TRAFFORD COUNCIL

Report to:	**Executive**
Date:	**21 October 2024**
Report for:	**Decision**
Report of:	**Executive Member for Finance, Change and Governance and the Director of Finance and Systems**

Report Title

Executive's Draft Revenue Budget Proposals 2025/26 & MTFS 2026/28

Summary

This report sets out the Council' budgetary position, provides details of historical context and rationale for the identification of budget proposals to be further developed to address future financial gaps.

It includes the Executive's updated 3-year budget strategy proposals including the draft revenue budget proposals for 2025/26 and the Medium-Term Financial Strategy (MTFS) for the period 2026/28.

Recommendations

It is recommended that the Executive:

a) Approve the 2025/28 proposed budget strategy, including the 2025/26 draft revenue budget and the 2026/28 MTFS, noting that the draft income and savings proposals are included for the purposes of informing the Executive of the intended consultations which will be undertaken (where necessary and/or required).

b) Notes the draft proposal to increase Council Tax by 4.99% in 2025/26 (comprising 2.0% adult social care precept and 2.99% general increase) and by 2.99% (comprising 1% adults social care precept and 1.99% general increase) for the remaining years of the MTFS 2026/28.

c) Notes that the draft proposals are subject to various consultation exercises, further analysis of reserves, savings and income including impact assessments, potential future movements in core funding and specific grants, revised costings and robustness assessments and that these proposals will be subject to a future decision making process which will include a referral to the Scrutiny Committee for their consideration.

d) Notes the assumptions made in setting the MTFS in Section 4 and the degree of uncertainty as detailed in the report.

e) Notes the remaining budget gap for the years 2026/27 to 2027/28 as identified in the report.

f) Notes the commentary of the Director of Finance and Systems, the Council's statutory S151 officer, regarding the financial sustainability of the Council contained in Section 1 of the report.

g) Notes that the bidding process for Capital Programme is ongoing and the prioritisation process to be undertaken to compile an affordable capital programme 2025/26 to 2027/28.

h) Notes the continued use of flexible use of capital receipts to support in part the cost of the Modernisation Team in developing the Council's Finance and Change Programme for 2025/26.

Contact person for access to background papers and further information:

Name: Councillor Joanne Harding, Executive Member for Finance, Change and Governance
Graeme Bentley, Director of Finance and Systems
Extension: 4336
Background Papers - None

CORPORATE PRIORITIES AND GOVERNANCE CONSIDERATIONS	
The Best Start for our Children and Young People	The proposed draft budget for 2025/26 supports all key priorities and policies.
Healthy and Independent Lives for Everyone	The proposed draft budget for 2025/26 supports all key priorities and policies.
A Thriving Economy and Homes for All	The proposed draft budget for 2025/26 supports all key priorities and policies.
Address the Climate Crisis	The proposed draft budget for 2025/26 supports all key priorities and policies.
Culture, Sport and Heritage for Everyone	The proposed draft budget for 2025/26 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	The update to the Corporate Plan has been done to ensure alignment with GM priorities where possible.
Financial Considerations	The report sets out the proposed draft revenue budget proposals for 2025/26 as they currently stand.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and

	Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. Where appropriate the Council will carry out relevant and/or required consultation in relation to specific proposals within the budget. All proposals will also be assessed in line with the Council's Public Sector Equality Duty. Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements. If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished.
Equality/Diversity Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Sustainability Implications	None arising out of this report.
Resource Implications e.g., Staffing / ICT / Assets	Human Resources – any impact on staffing will be subject to consultation.
Risk Management Implications	The risks associated with each budget proposal have been assessed and further work will be undertaken before the final budget is presented to Executive in February 2025.
Health and Wellbeing Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Health and Safety Implications	An impact assessment of each budget proposal to be carried out.
Socioeconomic duty Implications	Any budget proposals have been considered for socioeconomic impact.

Other Options

The budget proposals included in this report assume an overall increase to the level of council tax of 4.99% in 2025/26 comprising an increase of 2.0% 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 could be made to increase its 'relevant basic amount of council tax' above these levels. However, this would exceed the referendum limits, which would mean a local referendum would be required to be held before any such increase could be implemented. Alternatively, not increasing council tax by the level recommended in this report, subject to the final referendum level being notified in December 2024, would increase the overall funding gap by a further £6.4m in 2025/26 which would mean further reductions to expenditure on council services would be necessary.

<u>Consultation</u>

Proposals in this report may require consultation with the public, businesses and staff, with the form of consultation to be developed before the end of November 2024.

The report recommends that the draft and indicative proposals go forward for consultation (where relevant and/or required).

<u>Reasons for Recommendation</u>

To enable the Council to explore draft proposals in order to develop a balanced, robust budget and Council Tax level to be approved in accordance with statutory requirements.

<u>Key Decision</u>
This is a key decision currently on the Forward Plan: No

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

DIRECTOR'S SIGNATURE

G. Bentley

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

Executive's Draft Revenue Budget Proposals 2025/26 & 2026-28 Medium Term Financial Strategy

21 October 2024

CONTENTS

Executive Summary

This report sets out the Council' budgetary position, provides details of historical context and rationale for the identification of budget proposals to be further developed to address future financial gaps.

It includes the Executive's updated 3-year budget strategy proposals including the draft revenue budget proposals for 2025/26 and the Medium-Term Financial Strategy (MTFS) for the period 2026/28.

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

- The draft overall budget movement for 2025/26 is an increase in the net budget of £10.69m or 4.9%, from £217.99m to £228.68m.

- The budget gap for the three years before applying any of these draft budget proposals is currently estimated to be £55.50m with £25.59m relating to 2025/26.

- This report presents a draft set of budget proposals to balance the planned budget gap of £25.59m in 2025/26, which in line with our three-year strategy, contributes towards closing this budget gap by £15.75m via a mixture of measures:
    - Additional funding (from an assumed increase in council tax of 4.99%, equivalent to £6.4m)
    - Planned use of earmarked reserves of £3.2m
    - New savings and income generation totalling £6.1m – specific details are provided in Annex D.
- These proposals will now form the basis of consultation with members of staff and, where required, the public and are therefore subject to change; the draft proposals are also subject to review by the Scrutiny Committee.

- It should be noted that if all the budget proposals in this report are implemented there currently still remains a residual budget gap of £33.21m over the three years, comprising:
    - £9.84m in 2025/26,
    - £16.62m in 2026/27,
    - £6.75m in 2027/28,

Final decisions will be taken by the Executive after taking into consideration further proposals to address the gap, all relevant matters, feedback and outcomes, at which time a proposed budget will be put to full Council for approval on 19 February 2025.

1. INTRODUCTION FROM THE DIRECTOR OF FINANCE AND SYSTEMS

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 Executive and 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 Whilst this is done annually as part of the budget setting process in February, last year I provided an update to accompany the draft budget report. This is because of the acute strain on local government finances across the country, and Trafford is no exception to these financial challenges.

1.1.4 In February 2024, I concluded that the Council has a structural financial deficit which is widening each year. Further, that this rebalancing will only be achieved through Government intervention which could come from either a restructure of Local Government finance or additional flexibility to increase Council Tax above the referendum level.

1.1.5 I made recommendations that the budget strategy for 2025/26 and future years is focussed on what needs to be done to avoid a s114 Notice and therefore takes a multi-faceted approach. I recommended that the Finance and Change Programme resume the financial planning process early in the financial year to:-

i. Maintain close control of the 2024/25 monitoring position;

ii. Ensure effective monitoring of the in-year savings programme;

iii. Review and mitigate where possible any developing pressures that arise to ensure an unplanned use of reserves is not required;

iv. Generate the maximum level of capital receipts as it can from land disposals;

v. Identify opportunities for further savings that will be an essential requirement for 2025/26 and where possible accelerate delivery in 2024/25.

1.1.6 Given the size of the remaining gap at the time for 2025/26 and 2026/27, I stressed the importance of ensuring sufficient and timely progress was made during the year to achieve material in-roads to reduce the budget deficit. To support the Finance and Change Programme, I recommended that Executive consider engaging with CIPFA to conduct an external assurance review as a prudent next step to look at the Council's financial management and governance arrangements. This, along with the progress made in identifying other measures to help balance the budget, would support me in taking a rounded view on the ability to achieve a balanced budget position for 2025/26.

1.1.7 At the time of writing this report, whilst positive progress has been made on the areas above, the pressure on the financial resilience and sustainability of the Council is even more acute than it was in February 2024 and this is expanded in the remainder of this section.

1.1 Current Financial Position

1.1.1 The pressure on public sector funding is huge and the Local Government Association **has identified a £6.2bn funding deficit** over the next two financial years for local government. This challenge is compounded when considering the 17% real terms reduction in Core Spending Power since 2010. It is imperative that Government prioritise the stabilisation of council finances to protect local services and provide it with a significant and sustained increase in overall funding that reflects current and future demand for services.

1.1.2 Trafford is not exempt from this position and the impact of what has been described as a difficult local government funding regime is placing an increasing risk on the Council's financial sustainability. Key pressures for the Council include:

- The in-year budget monitoring position demonstrates the impact of growing demand on an already pressured budget. The Council's net expenditure, included in the Period 4 Budget Monitoring Report, is a forecast overspend of £4.2m in 2024/25 (See Section 3) and whilst several mitigating expenditure controls have been introduced, if this position is sustained then this will lead to an unplanned use of budget support reserves which would negatively impact on the financial resilience of the Council.

- Looking forward beyond 2024/25 there is a forecast gross deficit on the MTFS, before assumed increases in council tax, of £55m over the next three years. In view of this significant funding deficit and in the absence of any firm details on the levels of support for local government, the financial robustness of the Council, like many other authorities, is vulnerable beyond 2024/25.

