24</b>	<b>Change</b>
	<b>£ millions</b>	<b>£ millions</b>	<b>£ millions</b>
Settlement Funding Assessment	42.002	44.182	2.179
Compensation for under-indexing the business rates multiplier	3.722	6.436	2.714
Council Tax Requirement excluding parish precepts	112.755	118.994	6.239
Improved Better Care Fund	8.224	8.224	0.000
New Homes Bonus	1.292	0.753	-0.540
Social Care Grant	8.989	14.573	5.583
Market Sustainability and Fair Cost of Care Fund	0.638	0.000	-0.638
ASC Market Sustainability and Improvement Fund	0.000	2.215	2.215
Lower Tier Services Grant	0.286	0.000	-0.286
ASC Discharge Fund	0.000	1.153	1.153
Services Grant	2.511	1.415	-1.096
Grants rolled in	0.611	0.000	-0.611
<b>Core Spending Power</b>	<b>181.031</b>	<b>197.943</b>	<b>16.912</b>
Change since 2022/23 (% change)			9.34%

## **Business Rates**

3.3.7 The Provisional Settlement also announced technical details of changes to the Business Rates mechanism which included the impact of the national Business Rates Revaluation, the transfer to the central list for certain companies, the freezing of the Business Rates Multiplier and the compensation offered to local authorities to offset these changes. Compensation has been offered for under-indexation relating to the freeze in multiplier using the Consumer Price Index (CPI) at a rate of 10.1% and will be paid to local authorities partially via Section 31 Grants and a further adjustment through the Baseline Funding. The overall impact of these changes has resulted in a positive movement of £1.8m over the assumptions at the Draft Budget.

## **Final Settlement**

3.3.8 On 6th February 2023 the Secretary of State for Levelling Up, Housing and Communities announced the Final Local Government Settlement. Many details previously covered in the Provisional Settlement remained unchanged, with a minor adjustment in Services Grant through the allocation of £19.1m of unused contingency which will benefit the Council by £58k in 2023/24. This small balance will be transferred to the Budget Support Reserve to support future year's budget plans.

3.3.9 Furthermore, every authority in England will receive a share of the accumulated surplus currently held in the business rates levy account for 2022/23. A total of £100m will be returned to the sector on a one-off basis, of which the Council's share will be £0.35m. This will be received in 2022/23 and will form part of the in-year outturn.

3.3.10 An explanatory note was also published on the previously announced social care funding, setting out more detail on the different social care grants provided for through the Settlement. Amongst other details, local authorities will be required to demonstrate that sufficient new resource has been directed into Adults Social Care by comparing changes from the 2022/23 budgets.

## **Levelling Up and Regeneration Bill**

3.3.11 In the Government's Levelling Up and Regeneration Bill, which has not yet received Royal Assent, it is indicated that from April 2024, Local Authorities will be able to increase the council tax charge on "second homes" by up to 100 per cent and introduce the current premium on empty properties after 1 year rather than the current 2 years.

3.3.12 It is forecast these changes (subject to exclusions in the final regulations) will raise over £1.5m in additional Council Tax charges. The Council will have the option to exclude individual or groups of properties from the additional charge using discretionary reductions. The Council will be able to use the additional revenue to encourage owners to maximise the use of properties within the Borough as well as support other financial pressures.

3.3.13 It is the Council's intention to change their policies on these charges and in accordance with the requirements laid out in the bill, will be required to publicise the

determination to do so at least 12 months prior to commencement and for publication of the charge within 21 days of implementation. In order to comply with the potential requirements of the proposed bill, a recommendation is made as part of this report that a formal declaration of intent is made.

**3.3.14 At this stage the benefits of the above have not yet been factored into these budget plans.**

**3.4 Summary**

- 3.4.1 Although the Provisional Settlement was better than expected, the additional resource announced for Market Sustainability & Fair Cost of Care Fund and Adults Social Care Discharge Fund will largely be cost neutral as the resource will be used to meet additional pressures associated with the delivery of the intended schemes, some of which had not been planned for in the draft budget plans.
- 3.4.2 Growth in the Social Care Grant of £1,265m nationally will result in an additional grant of £4.85m in 2023/2024 and a further £2.3m in 2024/2025. Although our draft budget plans had assumed resource of +£2.0m in each year, this additional amount will help in addressing the underlying social care pressures.
- 3.4.3 The delay in the Fair Funding Review and uncertainty surrounding the timescales regarding the Social Care Charging Reform, Business Rates Reset and Growth Pilots still poses a significant level of uncertainty for future planning.
- 3.4.4 The fact that no additional resource has been forthcoming for the recurrent pressures associated with 2022/2023 inflation, such as the additional cost of the 2022/2023 pay award, this has placed a further burden on the Council's limited resources.
- 3.4.5 Overall, the settlement resulted in net additional resource of £5.3m in 2023/2024 after removing previous assumptions relating to funding and cost pressures.

## 4. BUDGET UPDATES & PROPOSALS

4.1. This section identifies:-

- The revised budget gap for 2023/24 and later years and explains the changes since the draft budget was published in October 2022;
- The final budget proposals to address the budget gap.

### 4.2. Updated Budget Gap

4.2.1. The budget position reported to Council in the October 2022 Draft Budget Report showed an overall gross budget gap of £45.89m over the three year period 2023/2024 to 2025/2026 with £25.86m relating to 2023/24.

4.2.2. The budget position has been updated to reflect changes in budget assumptions since the draft was presented such as the escalating levels of inflation, service related growth and demographic pressures and changes in non-policy choice funding assumptions announced in the Spending Review and the Provisional 2023/24 Local Government Finance Settlement.

4.2.3. The gross budget gap for the three years has now increased by £5.16m to £51.05m.

4.2.4. A full breakdown of the changes to the gross budget gap from Draft to Final are detailed in Annex B and summarised below:-

	2023/24	2024/25	2024/25	Total
<i>Budget Gap</i>	(£'000)	(£'000)	(£'000)	(£'000)
<b>Gross Gap at Draft Budget (Oct 22)</b>	<b>25,819</b>	<b>9,576</b>	<b>10,495</b>	<b>45,890</b>
Movements in Budget Assumptions	592	3,113	2,390	6,095
Movements in Funding	(1,549)	(1,562)	2,179	(932)
<b>TOTAL BUDGET MOVEMENTS</b>	<b>(957)</b>	<b>1,551</b>	<b>4,569</b>	<b>5,163</b>
<b>REVISED BUDGET GAP (Feb 23)</b>	<b>24,862</b>	<b>11,127</b>	<b>15,064</b>	<b>51,053</b>
<b>CUMULATIVE BUDGET GAP (Feb 23)</b>	<b>24,862</b>	<b>35,989</b>	<b>51,053</b>	

4.2.5. In respect of 2023/24 the overall gap has moved from £25.82m to £24.86m a reduction of £957k. This consists of an increase in Budget Assumptions of £592k and an improvement in Funding of £1.55m.

4.2.6. A description of the significant features of the 2023/24 gross gap and changes since draft are detailed in Annex C with Base Budget Assumptions shown in Annex A and a Subjective Budget Analysis in Annex E.

4.2.7. In summary, the improved position for 2023/2024 of £957k since draft relate to:

- £743k additional resource related to assumptions on inflation (pay award contingency and contract inflation)

- £962k increase for Transport and Waste Levies
- £500k increase in Legal and Governance related to the Framework for Change restructure.
- Changes in Social Care grants and expenditure £3.92m positive movement.
- Reduction in other grants (e.g. New Homes Bonus, Lower Tier Support Grant) £1.61m
- £692k of other adjustments, which includes £180k of additional costs of External Audit following a national review, £150k additional costs related to Members expenses, further pressures in Children's services as identified since Draft of £300k.
- Funding changes (Council Tax Surplus 2022/23, Benefit from Business Rates) £1.55m positive movement.

4.2.8. In summary, the components of the gross budget gap, as they stand at the Final budget stage are shown in the table below

	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
<b>The Budget Gap February 2023</b>				
<b>Base Budget Pressures</b>				
Pay	5,285	1,733	1,756	8,774
National Living Wage/ Fair Price for Care	8,631	5,769	1,640	16,040
Inflation - General	154	152	103	409
Inflation - Contractual	7,758	1,107	1,622	10,487
Levies	1,449	1,453	1,166	4,068
Demographics/ Care Costs	3,733	3,269	2,500	9,502
Grants, Legislative & Service Transfers	(5,535)	(4,680)	(340)	(10,555)
Lost Income	(98)	0	0	(98)
Treasury Management	(645)	114	118	(413)
Strategic Investment Programme	3,300	870	500	4,670
Short Term COVID-19 Service Pressures (Covid contingency)	(1,500)	0	0	(1,500)
Reversal of One of Savings in 22 23	534	0	850	1,384
Other	5,497	953	906	7,356
<b>Base Budget Pressures</b>	<b>28,563</b>	<b>10,740</b>	<b>10,821</b>	<b>50,124</b>
<b>Base Budget Funding Changes</b>				

Change in Income from Council Tax (Growth in Tax Base +1%, CTSS, PY Surplus, COVID Deficit)	(2,621)	529	(1,148)	(3,240)
Change in benefit from Business Rates (Baseline Funding, Distribution of PY Surplus, COVID deficit, Sharing Agreement)	(12,511)	(142)	5,391	(7,262)
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	4,334	0	0	4,334
Reinstatement of Prior Year Budget Gap funded from COVID Reserve	7,097	0	0	7,097
<b>Change in Base Budget Funding</b>	<b>(3,701)</b>	<b>387</b>	<b>4,243</b>	<b>929</b>
<b>Gross Budget Gap</b>	<b>24,862</b>	<b>11,127</b>	<b>15,064</b>	<b>51,053</b>
<b>Accumulative Gross Budget Gap February 2023</b>	<b>24,862</b>	<b>35,989</b>	<b>51,053</b>	

In summary of the key issues within the gross budget gap worthy of note are :

#### **Base Budget Pressures**

- **Pay** - 2023/2024 includes £3.3m additional costs associated with the 2022/23 pay award.
- **National Living Wage/ Fair Price for Care** - This covers projected increases in the NLW and a Fair Price for Care to aid market sustainability and to reach the proposed target for external care staff by 2025/26.
- **Inflation General and Contractual** - includes inflationary increases for specific contracts ranging from 5% to 8%. 2023/24 includes £3.2m for energy inflation.
- **Levies**: includes inflationary allowances for waste disposal (+2.5%), transport (+4%) and Environment Agency.
- **Demography**- an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care, 2023/24 includes £0.58m for recurrent pressures in children's placements from 2022/23 and a total increase of £1.42m in 2023/2024 to 2024/2025 related to Hospital Discharge programme.
- **General and Service Grants** - 2023/2024 and 2024/2025 includes significant additional resource for Adults Social Care Market Sustainability and Fair Cost of Care Reform £3.32m and Adults Discharge Fund £1.92m plus grant of £7.56m redirected for ASC charging reform to fund ongoing base pressures.
- **Treasury Management** – 2023/2024 includes transfer from Council Wide budget of £0.82m relating to previous benefit from making 3 year advance pension payment to GMPF. A decision has been made to invest surplus cashflow locally rather than an up front payment to GMPF in return for a lower pension rate.
- **Strategic Investment Programme** - £1.8m in 2023/24 relates to pressure as investments are repaid to the Council. A further £1.5m in 2023/24 (£2.5m over three years) relates to a reduced reliance on the programme.
- **Covid Contingency** – The reduction of £1.5m represents the removal of a short-term contingency budget to absorb unknown pressures associated with the pandemic.



- **Other** – 2023/2024 includes £1.4m to accommodate potential future uncertainty particularly surrounding the level of inflation and public sector pay award. £1.3m additional resource to address Home to School pressures experienced in 2022/2023, £0.83m transfer of benefit from GMPF advance pension payment to Treasury Management, £0.5m relating to Legal Services Framework for Change, £1.47m of other movements.

**Base Budget Funding Changes** – these represent the **changes** in funding from the previous year

- **Council Tax** – a net increase in 2023/2024 of £2.62m due an increase in the number of properties and the distribution of prior year surpluses, some of which are via a smoothing reserve. The reduction of £0.53m in 2024/2025 is a result of the end of the benefits from smoothing.
- **Business Rates** – increase in benefits from Business Rates in 2023/2024 of £12.5m, largely the result of the surplus from the better than expected outturn in 2022/2023 of £12.3m. A significant benefit of £5.3m has been taken to reserves to be smoothed over 2024/2025 and 2025/2026. There is minimal change in 2024/2025 as a result of smoothing. The impact of smoothing dropping out can largely be seen in the adverse movement of £5.39m in 2025/2026.

#### 4.3. Meeting the Gap

4.3.1. The table below shows the final budget position following the update of the Governments Spending Review and Provisional Financial Settlement, the final budget savings proposals and policy choice funding updates.

<i>Summary of the Budget Proposals</i>	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
<b>Revised Gross Budget Gap</b>	<b>24,862</b>	<b>11,127</b>	<b>15,064</b>	<b>51,053</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 2.99%, 2.99%, 1.99%	(3,413)	(3,651)	(2,613)	(9,677)
Social Care Precept increase 2%, 2%, 1%	(2,285)	(2,445)	(1,324)	(6,054)
Business Rates Sharing Agreement 21/22 via Reserves	(2,500)	0	0	(2,500)
Reversal of Business Rates Sharing Agreement 21/22 via Reserves	0	2,500	0	2,500
GMCA distribution via Reserves (Transport and Waste)	(1,116)	(2,076)	0	(3,192)
Reversal of GMCA distribution via Reserves (Transport and Waste)		1,116	2,076	3,192
Contribution from Budget Support Reserve	(3,788)	0	0	(3,788)

Reversal of Contribution from Budget Support Reserve	0	3,788	0	3,788
<b>Total Policy Choice Funding</b>	<b>(13,102)</b>	<b>(768)</b>	<b>(1,861)</b>	<b>(15,731)</b>
Savings and Income proposals (*)	(11,760)	(3,409)	(3,073)	(18,242)
<b>Revised Budget Gap (Feb 23)</b>	<b>0</b>	<b>6,950</b>	<b>10,130</b>	<b>17,080</b>

(\*) Full details of 2023/2024 proposals are included in Annex D

4.3.2. A significant proportion (30.8%) of the gross budget gap has been closed by the recurrent increase in Council Tax (Basic and Social Care Precept) of £15.73m (£9.68m + £6.05m) over three years.

4.3.3. The use of one off reserves which totals £9.48m over three years, has provided a temporary solution to close the gap in the short term, with £2.5m being applied from the benefits of the Business Rates sharing agreement from 2021/22 and a the GMCA distribution of reserves of £3.19m over three years. A further use of general reserves of £3.79m has been used to close the remaining budget gap in 2023/24. It must be noted that the use of these reserves is one off in nature and will need to be replaced with long term sustainable savings in later years.

4.3.4. The Finance and Change Programme which was instigated in 2022/23 to provide a structured approach to the management of the medium term budget challenges, has helped to identify savings and income proposals of £18.24m over the three years of the MTFs with £11.76m of firm savings in 2023/2024. However it must be noted that 40% of the saving in 2023/2024 is being delivered from corporate budget areas, namely £4.7m from a review of Treasury Management activities. This leaves little capacity for further corporate savings to be made in the future and it is likely that going forward emphasis will need to be placed on service based savings and income generation.

4.3.5. In order to ensure that we are able to manage the continued pressures on the Council's budgetary position throughout the period of the MTFs and to achieve a balanced budget in those years, the Finance and Change Programme will continue with a structured approach to provide strategic direction and proactive governance around the management of our Finance and Change programme.

4.3.6. The Finance and Change Programme will continue to :-

- Provide governance and support in monitoring the delivery and benefits realisation of the savings programme identified for the forthcoming year.
- Continue to develop a programme, by challenging, assessing and analysing all new and existing ideas to identify and develop suitable and sustainable savings to meet the remaining budget gap over the period of the MTFs.

4.3.7. An initial savings and income programme was developed as part of the draft budget process and has been refined further as part of the final budget. Full details of proposal for 2023/2024 are included in Annex D.

4.3.8. It is recognised that such a significant change programme will take time to deliver its objectives of a sustainable budget and the time limited use of our reserves will be considered essential in meeting the remaining gap over the next two financial years.

## 5. PROPOSED 2023/24 BUDGET and 2024/26 MTFS

5.1. The proposed net budget for 2023/24 is £209.38m an increase in the net budget of £16.80m or 8.7%, from £192.57m. Full subjective and objective summaries providing a breakdown of the 2023/24 net budget can be found in Annexes E & G.

5.2. An objective breakdown is shown below:-

Objective Summary <i>The 2023-26 Budget</i>	Final Budget February 2023		
	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<b>Budget</b>			
<b>Service:</b>			
Children's Services	48,907	50,312	50,506
Adult Services (incl. Public Health)	73,784	78,450	81,715
Place	38,420	38,962	40,768
Legal and Governance	3,477	3,617	3,678
Finance and Systems	9,294	9,575	10,797
Strategy and Resources	10,160	10,188	10,985
<b>Total Service Budgets</b>	<b>184,042</b>	<b>191,104</b>	<b>198,449</b>
<b>Council-wide Budgets</b>	25,334	25,603	26,006
<b>Net Budget</b>	<b>209,376</b>	<b>216,107</b>	<b>224,455</b>
<b>Funding:</b>			
Council Tax	(120,920)	(126,487)	(131,572)
Business Rates: Local Share	(154,557)	(161,513)	(164,743)
Business Rates: Tariff Payment	97,206	102,173	104,480
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(23,701)	(21,854)	(16,040)
Fairer Funding Assumptions	0	0	500
<b>Funding</b>	<b>(201,972)</b>	<b>(207,681)</b>	<b>(207,375)</b>
<b>Movement in Reserves</b>			
Budget Support Reserve	(7,404)	(2,076)	0
<b>Movement to/(from) Reserves</b>	<b>(7,404)</b>	<b>(2,076)</b>	<b>0</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>6,950</b>	<b>17,080</b>
<b>Annual Budget Gap</b>	<b>0</b>	<b>6,950</b>	<b>10,130</b>

5.3. Whilst the budget gap has now been closed for 2023/2024 the size of the challenge over the following two years remains significant. For that reason the budget process for 2024/2025 will, commence immediately, supported by the Finance and Change Programme as described previously.

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

### **6.1. Robustness**

6.1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). This report is presented in Section 1.

6.1.2 As reported in Section 1 there are a number of ways the Council demonstrates its financial resilience to Council Members and residents and these include, MTFP Regular Review and Updates, Reserves Policy reviews, Budget Risk Assessment, regular Member scrutiny via Scrutiny Committee and Audit Committee and independent Internal and External Audit of the Council's financial management throughout the year.

6.1.3 This section of the report provides further detail on the activities relating to

- The Financial Management Code
- CIPFA Financial Resilience Index
- Risk Assessment of MTFP and Budget Proposals
- Reserves Policy Review

### **6.2. Financial Management Code**

6.2.1. As part of the wider focus on Local Authority financial resilience, the Chartered Institute of Public Finance and Accountancy (CIPFA) introduced a Financial Management Code of Practice. The Code, which comprises a number of standards, clarifies how the Director of Finance and Systems should satisfy his statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. The code itself is not statutory but compliance with the code is obligatory as it brings together elements that are already part of existing statutory.

6.2.2. The Financial Management Code is based on six principles, supporting financial resilience such as Organisational leadership and adherence to professional standard, which the Council needs to demonstrate it complies with.

6.2.3. It is for the individual authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Many aspects of the Financial Management Code reinforce procedures which are already baked into Trafford's existing practices, such as the Governance arrangements evidenced in the Council's Constitution and Standing Orders.

A self-assessment review against the Code was undertaken in July 2022 and presented to the Corporate Leadership Team and Accounts and Audit Committee along with an action plan where improvements could be made.

These improvements included the follow

**Effective Oversight of Alternative Delivery Models** – regular updates are now provided on company performance to the Executive and the Accounts and Audit Committee relating to Joint Ventures.

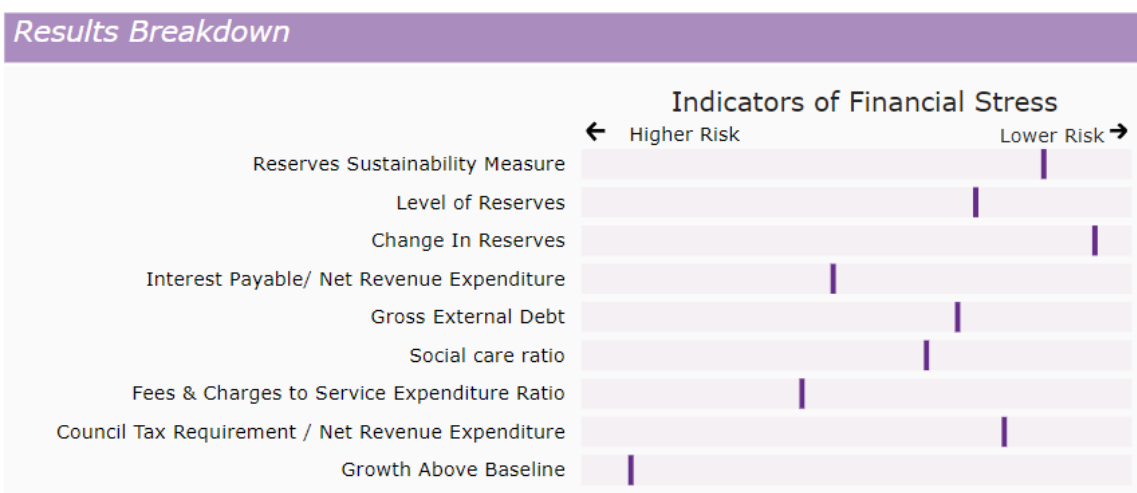
**To enable financially informed decision making:** A formal programme is being developed to ensure that an annual reviews of the Council's scheme of delegation and financial procedure rules is undertaken.

**Need to report explicitly on the affordability and risk associated with the capital strategy** – to further develop work in this area officers have established a capital programme board to monitor the risk and delivery associated with the capital programme. Continued work to develop local indicators to support the Asset Investment Strategy and compliance with the Prudential Code. Need to develop the links between the capital programme and the Council's asset management planning.

### 6.3. CIPFA Financial Resilience Index

6.3.1. The annual CIPFA Resilience Index CIPFA's Financial Resilience Index is a comparative analytical tool that is intended to be used by Chief Financial Officers to support good financial management. The index shows a council's position on a range of measures associated with financial risk highlighting where additional scrutiny may be required. Comparisons can be made against nearest statistical neighbours or other authority types.

6.3.2. The core indicators comparing Trafford with other Metropolitan councils, are shown in the table below and although they provide a broad indication of possible areas of scrutiny, further interpretation is necessary before any conclusions can be reached. Although the indicators suggest a low level of risk associated with reserves, this does not reflect reasons covered by the reserves policy, such as maintaining an adequate Rates Risk Reserve as evidenced by the high risk associated with Rates Growth Above Baseline; further details of reserves policy are given in section 6.5.



6.3.3. The higher risk area relating to Fees & Charges shows the proportion of income from fees and charges against the council's total service expenditure. This shows the council has a score of 7.68% , which compares to 6.29% for the lowest comparable council and 14.0% for the highest. This may suggest that the Council has a relatively low level of income from Fees and Charges and there may be an opportunity to increase charges. Further detailed investigation of Trafford's figures and those of comparators will be undertaken in due course.

#### **6.4. Risk Assessment of MTFP and Budget Proposals**

6.4.1. It is clear that the financial environment facing local authorities is subject to significant uncertainty, volatility and risk as a result of changes to funding arrangements and the spending pressures that they will face over the medium term period.

6.4.2. The MTFP tries to forecast the main changes anticipated over this period, however it is clear that the medium term will bring much more uncertainty, volatility and risk than previously experienced. The financial impact of the pandemic and the uncertainty caused on the economy has exacerbated this.

6.4.3. Careful management and identification of these risks has been essential over the last few years and updates to the MTFP forecasts and assumptions have been undertaken on a regular basis during the year.

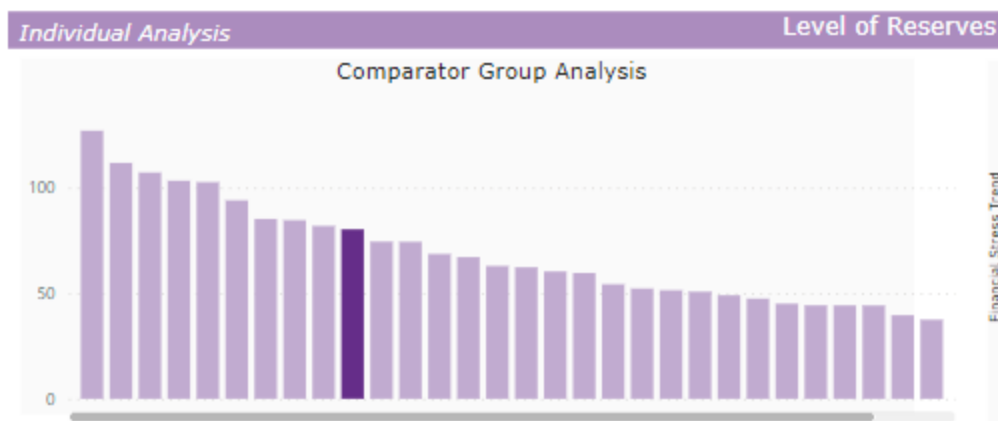
6.4.4. The revised MTFP ensures that Members and Senior Officers have an informed financial basis on which to make decisions by forecasting the main changes anticipated over the medium term period based on the best available information. However, as Covid-19 pandemic and the economic downturn has demonstrated the financial landscape can change quickly. The Council's Finance Team will continue to monitor the assumptions and forecasts that underpin the MTFP to ensure they are based on the latest information available. Full details of the MTFP risks are included at Annex H for information.

#### **6.5. Reserves Policy Review**

6.5.1. The future of local government funding is still uncertain; changes as a result of the fairer funding review and business rates reset have been delayed until at least 2025/26 and the financial impact of the changes relating to sustainable funding of social care remain unclear. In this context the reserve policy is crucial in helping the Council deal with the risk, uncertainty and complexity of this policy context.

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

6.5.3. Trafford has historically seen reserves below average for metropolitan councils, though this gap has narrowed in recent years and in 2021/22, the screenshot below taken from the CIPFA's Financial Resilience analysis, demonstrates that the Council's earmarked reserves (as at 31 March 2022) were considered to be a lower risk with a higher than average level when compared to other metropolitan districts.



- 6.5.4. Reserves increased considerably as a result the pandemic due to the carry forward of Section 31 business rate grant and other related monies, COVID reserves had a balance of £48.1m at 31st March 2022. These reserves will be drawn down in full by 2024.
- 6.5.5. Reserves, excluding COVID, have a combined balance of £69.09m (see table in next section) and have increased over the short term as part of a deliberate policy supporting the Council’s medium term financial strategy. Where possible, reserves have been bolstered to provide a cushion and to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic and wider economic downturn. The budget plans include over £5.0m of business rates benefit smoothing over three years and planned contributions from Budget Support Reserve of £3.79m in 2023/2024.
- 6.5.6. Furthermore, the reserves policy requires that there are adequate levels of risk mitigation reserves given the range of uncertainties faced by the Council. A significant combined balance of £24.7m the Council’s reserves is represented by just four core risk reserves; these being, the Strategic Invest Fund Reserve £6.3m, Business Rates Risk Reserve £5.9m, Inflation Risk Reserve £3.0m and Minimum General Reserve £9.5m. These are considered by The Director of Finance and Systems to be the minimum level to provided a sufficient level of robustness in the MTFS.
- 6.5.7. The Council’s reserves policy sets out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council’s priorities over the medium term.
- 6.5.8. In line with the requirement to provide the statement on the adequacy of the Council’s reserves, the Reserves Policy is reviewed as part of the draft and final budget process and supplemented with regular reviews as part of the monitoring and financial closedown process. This ensures the judgements on the adequacy of reserves are informed and remains appropriate, particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revisions at final budget stage are set out below.



## 6.6. Classification

6.5.1 For ease of management, reserves have been grouped into eight categories as follows:-

- **MTFP Budget Support Reserve** – This category of reserve was separated out due to the scale of the challenges faced by the Council in meeting a balanced budget in the medium term. The reserve is to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic and will be used specifically to meet the budget gap over the short-term and necessary Finance and Change programme to deliver a balanced budget.
- **Smoothing and Business Risk Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures and smoothing of irregular budget spending.
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan.
- **Corporate Reserves including General Reserve** - statutory and ring fenced reserves. The General Reserve is the minimum level of reserve the Council is required to hold to protect against in year financial shocks.
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities.
- **COVID-19 Reserves** – This is a new category of reserves established to hold 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.
- **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy.
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

## 6.6 Balances and Review of Reserves

6.6.1 The Council's usable reserves at 31st March 2022 stood at £154.12m, of which £69.09m relates to Earmarked revenue reserves as shown below. The projected usage over the next three years has been reviewed as part of the final budget report. The table below shows their projected usage over 3 years including the current financial year.