1.1.3 The Council maintains several earmarked reserves which are required to cover the financial risks the authority faces (See Section 4). Notable earmarked reserves include a Business Rate Risk Reserve and an Investment Strategy Reserve to reflect the major reliance the Council's budget has on these volatile but key income and funding sources. It also has a General Reserve balance, being a statutory requirement for all authorities, the level of which is determined by the size of the revenue budget. In addition, the Council holds a Budget Support Reserve with an unallocated balance of c£9.6m. In recent years this reserve has been applied to support the budget through the Covid pandemic as well as to cover the current cost of living pressures and other demand pressures. Over this period £35m of the reserve has been utilised in recognition of the impact felt from the Covid pandemic and the loss of the dividend from Manchester Airport; this level of reserve usage is simply unsustainable.

1.1.4 Council reserves are at a relatively low level with limited flexibility to support the budget position, therefore a further range of in-year expenditure controls may need to be considered by the Executive in November 2024, when the half year budget monitoring position is reported, if the overspend remains or has deteriorated. In the mean-time monthly budget monitoring of demand led budget areas will be considered by the Corporate Leadership Team. In the event of an in-year overspend, this would need to be financed from the Budget Support Reserve; it is important that sufficient management action is undertaken to minimise any unplanned use of the Reserve in 2024/25 to maintain the current levels of reserve resilience to support budget planning for 2025/26 and later years.

1.1.5 In considering an appropriate use of reserve to support the 2025/26 budget, I would recommend that no more than a third of the current available balance is applied. This will maintain a reasonable level of headroom to absorb any new financial pressures and to help support future budget planning beyond 2025/26 in the event there are timing delays in implementing future transformation programmes. This would equate to c£3.2m and therefore further recurrent budget savings and funding will be required in addition to the measures included in these budget proposals to allow the setting of a balanced and sustainable budget.

1.1.6 Whilst the measures in this draft budget report have closed the gap in 2025/26 by c61% the remaining budget gap is still £33m over the next three years and that is assuming there is no further rise in demand pressures between now and the end of 2024/25, which will only fuel this deficit.

1.1.7 The reality is that this will not be closed with transformational savings alone and therefore the Council needs to lobby for fairer funding for low council tax and low funded authorities like Trafford to help bridge this budget deficit.

1.2 Budget Approach and Independent Review

1.2.1 A key element of the budget approach for 2025/26, overseen by the Finance and Change Programme, has included a review of the lessons learnt and the savings programmes of the 19 local authorities who have received Exceptional Financial Support from Government and the 4 authorities that have declared S114 notices.

1.2.2 In addition and following a recommendation as part of my S25 Report in February, the Executive agreed, given the size of the Council's budget gap, to commission an external assurance review from the Chartered Institute of Public Finance and Accountancy and this has been undertaken over the last few months. At the time of writing this report the final report is being finalised but initial findings have been positive, to the extent that they have concluded that there is strength in the current financial management and governance and reporting arrangements. Inevitably though the Council is faced with several key challenges which include its difficult low funding position and capacity challenges to achieve its ambition for the Borough. CIPFA were clear though that to address the budget challenge that difficult decisions would need to be made. Undertaking this review has been a proactive step by the Council and demonstrates a responsible approach in trying to address the financial challenges faced.

1.2.3 The draft budget proposals contained in this report demonstrate the Administration's willingness to take difficult policy decisions with the goal of achieving a balanced budget.

1.3 Key Financial Risks and Lobbying

1.3.1 Section 3 of this report details the difficult funding position this Authority faces which makes finding further savings from what is a very low expenditure base extremely difficult.

1.3.2 The financial resilience of the Council, caused by its low level of funding, relatively low reserve levels (See Section 7) and increasing demand for Council services is being acutely challenged.

1.3.3 At this stage in the budget planning process there are several key budget assumptions that will need to be monitored and confirmed prior to setting the final budget for 2025/26 (more detail of the key budget assumptions and risks are included in Section 5 and 7 respectively). Whilst significant progress has been made to addressing the budget gap, albeit a remaining deficit of £9.84m still remains for 2025/26, there is still a further gap of £23.37m by 2027/28. Policy decisions alone will not be enough the bridge these gaps and funding reform is clearly needed.

1.3.4 Our key asks from Government which would help the Council's future financial sustainability include:

- Urgently increase overall funding provided to the lowest funded local authorities by an immediate funding uplift in 2025/26.
- Introduce multi-year settlements to allow authorities the ability to plan with more certainty.
- Provide additional funding for key activity, specifically with ringfenced additional funding for adult social care, SEND and homelessness prevention prioritised.
- Make progress with the fair funding review, ensuring that the wide differentials in funding across local government are adequately addressed.
- Review of council tax referendum principles with local authorities given the power to set their own council tax levels.
- Maintain welfare support in the form of the Household Support Fund beyond March 2025.
- Reform of Social Care Funding.
- Regulation of the children's social care market.
- Higher levels of capital funding to support investment in prevention and maintain key infrastructure.
- Lift the cap on housing benefit subsidy for temporary and exempt accommodation and increase Local Housing Allowance (LHA) rates to ensure they track market rents.
- An appropriate level of new burdens funding to reflect the financial impacts of Real Living Wage increases, costs of supported accommodation and continued high levels of inflation.

1.4 Other Significant Strategic Risks

1.4.1 Section 4 of this report details the assumptions in developing the Financial Planning Framework, the core budget assumptions and other significant Strategic Financial Risks over the medium term.

1.4.2 As well as the existing risks regarding the volatility of the wider economy, the costs of living crisis, rising service demand and uncertain timeframes for funding reforms, there are many evolving themes which may need to be considered in the future MTFS. These include the escalating level of the Schools DSG Deficit caused by the unprecedented demand in High Needs provision, exposure to strategic asset revaluations, the potential resource outcomes of the impending Care Quality Commission inspection and the availability of resources within the capital programme to maintain an ageing asset base which includes our highways, drainage, Council buildings and leisure centres.

1.4.3 In recognition of the financial pressures detailed in the report, at this stage in the budget cycle, it is appropriate to raise the risk score on the strategic risk to the maximum of 25.

1.5 Summary

1.5.1 Whilst it is not unusual to have a gap at the draft budget stage, the remaining gap in 2025/26 of £9.84m compares with £6.41m, £8.52m and £4.65m in the previous three years. It must be stressed that our budget assumptions already include the additional maximum allowable increases in Council Tax, before a referendum must be held. (These levels will be confirmed in December). In addition, previous years' savings included significant corporate based savings, such as the review of our debt repayment profile and the one-off release of business rates appeals, meaning that future sustainable savings programmes are likely to impact on front line services.

1.5.2 Whilst good progress has been made towards reaching a balanced budget position for 2025/26 there is still a significant amount of work to do to achieve this. The Executive have already identified plans to make further progress to do this and these will need developing before the final budget is presented to Council for approval in February 2025. These include a review of:

- the contributions made to other local authorities to ensure best value is being achieved.
- the scope to accelerate dividends from Manchester Airport Holdings Ltd.
- several other savings identified by CIPFA from work they have done with other authorities.
- accelerate work on policy savings options not yet costed.
- complete further review of service earmarked reserves to identify if any uncommitted balances can be released, although there is limited opportunity given the extensive exercise undertaken in preparation of 2024/25 budget.
- explore the outcome of the CIPFA review with Ministry of Housing, Communities and Local Government (MHCLG) and opportunities for a

different approach to authorities in Trafford's position which are well run but face substantial pressures in demand outside of their control.

- progress the lobbying strategy.

1.5.3 The significance of the National Budget announcement for local government on 30 October 2024 cannot be overstated, followed in the new year by the next Spending Review. The outcome of the Budget and the implications for Trafford are eagerly awaited and will need to be considered carefully with the impacts of the areas listed above.

1.5.4 There is clearly a scenario that, if the budget gap is too large to bridge even after using remaining available reserves that the Council could be in a position of having to approach MHCLG to look at other opportunities to support future budget planning. This will be a consideration of the Executive that will need to be taken in the run up to setting the final budget for 2025/26.

2. STRATEGIC BUDGET APPROACH AND PROCESS

2.1 Overview of Medium-Term Financial Strategy (MTFS)

2.1.1 The Medium-Term Financial Strategy (MTFS) provides the context for the detailed budgeting process the Council undertakes.

2.1.2 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.

2.1.3 The MTFS is refreshed each year to give a rolling five-year assessment of the fiscal environment. Given the uncertainty on any reforms to local government financing, this forecast will need to be refreshed as further information becomes available following the provisional local government finance settlement in December 2024.

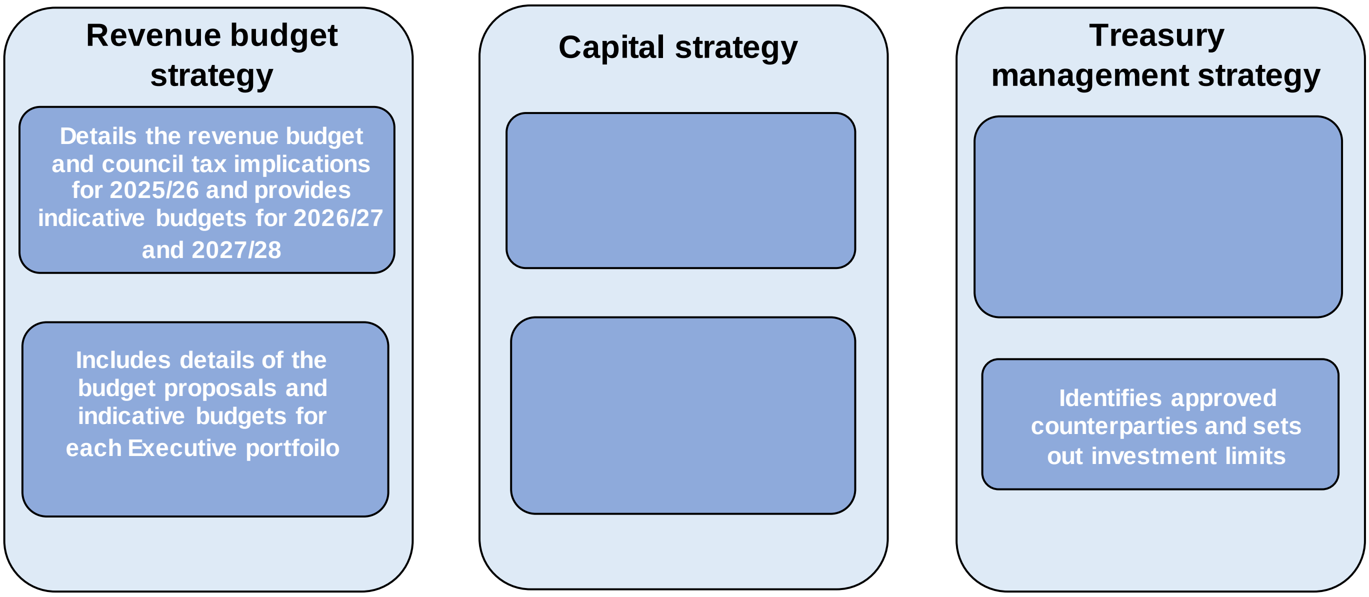
2.1.4 The MTFS sets out how the Council intends to respond to:

- the forecast size of the financial challenge it faces in the medium term;
- the constraints of the national and local landscape;
- the risks to financial resilience.

2.2 Corporate Plan and MTFS

2.2.1 In the current financial climate, the Council's principal financial aim is to continue to effectively utilise scarce resources to support Council priorities as set out in the Corporate Plan.

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



2.2.3 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 its limited capital and revenue resources are allocated to those activities which contribute most to improved outcomes for local people.

2.2.4 It is essential that the Council does not lose sight of its key ambitions and objectives for 2025/26 and beyond and the budget proposals remain closely aligned to these.

2.2.5 The recently refreshed Corporate Plan **Our Trafford, Our Future 2024 - 2027** was approved by Trafford Council in July 2024. It describes Trafford Council's strategic vision, outcomes and priorities for the borough, with the priorities being key to its delivery. It includes an overview of what the Council will do and how it will work with residents, communities, businesses, and other partners to deliver sustainable change to Trafford in line with these commitments.

2.2.6 Our vision remains:

'Trafford - where all our residents, communities & businesses thrive'.

2.2.7 It will shape the activity within the Council, help prioritise resources and monitor progress made, as well as aligning with strategic financial planning. In the refresh of the plan it was particularly important given the impact of the cost-of-living crisis, devolution and invigorated partnership working that we expanded our priorities to cover more areas and to further service our communities.

2.2.8 To inform the corporate plan, feedback was taken from a range of stakeholders including residents, colleagues and partners. This feedback was supportive of the expansion from three to five corporate priorities.

2.2.9 The five new corporate priorities are:

- The best start for our children and young people
- Healthy and independent lives for everyone
- A thriving economy and homes for all
- Address the climate crisis
- Culture sport and heritage for everyone

2.2.10 Regarding our five new corporate priorities our key ambition and objectives for 2025/26 and beyond are set out below and the budget proposals remain closely aligned to these. These include:

- **The best start for our children and young people**

We want our children and young people to receive the best possible education and get the support they need to achieve and thrive. By working effectively with partners, we will continue to improve our Early Years education offer as well as provide family help for those who need additional support. We want to make sure that our young people have access to the best start on their chosen path and that local businesses can capitalise on the talented, young workforce that is soon to take the next steps in their lives.

We will prioritise prevention by investing in family hubs and providing families with help and support at the earliest stage and when they need us most. We need to promote good physical and mental health for our young people to prevent poor health and give them a healthy and active life. We will continue to invest in services across the borough to support Children requiring social care support and Care Experienced young people and adults, ensuring that they are at the forefront of our ambitions as a Local Authority. Our continued delivery of in-house youth services will enable our young people to thrive and grow within the area they call home.

- **Healthy and independent lives for everyone**

We want our residents to live in good health, remaining independent in their own homes wherever this is possible. The strength of our community is one of Trafford's greatest assets and we will strive to make Trafford a place where residents of all ages can be as healthy and independent as possible. In the post-pandemic world, we know that many residents are feeling the effects of the cost-of-living crisis and resulting intensified hardship and we have worked hard to embed community support. We will strive to ensure that our residents with the greatest need are served by the Council, particularly working to improve health and care services so people can remain at home for as long as possible. We will continue to establish further good practice at neighbourhood level, particularly in partnership with our voluntary sector. The focus of this priority will enable us to develop coordinated responses to ensure that our residents can receive the right level of support at the right time. This means working effectively with health partners to deliver great services for our residents. We will continue to strengthen our neighbourhood plans to support our residents in their communities through accessible support.

- **A thriving economy and homes for all**

We want Trafford residents to have great access to employment and to live in good quality housing. We want our businesses to thrive. Our borough is changing. We are seeing major regeneration in our town centres and beyond – and there is more to come. We want residents to feel the benefits of this change by creating an economically thriving borough driven by local, national, and international investment. By helping people to gain skills and improving access to employment we will ensure that all residents share in this growth. Vital to the success of our borough is a skilled workforce that has access to job opportunities with a living wage.

We are proud to be Real Living Wage Accredited and part of the Good Employment Charter. We want to create a local economy that is resilient with increased investment flowing into Trafford. This regeneration of our key locations and town centres will be parallel to our ambition to ensure accessibility for all through the improvement of our transport infrastructure. We will support the delivery of new and affordable housing across the borough, making sure that those who grew up in Trafford can afford to stay and those experiencing homelessness can be supported back into housing.

- **Address the climate crisis**

We want to play our part in reducing our carbon footprint and address the impact of climate change in Trafford; the climate crisis requires local action and partnership working to solve. Trafford Council has already shown leadership in reducing its carbon footprint and is developing a carbon budget which will be provided in more detail when the final budget report is presented to Executive in February 2025.

We will continue to work with partners to decarbonise Trafford Park industrial estate, while also increasing what we re-use, repurpose and recycle. We are committed to further expanding EV charging infrastructure across Trafford to support our residents to make green choices. Over the last three years, Trafford has needed to become accustomed to climate change impacts within the borough. We want to protect our most vulnerable residents from further impact caused by the damaging effects of increased rainfall, increased temperatures and extreme weather. We will promote the Walking, Wheeling, and Cycling strategy and give our residents access to green spaces where they can relax through social, active, and leisure activities.

- **Culture, sport and heritage for everyone**

  We want to promote our fantastic cultural and sporting heritage, developing opportunities for all. Trafford's culture and heritage is rich and diverse from Imperial War Museum North, Emirates Old Trafford Cricket Ground and Manchester United Football Stadium to Dunham Massey Estate, Trans Pennine Way, Waterside Arts Centre and Longford Park. Over the next few years, we aim to cherish this heritage by expanding access to culture across the borough. Our new Cultural strategy should enable the borough to bid for the Town of Culture award, attract further investment into the area, and encourage residents to get involved in local culture. We are continuing to invest in Trafford's leisure centres so that all residents have the opportunity for accessible and enjoyable physical activity as we encourage people to move more every day. We will also work with businesses and communities to come together and build on our sporting heritage.

2.2.11 To achieve these priorities we are focused on three outcomes:

- 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 in an inclusive way.

2.2.12 A performance framework continues to be developed which is data led and outcome focused. This 'Annual Delivery Plan' will include key actions, milestones and key performance indicators to monitor progress towards the corporate priorities. Performance monitoring will utilise visualisation methods such as dashboards and case studies to 'tell the story' and outline the impact to the borough.

2.3 Strategic Approach to the Budget

2.3.1 **Finance and Change Programme** - The Finance and Change Programme was established in February 2022 to drive forward a strategic change programme which supports the delivery of a balanced and sustainable budget in both the short and medium term. This programme is based around several 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** – reviewing the assets that are required to deliver the strategy and services; ensuring that they are fit for purpose.
- **Service Reviews** – reviewing all services to include a financial target while considering existing strategy, the local context and previous decisions.

2.3.2 The output of the work of the Programme continues to help address the significant budget gap.

2.3.3 **Robust Financial Management Policies** - In addition to the Finance and Change Programme, various other activities have formed an essential part of the financial strategy to achieving a robust and balanced budget. These activities include:

- Maintaining close control of the 2024/25 monitoring position, ensuring pressures are maintained and management action such as the vacancy management pause and a review of all non-essential spend continues as required.

- Ensuring effective monitoring of the in-year savings programme with appropriate exception reporting and escalation to limit any recurrent impact of non-delivery on future years budgets.

- Review and mitigate where possible any developing pressures that arise to ensure any unplanned use of reserves is not required.

- Continuing to identify opportunities for further savings that will be an essential requirement for 2025/26 and where possible accelerate delivery in 2024/25.

- Ongoing reviews of benchmarking data comparing the Council's details relating to unit costs, service charges etc to neighbouring/ statistical neighbours.

- Continuing a structured lobbying campaign to raise awareness on the budget pressures for the Council and across Local Government (see below).

- A review of alternative delivery models on those areas of recurrent pressures with demand led budgets, such as Child placements and Home to School Transport.