	Opening Balance 1/4/2022	Estimated Balance 1/4/2023	Estimated Balance 1/4/2024	Estimated Balance 1/4/2025
<i>Usable Reserves</i>	£m	£m	£m	£m
MTFP Budget Resilience and Change	11.65	16.36	8.16	6.54
Smoothing and Business Risk	18.85	15.93	21.14	17.41
Strategic Priority	11.60	10.05	5.76	4.76
Corporate	1.00	1.55	0.19	0.00
General Reserve	9.50	9.50	9.50	9.50
Service Area Priorities	16.49	7.55	4.52	1.94
<b>Earmarked Reserves (excl. COVID)</b>	<b>69.09</b>	<b>60.94</b>	<b>49.27</b>	<b>40.15</b>
COVID-19 Reserves	48.14	(8.41)	0.00	0.00
Capital Related Reserves	22.65	15.69	15.69	15.69
School Related Reserves	14.24	14.24	14.24	14.24
<b>Total Usable Reserves</b>	<b>154.12</b>	<b>82.46</b>	<b>79.20</b>	<b>70.08</b>

6.6.2 At the time of writing the draft budget report the following observations on reserves were made and many of these still stand when preparing the final budget. Details are shown below, along with changes in assumptions when preparing the Final Budget report.

### 6.6.3 Main Reserves Final Budget Stage Conclusion

The rationale for holding some key reserves, an analysis of their balance, proposed commitments and transferred values against each reserve is shown in detail in Annex F.

A balance of earmarked reserves of £69.09m was brought forward at 1<sup>st</sup> April 2022, the following observations relating to the main reserves should be noted:

#### MTFP Budget Support Reserve

- **Budget Support Reserve** - This reserve had a brought forward balance of £11.65m at 1<sup>st</sup> April 2022 of which £4.33m is committed to support the 2022/23 budget.

The reserve will be bolstered by £8.91m during 2022/23 as follows :-

- a release from the Collection Fund, relating to the better than expected outturn in 2021/22 from Council Tax £1.05m and Business Rates £3.8m - **no change from draft.**
- The draft budget assumed a £2.3m additional benefits in 2022/23 from the amended business rates growth pilot sharing agreement with

GMCA, which was subsequently released to support the 2024/25 budget plans. Although the overall benefit from Business Rates remains the same, due to timing issues with the release across the Collection Fund and General Fund, **the £2.3m will no longer be routed through this reserve.**

- a contribution from revenue budget provision of £0.5m, which was established to replenish reserves used to support pressures during the pandemic – **no change from draft**
- a £1.5m anticipated windfall from GMCA relating to reduced Waste Levy and energy from Waste was assumed at draft budget. Since draft, GMCA have since confirmed that they have sufficient reserves to release a figure of £37.0m to be shared across all GM Councils. Trafford's share is £3.56m and will be held in this reserve and released over 2023/24 and 2024/25 to meet the annual increase costs of both the Waste (+2.5% 2023/24) and Transport (+4% 2023/24) Levies and an assumption of +5% in 2024/25.
- The current in-year budget monitoring position as at period 8 is a projected overspend of £4.97m. In the event that the outturn cannot be brought back in line, then an element of this reserve balance will need ring-fencing for this. The Council also holds an Inflation Risk Reserve of £3.0m and Central Contingency of £1.0m which could be also be drawn down. Options available to reduce the estimated outturn include the bringing forward of a significant 2023/24 savings proposal relating the Treasury Management activities. The saving will require formal approval to amend the Treasury Management Strategy and if agreed is likely to result in a positive outturn at year end and also avoid any draw down from the Budget Support Reserve or Inflation Risk Reserve. No drawn down from reserves to support 2022/2023 budget pressures has been assumed in preparing the final budget for 2023/2024. **No change from draft.**
- A review of all earmarked reserves has been completed and identified a figure of £0.4m which has been transferred to this reserve. **Increase of £0.4m since draft.**

Commitments from this reserve will include the following :-

- A figure of £1.5m has been included to support the Finance and Change Programme in 2023/24. **No change from draft.**
- Our draft budget plans included support of £2.5m in 2023/24 and £2.3m in 2024/25 largely associated with the release of the Business Rates items mentioned above. There is no change in the assumption relating to the £2.5m in 2023/24, however the benefit from rates of £2.3m will no longer be routed through this reserve as mentioned above.
- Recurrent budget provision of £0.5m exists to replenish reserves which were depleted during the pandemic. This resource has been directed towards this reserve. **No change from draft.**
- The smoothing of the remaining budget gap over the course of the MTFP, pending the outcomes from the Finance and Change

Programme to deliver a balanced budget. A figure of £3.79m will be utilised in order to balance the remaining budget gap in 2023/24.

This will give an estimated balance at the end of 2024/25 of £6.54m.

## Smoothing and Business Risk

- **Business Rate Risk Reserve** - This reserve represents the biggest reserve under the category of Resilience and Smoothing at £5.93m at 1<sup>st</sup> April 2022. The reserve will also be used to smooth the estimated benefits from our review of business rates appeals in 2022/23 which will be used to support our budget plans in 2024/25 and 2025/26 as originally set out in the draft MTFP. The balance will increase by £5.03m in 2023/24 when the appeals provision is released and reduce by £3.03m and £2m in 2024/25 and 2025/26 to support the budget. **There have been no changes in these assumptions since draft over the three year period of the MTFP.**

The Council has a budget from Business Rates income of approximately £80m 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. The underlying balance of £5.93m will be used to mitigate against these significant risks.

- **Inflation Risk Reserve** – As part of the 2021/22 year end close down, the opportunity was taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23 pressures and a balance of £3.0m was transferred from the Budget Support Reserve. Inflationary risks and pressures are likely to continue for the foreseeable future and it is prudent that this level of reserve is maintained. As reported in the Period 8 monitoring report and detailed in the Budget Support section above, this reserve may be utilised in full in 2022/23 to meet the inflationary pressures (energy, pay award). If the 2023/24 savings related to the Treasury Management Policy are agreed by Council in February 2023, these can be applied in the current financial year, and this will avoid a draw down and allow the Inflation Risk Reserve to be maintained at a suitable level.

## Strategic Priority

- **Asset Investment Strategy Risk Reserve** - this reserve is the largest reserve within the category of Strategic Priority and stood at £6.3m at 1<sup>st</sup> April 2022. 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 and after the pandemic due to the significant impact of delays in developer loans being drawn down and shortfalls in rental income as reported in the regular period monitoring. It is likely that this reserve will remain a critical tool in managing the ongoing risks associated with the programme. **Balances have**

**been updated since draft to reflect estimated movements on this reserve.**

- **Leisure Centre Risk Reserve** – this reserve was established prior to the pandemic to manage the expected shortfall in income during the building refurbishment programme. Its use was extended during the pandemic to smooth the support required as a result of the impact on trading income. There remains a high degree of uncertainty on the ongoing trading and the impact of the building redevelopment programme and the reserve will continue to play a critical role in managing these risks. **Balances have been updated since draft to reflect estimated movements on this reserve.**

### **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 £9.5m and will increase to £10.0m following the detailed review expanded upon later in this section.

### **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 have been thoroughly challenged as part of the annual review and updated as part of the final budget proposals. A net balance of £240k has been transferred to other earmarked reserves including £400k used to top up the Budget Support Reserve.

### **COVID-19 Various**

- **The COVID-19 Reserves** mainly relate to compensation grants received from the Government making good the shortfall in Business Rates and Council Tax income as a result of the Government's various rate and council tax relief schemes. These reserves are fully used to compensate the Collection Fund for the accumulated shortfall and cannot be used for any other purposes. A balance of £7.10m will be used in 2022/23 to support the budget in reflection of the COVID-19 pressures, largely associated with the loss of income from our investment in Manchester Airport Holdings. **No change since draft.**

## **6.7 Summary of Reserve Strategy**

- 6.7.1 The reserve strategy set out in the previous MTFS was based on providing sufficient resource within an MTFP Budget Support Reserve to meet the budget gap in the medium term whilst the Council develops a suitable finance and change programme

to deliver a balanced budget. Furthermore, that there were adequate levels of risk mitigation reserves given the range of uncertainties faced by the Council.

- 6.7.2 The fundamentals of the previous current reserve strategy remain in place and where the opportunity has arisen to bolster reserves, to be used to smooth the impact of the budget gap, this has been taken. This can be seen in the benefits realised from the renegotiated Business Rates growth pilot sharing agreement and the review of the Business Rate appeals provision, both of which have been directed to reserves to be drawn down to support the 2023/24 and 2024/25 budget.
- 6.7.3 The estimated forecast on the MTFP Budget Support Reserve at the end of the three year MTFP currently stands at £6.54m after the application of £3.79m to balance the 2023/2024 budget. Given the size of the outstanding budget gap in 2024/25 of £6.5m and £10.7m in 2025/26, the pressure being placed on this reserve and need to continue to deliver a sustainable savings programme at pace is all too apparent.
- 6.7.4 The core risk reserves remain in place and at previously levels, these include unknown pressures in future years associated with risk from Business Rates uncertainty and potential shortfalls in the income derived from the Asset Investment Strategy.
- 6.7.5 Although forecasts of inflation predict a significant drop over the medium term, it is clear that inflationary pressures continue to pose a significant risk over the foreseeable future, particularly with the potential for increases in public sector pay demands. The Inflation Risk Reserve, which had a balance of £3.0m at the start of the current financial year, has provided a buffer to absorb the in-year pressures. It is difficult to estimate a balance at year end as this is dependent on the treatment of the in year pressures and potential for bringing forward the Treasury Management policy changes which are yet to be agreed by Council. In preparing this review it has been assumed that no drawn down to support the 2022/2023 pressures will be required.
- 6.7.6 With out doubt, there is 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, as in previous years and in line with good practice a detailed analysis of all reserves and adequacy of balances has been concluded.

## **6.8 GENERAL RESERVE**

- 6.8.1 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. The Council's broad policy has been to maintain a minimum general balance of 5% of the Net Revenue Budget in line with best practice, however this can be adjusted to reflect where risk is mitigated by other prominent risk reserves, such as the Business Rates, Investment Strategy and Inflation Risk Reserves.
- 6.8.2 In February 2022 Council agreed to set the minimum level of the General Fund Reserve at £9.5m as recommended by the Director of Finance and Systems. This

equated to 5% of the Net Budget of £192.6m. The proposed Net Budget for 2023/24 is £209m which would require a minimum General Reserve of £10.5m an increase of £1.0m. It is however recommended for 2023/25 that the level of the General Fund Reserve is maintained at £9.5m, with some of the significant reasoning behind this decision set out below:-

- The previous risk uncertainty relating to pay and conditions in the social care market has to some degree been alleviated by the additional resource provided by the Government. The deferral of the long term plans set out in the Social Care White Paper surrounding charging reform has also reduced the immediate risk of any unknown financial implications.
- In 2023/24 there remains to be significant uncertainty regarding the economic outlook. The implications on the wider economy from the ongoing impact of the cost of living crisis, increases in inflation and pay awards remain as significant concerns which could lead to a further economic downturn. Whilst the risk associated with inflation uncertainty is higher than in previous years, the separate Inflation Risk Reserve, with a balance of £3.0m, has been used to reduce the demand on the General Fund Reserve.
- The income from the Strategic Investment Programme represents a significant resource for the Council and has helped deliver a balanced budget over recent years, as well as being a key enabler in the economic regeneration of the area. The reliance on the income from the programme has been reduced by £1.5m in the MTFP for 2023/24 and a further £0.5m in each subsequent year. This in turn has reduced the underling risk of budget uncertainty. In addition, the programme has its own risk reserve with the objective of absorbing fluctuations in the programme income in any year.

Advised minimum level of General Reserve	2023/24 £m
Tax & Treasury Management	0.58
Pay & inflation	1.34
Fees and Charges	0.19
Emergency & Disaster Recovery	1.47
Efficiencies	3.88
Demand led budgets	2.20
Other Pressures	1.47
Funding Risk	3.75
<b>TOTAL</b>	<b>14.88</b>
Risk reduction of 36%	-5.38
<b>Advisory level of minimum reserve</b>	<b>9.50</b>

## 6.9 Summary

6.9.1 In summary, the Council's overall budget plans include for a specific application of Budget Support Reserve over the three year period 2023/24 to 2025/26 of £9.48m, consisting of :-

- **£3.79m** required to balance the 2023/24 budget plans.
- **£2.50m** prior year benefit from Business Rates held in this reserve which will be released in 2023/24.
- **£3.19m** benefit from GMCA reserves held in this reserve to meet the annual increase in Waste and Transport Levy.



## 7. SCHOOLS FUNDING AND BUDGETS 2023/24

### 7.1 Background

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

There are 4 blocks within the DSG :

- Schools Block (SB) - which funds schools' budgets;
- 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 and includes Trafford Special Schools;
- Early Years Block (EYB) - which funds educational provision for 2 to 5 year olds in both Schools and Private, Voluntary and Independent (PVI) settings.

### 7.2 Summary Position 2022/23

7.2.1 The projected overspend on the DSG is £1.66m for 2022/23 which is predominantly driven by the pressures on the High Needs Block. The majority of this is due to additional external placements costs due to there being no capacity in borough.

DSG Overall Position P8	2022/23 Budget (£m)	2022/23 Expected Outturn (£m)	Variance (£m)
Schools Block	194.344	193.891	(0.453)
Central School Services Block	1.527	1.470	(0.057)
High Needs Block	37.383	39.548	2.165
Early Years Block	17.539	17.537	(0.002)
<b>Total</b>	<b>250.793</b>	<b>252.446</b>	<b>1.653</b>

7.2.2 The level of central DSG reserve at 1 April 2022 was £68k deficit - this includes balances ring-fenced to support specific expenditure.

<b>DSG Central Reserve</b>	<b>Reserves (£m)</b>
<b>Reserve as at 31<sup>st</sup> March 2021</b>	(0.068)
High Needs *	(1.992)
Growth Fund	0.961
De-delegation	0.707
Central Schools Services Block (CSSB)	0.285
Pupil Referral Units (PRU)	0.059
Early Years	(0.088)
<b>Total</b>	<b>(0.068)</b>

\*This represents a deficit (overdrawn) position as at 31st March 2022

7.2.3 A statutory override currently exists for 2022/23 which means that the DSG deficit is ring-fenced from other Council earmarked reserves. The continuation of this override has recently been consulted on and has been extended by a further 3 years (up to March 2026).