- A review of the saving schedules for those authorities under Exceptional Financial Support (EFS) framework and statistical neighbours. This has led to the development of nine budget themes against which the saving programme has been framed. These are :

    - Income Efficiency and Maximisation
    - Funding Maximisation
    - Prevention and Demand Management
    - Maximise the amount of base budget expenditure to grants
    - Use of Technology
    - In-Borough Provision
    - Service Re-design or Reduction
    - General Cost Control Measures
    - Agency Spend

2.3.4 **CIPFA Financial Resilience Review** – As already referenced, in February 2024, the Executive agreed to commission an informal CIPFA finance resilience review followed a similar approach to the reviews undertake at councils under the Exceptional Financial Support (EFS) Framework. The main aims of the review were to assess the Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering services.

2.3.5 The review had five areas of focus

- **Financial Management and Sustainability** - An assessment of the Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering services
- **Commercial Investments and Debt** - An assessment of the Council's assets and investments, including dependence on commercial income, debt costs and other risks
- **Capital programme and companies** - An assessment of the Council's capital programme and management of related risks, including arrangements with Council-owned companies
- **Children's and Adults Services** - An assessment of Children's and Adults Services, including a review of their current and future demand model, key pressure, budgets and improvement plans
- **Governance** - An assessment of the Council's governance and management processes, leadership, operational culture and its capability and capacity to build financial resilience

2.3.6 Whilst a final report has yet to be issued, initial feedback has identified strengths and challenges. Full details of the outcome of the review will be communicated once the final report has been released, however the key strengths and challenges worthy of highlighting at this stage include :-

Strengths

- Clear, comprehensive and timely reporting on financial position and against budget and reasonable track record of delivering savings
- Shared understanding of the financial challenge facing the Council from Members and Officers with financial awareness and understanding amongst lead members.
- Experienced and respected Finance and Procurement team with good corporate knowledge
- Established governance arrangements in place through Investment Management Board and reporting through to Executive
- Annual business planning and detailed reporting, management information to manage investment and company portfolio
- Prudent approach to recognising commercial and investment income in the budget and creating a risk reserve

- Comprehensive reporting through Capital Programme Board and Cabinet
- Relatively stable children's placement numbers and good oversight including steering group oversight on placements.
- Regular assessments against the CIPFA FM Code with appropriate status and involvement from the Monitoring Officer and S151 Officer.
- No major audit concerns

Challenges

- Historic relative funding challenges which create structural funding issues which adds further pressure.
- Reliance on rental and commercial income and the volatility that brings.
- The Council spends around 60% if its net budget on Education and Social Care with a growing DSG deficit.
- Historic use of reserves to balance the budget over recent years which is unsustainable and could be prone to shocks.
- Maintaining capacity and support in company interests with other pressures and savings challenges.
- Inherent demand pressures and also uptick in older people demand.

2.3.7 The review also included consideration of a lengthy list of savings themes which had been implemented by those authorities who had previously been reviewed by CIPFA under EFS. Although many savings had already been implemented or considered as non-viable, a number of proposals have been used in this report, including a number of difficult budget decisions to close the budget gap. Further work will be undertaken in the development of the final budget report in exploring all options and avenues before considering any further options under a formal approach to EFS.

2.4 Underlying National Issues, Structural Deficit and Budget Uncertainty

2.4.1 The preparation of this MTFS has been particularly challenging given the level of uncertainty of the future financial envelope. This will not be clear until the Autumn Budget is announced on 30th October, however, given the pre-announcements made by the Prime Minister and the Chancellor of the Exchequer, that difficult decisions are required to balance the nation’s finances, any growth in local government resources cannot be assumed.

2.4.2 Significant growth in demand for Children’s social care and Children’s Special Educational Needs is being experienced both nationally and in Trafford. Challenges in recruitment and retention, pressures in Adult Social Care and evolving pressures in managing temporary accommodation are also contributing to a situation in which Council’s finances are under even more strain now than any time in the last decade.

2.4.3 The Local Government Association has recently responded to a Treasury budget consultation request, which highlighted the “systemic” risk of failure across local government and urged the government to take immediate steps to stabilise council finances. It highlighted that service spending in financial year 2022/23 **was 42.1% lower than it would have been had service spend moved in line with cost and demand pressures since 2010/11**. That English councils face a £2.3bn funding gap in 2025/26, rising to £3.9bn in 2026/27 – **a £6.2bn shortfall across the two years**. This is due to inflation and wage pressures alongside cost and demand pressures.

2.4.4 The submission also outlined key cost pressure drivers in children's and adult social care, homelessness/ Temporary Accommodation costs – which have surged by £604m, or 77.4% since 2019/20 – and councils' Dedicated Schools Grant budgets due to increased demand for services for children with special educational needs and disabilities (SEND). **The 'deficit' on the provision of SEND services is forecast to reach £5bn by 2025/26.**

2.4.5 The Council's budget position is also clearly impacted by its position as one of the lowest funded and spending councils in the country. It is also worth noting that the Government's Fair Funding review, which has potential to materially improve the level of resources the Council receives, looks likely to commence in 2025. It is essential that the Council lobbies Government to ensure that the review looks at needs and costs faced by authorities, as opposed to the current methodology of allocating funding, which is based on historical data and is disproportionately skewed by simplistic measures of deprivation.

2.4.6 Although growth in inflation has slowed considerably, a tail of uncertainty still exists, particularly in assumptions made in energy cost reductions, the 2024/25 Local Government pay award, which has yet to be concluded, and the impact of national wage growth which subsequently feeds into the National Living Wage.

2.4.7 The gross budget gap in 2025/26 is expected to grow from £15.98m at the time the MTFS was approved in February 2024 to £25.59m based on current projections. Over the life of the three years of the detailed Medium-Term Financial Strategy (MTFS) the gap could increase from £52m to over £55m unless mitigating actions are taken. These estimates will grow even further if the trend of worsening economic news continues.

2.4.8 The usual approach to balancing the budget, which has served the Council well, will need to continue but be augmented by additional measures and further work by the Finance and Change Programme, including further consideration of the recommendations from the CIPFA review in the run up to Christmas.

2.5 Activities undertaken in preparing the draft budget

2.5.1 A full review of all assumptions used in developing the budget plans has been undertaken by the Finance and Change Programme to ensure they are still relevant and up to date, including a review of all continuing savings programmes.

2.5.2 Directorates have been tasked with identifying measures to manage any in-year pressures to ensure that additional pressure is not added to the budget for 2025/26 and beyond. Inevitable pressures which cannot be mitigated have been included in the forecasts.

2.5.3 All the proposals in the report have been subject to review by the Executive and Corporate Leadership Team and further work on robustness, the continued development of business cases and equalities impact will be undertaken before final budget proposals are submitted to the Executive in February 2025.

2.5.4 The output from the work of the Finance and Change Programme and preliminary findings from the informal CIPFA finance resilience review is included in these proposals and whilst good progress has been achieved to help balance the budget there remains a significant budget challenge. A solution will need to be identified before the final budget can be agreed for 2025/26 at the Council Meeting in February 2025.

2.6 Budget & Staff Consultation

2.6.1 Proposals in this report may require consultation with the public, businesses and staff, with the form of consultation to be developed before the end of November 2024.

2.6.2 Details on these draft budget proposals will be made available on the Council's website via the 2025/26 budget pages.

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

2.6.4 Included in these budget estimates is provision to cover the cost of the annual increase in care provider rates. This projected increase is based around estimates of inflation and the real living wage for which Local Government Association advice has been used. The actual percentage increase will not be known until the Autumn, at which point a formal consultation on overall rate increases for 2025/26 will be undertaken with care providers.

2.7 Scrutiny Review

2.7.1 A Scrutiny review will be held during November and December 2024 to review the gap in the Council's Medium Term Financial Strategy (MTFS), the assumptions underpinning the overall gap and the plans for budget consultation. In addition, the Leader will present the 2025/26 draft budget proposals contained within this report, which will enable Scrutiny members to review the budget proposals and feedback any comments in January 2025.

2.8 Lobbying strategy

2.8.1 As detailed in recent budget reports, the Council has increased its activity in lobbying government to highlight not just the precarious financial position that all of local government is facing, but also the unique challenges it faces as a consequence of being one of the lowest funded local authorities in the country.

2.8.2 In August 2024, the Executive agreed a new formal Lobbying Strategy which included a more structured approach to developing working relationships with elected representatives, businesses and residents. In addition, a collaborative approach alongside Greater Manchester Combined Authority via its Devolution

Steering Group to focus on changes regarding the impact of the Greater Manchester Devolution Trailblazer and the Single Settlement.

2.8.3 Details of all lobbying activities the Council is engaged in are summarised below. Although there is no direct evidence that this lobbying has been successful in addressing Trafford's individual situation, it is essential that such activity continues especially in the run up to the Autumn statement and Spending Review.

2.8.4 The Council uses a number of methods to lobby government which includes:-

- **Membership of the Specialist Interest Group of Metropolitan Authorities** (SIGOMA) which is one of the largest interest groups within the LGA (Local Government Association) and provides an authoritative and influential voice on local government finance and other government proposals and legislation.

- **Membership of the F20 Group** which consists of a cross-party group of the lowest funded councils across the country to call for a temporary fix to level up local government finance pending the Fair Funding Review.

- **Membership of the F40 Group** – a similar group to the F20 but focused on the lowest funded education authorities in England.

- **Ministry for Housing Communities and Local Government (MHCLG) and Local Government Association (LGA) –** regular engagement and dialogue takes place with both bodies. Recent exercises include responding to Calls for Evidence from MHCLG on the financial strain within the system, which will help inform their discussions with the Treasury.

- **Greater Manchester Combined Authority (GMCA) and GM Authorities** – on 10th September 2024, all Leaders of GMCA signed an joint submission to the Chancellor of the Exchequer setting out proposals for the first year of the Spending Review, and how the Government, the GMCA, and the wider Greater Manchester partners can work together to deliver the national growth and engage ahead of the Spring 2025 announcements for the second and third year of the Spending Review.