7.2.4 Even though the Schools White Paper was scrapped in October 2022, there is still a drive for schools to academise. Sponsored Academy conversions result in the deficit falling on the local authority (LA), which is a risk as it is expected that more schools could go into financial deficit in future years.

### 7.3 Budget Position 2023/2024

7.3.1 The table below outlines the provisional budgets for 2023/24 and how they have moved from 2022/23.

<b>DSG Allocations</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>	<b>Change (£m)</b>
Schools Block (*)	194.344	204.047	9.703
Central School Services Block	1.527	1.495	(0.032)
High Needs Block	37.383	39.658	2.275
Early Years Block	17.539	18.465	0.926
<b>Total</b>	<b>250.793</b>	<b>263.665</b>	<b>12.872</b>

(\*) the allocation of £204.047m includes £1.257m for pupil growth. Excluding growth, the 2023/24 allocation is £202.79m The National Funding Formula (NFF) requires £203.561m for the Schools Block (see Annex I) giving a shortfall of £0.8m. See para 7.3.6 for further details.

7.3.2 In addition to the above allocations there has been additional grant following the spending review of £6.745m for Schools Block and £1.613m for the High Needs Block. This is to be paid as a separate grant in 2023/24 and will be rolled into the blocks in future years. School-level allocations will be published in May 2023, however provisional allocations will be calculated to assist schools with budget setting. This extra funding recognises the additional costs that LAs and schools will face in the coming year.

- 7.3.3 The School Supplementary Grant (SSG) was introduced to support schools to meet the costs of the Health and Social Care (H&S) Levy and wider costs in 2022/23. Despite the (H&S) Levy being withdrawn, the SSG has not been reduced. The grant funding in respect of pupils from reception to Year 11 is being rolled into the schools National Funding Formula (NFF) from 2023/24.
- 7.3.4 The aim of the approach for rolling the grant into the schools NFF is to ensure that the additional funding schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023/24, without adding significant additional complexity to the formula.
- 7.3.5 In 2023/24, LAs will remain responsible for determining final allocations to schools, in consultation with Schools Forum. LAs will ensure that individual schools' budget allocations for 2023/24 are set taking full account of additional funding from the SSG that schools received in 2022/23.

### **7.3.6 Schools Block**

The increase in the Schools Block is due to :

- £5.543m SSG being rolled into the schools NFF;
- an increase in pupil numbers of 323 overall (a reduction of 62 in the primary sector and an increase of 385 in the secondary sector);
- NFF factor values have been increased (on top of the amounts added for the SSG) by :
  - 4.3% to FSM6 and income deprivation affecting children index (IDACI);
  - 2.4% to the basic entitlement, Low Prior Attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum; and
  - 0.5% to the floor and the minimum per pupil funding levels (MPPL).

The schools block funding is provided on a lagged basis, 2023/24 allocations are based on 2022/23 data for each of the factors (Basic Entitlement, English as an Additional Language, Mobility & Deprivation) – for 2023/24 we have seen a 323 net increase in pupils which effectively will not be funded until the financial year 2024/25.

Some of the increase seen in the secondary sector is due to the arrival of Hong Kong and Ukraine children – which have triggered English as an Additional Language 3 factor in the NFF due to English not being their first language. Likewise, these pupils have triggered mobility and deprivation factors, due to the pupils coming into the school system part way through an academic year and some of these pupils being entitled to free schools meals.

This lag will leave a shortfall of £0.8m between the grant allocation for 2023/24 and the National Funding Formula method of allocation. There is a Growth Fund reserve within the School Block which will be used to cover this shortfall in 2023/24, however, this is one off and there could be a shortfall in future years which may

result in having to cap and scale back schools who have gained to ensure the formula is affordable

### 7.3.7 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 2023/24 has reduced by £0.032m.

### 7.3.8 High Needs Block (HNB)

The allocation is £39.658m an increase of 6.09%, with the additional grant, the total funds available are £41.271m, an increase of 10.4%.

There is concern nationally over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to. Whilst the recently released Green Paper is set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver and none appear to address the funding issues.

The Council is currently receiving an element of low-level support from the Department of Education's (DfE) who have been able to provide some advice and guidance on helping to control the growing high needs deficit. At the end of 2022/23 the accumulated high needs deficit is forecast to be at £4.157m.

Without new interventions the high needs deficit is forecast to continue to increase over the MTFS period and is not financially sustainable.

A full review of budget assumptions for future years has been undertaken with expenditure expected to increase by approximately £3.1m in 2023/24 and £1.2m in 2024/25 and £1.2m in 2025/26. Over the three years this will amount to £5.5m. The assumption is that the grant will increase by 3% in 2024/25 and 2025/26 as advised by the Education and Skills Funding Agency (ESFA).

Although LAs have seen increases in their HNB funding for 2023/24, 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 was expected to begin in spring 2021 but has been delayed.

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

High Needs Block Summary	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Required HNB budget	42.687	43.911	45.136
HNB grant	41.271	42.509	43.784
<b>(Surplus)/Deficit</b>	<b>1.416</b>	<b>1.402</b>	<b>1.352</b>

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.

<b>High Needs share of the DSG Central Reserve</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>
High Needs Deficit brought forward	(1.992)	(4.157)	(5.573)	(6.975)
Movements in year	(2.165)	(1.416)	(1.402)	(1.352)
<b>Useable reserves remaining</b>	<b>(4.157)</b>	<b>(5.573)</b>	<b>(6.975)</b>	<b>(8.327)</b>

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

- Developing inclusion & preventative services;
- Reducing the reliance on Independent and Non Maintained Special Schools (NMSS);
- Promoting independence within the post-16 cohort; and
- Review of EHCP bandings.

There are risks associated with these options, such as :

- Increases in demand may be higher than expected;
- Increases in costs may be higher than anticipated; and
- Developing capacity in-borough requires adequate capital funding and physical space in existing provisions.

The HNB sub-group is leading on these options and reports back to the Schools Funding Forum. Membership includes Headteachers, Trafford Parent/Carer Forum and officers from across Finance, Inclusion, Education, Commissioning and Social Care. The options will be presented to the Executive for agreement to proceed and consult where necessary.

### **7.3.9 Early Years Block (EYB)**

The allocation for the EYB has increased by £0.926m to £18.465m, an increase of 5.28% due to increases in the hourly rates for 2,3 and 4 year olds, the Early Years Pupil Premium, and the funding rate for the Disability Access Fund.

## **7.4 Future Changes**

### National Funding Formula (NFF)

- 7.4.1 The NFF was introduced in 2018/2019 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 (LAs) with floors and protections in place.

7.4.2 2023/24 is the first year of transition to the direct schools NFF. This means that LAs will only be allowed to use NFF factors in their local formulae, and must use all NFF factors, except any locally determined premises factors. LAs will also be required to move their local formulae factors 10% closer to the NFF values, compared to where they were in 2022/23, unless they are already mirroring the NFF (which Trafford is). This follows the positive response to these consultation proposals in the first stage consultation last year. The basic structure of the schools NFF is not changing in 2023/24.

## 8. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

### 8.1 Budget Requirement

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

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

8.1.2 If the proposals in this budget report are agreed, the calculation for the 2023/24 Council Tax Requirement will be as follows:

Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2023/24	£
<b>Service Budget</b>	
<b>Gross Expenditure</b>	
Service expenditure	556,849,854
<b>Gross Income</b>	
Fees, charges and specific grants	(347,473,443)
<b>Service Area Net Budget</b>	<b>209,376,411</b>
<b>Financing Budget</b>	
Retained Business Rates Baseline	(57,351,414)
Business Rates Growth, Other Items, Prior Year Movements	(23,700,417)
Other Council Tax Items, Prior Year Movements	(1,222,963)
Application of Budget Support Reserve	(7,404,000)
<b>Financing Net Budget</b>	<b>(89,678,794)</b>
<b>Council Tax Requirement</b>	<b>119,697,617</b>
<b>Council Tax Base in Band D's</b>	<b>78,464</b>
<b>Relevant Basic Amount of Council Tax</b>	<b>£1,525.51</b>

8.1.3 The Director of Finance and Systems in accordance with his delegated powers approved the 2023/24 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 16 January 2023 at 78,464, which is an increase of 863 Band D equivalents on 2022/23. The 2023/24 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,745, Dunham Massey 232, Warburton 170 and Carrington 148.

## 8.2 Council Tax Increases

8.2.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its “relevant basic amount of Council Tax” by an amount equal to or exceeding a level set out by the Government annually. For 2023/24 a figure of 5% has been set, which is a combination of the core principle of 3% and the ‘adult social care precept’ of 2%.

8.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2023/24 by 4.99%:

- 2.99% general increase in the ‘relevant basic amount’, and
- 2.0% for the ‘Adult Social Care’ precept.

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

	2022/23	2023/24
Council Tax Base	77,601	78,464
Council Tax Requirement with Levies (£)	112,755,029	119,697,617
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,280.74	1,324.18
Social Care Precept	172.27	201.33
Relevant Basic Amount of Council Tax	1,453.01	1,525.51
<b>% increase in Relevant Basic Amount of Council Tax</b>	<b>2.99%</b>	<b>4.99%</b>

8.2.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 4.99%, which is within the 5% figure set by Government in 2023/24 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.

8.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £15.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing a £5.00 increase in their Band D precept.

8.2.6 Partington Town Council, at its meeting on 1 December 2022, elected to keep the level of Band D Council Tax at £52.04 in 2023/24, the same as in 2022/23. Carrington Parish Council passed a resolution on 19 December 2022 to keep the Band D Council Tax at £30.00 in 2023/24, the same as in 2022/23. Warburton Parish Council at its meeting on 6 December 2022, elected to set a Band D Council Tax of £50.00 in 2023/24, the same as in 2022/23. Dunham Massey Parish Council is not setting a Precept in 2023/24.

## 8.3 Council Tax Levels and Bandings

8.3.1 The overall Precepts and Council Tax levels for 2023/24 for Trafford properties are as follows:



<b>Council Tax per Precepting Body</b>	<b>Precept Amount £</b>	<b>Council Tax per Band D Property £</b>	<b>Council Tax Level Increase</b>
Trafford Services (inclusive of 'Adult Social Care Precept')	119,697,617	1,525.51	4.99%
Mayoral Police and Crime Commissioner (see note)	19,090,291	243.30	£15.00/ 6.57%
Mayoral General Precept (including Fire Services) (see note)	8,470,189	107.95	£5.00/ 4.86%
<b>Total (excluding Parishes)</b>		<b>1,876.76</b>	<b>5.18%</b>
Partington Precept	90,810	52.04	0.00%
<b>Total for Partington</b>		<b>1,928.80</b>	<b>5.04%</b>
Carrington Precept	4,440	30.00	0.00%
<b>Total for Carrington</b>		<b>1,906.76</b>	<b>5.10%</b>
Warburton Precept	8,500	50.00	0.00%
<b>Total for Warburton</b>		<b>1,926.76</b>	<b>5.04%</b>

8.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 10 February 2023.

8.3.3 The council tax for 2023/24, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

<b>Band</b>	<b>Valuation range (in 1991 prices)</b>	<b>Council Tax (Excl. Parishes) £</b>	<b>Council Tax for Partington £</b>	<b>Council Tax for Carrington £</b>	<b>Council Tax for Warburton £</b>
A	Up to £40,000	1,251.16	1,285.85	1,271.16	1,284.49
B	Over £40,000 and up to £52,000	1,459.70	1,500.18	1,483.03	1,498.59
C	Over £52,000 and up to £68,000	1,668.21	1,714.47	1,694.88	1,712.65
D	Over £68,000 and up to £88,000	1,876.76	1,928.80	1,906.76	1,926.76
E	Over £88,000 and up to £120,000	2,293.79	2,357.39	2,330.46	2,354.90

F	Over £120,000 and up to £160,000	2,710.85	2,786.02	2,754.18	2,783.07
G	Over £160,000 and up to £320,000	3,127.92	3,214.65	3,177.92	3,211.25
H	Over £320,000	3,753.52	3,857.60	3,813.52	3,853.52

## BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2023/24 £	2024/25 £	2025/26 £
<b>Service Expenditure</b>			
Pay: Inflation	4.00%	2.00%	2.00%
Pay : Inflation held in contingency	1.00%		
Pay Inflation £m	£3.93m	£1.50m	£1.52m
Pay: Pension Inflation	-1.0%	0.0%	0.0%
	-£0.76	£0.00	£0.00
Pay: National Living Wage/ Fair Price for Care	£7.63m	£5.77m	£1.64m
Inflation: various (based on terms of contract, CPI, estimate average forecast)	5.5%/8%	3.0%	2.0%
Contractual Obligations: Inflation Specific	£4.23m	£2.67m	£2.39m
Energy Inflation	£3.09m	-£1.60m	-£0.80m
Levies: Waste (GMWDA) Levy Increase/ (Decrease)	£0.96m	£1.28m	£0.83m
Levies: Transport Levy Increase/ (Decrease)	£0.49m	£0.17m	£0.34m
Demographics: Children	£1.58m	£1.00m	£1.00m
Adults	£1.40m	£1.30m	£1.50m
<b>Treasury Management</b>			
Investment Rates	4.03%	3.63%	2.57%
Debt Rates	4.30%	3.87%	3.27%
<b>Funding</b>			
Council Tax rate increase (Adult Social Care)	2.00%	2.00%	1.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	2.99%	1.99%
Council Tax base increase	1.11%	0.65%	1.00%