- **Bespoke Lobbying and Communication Plan** – an independent sector body was engaged during 2023 which resulted in a bespoke lobbying document, tailored to highlight the unique challenges being faced by the Council. The document provided evidence for sustainable funding and was circulated to government departments, and our local Member of Parliament and used in wider resident communication.

2.9 Statutory Obligations of the Responsible Financial Officer ("S151 Officer")

2.9.1 The role and functions of the S151 Officer is informed by a comprehensive framework of statutory duties and responsibilities. The S151 Officer is charged with responsibility for the effective financial management of the Council.

2.9.2 In summary, the S151 Officer:

- must ensure compliance with all statutory requirements for accounting and internal audit (including supporting records and all systems of internal checks and control);

- manage the financial affairs of the authority in all its dealings and transactions and in so doing secure the proper stewardship of Council (and Members) responsibilities;

- must report under S114 powers to the Executive, the District Auditor and all Members of an authority if there is, or is likely to be any item of unlawful expenditure or an unbalanced budget;

- owes a personal duty of care to local taxpayers in managing Council resources on their behalf. In discharging this responsibility, the S151 Officer must balance the needs and interests of both current and future taxpayers.

2.9.3 The S151 Officer must issue a Section 114 (S114) notice under the relevant section of the Local Government Finance Act, where it appears to the S151 Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

2.9.4 Due to an increase in the number of local authorities requesting assistance to manage pressures that they considered unmanageable and as a precursor to issuing a S114 notice, in 2020 the MHCLG established a set of guidelines under the Exceptional Financial Support Framework. Support provided via this framework is usually in the form of a capitalisation direction which permits a local authority to meet revenue costs through capital resources whilst it identifies sources of permanent budget savings to address any gap.

2.9.5 In all cases, the government has set a clear expectation that the authorities continue to manage and mitigate their financial pressures, as well as respond effectively to the individual challenges they are facing and provide regular updates to the government on progress. The support is provided on an exceptional basis, and on the condition that each local authority is subject to an external assurance review, in the same manner the Council has engaged CIPFA to perform their informal review.

2.9.6 All support provided through the Exceptional Financial Support framework has been in the form of capitalisation directions apart from two authorities with deficits so large that additional flexibilities were granted to raise Council Tax above the usual thresholds. No further bailouts have been made. It should be noted that CIPFA are working with MHCLG to ensure that the scheme is fit for purpose and properly supports local authorities who are in financial distress.

2.9.7 With Trafford being one of the lowest funded authorities in the country this funding gap is widening each year. It is considered that any rebalancing will only be achieved through Government intervention which could come from either a restructure of Local Government finance or additional flexibility to increase Council Tax above the referendum level.

2.9.8 At this stage it is also important that the Executive does not rely on the assumption of further financial support from Government, beyond those already assumed in these budget proposals. It remains imperative that the impetus and momentum of the work achieved so far continues over the next few months, so the S151 Officer can conclude that the final budget proposals for 2025/26 are robust and he is not placed in a position where he felt necessary to issue a S114 notice. Therefore, Executive need to continue to identify measures to address the remaining gap by December 2024 and before the local government financial settlement, such that it can present balanced budget proposals to Council in February 2025.

3. FINANCIAL BACKGROUND

3.1 Background to the Budget

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

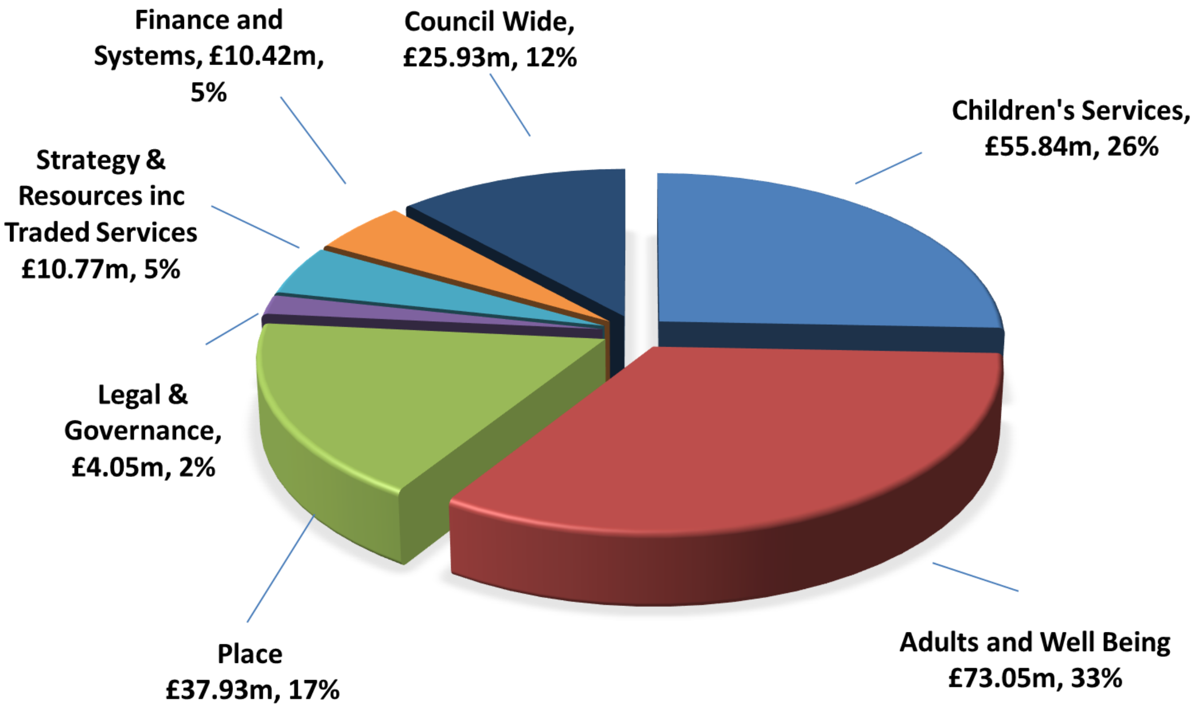
3.1.2 The Council's current gross budget is £609.55m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's gross income budget is £391.56m leaving a total net budget of £217.99m.

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

Gross to Net Budget	2024/25 £m
Gross Expenditure	609.55
Schools DSG	(196.95)
Housing Benefit	(47.49)
Other Government Grants	(45.95)
Sales, Fees & Charges and Rents	(47.56)
Contributions & Re-imbursements	(21.96)
Other Income	(15.79)
Earmarked Reserves	(15.86)
Gross Income	**(391.56)**
Net Budget	**217.99**

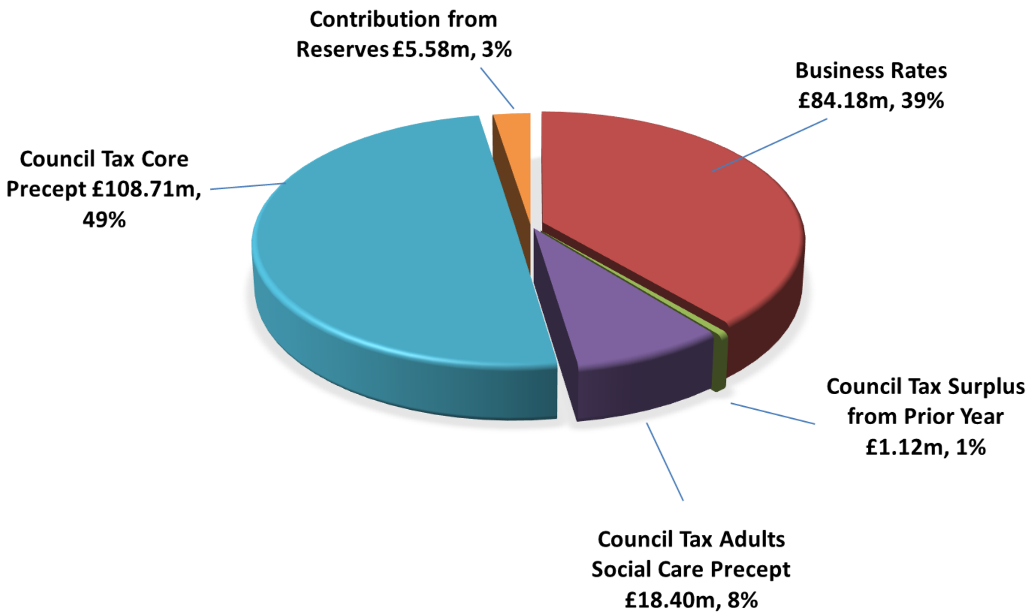
	£m
Children's Services	**55.84**
Adults and Well Being	**73.05**
Place	**37.93**
Legal & Governance	**4.05**
Finance and Systems	**10.42**
Strategy & Resources and Traded Services	**10.77**
Council Wide	**25.93**
	217.99

2024/25 NET REVENUE BUDGET BY DIRECTORATE- £217.99M



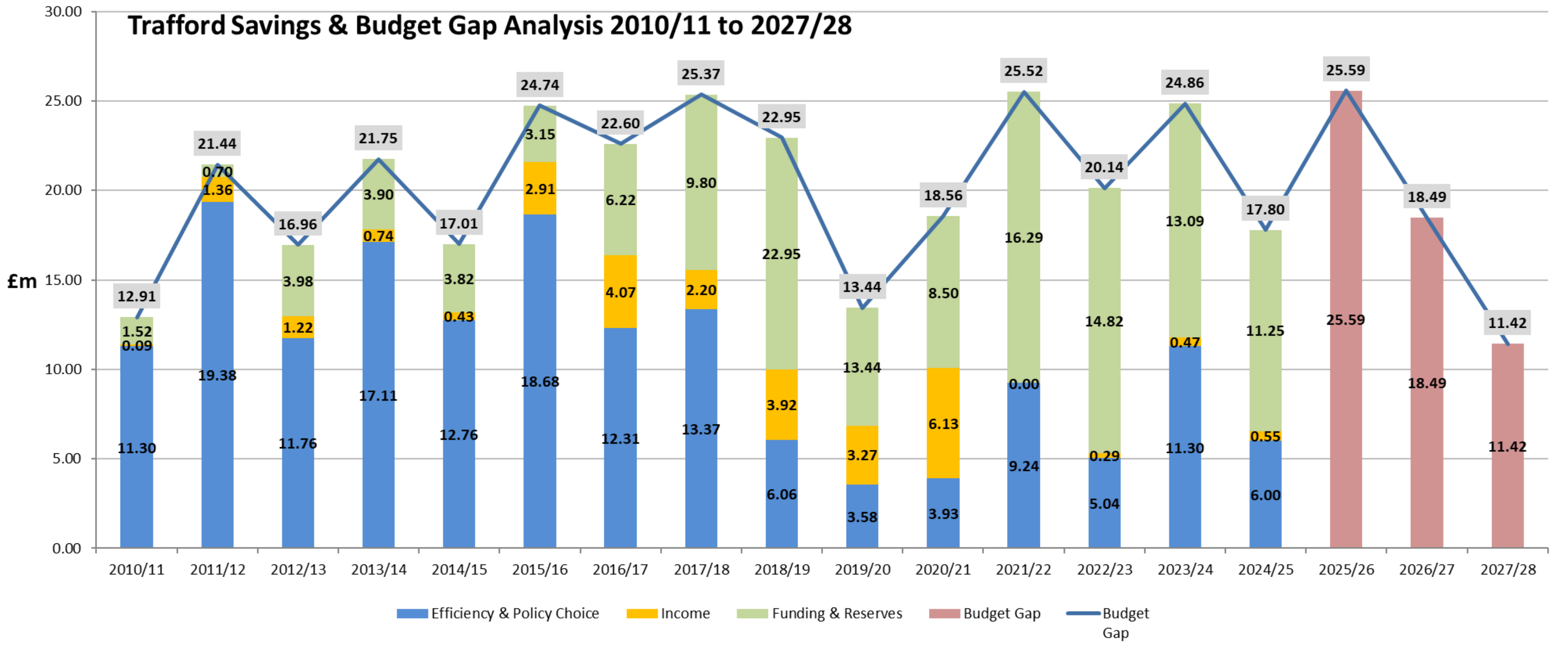
The Council’s £217.99m net budget is funded mainly from Council Tax and Business Rates.

2024/25 BUDGET FUNDING BY SOURCE- £217.99M



3.2 DELIVERY OF SAVINGS SINCE 2010

3.2.1 By 2024/25 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 has been £306.05m. There is a further forecast gap for the next three years of £55.50m, of which £25.59m relates to 2025/26, including a recurrent gap of £5.58m from 2024/25 which was met from reserves. The level of savings made so far poses a significant risk for Trafford making future savings and efficiencies difficult.



3.3 Funding Comparison

3.3.1 This Council's situation is compounded by the comparably low levels of funding as follows:

- **Core Spending Power** - Trafford receives the lowest funding per head of population across all Greater Manchester authorities based on Core Spending Power at a rate of £911.44 for 2024/25 compared to a GM average of £1,073.86 and our Statistical Neighbours of £962.89.

- If Trafford received the average funding per head as its GM neighbours, it would benefit from an additional **£38.18m** per annum and an additional **£12.09m** if compared with Statistical Neighbours.

- **Low level of Council Tax** – Despite the proposal to increase council tax by 4.99% in 2025/26, 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% in 2025/26 whilst all other authorities remained static.

- If Trafford raised its Council Tax to the average of GM neighbours (£1,822) this would raise an additional **£17.46m** per annum.

Greater Manchester Mets	Average Band D Council Tax 2024/25 £	2025/26 Trafford Increase at 4.99%
Wigan	1,553	
Trafford	**1,602**	**1,682**
Manchester	1,699	
Bolton	1,772	
Tameside	1,821	
Bury	1,920	
Salford	1,955	
Oldham	1,956	
Rochdale	1,961	
Stockport	1,977	
Average GM	**1,822**	

- An increase of 4.99% would equate to £1.54 per week for a Band D property.

- **Institute of Fiscal Studies Report (IFS)** - In August 2023, the IFS published a report exploring the relationship between the amount of funding local authorities received in 2022/23 and their estimated relative needs.

- Local authorities funding needs vary due to differing geographical and socio-economic characteristics which affect both the demand and cost of providing services.

- To assess an authority's funding needs the report used a needs model, an updated (by IFS) version of the relevant council level needs used in the last needs formula. See table below for comparisons.

	Funding £ per head	Needs £ per head	Gain/(Loss) £ per head
Trafford	631	779	(148)
Greater Manchester average	878	918	(40)
Statistical Neighbour average	800	797	3

- Trafford receives funding of £631 per person but has funding needs of £779 resulting in a funding loss of £148 per head. If funding needs were met across the population of Trafford c235k this would generate **£34.84m** additional funding.

- Across all Greater Manchester authorities, the average loss per person is £40 meaning Trafford's loss is £108 greater or 2.7 times the GM average. If Trafford's funding matched the GM average loss this would generate **£25.54m** additional funding.

- Across Trafford's statistical neighbours, the average gain per person is £3 thus Trafford's loss is £151 greater than the average. If Trafford's funding matched its statistical neighbours average gain this would generate **£35.81m** additional funding.

3.3.2 To highlight the significant shortfall in Trafford's resource allocation and to provide a level of external scrutiny, in November 2023, the council appointed an independent company, LGImprove, to provide a comparative data analysis to benchmark the Council across the range of funding streams and against its similar local authorities.

3.3.3 Full details of the findings were expanded in the Final Budget Report in February 2024, however a key finding identified that Trafford's taxbase has not grown like other comparable LA's and given the large reliance on council tax within the Government model, **Trafford's relative funding position has fallen further behind each year and will continue to do so** over the next five years if there is no change to the Government's approach to funding local authorities. The emphasis in the national funding formula on deprivation and ability to raise council tax has increasingly penalised an Authority like Trafford in recent years.

3.3.4 As can be seen across the various funding comparisons, **there is no doubt that Trafford is a low resourced authority by some margin.** To date, Trafford has successfully managed within such a low allocation through a prudent use of resource and effective and robust financial governance, however it is doubtful whether this position can be sustained for much longer when compared with the increase in demand and cost pressures.

3.3.5 Previous External Audit reports into Value for Money presented to Accounts and Audit Committee also raised concerns about the financial sustainability of the Council and the situation is recognised as one of the highest risks faced by the Council within the Strategic Risk Register.

3.4 Revenue Budget Monitoring 2024/25 Period 4 (July 2024)

3.4.1 Summary of Outturn - There is a net estimated outturn pressure of £4.21m at Period 4 on service budgets.

3.4.2 Detailed in the table below is a summary breakdown of the service variances against the latest service budgets.

Variance by cause **Directorate Budgets:**	**Variance £000**
Children's placements	680
Children's Home to School Transport	(126)
Running costs – S17 payments (Childrens)	154
Children's income	(234)
Adults' demand	135
Adults' running costs	317
Staffing (Childrens, Adults and Well Being, Public Health)	(157)

Staffing (all other areas)	(1,053)
General efficiency target (Place and Central)	1,009
Strategic Property	1,090
Energy costs	(99)
Planning income	247
Building control income	224
Projected underachievement of savings	1,082
Other	275
Directorate Budget Sub-Total	**3,544**
Council Wide:	
Treasury Management	(746)
Inflation 24/25 pay award	48
Contribution from Inflation Risk Reserve	(48)
Housing Benefit/Temporary Accommodation	1,603
Contribution from Housing Benefit Risk Reserve	(403)
Council Wide Other	211
Council Wide Sub-Total	**665**
Net Service Budgets	**4,209**

3.4.3 The following issues are worthy of being highlighted and require consideration when setting the budget for future years.

- **Children's placements** £680k overspend largely due to an increase in the number and complexity of placements.
- **Strategic Investment Programme £1.09m shortfall against the income target.** This deficit is mainly attributable to the early repayment of the debt facility at Sunlight House, which had been expected to provide £0.72m of net income in year.
- **Planning and Building Control Income - £247k and £224k overspend** respectively due to a shortfall in planning and building control applications.
- **Adults Client demand and running costs - £452k overspend**. Adverse variance mostly in the DOLS service due to increasing demand for external Best Interest Assessments and an increase in the number and cost of care packages.
- **Savings not met - £1.08m adverse.** Estates savings have been rephased across the next two years with an anticipated shortfall of £230k this year. Work is ongoing to mitigate this pressure, such as from several ongoing business rate appeals. £852k shortfall in Adult Social Care savings and no mitigating action has been identified at this stage.
- **Housing benefit - £1.20m pressure**. The pressure is largely due to the significant costs associated with B&Bs and temporary accommodation. To control costs a temporary accommodation strategy has been developed which has looked at opportunities to source cheaper accommodation.

- **Staffing budgets** net forecast **underspend of £1.210m** due to some management controls on non-frontline service recruitment and service restructures.
- **Treasury Management** – **a favourable outturn of £746k.** The Council has managed its cash balances to delay the need to borrow while investing any surplus cash to generate investment income to support the revenue budget.
- **Schools DSG**

  The overspend on the schools DSG budget for 2024/25 outturn is forecast to be £10.31m resulting in a year end accumulated High Needs deficit reserve of £20.03m.

  It is expected that LA's balance their in-year spending by 2025/26, there is a real risk that Trafford will not be able to do that.

  Work continues to take place on the DSG deficit management plan with proposals and options being discussed with the DfE. Work continues with the High Needs sub-group on a range of mitigations. There will be a dedicated finance session in the Autumn where learnings from Delivering Better Value and Safety Valve Authorities will be used to challenge our deficit management plan.