**Budget Movements & Proposals: Draft Budget Oct 22 to Final Feb 23**

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>Total £000</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct 22)</b>	<b>8,520</b>	<b>2,716</b>	<b>5,768</b>	<b>17,004</b>
Movements Since Draft affecting the Gross Gap				
Pay Award 23/24 (further +1% held in contingency)	976	(14)	4	966
Increase in Transport Levy	489	170	337	996
Increase in Waste Levy	473	790	829	2,092
Increase in Legal Services budget Framework for Change	500	0	0	500
Impact of Inflation on contracts and services	(233)	33	36	(164)
Impact of Inflation on NLW/RLW and Fair Price for Care	(718)	2,343	0	1,625
Reversal of One off Savings in previous years	0	0	850	850
Remove 2nd phase of grant originally for Social Care Reform (FPC)	2,360	0	0	2,360
Remove original assumption of additional ASC grants of £500m in 23/24 and 24/25	2,000	2,000	0	4,000
Build in continuation of 1st tranche of Social Care Reform Grant received in 2022/23	(638)	0	0	(638)
Funding for the ASC charging reforms re-purposed to fund ongoing pressures	(4,847)	(2,344)	0	(7,191)
"Ringfenced" grant Market Sustainability "to support capacity and discharges"	(1,576)	(1,103)	0	(2,679)
Grant allocated through the Better Care Fund to support Hospital Discharge Programme	(1,153)	(769)	0	(1,922)
Net additional provision to support Hospital Discharge Programme	653	769	0	1,422
Remove assumptions on grants (indexation of Better Care Funding, New Homes Bonus, Lower Tier Support, Services Grant	1,614	0	0	1,614
Other Budget Assumptions	692	1,238	334	2,264
<b>CHANGES TO BUDGET ASSUMPTIONS</b>	<b>592</b>	<b>3,113</b>	<b>2,390</b>	<b>6,095</b>
Potential Increase in CTSS/ lower collection in Council Tax	637	478	(246)	869
Distribution of 22/23 estimated Council Tax Surplus	(385)	385	0	0

Changes to Business Rates assumptions (provisional settlement, smoothing of 22/23 benefit)	(1,801)	(2,425)	2,425	(1,801)
<b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>	<b>(1,549)</b>	<b>(1,562)</b>	<b>2,179</b>	<b>(932)</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>Total £000</b>
<b>CHANGES IN MEETING THE GAP</b>				
<b>CHANGES TO SAVINGS AND INCOME PROPOSALS</b>	<b>(366)</b>	<b>77</b>	<b>199</b>	<b>90</b>
GMCA distribution via Reserves (Transport and Waste)	(1,116)	(2,076)	0	(3,192)
Reverse GMCA distribution via Reserves (Transport and Waste)		1,116	2,076	3,192
+1% General Increase in basic Council Tax to 2.99% (1.99% assumed in draft)	(1,147)	(1,261)	(90)	(2,498)
+1% Increase in Adult Social Care Precept to 2% (1% assumed at draft)	(1,146)	(1,261)	(92)	(2,499)
Remove benefit of Rates sharing agreement via General Fund/Reserves	0	2,300	(2,300)	0
Contribution from Budget Support Reserve	(3,788)	0	0	0
Reversal of Contribution from Budget Support Reserve	0	3,788	0	3,788
<b>TOTAL CHANGES TO POLICY CHOICE FUNDING</b>	<b>(7,197)</b>	<b>2,606</b>	<b>(406)</b>	<b>(4,997)</b>
<b>REVISED BUDGET GAP (FEB 23)</b>	<b>0</b>	<b>6,950</b>	<b>10,130</b>	<b>17,080</b>

### Detailed Analysis of Components of the Budget Gap and Changes since Draft Budget

The following paragraphs provide an update on how the pressures have changed since the draft budget was presented. The changes in assumptions can be grouped into the following budget components

- Base Budget pressures – this includes the usual annual pressures associated with the day to day running of the council such as pay awards, inflation and service demand/demographic growth.
- Base Budget funding – this includes changes in non-policy choice funding, such as the way the council is funded from Government via general and specific grants and the business rates retention scheme and local funding changes such as those in our council tax base (number of properties we raise council tax from) and the use of our own one off earmarked reserves.
- Policy Choice changes – these include the policy decisions the Council makes to balance its budget, such as increasing the basic rate of Council Tax and making efficiency savings or reductions to services.

#### Base Budget Pressures :-

The significant features of the 2023/24 gap and changes since draft are detailed below with a summary of the base budget assumptions shown in Annex A along with a Subjective Budget Analysis in Annex E:

- **Pay - £5.29m in 2023/24, £8.77m over three years.** 2023/24 includes the additional costs of the 2022/23 pay award (approximately 6% against budget 2%) £3.3m above budget and an estimate of 4% for the 2023/24 pay award. A core provision for a 2% increase has been assumed for all other years. A reduction of £0.7m in 2023/24 has been included for an anticipated reduction in employer pension contributions following the tri-annual valuation. **A reduction of £0.56m in 2023/24.**
- **National Living Wage, Real Living Wage and Fair Price for Care - £8.63m in 2023/24, £16.04m over three years.** This covers projected increases in the NLW to reach the proposed target for external care staff by 2025/26. **A combined increase in 2023/24 of £0.28m over assumption at draft.**

The figures for 2024/25 include an additional £1.5m, for social care suppliers, in partial reflection of the Council's aspiration to reach the hourly rates set out under the Real Living Wage. **No change since draft.**

- **Inflation General and Contractual £7.91m in 2023/24 and £10.90m over three years.** Inflation has been reviewed taking into account contract inflation on specific contracts and latest Office of Budget Responsibility

inflation forecasts which suggest an average of 5% for 2023/24 from a previous forecast of 8%. Future years remain at 3% in 2024/25 before dropping to 2%. Inflation relating to energy has been identified separately, our assumption includes a 200% increase in energy inflation an additional £3.2m in 2023/24. **A combined reduction in pressure in 2023/24 of £0.26m over previous assumptions.**

- **Levies: £1.45m 2023/2024 £4.07m over three years** - includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £1.45m in 2023/24 or £4.07m over three years. Details of inflationary increases were not known at the time of the draft budget and Greater Manchester Combined Authority (GMCA) has confirmed for 2023/24 a 4% increase in Transport Levy, including a 1% non-recurrent element and a 2.5% increase in Waste Levy. An increase of 5% has been assumed on both levies in the years 2024/25 and 2025/26. **A combined additional pressure of £0.92m in 2023/24 and £3.1m over three years.** In addition, GMCA has announced the release of surplus reserves to all GM member authorities of £37.0m of which Trafford's share will be £3.56m. These one off reserves will be held within the Budget Support Reserve and released in 2023/24 and 2024/25 to meet the increased levies.
- **Demography-** an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care with £3.73m in 2023/24 and £9.50m over three years. Changes since draft budget include £0.58m for children's placements, reflecting ongoing pressures in the current financial year and additional monies recently announced by the Government providing a net increase in the Hospital Discharge budget of £0.65m in 2023/24 and £0.769m in 2024/25. **These changes represent a total increase of £1.23m in 2023/24 and £0.769m in 2024/25.**
- **General and Service Grants £5.54m in 2023/24 and £10.56m over three years** . The Provisional Local Government Settlement in December 2022 announced a significant number of new grants aimed at supporting the social care agenda. The draft budget plans has assumed some growth of £2.0m in general social care support and this has now been removed and replaced with the revised grant detail. In addition, a number of core grants were withdrawn and some smaller grants were redirected to the general Revenue Support Grant which is distributed under the business rates mechanism.

The significant changes in general and service grants, can be summarised as :-

- Removal of assumptions of growth in Social Care Grants and second tranche of social care reform grant and replacement with announcements at Autumn Statement, namely
  - £0.64m Continuation of Adults Social Care Reform Grant for ASC Market Sustainability and Fair Cost of Care (nationally £162m)

- £5.22m in 2023/24 and a further £2.34m in 2024/25 repurposed ASC Charging reforms to fund ongoing pressures (nationally £1.265bn in 2023-24, and £1.877bn in 2024-25).
- £1.153m in 2023/24 and a further £1.92m in 2024/25 as part of the Adults Discharge Fund (nationally local government's 50% share is £300m in 2023-24 and £500m in 2024-25)
- £1.58m in 2023/24 and a further £1.10m in 2024/25 as part of the ASC Market Sustainability and Improvement Fund (nationally (£400m in 2023-24 and £683m in 2024-25)
- Remove inflation indexation assumed on Better Care Fund £0.464m
- Reduction in New Home Bonus £0.54m
- Removed Independent Living Fund (rolled into Social Care Grant) £0.36m
- Increase in Social Care Grant (incl. rolled in ILF) £0.74m
- Remove Lower Tier Services Grant £0.29m
- Reduction in Services Grant £0.48m
- Grants Rolled in to Revenue Support Grant (distributed via Business Rates model) Council Tax Annex Grant, Council Tax Admin Support Grant, Food Safety Enforcement Grant £0.22m

**Additional grants in 2023/24 of £1.6m and £3.28m over three years above previous assumptions.**

- **Treasury Management and Strategic Investment Income from Manchester Airport Holdings (MAH)** – No expectation of any dividend income over three years, assumed reinstated in 2026/27, one year later than previous assumption. The Council will not be making a three year advance pension payment to GMPF in 2023 so the £0.83m benefit from previous advance held in Council Wide has been transferred to Treasury Management. Other Minor change in assumptions on pressures in later years as a result of change in Treasury Management policies. **£0.83m change in 2023/24, £0.59m over three years above previous assumptions.**
- **Income from the Asset Investment Strategy** – A reduction of £3.3m in 2023/24 and £4.67m over three years. £1.8m in 2023/24 relates to pressure as investments are repaid to the Council. A requirement to replace these with new opportunities is presented within the savings programme. A further £1.5m in 2023/24 (£2.5m over three years) relates to reduced reliance on the programme. **No change from previous assumptions.**
- **Short Term Covid Pressures** – 2023/24 £(1.5)m reduction - this represents the removal of a one off contingency budget established during the pandemic to cover any unforeseen pressures. **No change from previous assumptions.**
- **Reversal of One off Savings Targets from Previous Year** - £0.53m in 2023/24, £1.38m over three years – reinstatement of pressures associated



with prior year one off/non recurrent savings. Change from draft includes £0.85m in 2025/26 relating to the reversal of time limited nature of capitalisation directive relating to Transformation Team. **No change in 2023/24 from previous assumptions.**

- **Other Changes £5.50m in 2023/24, £7.36m over three years.** The pressure in 2023/24 includes pressures of £1.25m identified in the current year period monitoring, related to home to school transport, which is now considered to be recurrent; this is £120K higher than assumed at draft. A further amount of £400k has been added in 2024/25 to reflect anticipated growth in pupil numbers. A potential loss in SLA income previously received from the NHS Trafford Integrated Care (previously Trafford CCG) of £0.3m, £0.25m relating to amendments in social care charging following a legal review and £0.5m relating to Legal Services Framework for Change. An increase of £0.15m relating to Members Service budget to reflect potential changes in allowances following a benchmarking review. An increase of £180k for External Audit Fees, following a Government review of the service. A figure of £1.4m has been added to the general contingency in 2023/24 to accommodate potential future uncertainty particularly surrounding the level of inflation and public sector pay award. A figure of £1.0m in 2025/26 relating to potential long term ICT funding. £0.85m transfer of benefit from advance pension payment to Treasury Management. **A net increase above draft assumptions of £1.33k in 2023/24, largely related to uncertainty on inflation and £0.83m transfer of advance pension payment to Treasury line, and £2.17m over three years.**

### **Funding Pressures**

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

- **Collection Fund Council Tax (Non-Policy Choice) :-** assumptions include anticipated growth in the tax base +1% in each of the years of the plan; no change from previous assumptions. Distribution of 2022/23 estimated surplus, a one-off benefit of £0.39m in 2023/24 an improvement of £0.14m since draft. Discretionary discounts relating to empty properties £0.5m per annum from 2023/24, no change since draft. The positive outturn above expectations in 2021/22, an addition one off benefit of £0.99m, no change since draft. Potential increase in Council Tax Support claims and lower collection rates due to worsening economic outlook **£0.64m lower income in 2023/24 and £0.87m lower over three years from previous assumptions.**
- Alongside the provisional Local Government Finance Settlement on 19th December 2022, the Government announced £100m of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving council tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area.

- The guidance does not specifically state how the discretionary scheme should work but states that “The government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.”
- The Council will receive a Section 31 grant of £0.35m within its General Fund and the reduction to council tax bills will then be funded in the Collection Fund by a transfer from the General Fund to Collection Fund to ensure that there is no impact on the Collection Fund surplus/deficit for 2023/24.
- Details of Trafford’s scheme and level of take up have yet to be concluded, and as such the Council Tax budget has not be adjusted to reflect its implementation. Any benefit to the Collection Fund will become clear during 2023/24 and will form part of the outturn and will be released as part of future years budget plans.
- **Business Rates** –The Council has a budget for Business Rates of £62.46m in 2022/23 and a final budget of £81.05m in 2023/24. **This is an improvement of £1.8m from assumptions used in the draft budget.** The improvement largely relates to announcements within the Provisional Settlement relating to the level of inflation applied to the Business Rate multiplier and compensation factors offered to local authorities.

The broad assumptions made at draft, remain largely the same, however the final budget reflect some significant changes between the Collection Fund and General Fund components of the rates model. These changes relate to timing issues of benefits being released later than anticipated due to technical Collection Fund accounting requirements. The use of smoothing reserves and the Business Rate Risk Reserve have been used to accommodate these changes.

The brief reminder of the assumptions included in our plans are :-

- The Business Rate Reset and Fair Funding Review will be postponed until 2025/26, **no change from assumptions at draft.**
- When the Business Rates reset occurs, several assumptions have been made that funding would be returned to the Council through some other mechanism which would include a level of protection relating to taper arrangements. Future growth post reset has also been anticipated. **No change in assumptions.**
- The annual budget for business rates includes a provision which is set aside to cover businesses who successfully appeal against their charge. A review of the historic trend is indicating that the annual amount set aside can be reduced, alongside a reduction in the accumulated historic provision. The benefits will be released in 2023/24, however a smoothing reserve will be used to deliver the

benefits of the one-off element over a period of three years 2023/24 to 2025/26.

- The Government has on several occasions frozen the Business Rate Multiplier (frozen at previous year rate or capped at 2%) which is applied against the rateable value of business properties. The Council receives S31 compensation from the Government to reflect the loss of income. Assumptions at draft were based on the Multiplier being capped at 2% rather than frozen at the 2020/21 rate and a level of compensation of 6%. The provisional settlement confirmed that the multiplier would again be frozen and authorities would be compensated based on the September CPI rate of 10.1%.
- A renegotiation of the 100% pilot sharing agreement in 2021/22 resulted in a greater share of the benefits being retained by the local councils (75% to Councils, previously 50%). The draft budget assumed that the Growth Pilot and the amended sharing agreement will continue into 2023/24; this has now been agreed.

- **Reinstatement of Prior Year Gap met from Reserves** - Use of reserves to support the budget in 2022/23 amounted to £11.43m made up from £4.33m Budget Support Reserve and £7.1m COVID-19 General Reserve; because reserves are a one-off resource this means that their removal adds to the gap in 2023/24. **No change since draft budget.**

## Income &amp; Savings Proposals 2023/24

Saving Title	Service Area	Description of saving	2023/24 £000
<b>Children Placements</b>	Children's	A review of demand and placements for looked after children	(1,000)
<b>Staffing Efficiencies Children's Services</b>	Children's	Review of staffing establishment outside of the main redesign programme	(45)
<b>Troubled Families Funding/Strengthening Families</b>	Children's	Continuation of the service redesign	(275)
<b>VCSFE service/children's commissioning</b>	Children's	Undertake strategic needs assessment of commissioned services and offer	(63)
<b>Increase Vacancy Factor/Budget utilisation</b>	Children's	Increase vacancy management period across all service areas	(134)
<b>Sub-Total Children's</b>			<b>(1,517)</b>
<b>Weight Management</b>	Adults	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	(31)
<b>Bad debt provision - Adults Social Care</b>	Adults	Review level of contribution to bad debt provision	(50)
<b>Homecare</b>	Adults	Rephase Council contribution once Transformation Funding ceases	(1,000)
<b>Demographic Growth Control</b>	Adults	Demographic Growth Control	(100)
<b>Sub-Total Adults</b>			<b>(1,181)</b>
<b>Electric vehicle (EV) charging points</b>	Place	Expand number of EV charging points on a revenue share model	(10)

<b>Strategic Investment Income</b>	Place	Investment Programme - Recycling of receipts to maintain net income at achievable levels	(1,800)
<b>Review of operational and strategic estates</b>	Place	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	(80)
<b>Regulatory Services - cost recovery</b>	Place	The cost of safety certificates / recover more from taxi tests to increase.	(25)
<b>Reduce Place Contingency</b>	Place	Removal of a contingency budget from an earlier restructure	(30)
<b>Housing Service</b>	Place	Removal of temporary posts/vacancies	(50)
<b>Housing Service</b>	Place	Better cost recovery from support grant	(100)
<b>Street Lighting</b>	Place	Review option in relation to Trimming, 1hr warm up, cool down at start and end of day	(100)
<b>Illuminated signs / bollards</b>	Place	Invest to save to declutter and de-illumination to reduce energy cost impacts	(40)
<b>Street Lighting</b>	Place	Look at further options to trim earlier / later and switch off street lighting in low risk areas	(200)
<b>Unadopted highways/access roads</b>	Place	Reduce budget provision	(50)
<b>Increase Vacancy Factor/Budget utilisation</b>	Place	Increase vacancy management period across all service areas	(241)
<b>Sub-Total Place</b>			<b>(2,726)</b>
<b>Traded Services</b>	Finance & Systems	Traded Services income - increase in contributions to offset pay and cost inflation.	(56)
<b>Review of Subscriptions</b>	Finance & Systems	A range of subscriptions for external services to be reviewed (Finance & Systems share)	(10)
<b>Increase Vacancy Factor/Budget utilisation</b>	Place	Increase vacancy management period across all service areas	(98)
<b>Sub-Total Finance &amp; Systems</b>			<b>(164)</b>
<b>Traded Services</b>	Strategy & Resources	Review Traded Services income - increase in charges to offset pay and cost inflation.	(390)

<b>Change Charging basis for Modernisation Team</b>	Strategy & Resources	Utilising the flexibility on capital receipts, it is intended to charge the cost of the team to the capital programme for a further two years.	(850)
<b>Review of Sale Waterside Arts Centre</b>	Strategy & Resources	A review of the operational effectiveness of asset.	(25)
<b>Review Music Service</b>	Strategy & Resources	Continue to remove the remaining Corporate overhead subsidy and continue with expansion of offer with a view to broadening reach	(30)
<b>Increase Vacancy Factor/Budget utilisation</b>	Strategy & Resources	Increase vacancy management period across all service areas	(93)
<b>Sub-Total Strategy and Resources</b>			<b>(1,388)</b>
<b>Treasury Management Budget</b>	Council Wide	Realignment of the Treasury Management Budget to support the latest forecast position and activity relating to borrowing and Investments	(4,682)
<b>Review of Subscriptions</b>	Council Wide	A range of subscriptions for external services to be reviewed (those held in CW)	(2)
<b>Digital Strategy</b>	All	Increased use of digital technology to deliver better and more efficient services.	(100)
<b>Sub-Total Council Wide and Cross Directorate</b>			<b>(4,784)</b>
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>			<b>(11,760)</b>

	CHILDREN £000's	ADULTS £000's	PLACE £000's	LEGAL AND GOV £000's	FINANCE & SYSTEMS £000's	STRATEGY & RESOURCES £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>NET BUDGET Brought Forward</b>	<b>44,051</b>	<b>69,809</b>	<b>30,988</b>	<b>2,635</b>	<b>8,165</b>	<b>8,854</b>	<b>28,071</b>		<b>192,573</b>
<u>Budget Pressures :</u>									
Pay	1,726	1,128	687	197	690	1,598	(741)		<b>5,285</b>
National Living Wage/ Fair Price for Care	10	7,621	0	0	0	0	0		<b>8,631</b>
General Inflation	52	28	27	1	11	10	25		<b>154</b>
Contractual Inflation & Obligations	1,305	869	5,119	50	131	284	0		<b>7,758</b>
Levies	0	0	960	0	0	0	489		<b>1,449</b>
Demographics/ Care Costs	1,580	2,153	0	0	0	0	0		<b>3,733</b>
Grants, Legislative & Service Transfers	276	(7,951)	0	0	212	0	1,928		<b>(5,535)</b>
Loss of Income	0	0	(98)	0	0	0	0		<b>(98)</b>
Treasury Management	0	0	0	0	0	0	1,005		<b>(645)</b>
Strategic Investment Programme	0	0	3,300	0	0	0	0		<b>3,300</b>
Short Term COVID-19 Service Pressures	0	0	0	0	0	0	(1,500)		<b>(1,500)</b>
Reversal of One off Savings Targets Prior Year	0	0	0	34	0	500	0		<b>534</b>
Other	1,424	1,308	163	560	249	302	841		<b>5,497</b>
<b>Total Budget Pressures</b>	<b>6,373</b>	<b>5,156</b>	<b>10,158</b>	<b>842</b>	<b>1,293</b>	2,694	<b>2,047</b>		<b>28,563</b>
<u>Budget Savings</u>									
Income Generation	0	0	0	0	(56)	(390)	0		<b>(446)</b>
Savings Proposals Efficiencies & Policy Choice	(1,517)	(1,181)	(2,726)	0	(108)	(998)	(4,784)		<b>(11,314)</b>
<b>Total Approved Budget Proposals</b>	<b>(1,517)</b>	<b>(1,181)</b>	<b>(2,726)</b>	<b>0</b>	<b>(164)</b>	<b>(1,388)</b>	<b>(4,784)</b>		<b>(11,760)</b>
<b>PROPOSED NET BUDGET</b>	<b>48,907</b>	<b>73,784</b>	<b>38,420</b>	<b>3,477</b>	<b>9,294</b>	<b>10,160</b>	<b>25,334</b>		<b>209,376</b>

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>Funding:</b>									
Council Tax								(114,009)	<b>(114,009)</b>
Council Tax - 1.99% General Increase								(3,408)	<b>(3,408)</b>
Council Tax - 1% Adult Social Care Increase								(2,280)	<b>(2,280)</b>
Council Tax 20/21 Estimated Deficit (1/3)								1,353	<b>1,353</b>
Council Tax Government Support (COVID)								(258)	<b>(258)</b>
Council Tax 22/23 Estimated Surplus								(385)	<b>(385)</b>
Council Tax use of smoothing reserve								(1,933)	<b>(1,933)</b>
<b>Total Council Tax Funding</b>									<b>(120,920)</b>
Business Rates: Local Share								(154,557)	<b>(154,557)</b>
Business Rates: Tariff Payment								97,206	<b>97,206</b>
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(15,957)	<b>(15,957)</b>
Business Rates 22/23 Estimated Surplus								(12,225)	<b>(12,225)</b>
Business Rates 20/21 Estimated Deficit (1/3)								1,773	<b>1,773</b>
Business Rates Gov Support (COVID-19)								(1,330)	<b>(1,330)</b>
COVID Rates diff est./act. and Gov Grant Support Smoothing Reserve								4,038	<b>4,038</b>
<b>Total Business Rates Funding</b>									<b>(81,052)</b>
<b>PROPOSED FUNDING</b>								<b>(201,972)</b>	<b>(201,972)</b>
<u>Additional Use of Reserves:</u>									
Budget Support Reserve								(7,404)	<b>(7,404)</b>
<b>FUNDING FROM RESERVES</b>								<b>(7,404)</b>	<b>(7,404)</b>
<b>BUDGET GAP</b>									<b>0</b>



## Details of Reserves by Category

## Annex F

CATEGORY	RESERVE NAME	BALANCE AT 31 MARCH 2022	TOTAL COMMITTED 22/23 to 24/25 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 22/23 to 24/25 £000	EST BALANCE AT 31 MARCH 2025 £000	Narrative
MTFP Budget Support Reserve	MTFP Budget Support Reserve	(11,651)	5,509	(6,142)	(400)	(6,542)	<p>Target balance of 100% of budget gap required (approx. £16m)</p> <p>Reserve movements :-</p> <p><b>Transfers from Other Reserves :-</b></p> <p>£400k from revenue of other earmarked reserves</p> <p>Period 8 22/23 Monitor :-</p> <p>assume no draw down for outturn pressure</p> <p><b>Other :-</b></p> <p><b>Increase</b></p> <p>£1.05m Council Tax Surplus 21/22</p> <p>£3.79m Rates Surplus 21/22</p> <p>£500k per annum previously identified to replenish MAG dividend reserve (all three years see below)</p> <p>£3.56m Distribution of GMCA Reserves</p> <p><b>Budget 22/23 :-</b></p> <p>Budget Support £4.33m</p> <p>£250k drawn off for Transformation Prog</p> <p><b>Budget 23/24 :-</b></p> <p>Budget Support £3.79m</p> <p>Rates Smoothing £2.5m</p> <p>£1.5m Transformation Prog</p> <p>£1.16m to fund Waste and Transport Levy</p> <p><b>Budget 24/25 :-</b></p> <p>£2.12m to fund Waste and Transport Levy</p>
<b>Sub-Total Budget Resilience</b>		<b>(11,651)</b>	<b>5,509</b>	<b>(6,142)</b>	<b>(400)</b>	<b>(6,542)</b>	
Smoothing and Business Risk	Business Rate Risk Reserve	(5,929)	(2,000)	(7,929)	0	(7,929)	<p>Timing differences of release of business rates over three years of the MTFP. Further year of smoothing in 25/26 (not shown here) will leave a balance of £5.9m.</p> <p>Remaining balance deemed minimum</p>

							balance to meet underlying business rate volatility.
Smoothing and Business Risk	Insurance Reserve	(1,539)	0	(1,539)	0	(1,539)	Sufficient to cover three excess property claims (£250k per claim) plus a further £0.500m to cover historic claims relating to MMI and £0.289m balance of risk held to cover potential emerging insurance risks.
Smoothing and Business Risk	Earmark Gen - Employment Rationalisation	(800)	600	(200)	0	(200)	Established to cover costs of VS/VR scheme. A balance of £800k for future potential restructuring costs. Draw down at £200k assumed per annum
Smoothing and Business Risk	Housing Benefit Overpayment Reserve	(500)	0	(500)	0	(500)	Reserve balance £0.5m to reflect risk of budget pressures due to market conditions and volatility in forecasting Housing Benefit budget. The uncertainty on the Housing Benefit budget is expected to continue and £500k is the minimum recommended balance.
Smoothing and Business Risk	Timperley Sports Club Synthetic Pitch	(108)	108	0	0	0	This will be used towards replacing synthetic pitches across the Borough
Smoothing and Business Risk	Earmark Gen - Local Search Litigation Costs Settlement	(78)	78	0	0	0	Reserve established as a contingency for potential back claims regarding changes in local search litigation costs and Central Land Charges Register.
Smoothing and Business Risk	Earmark Gen - Civic vehicle reserve	(24)	24	0	0	0	Replacement of mayoral vehicle.
Smoothing and Business Risk	Smoothing - Waste Levy	(1,351)	1,207	(144)	0	(144)	To smooth the effects on the Council's budget of movements in the waste levy over the medium term.
Smoothing and Business Risk	Smoothing - Winter Maintenance	(120)	90	(30)	0	(30)	To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions. Has not been required as risk is managed within revenue budget.
Smoothing and Business Risk	Smoothing - Elections	(263)	411	148	0	148	To smooth the elections budget across the 4 year Municipal cycle.
Smoothing and Business Risk	Smoothing - Interest Rate	(2,567)	666	(1,901)	0	(1,901)	Balance sufficient to meet potential short term volatility in the financial markets
Smoothing and Business Risk	Exchequer Services Reserve	(333)	300	(33)	0	(33)	Accumulated underspend of unspent grants (ring-fenced for activities such as fraud work, ICT systems, Universal Credit)

Smoothing and Business Risk	EU Exit Funding Reserve	(249)	244	(5)	5	0	Government funding to be used to enhance capacity and capability within local authorities in preparation for EU Exit related activities and risks. <b>Includes £5k spare capacity transferred to Budget Support Reserve.</b>
Smoothing and Business Risk	Sale PFI Bullet Payment	(1,232)	(240)	(1,472)	0	(1,472)	Reserve used to hold the final bullet payment relating to the programme. Not Available for any other purpose.
Smoothing and Business Risk	Admin Building Cyclical Maintenance Reserve	(761)	450	(311)	0	(311)	To provide a reserve sufficient to cover major lifecycle maintenance and unexpected costs associated with the maintenance and repair of all major administrative sites.
Smoothing and Business Risk	Council Tax Risk Reserve	0	(500)	(500)	0	(500)	Reserve to manage risk of shortfall in Council Tax Income due to uncertainty in take up of LCTSS/Hardship lower collection rates due to economic uncertainty
Smoothing and Business Risk	Inflation Risk Reserve	(3,000)	0	(3,000)	0	(3,000)	Reserve established at the end of 21/22 to recognise increased risk associated with inflation rate volatility.
<b>Sub-Total Smoothing and Business Risk</b>		<b>(18,854)</b>	<b>1,438</b>	<b>(17,416)</b>	<b>5</b>	<b>(17,411)</b>	
COVID-19	Covid General Reserve	(7,097)	7,097	0	0	0	Reserve created to hold support for one off covid pressures in 21/22 and 22/23 in line with MTFP plan. Plus balances of unspent covid general grant. Balance of £7.1m will be drawn down to support the 22/23 budget as planned.
COVID-19	Council Tax Compensation Grant Covid (75%)	(510)	510	0	0	0	Reserve established to hold Government support in meeting 20/21 Council Tax deficit. Will be drawn down over 3 years as planned in MTFP
COVID-19	Business Rates Compensation Grant Covid (75%)	(2,660)	2,660	0	0	0	Reserve established at Final budget stage to hold Government support in meeting 20/21 Business Rates deficit. Will be drawn down over 3 years as planned in MTFP

COVID-19	NDR Rates Exceptional Deficit Reserve (Section 31 Grants)	(37,870)	37,870	0	0	0	Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting and is not available for any other purpose
<b>Sub-Total COVID-19 Budget Resilience and Smoothing</b>		<b>(48,137)</b>	<b>48,137</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Strategic Priority	Transformation Fund Match Funding Reserve	(1,823)	1,068	(755)	0	(755)	Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the NHS Trafford Integrated Care (previous CCG) for their share of programme costs.
Strategic Priority	Strategic Investment Programme Risk Reserve	(6,309)	3,103	(3,206)	0	(3,206)	Reserve established as a contingency for potential loss of income, additional cost due to delays in investment property fund Reserve has been used/contributions adjusted during the year in order to manage variations in the programme. Balance is minimum considered necessary to manage the underlying risks.
Strategic Priority	Leisure Centres Risk Reserve	(1,628)	1,100	(528)	0	(528)	Reserve to manage the risk during leisure centre refurbishment programme and any economic downturn due to pandemic. Particularly loss of income, changes in assumptions for demand, inflation and also risk of potential default on development loan. A budget provision of £715k is included in Place Directorate to manage these pressures. The reserve will be used to smooth net expenditure over the programme.
Strategic Priority	Children's Action Fund Reserve	(69)	69	0	0	0	A new reserve of £1.5m which was established in 2019/20 for investment in Children's Services following the recent OFSTED inspection. Remaining balance will be used in 22/23 and 23/24.