3.4.4 **Collection Fund Council Tax -** Period 4 monitoring has not highlighted any significant concerns and it is likely that council tax collection will be broadly in line with budget.

3.4.5 **Collection Fund Business Rates -** As at Period 4 the business rates projection is broadly in line with budget, although delays in properties being reinstated on the rating list following major refurbishments continue to be an issue. The Business Rate Risk Reserve will be utilised to smooth any timing issues in the delivery of benefits.

3.5 Measures to manage the overspend in 2024/25

3.5.1 It is essential that the Council manages the in-year pressures in order to mitigate the risk of any recurrent impact on the 2025/26 financial year. In addition, any overspend would need to be met from the limited earmarked reserves, which would seriously affect the Council's ability to prepare a robust medium-term plan.

3.5.2 The following are some of the measures being taken to manage the overspend in 2024/25. Further interventions may be required to manage the forecast outturn down and will be reviewed during the period 6 and 8 monitoring reports.

- **Children** - Reviewing delegated decision making in respect of entry into care – a preventative panel has been established. This includes how we provide packages of support when children continue to live with their parents. Progressing our Fostering Modernisation Plan to increase the number of internal foster carers. Each external placement is reviewed monthly at a High Cost Placement clinic.

- **Adults and Well Being** – Working with our health partners to ensure we have robust joint funding decision making processes in line with need;

strengthening our assessment processes to ensure that direct payments is the first offer of support where appropriate.

- **Place** – Rent reviews on some commercial property. Utilising Asset Investment Risk Reserve to offset shortfalls in strategic investment income.

- **Corporate Measures** – Review of policy, increasing private sector landlord incentives and sourcing additional temporary accommodation to help reduce subsidy loss. Review of anticipated level of staffing budget underspends.

- **Existing Management interventions** –activities introduced in previous financial years including a managed staff vacancy pause and restrictions on non-essential spend.

3.6 Impact on Future Years

3.6.1 Despite continuing efforts to control expenditure and uncertainties in the forecasts, there are a number of areas where evidence of pressures and need is sufficiently robust to warrant a review of our existing MTFS assumptions. Therefore, the draft budget plans for 2025/26 have been reviewed in the following areas:

- Service Pressure – **an additional £1.0m** has been added to accommodate the broad pressures associated with Childrens' placements.
- Service Pressure – **an additional £1.0m** has been added due to an increase in lost Housing Benefit subsidy as a result of a significant rise in Bed & Breakfasts' and Temporary Accommodation placements.
- Service Pressures – **an additional £0.5m** has been added for other risks such as, energy prices not falling as fast as expected, increases in adults demand and a shortfall of income from legal fees.
- Unachieved savings – **an additional £0.5m** has been added for unachieved savings in Adult's 2024/25 saving programme.

3.6.2 The outturn position for 2024/25 will be considered further before final budget proposals are brought back to the Executive in February 2025.

4. DEVELOPING THE FINANCIAL PLANNING FRAMEWORK, CORE BUDGET ASSUMPTIONS AND STRATEGIC FINANCIAL RISKS

4.1 Developing the Financial Planning Framework

4.1.1 The Medium-Term Financial Strategy (MTFS) looks at financial planning and management for a five-year period. It helps us to develop a sustainable budget over the medium term and incorporates forecasts of key factors such as changes in Government funding, our spending plans, changes in demand and inflation and the level of savings we need to make to keep Council Tax affordable. It offers assurance that our spending plans are affordable over the medium term.

4.1.2 In addition to the immediate budget assumptions, the strategy also identifies the medium to long term issues which may need to be considered in detail for future plans. These are highlighted later in this section.

4.1.3 There is no hiding the enormous financial challenges faced by all public sector departments and this has been reinforced by the Prime Minister in his Downing Street speech on 27th August 2024 where he reiterated the “painful” decisions which will need to be made in the forthcoming budget.

4.1.4 When developing the MTFS, certain assumptions have been made based on information released to date, along with preliminary informal sector meetings with MHCLG officers. These have focused on likely scenarios given the limited timescales before the start of the new financial year and complexity and level of consultation required to introduce any significant changes in policy.

4.1.5 To date, the following statements provide some direction of travel on the new Government intensions over the course of the next Parliament

Kings Speech

4.1.6 The Kings Speech was delivered on Wednesday 17 July 2024 and set out the legislative programme and the narrative about what the new Labour government hopes to achieve more broadly. A clear objective for this Government is to increase economic growth in the UK. It wants to use housebuilding and infrastructure investment to help drive that growth and it is implied that Local Government will play a role in this area.

4.1.7 **Planning System** - Reforming the planning system is a very high-profile objective for the Government. It takes the view that “the current planning regime acts as a major brake on economic growth”, and that the “planning system must be an enabler of growth”. There is an acknowledgement that there is a financial shortfall for planning which implies there may be additional resource for this area.

4.1.8 **Employment Rights Bill** - The Government wants to make some changes to improve employment rights and a Fair Pay Agreement in social care, and a school support staff agreement. Although it is not clear about what this means for the national minimum wage or national living wage (NLW).

Chancellor of the Exchequer's statement to Parliament on 29 July 2024

4.1.9 On 29 July 2024, the Chancellor of the Exchequer delivered a statement to Parliament, accompanied by a policy paper on **£22 billion public spending pressures for 2024/25.** This covered an assessment of immediate public spending pressures facing the Government, immediate actions being taken, and the medium- and longer-term approach to public finances.

4.1.10 To manage the pressure, several decisions were announced, reducing in-year pressure in 2024/25 by £5.5 billion. Those relevant to Local Government included the **cancellation of the Adult social care charging reforms** (care cost cap and associated measures) which will no longer go ahead from October 2025 (£30 million saving in 2024/25 and £1.1 billion in 2025/26).

4.1.11 The statement also confirmed that overall funding totals for 2025/26 will be confirmed at the Autumn Statement on 30 October, and **a multi-year Spending Review covering three years will then conclude in spring 2025.**

4.1.12 The paper also inferred that it was minded continuing certain funding (e.g. for social care or the Household Support Fund) which has previously only been announced as a temporary measure. This was subsequently confirmed on 2nd September 2024 when **a six-month extension of the HSF to April 2025** was announced.

4.1.13 The government re-affirmed its commitment to **transforming the Special Educational Needs and Disabilities system** to make it more inclusive and ensure its **financial sustainability**.

Anticipated Local Government Finance Policy

4.1.14 Information gleaned from various officer meetings which although not confirmed as formal policy have been used in assumption when drafting the MTFS.

For 2025/26, the following has been assumed:

- The core settlement will be a one-year settlement until the three year Spending Review concludes and will continue in a similar manner as 2024/25. The major grants will continue as set out for 2024/25: Revenue Support Grant will continue and be uplifted in line with September CPI rates; the Social Care money and the additional £600m introduced last year remains in the baseline.

- a new funding stream, subject to the successful delivery of the Extended Producer Responsibility for Packaging (pEPR), will become available for local authority waste collection authorities from October 2025. Details of the pEPR have been released by DLUHC, however the level of funding for local authorities and costs of administering the scheme remain uncertain. As a result of this, it is assumed at this stage that additional funding and costs will be neutral at this stage.

4.2 Core Budget Assumptions

The core assumptions included in the budget plans and some of the medium-term strategic risks are set out in the following paragraphs.

4.2.1 **Fair Funding Review** – It is expected that a complete review of the relative needs and funding required by different councils to fund their services will commence in 2025 in readiness for 2026/27. Based on the provisional consultation a number of years ago, a reduction in resources of £0.5m per annum was anticipated.

4.2.2 **Business Rates Retention Scheme/ Business Rates Trailblazer Devolution Deal** Trafford is part of the Greater Manchester (GM) 100% Business Rate Retention pilot which allows the full benefit from business rates growth to be retained within the region and is shared with Greater Manchester Combined Authority. The annual benefit of the pilot is in the region of £5m, and any significant changes pose a planning risk to the Council's budget.

4.2.3 In addition, the GM scheme includes a Trailblazer Devolution Deal, offering a framework for GM to retain 100% business rates growth in designated Investment and Growth Zones for a period of twenty-five years. Furthermore, all of GM will benefit from a 10-year deal from 2024/25, allowing elements of growth from a baseline of 2013/14 to be retained. The national reset, which is expected in 2026/27 at the earliest, will only result in a partial reset for GM.

The following assumptions have been made:

- No benefit from GM Trailer Blazer Deal has been assumed in the MTFS, as the details of the scheme are still being developed.
- The national business rate reset, which will now be affected by the GM Trailer Blazer Deal, will be postponed until 2026/27 at the earliest, although given the scale of the changes this could be pushed back again.
- 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.

The following items have also been assumed including those offered in line with previous Government policy:

- The one-off benefit from the review of business rates appeals undertaken in 2023/24 and a smoothing reserve had been used to deliver the benefits over a period of three years from 2023/24, with 2025/26 being the last year of this one off benefit.
- The Government will continue to offer compensation grants to cover any losses in income from reliefs due to national policy decisions. The compensation grant will continue to be indexed by the level of inflation as measured by the Consumer Price Index (CPI).
- The Government will increase the Council's Baseline Funding Level by the level of increase of the September, or where frozen via a

compensation grant. Increases in Baseline Funding have been assumed at 2.0% which is the forecast increase in CPI.

- The current sharing agreement with the GM partners allows Trafford to retain 75% of the benefit. Given the size of the outstanding budget gap, this may be an area the Council could extend negotiations to increase this share.