Strategic Priority	Bus Reform	(1,500)	1,500	0	0	0	Reserve established to hold Trafford's share of redistributed GM reserves. Will be released for GM Bus Reform.
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(275)	0	(275)	0	(275)	Major Projects can result in abortive costs and the transfer of schools with deficits can also result in costs which need to be written off and so a small reserve has been created to protect against these two write off risks. Reserve maintained at current levels.
<b>Sub-Total Strategic Priority</b>		<b>(11,604)</b>	<b>6,840</b>	<b>(4,764)</b>	<b>0</b>	<b>(4,764)</b>	
Corporate	NDR Deficit Reserve	(289)	289	0	0	0	Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting and is not available for any other purpose
Corporate	Star Procurement Earmarked Reserve	(527)	527	0	0	0	STAR revenue budget under/overspends to be carried forward. Commitment to spend is approved by STAR Board (Stockport, Trafford, Rochdale and Tameside). Ring-fenced reserve for members of STAR
Corporate	Planning Income Reserve	(186)	186	0	0	0	A reserve established to hold surplus planning income in line with Government requirements to reinvest increases in fee income towards improvements in planning services. This is a ring fenced reserve with specific statutory conditions attached to it.
Corporate	General Reserve	(9,500)	0	(9,500)	0	(9,500)	This is the reserve that the Council is required to hold to protect against in year financial shocks. Balance has been maintained at £9.5m as part of Robustness Review at Final budget stage.
<b>Sub-Total Corporate</b>		<b>(10,502)</b>	<b>1,002</b>	<b>(9,500)</b>	<b>0</b>	<b>(9,500)</b>	
Service Area Priority	Earmark Gen - ICT Development	(1,259)	1,122	(137)	0	(137)	Reserve established to ensure there are funds available for the replacement of equipment such as ICT and to smooth out maintenance costs as a result of the Digital Investment programme.
Service Area Priority	Economic Development	(1,438)	1,000	(438)	155	(283)	Reserve set aside specifically for economic development related projects. Review of

							reserves has <b>identified spare capacity of £155k which has been transferred to Budget Support Reserve.</b>
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(68)	68	0	0	0	Funds earmarked for ICT upgrades plus additional costs associated with the libraries
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(29)	29	0	0	0	Carry forward of prior year spend due to slippage on projects - committed on schemes.
Service Area Priority	Earmark Gen - Community Safety	(351)	311	(40)	0	(40)	Investment in Community Safety initiatives related to unspent grant from prior years.
Service Area Priority	Earmark Gen - Modernisation	(306)	306	0	0	0	Hold rolling balance of Modernisation Team budget underspend for future commitment
Service Area Priority	One Trafford Partnership Reserve	(1,973)	1,614	(359)	0	(359)	Established to hold contractor penalty payments to be invested in one-off Partnership schemes.
Service Area Priority	Sports Partnership Reserve	(378)	378	0	0	0	Ring-fenced funding from Sports Partnership to be used on specific projects
Service Area Priority	Earmarked Service C/fwd. Place	(1,014)	700	(314)	240	(74)	Service Carry Forward Place. <b>Spare capacity of £240k transferred to Budget Support Reserve.</b>
Service Area Priority	Earmarked Service C/fwd. L & G	(59)	59	0	0	0	Service Carry Forward Governance and Community Services
Service Area Priority	Earmarked Service C/fwd. F & S	(864)	612	(252)	0	(252)	Service Carry Forward Finance and Systems.
Service Area Priority	Earmarked Service C/fwd. S&R	(724)	624	(100)	0	(100)	Service Carry Forward Strategy & Resources
Service Area Priority	Earmarked Service C/fwd. Children	(27)	27	0	0	0	Service Carry Forward Children's
Service Area Priority	Earmarked Service C/fwd. Adults	(4,398)	3,700	(698)	0	(698)	Service Carry Forward Adults.
Service Area Priority	Adults Discharge to Assess Adults	(3,286)	3,286	0	0	0	Discharge to Assess. Reserve will be drawn down to deliver DTA plans in health partners. Current assumption is that it will be fully utilised in 22/23 but this may change following the announcement of the additional £200m nationally
Service Area Priority	Traded Services Reserve	(317)	317	0	0	0	Service Carry Forward Traded Services.
<b>Sub-Total Service Area Priority</b>		<b>(16,491)</b>	<b>14,153</b>	<b>(2,338)</b>	<b>395</b>	<b>(1,943)</b>	

	<b>(117,239)</b>	<b>77,079</b>	<b>(40,160)</b>	<b>0</b>	<b>(40,160)</b>	
Capital Related Reserves	(22,649)				(15,694)	
School Related Reserves	(14,235)				(14,235)	
<b>SUB-TOTAL</b>	<b>(36,884)</b>				<b>(29,929)</b>	
<b>Total Reserves</b>	<b>(154,123)</b>				<b>(70,089)</b>	

## 2023/24 Objective (Service) Budget Analysis

## Annex G

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2022/23 (£'000)	Proposed Net Budget 2023/24 (£'000)	Movement
Children's Service	Children with Complex and Additional Needs	1,260	1,310	50
Children's Service	Commissioning	1,168	1,278	110
Children's Service	Children's Social Services	30,383	33,352	2,969
Children's Service	Education and Early Years' Service	7,515	9,125	1,610
Children's Service	Early Help Delivery Model	2,650	2,732	82
Children's Service	First Response	702	715	13
Children's Service	Youth Offending Service	372	395	23
Children's Service	DSG	0	0	0
<b>Children's Service</b>	<b>Sub-Total</b>	<b>44,050</b>	<b>48,906</b>	<b>4,856</b>
Adults Service	Client Costs	66,294	76,892	10,598
Adults Service	BCF and Other Grants	(25,338)	(32,949)	(7,611)
Adults Service	Assistive Equipment and Technology	1,130	1,214	84
Adults Service	Social Care Activities - Care Management	12,648	13,378	730
Adults Service	Commissioning and service delivery	2,157	2,286	129
Adults Service	Public Health	12,912	12,961	49
<b>Adults Service (incl. Public Health)</b>	<b>Sub-Total</b>	<b>69,803</b>	<b>73,782</b>	<b>3,979</b>
Place - Environmental, Technical & Property Services	One Trafford Partnership	17,840	20,492	2,652
Place - Environmental, Technical & Property Services	Street Lighting Energy	1,055	2,944	1,889



Place - Environmental, Technical & Property Services	Media Advertising	(812)	(810)	2
Place - Environmental, Technical & Property Services	Waste Disposal Levy	15,238	16,198	960
Place - Environmental, Technical & Property Services	Strategic Management	1,588	1,704	116
Place - Environmental, Technical & Property Services	Property Investment Fund	(7,171)	(5,689)	1,482
Place - Environmental, Technical & Property Services	Sport and Leisure	922	933	11
Place - Economic Growth & Planning	Economic Growth & Planning	2,671	2,749	78
Place - Economic Growth & Planning	Public Protection & Enforcement	667	750	83
Place - Economic Growth & Planning	Parking Services	(1,572)	(1,543)	29
Place - Economic Growth & Planning	Strategic Support Services	569	693	124
<b>Place</b>	<b>Sub-Total</b>	<b>30,995</b>	<b>38,421</b>	<b>7,426</b>
Legal and Governance	Legal & Democratic Services	2,814	3,567	753
Legal and Governance	Access Trafford	3,103	0	(3,103)
Legal and Governance	Arts and Culture	787	0	(787)
Legal and Governance	Directorate Wide Efficiency - G&CS	(180)	(90)	90
Legal and Governance	<b>Sub-Total</b>	<b>6,524</b>	<b>3,477</b>	<b>(3,047)</b>
Finance and Systems	Finance Services	5,071	5,623	552
Finance and Systems	ICT Services	3,602	3,921	319
Finance and Systems	Directorate Wide Efficiency -F&S	(507)	(249)	258
	<b>Sub-Total</b>	<b>8,166</b>	<b>9,295</b>	<b>1,129</b>
Strategy and Resources	Human Resources	2,816	3,125	309
Strategy and Resources	Access Trafford	0	3,264	3,264
Strategy and Resources	Arts and Culture	0	783	783
Strategy and Resources	Communications	230	240	10
Strategy and Resources	Executive	408	419	11

Strategy and Resources	School Crossing Patrols	491	510	19
Strategy and Resources	Bereavement Services	(621)	(474)	147
Strategy and Resources	Catering & Cleaning Traded Services	610	709	99
Strategy and Resources	Music Service	387	357	(30)
Strategy and Resources	Business Intelligence	1,716	1,551	(165)
Strategy and Resources	Directorate Wide Efficiency - People	(1,073)	(324)	749
	<b>Sub-Total</b>	<b>4,964</b>	<b>10,160</b>	<b>5,196</b>
<b>TOTAL SERVICE BUDGETS</b>		<b>164,502</b>	<b>184,041</b>	<b>19,539</b>
				0
Council Wide Service	Transport Levy	16,209	16,698	489
Council Wide Service	Flood Defence	152	152	0
Council Wide Service	Coroners & Mortuary	728	728	0
Council Wide Service	AGMA/ Other	524	509	(15)
Council Wide Service	Contingencies, Provisions and Corporate savings	3,307	3,126	(181)
Council Wide Service	Interest Receivable (incl. Airport Dividend)	(1,345)	(2,670)	(1,325)
Council Wide Service	Loan Debt (principal and interest)	8,972	4,970	(4,002)
Council Wide Service	Insurance	860	880	20
Council Wide Service	Members Expenses	904	1,075	171
Council Wide Service	Other Centrally held budgets	2,434	2,614	180
Council Wide Service	Central Grants	(4,675)	(2,747)	1,928
<b>COUNCIL-WIDE BUDGETS</b>		<b>28,070</b>	<b>25,335</b>	<b>(2,735)</b>
<b>PROPOSED NET BUDGET</b>		<b>192,572</b>	<b>209,376</b>	<b>16,804</b>



## Annex H – MTFP Risk Assessment

Risk Identified	Risk	Risk Mitigation
<p>Adequacy of overall resource envelope to sustain expenditure pressures.</p> <p>Government's Comprehensive Spending Review and Local Government Finance Settlement</p>	<p>The adequacy of the total resources available to local government is not sufficient to deliver sustainable services.</p> <p>Single year announcements of the Government's Comprehensive Spending Review and the impact this will have on future Local Government Finance Settlement leading to increased uncertainty, volatility and risk about the future direction of local government funding making accurate medium term financial planning difficult.</p>	<ul style="list-style-type: none"> <li>- Focus on maintaining mandatory services through an Finance and Change Programme</li> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management)</li> <li>Government reforms</li> <li>- Reserves Policy</li> </ul>
<p>Savings Programme not being achieved</p>	<p>The delivery of each year's respective savings programme is essential to avoid cascade and pressures in to future years.</p>	<ul style="list-style-type: none"> <li>- Finance and Change Programme/Board</li> <li>- In year budget monitoring</li> <li>- RAG status monitoring and exception reporting to CLT</li> <li>- MTFP Summer Review</li> <li>- budget Resilience Reserves</li> </ul>
<p>Asset Investment Strategy and Joint Ventures</p>	<p>- the Council has a controlling interest in a number of companies and an ambitious and complex strategic investment programme. This represents a high risk to the council of default against regulation and or a budget shortfall.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- MTFP Summer Review</li> <li>- budget Resilience Reserves</li> <li>- Governance Boards</li> <li>- Use of external advisors</li> </ul>

Fair Funding Formula	<p>The MTFP assumes that the Fair Funding Review will have a small benefit to the Council. Whilst transitional arrangements are expected when the new funding formula is implemented, it is still not clear what impact this will have on the Council's assessed relative 'need to spend' and its baseline funding levels</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Reserves Policy</li> </ul>
Business Rates	<p>The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget.</p> <p>The MTFP assumes a business rate reset in 2025/26 and removal of the 100% retention scheme. As the reform has been delayed there is uncertainty about which retention scheme will apply in the future with options being 100%, 75% or 50% and the impact this will have on the Business Rates modelling and MTFP forecasts.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Business Rates modelling - Identified available one-off resources (GMCA redistribution)</li> </ul>
Care Market – Financial Sustainability and Appropriate and Required Care Provision	<p>A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision will result in additional costs.</p> <p>Risk has been recognised by the Government with additional resource being redirected to Market Stabilisation and Fair Cost of Care.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the costs of care services and commission and understanding of the financial legacy of the COVID19 financial impact.</li> <li>- Further Government support funding for social care services. Impact analysis of Social Care</li> </ul>

		White Paper. - Reserves Policy
Capital Financing Costs	A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases, revisions to the Prudential Code, availability of cash on a short term basis at low interest rates and/or a significant unplanned reduction in the level of the Council's internal balances.	- In year monitoring of interest rates by Treasury Management Team - Updates from Treasury Management advisors (Link Asset Services) - MTFP Summer Review - Flexibility built in to the capital financing budgets to respond to interest rate increases and new long term borrowing - Reserves Policy
Collection Fund	<p>The in-year Collection Fund position is monitored to determine the forecast surplus/deficit position to be declared and included in the MTFP estimated resources for Council Tax and Business Rates. A deficit position on the Collection Fund will need to be funded by the Council in the current financial year.</p> <p>The forecast outturn positions are subject to change during the year due to volatility in collection rates, changes in Council Tax support and Business Rates Reliefs particularly in relation to financial downturn.</p>	- In year monitoring of the Collection Fund - In year monitoring of collection rates - Government support in extreme cases to spread the impact across multiple years and additional grants. - Reserves Policy

Council Tax Taxbase	Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Macro Economic Factors (COVID19 Pandemic, Conflict/War, Economic downturn)	<p>The financial impact of COVID19 has already been unprecedented. The MTFP assumes impact in of loss of Airport dividend in the medium term and will be managed as a semi permanent reduction in resources.</p> <p>No further Government support assumed in MTFP. The pandemic and economic downturn has exacerbated the uncertainty, volatility and risk in the financial landscape making medium term financial planning increasingly difficult. Future variants pose a risk to financial planning and forecasting.</p>	<ul style="list-style-type: none"> <li>- Continuing monitoring of the financial impact of macro events through the monthly budget monitoring</li> <li>- Assume further impact of any restrictions will receive some level of Government support (energy rebate, Council Tax Hardship).</li> <li>- Reserves Policy</li> <li>- Contingency items within revenue budget</li> </ul>
Demand, Price and Demographic Led Services Hospital Discharge Programme	<p>Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures. Work is ongoing on new Children Social Care operating model which are expected to reduce service demand. If these service transformation projects are not successful in reducing demand costs will continue to be incurred without the ability to use contingency budget to fund them. In addition, the long term impact of COVID19 could increase the demand for some services i.e. mental health services.</p> <p>Further pressures may be felt under the hospital discharge programme, the costs of which have been met from NHS budgets during the pandemic. Government resource has been released to support this programme.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Lobby Government to highlight significant risk of low resource</li> <li>- Speedy negotiation with NHS/ICS relating to sharing model.</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> </ul>

Education	<p>The Council depends on a significant proportion of DSG funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional cash limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children's requirements within the Borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.</p>	<ul style="list-style-type: none"> <li>- DSG Review Group working to address long term budget sustainability of the DSG</li> <li>- Reserves Policy</li> </ul>
Levies	<p>Delays in announcements of future years' waste and transport levies by the GMCA which could impact on the MTFP forecasts. The future waste levy increase will be dependent on the delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases.</p>	<ul style="list-style-type: none"> <li>- Discussions with GMCA colleagues throughout the year to understand position on levies</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> </ul>
National Living Wage	<p>The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> </ul>



Pay Award	<p>Increase in inflation rates and rapidity of changes make forecasting difficult. Pay Award in 22/23 was 4% higher than budget due to escalating levels of inflation.</p> <p>Future years pay award assumed at 4% with 1% held in contingency however risks of volatility in rate changes makes forecasting difficult.</p>	<ul style="list-style-type: none"> <li>- monitoring of pay award negotiations</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>
Price Inflation	<p>Whilst estimates have been made in the MTFP, forecasts of specific inflation cost pressures remain uncertain and could adversely impact the MTFP. Inflation rates are increasing over the medium term period and their rapidity of change is concerning. Furthermore, the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Children's and Adult Social Care services) is resulting in price increases in excess of inflation.</p>	<ul style="list-style-type: none"> <li>- monitoring of inflation rates</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>
Reserves	<p>Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified.</p>	<ul style="list-style-type: none"> <li>- Reserves Policy</li> </ul>

## Annex I

### OUTLINE OF 2023/24 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

-	<b>Description</b>	<b>Amount per pupil</b>		<b>Pupil Units</b>		<b>Sub Total</b>	<b>Total</b>
	Primary (Years R-6)	£3,412.57		21,231.00		£72,452,274	
	Key Stage 3 (Years 7-9)	£4,811.17		10,332.00		£49,709,008	<b>£158,014,852</b>
	Key Stage 4 (Years 10-11)	£5,422.50		6,612.00		35,853,570	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
Deprivation	FSM	£482.63	£482.63	3,326.00	2,571.00	£2,846,069	<b>£13,444,754</b>
	FSM6	£708.86	£1,035.63	3,435.00	3,014.00	£5,556,323	
	IDACI Band F	£231.26	£336.83	1,734.19	1,390.80	£869,513	
	IDACI Band E	£281.53	£447.43	1,546.37	1,219.14	£980,830	
	IDACI Band D	£442.41	£623.39	1,194.86	828.25	£1,044,940	
	IDACI Band C	£482.63	£683.72	645.51	672.66	£771,452	
	IDACI Band B	£512.79	£733.99	751.33	722.76	£915,769	
	IDACI Band A	£673.66	£935.09	297.47	277.47	£459,857	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
English as an Additional Language	EAL 3	£583.17	£1,573.56	3,159.26	731.49	£2,993,431	<b>£3,343,577</b>
Mobility		950.17	1367.44	243.62	86.78	£350,145	
		<b>Amount per pupil</b>		<b>Eligible proportion of primary and secondary NOR respectively</b>			
Prior attainment	Low Attainment % new EFSP	£1,161.32		5,141.09		£5,970,454	<b>£9,783,492</b>
	Low Attainment % old FSP 78						
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,759.57		2,167.03		£3,813,038	
Lump Sum per school						£128,700.16	<b>£10,682,113</b>
Additional lump sum for a malgamated school							<b>£25,740</b>
Split Sites							<b>£40,000</b>
Sparsity							<b>£1,098</b>
Rates							<b>£1,528,496</b>
Additional funding under the minimum funding level (primary £4,265 secondary £5,525)							<b>£4,755,201</b>
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>							<b>£201,619,323</b>
Minimum Funding Guarantee (MFG is set at + 0.5%)							<b>£1,942,237</b>
<b>Total Funding For Schools Block Formula</b>							<b>£203,561,560</b>
less de-delegation							<b>-£525,395</b>
less Education functions							<b>-£221</b>
<b>Total Funding For Schools Block Formula less de-delegation</b>							<b>£203,035,944</b>

## Formal Council Tax Resolution

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

1. It be noted that on 16th January 2023 the Council calculated
  - (a) the Council Tax Base 2023/24 for the whole Council area as 78,464 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
  - (b) 1,745 for dwellings in the Parish of **Partington**;
  - (c) 148 for dwellings in the Parish of **Carrington**;
  - (d) 170 for dwellings in the Parish of **Warburton**;

to which Parish Precepts relate.

**It is recommended : -**

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2023/24 (excluding Parish precepts) as £119,697,617.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2023/24 in accordance with Sections 31 to 36 of the Act:
  - (a) £570,518,630 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £450,717,263 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £119,801,367 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
  - (d) £1,526.83 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - (e) £103,750 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - (f) £1,525.51 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
  - (g) £1,577.55 **Parish of Partington** being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's

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

- (h) £1,555.51 **Parish of Carrington**  
being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(c) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate
- (i) £1,575.51 **Parish of Warburton**  
being the amounts given by adding to the amount at 3(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned at 3(e) above divided by the amount at 1(c) above, calculated by the Council, in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate
4. The council tax set by Trafford Council includes a 2.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2023/24 the Mayoral Police and Crime Commissioner and the Mayoral General (including Fire Services) have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.
6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate shown in the tables below as the amounts of Council Tax for 2023/24 for each part of its area and for each of the categories of dwellings.

#### Valuation Bands

<b>Council Tax Schedule 2023/24</b>	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
<b>Trafford Council (including Adult Social Care Precept)</b>	1,017.00	1,186.51	1,356.00	1,525.51	1,864.50	2,203.50	2,542.51	3,051.02
<b>Mayoral Police and Crime Commissioner Precept</b>	162.20	189.23	216.26	243.30	297.36	351.43	405.50	486.60
<b>Mayoral General Precept (including Fire Services)</b>	71.96	83.96	95.95	107.95	131.93	155.92	179.91	215.90
<b>Sub total</b>	1,251.16	1,459.70	1,668.21	1,876.76	2,293.79	2,710.85	3,127.92	3,753.52

<b>Partington</b>								
Parish only	34.69	40.48	46.26	52.04	63.60	75.17	86.73	104.08
Parish & District only	1,051.69	1,226.99	1,402.26	1,577.55	1,928.10	2,278.67	2,629.24	3,155.10
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,285.85</b>	<b>1,500.18</b>	<b>1,714.47</b>	<b>1,928.80</b>	<b>2,357.39</b>	<b>2,786.02</b>	<b>3,214.65</b>	<b>3,857.60</b>

<b>Carrington</b>								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	1,037.00	1,209.84	1,382.67	1,555.51	1,901.17	2,246.83	2,592.51	3,111.02
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,271.16</b>	<b>1,483.03</b>	<b>1,694.88</b>	<b>1,906.76</b>	<b>2,330.46</b>	<b>2,754.18</b>	<b>3,177.92</b>	<b>3,813.52</b>
<b>Warburton</b>								
Parish only	33.33	38.89	44.44	50.00	61.11	72.22	83.33	100.00
Parish & District only	1,050.33	1,225.40	1,400.44	1,575.51	1,925.61	2,275.72	2,625.84	3,151.02
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,284.49</b>	<b>1,498.59</b>	<b>1,712.65</b>	<b>1,926.76</b>	<b>2,354.90</b>	<b>2,783.07</b>	<b>3,211.25</b>	<b>3,853.52</b>

### PARISH COUNCIL PRECEPTS

Parish/Town Council	2022/23			2023/24			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,669	86,855	52.04	1,745	90,810	52.04	0.0%
Carrington	144	4,320	30.00	148	4,440	30.00	0.0%
Warburton	163	8,150	50.00	170	8,500	50.00	0.0%
<b>TOTAL</b>	<b>1,976</b>	<b>99,325</b>		<b>2,063</b>	<b>103,750</b>		

The 2023/24 budget consultation consisted of an online public consultation which commenced on the 11 November 2022 and originally was due to close on 9 December 2022 and was extended until the 5 January 2023 because of the bi-election which took place in December 2022 and low numbers of responses. Despite promotion by the Communication team, only 18 responses were received.

The proposals impacting on the public related to:

**Street Lighting**

One of Trafford Council's corporate priorities is to tackle the climate emergency. Using less energy and reducing consumption of electricity used by street lighting, will support this priority. Due to current volatile energy markets, the costs associated with street lighting, has more than doubled in the last 12 months alone.

The Council is looking to manage its energy consumption across Trafford to help save energy costs, but also to reduce the carbon footprint of the Authority. Presently there are around 23,000 streetlights that have been converted to LED efficient light source across the borough. The lights have the ability to be dimmed at different lighting levels, helping reduce light pollution and save energy.

There are two proposals relating to street lighting. The first proposal is to vary and reduce current lighting levels gradually during the evening and overnight hours in lower usage and lower risk areas by 20%. The lighting has the ability to be switched back up in known hot spots, if there was a change in use of an area or if crime and safety problems warrant an increase in lighting. Therefore, higher risk sites and conflict areas such as busy junctions would not be dimmed as part of this proposal.

The second proposal is to switch lights on gradually later in the evening and to switch lights off gradually earlier in the morning during the first and last hour of lighting, to contribute to energy saving. Current LED lights do not need to be switched on early to warm up to full brightness, like older lighting units do.

**Responses to consultation**

There were 18 responses to the consultation which was particularly low and therefore not a true gauge of the public's view on this proposal based on this most recent consultation. In answer to the question 'What do you think about the proposals for the Council to reduce lighting levels in low-risk areas to save energy and reduce their carbon footprint?' the following feedback was received:

Option	Total	Percent
Strongly agree	3	16.67%
Agree	5	27.78%
Neither agree nor disagree	1	5.56%
Disagree	3	16.67%
Strongly disagree	6	33.33%
Not Answered	0	0.00%

This shows that the feedback is almost equally in favour and opposed to the proposal.

A selection of comments in favour and opposed to the proposals included

In favour :-

*LED street lights are very bright compared to predecessors and can be dimmed without risking safety., particularly late at night when there are few people about. It is also better for wildlife to have lower lighting levels. Definitely worth experimenting with, and if there are problems, levels can be increased again.*

*We have to find ways to save money so that other essential services can be saved*

*I agree with reducing the light pollution. In particular, the new white LED lights are so bad that I now have to wear yellow glasses in order to drive without being dazzled. So anything that you can do to weaken the strength of those lights is welcome.*

Against :-

*There doesn't seem to be any special consideration of Trafford Park within the policy. This is an area with 24hr shift patterns and sparsely provided transport infrastructure as well as heavy goods movements. There has been too many night-time accidents to consider this diminution in street light coverage. Strongly against without objective appraisal of sensitive areas.*

*Safety concerns if areas are not well lit, particularly around safety of women and girls*

*I am not opposed in principle but not enough detail has been provided as to the times that lighting would be reduced, how residents would be informed about this and what feedback mechanism would be used to adjust lighting as necessary. An Equalities Impact Assessment is needed.*

### **Recommendation**

As the responses were divided and of such a low number, we have reviewed the consultation that was undertaken on the same proposal within the last couple of years (2020/21). This did show significant support for the reduction in street lighting dimming and trimming as included below.

There were 441 responses to this part of the question.

Option	Total	Percent
1. Strongly agree	132	29.93%
2. Agree	146	33.11%
3. Neither agree nor disagree	43	9.75%
4. Disagree	50	11.34%
5. Strongly disagree	65	14.74%
6. Don't know	5	1.13%
Not Answered	0	0.00%

A recent trial of dimming and trimming has resulted in zero contacts or complaints from any nearby residents or businesses, due to the modern LED lanterns, therefore the dimming and trimming proposed is expected to go relatively un-noticed without any adverse reaction.

To mitigate against any potential concerns or issues as part of this proposal, any complaints will be monitored. Dimming and trimming will be consulted locally with ward members and any high-risk areas identified by police and community safety will not form part of the dimming and trimming strategy. Due to the flexibility of the central management

system that controls the lighting levels, any change in lighting that has negative impacts or needs to be reversed can be undertaken remotely almost immediately.