4.2.4 In 2022/23 and 2023/24 additional grants were announced under the themes of **Market Sustainability and Improvement Fund** to support local authorities to continue to move towards paying a more sustainable rate for care to support capacity and discharge and **Adults Social Care Discharge Fund** to support hospital discharge, helping people regain or maximise independence as soon as possible and freeing up NHS beds for those who need them. 50% to Local Government and 50% to Health Service.

The additional grants and associated costs are included in base budget and are assumed will continue.

Reference was made in the Kings Speech to a "Fair Pay Agreement in social care". It is implied this would impact on the rate of the National Living Wage, however any additional costs above our current assumption to introduce this measure are assumed to be fully funded by the Government.

4.2.5 **Current Year Estimated Outturn** – the regular period budget monitoring is used to highlight potential service pressures which could be considered recurrent and required additional resource to be added in 2025/26.

Although management action is being taken to try and reduce the pressures forecast at Period 4, an additional £3.0m has been added to our plans for 2025/26.

There is further risk associated with the recurrent impact of any shortfall in the Local Government Pay Award for 2024/25, which has yet to be finalised. The MTFS assumes the provisional pay offer will be accepted.

4.2.6 **Implementation of 2024/25 savings –** the Council agreed savings totalling £6.55m to balance the budget for the current year. These savings require permanent reductions in the budget and to the extent that they are not delivered in full or at all, there will be an additional budget pressure for 2025/26 onwards. As at Period 4, there is forecast shortfall of £1.08m. At this stage, an assumption has been made that there will be a recurrent impact of £0.5m relating to unachieved savings, this is included in the £3.0m mentioned in the previous paragraph.

4.2.7 **Schools DSG Deficit**

New provisions were put into regulations at the end of 2019/20 so that local authorities were required to carry forward DSG deficits to their school's budget and not the Council's General Fund budget. The impact of these statutory provisions were that a deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorised a local authority not to do this.

This override is ending on the 31st March 2026 and if not extended, the overall accumulated deficit at that time would need to be met from the Council's General Fund. An accumulated High Needs deficit balance at £20.0m is forecast by the end of 2024/25, which is an increase of circa £10m from 2023/24. This is anticipated to continue rising as detailed in Section 8. The base budget was increased by £250k in 2024/25 relating to the lost interest/additional borrowing costs associated with this accumulated deficit, and a further £250k has been added to the 2025/26 budget plans in recognition of the deteriorating forecast.

The Council is working with the DfE to develop suitable mitigation plans to address the escalating pressures; however, it is apparent that this national issue cannot be addressed without substantial additional resource. Reference was made in the Chancellors Statement to Parliament on 29 July, re-affirming the Government's commitment to transforming the Special Educational Needs and Disabilities system to make it more inclusive and ensure its financial sustainability.

4.2.8 **National Living Wage (NLW)/ Real Living Wage (RWL) and Fair Price for Care**

The Council undertakes a local annual exercise to increase care provider rates which reflects changes in running costs such as increases in the NLW/RLW and other operating costs e.g., energy and utilities.

Almost all care workers are paid at or very close to the NLW and the most recent exercise concluded that 90% of care providers in Trafford are already paying the RLW.

The budget includes assumptions that the NLW will increase in 2025/26 in line with **low-range forecasts by the Low Pay Commission at 3.9%** on the assumption that wage growth and inflation would reach the target of 2%. Due to no firm announcement regarding wage growth which NLW is baselined against, this figure may vary.

In addition, in line with the Council's aspiration of paying all providers at the RLW, assumptions have been made it will increase at the same level as the NLW.

The impact on meeting the RLW for all other suppliers has not been included in our plans at this stage.

4.2.9 **Inflation** - The volatility in the levels of inflation have been well documented in recent years with the Consumer Price Index (CPI) hitting a 40 year high of 11.1% in October 2022. The latest rate for August 2024 has fallen dramatically to 2.2%, which represents a figure closer to the Bank of England's target of 2%. However, there remains a level of uncertainty in the forecasts in some parts of the economy, with the service sector still seeing significant price rises of 5.6%. This is largely due to wage growth increasing at a higher rate due to labour shortages in some sectors.

At the time of preparing the last MTFS, the Bank of England is forecasting inflation will increase to around 2.75% in the second half of 2024. However, the Bank forecasts that lower inflationary pressures will lead to the inflation rate falling below the 2% target in 2026.

Volatile levels of inflation have been of particular concern relating to energy prices, contractual inflation from companies in our supply chain, the impact of the local government pay award and assumptions surrounding Government funding.

Our budget assumptions included a pay award at 3% for 2025/26, **an increase of 1% from previous assumptions**, plus a nominal 0.1% (£48k) related to the additional costs of the 2024/25 pay award above our budget assumptions. The 2024/25 pay award has not yet been settled at the time of writing this report, however it has been assumed that the provisional pay offer will be accepted.

Contractual inflation has been assumed to average 2% in 2025/26, however contracts largely related to care costs have included up to 2.8% in reflection of the increases in National Living Wage in line with the lower-range forecast by the low pay commission.

Energy inflation was previously increased by 200% in 2023/24 before tapering down in 2024/25 and 2025/26. Energy bills have dropped considerably following reductions in wholesale prices, in addition, the Council entered a new energy contract from April 2023 which provided more favourable prices. There is a forecast underspend in the current financial year, however in recognition of the uncertainty if energy costs will continue to fall, the draft budget includes an **additional figure of £0.5m to cover such unknown risks.**

4.2.10 **Demography**- an annual budget increase has been added to reflect the increasing pressures and number of adults and children requiring social care to reflect demographic growth.

4.2.11 **General and Service Grants** – These relate to specific grants which are credited direct to service areas and are either earmarked for a specific purpose or form part of general funding. The changes since the February 2024 budget and the assumptions relating to those grants already within existing budgets can be summarised as follows:-

- **New Homes Bonus Grant** – this scheme was due to be phased out, however has been extended several times. The New Homes Bonus money is however in the Local Government System, and our assumptions assume that the funding would be redistributed via an alternative mechanism (e.g., relative needs). No change in the amount received has been made in our forecast and no change from previous assumptions.
- **Improved Better Care Fund** – We expect a level of inflation (2%) to be applied in 2025/26. No change from previous assumptions.
- **Services Grant -** Although the Services Grant allocation method was stated as one off when it was announced in 2022/23, it continued in 2023/24 and 2024/25 although at much lower rates. We anticipate that this grant this will continue until the Fair Funding Formula review is implemented in 2026/27. No change from previous assumptions.

- **Social Care Grants** – In the Autumn Statement in November 2022, the Government announced significant investment in social care aimed at Market Sustainability, Fair Cost of Care and Service Improvement as detailed above. It is assumed that these grants will continue at their current levels. No change from previous assumptions

Grants included with Business Rates Baseline Funding

- **Settlement Funding Assessment** – It has been assumed that this will continue to be increased by the increase in the Small Business Rate Multiplier which will be linked to the September 2024 Consumer Price Index (CPI).
- **Public Health Grant** – No inflationary increases have been assumed in Public Health grant in our plans. Although we have received uplifts in the past, these have been reflected by an equal increase in the public health budget resulting in a neutral effect. Any increase in grant and budget will be built in our plans when announced.
- **Revenue Support Grant (RSG)** – assumptions include an uplift in line with an estimated September 2025 CPI of 2.0% however will be adjusted in due course.

4.2.12 **Council Tax** – Likely that the core Council Tax Referendum Principles, will remain as the Office of Budget Responsibility have used, and 2025/26 will be as in 2024/25; that is, the referendum limit for increases in Council Tax will remain at 3% per year and local authorities with social care responsibilities will be allowed to increase the Adult Social Care Precept by 2%.

4.2.13 Other assumptions relating to council tax include growth in our taxbase for new properties, of +1.3% in 2025/26 and 1% in each year thereafter. The figure in 2025/26 is slightly higher than the 1% assumed in previous years in recognition of a number of new housing developments anticipated to come online over the year.

In October 2023, the Government introduced the Levelling Up and Regeneration Act giving the ability for local authorities to charge up to 100% premium on second homes and also 100% on empty properties. The Council introduced an empty home premium in 2024/25 and will follow suit with a second home premium in 2025/26. The budget plans include an assumed additional income of £700k in 2025/26 following the introduction of these premiums.

4.2.14 **Asset Investment Strategy** – The income generated from the investment programme has been a key element of the MTFS for a number of years with a net budget contribution of £6.04m in 2024/25. Given the medium-term outlook, the pressures in achieving the desired budget in recent years and the proposed changes to tightening of the guidelines relating to investment activity, the reliance on the income generated from the programme has been tailored down. An income figure of £0.5m has been removed in each of the three years of the 2025/28 MTFS. No change from previous assumptions.

There is however an expectation that our investment in the Joint Venture relating to the Lumina Village will deliver an increased dividend and a figure of £0.20m is included in the MTFS as part of our savings programme.

4.2.15 **Treasury Management – Investments and Borrowing** – Treasury management activities represent a significant element of the Council's budget and includes costs associated with the Council's borrowing and investments (loan repayments, loan interest and investment interest).

Many of the aspects relating to Treasury Management activities are governed by legislation and supporting guidance issue by the Department for Levelling Up Housing and Communities/ the professional accountancy body, CIPFA. The Treasury Management Strategy for 2024/25 was agreed at the meeting of the Council in February 2024. This set out the strategy for both borrowing and investments and set out the policy for the repayment of debt.

Where possible the Council has utilised its surplus cash to part fund its Capital Programme and Asset Investment Strategy thus avoiding the need to take on external debt. Alongside this, surplus cash balances are also invested in Money Markets, which due to successive increases in the Bank of England base rate has resulted in favourable returns in recent years which has helped offset in-year pressures in other areas of the budget. The forecast for interest rates is now on a downward trend, which will subsequently impact on the returns the council can now expect going forward.

Coinciding with this, the cost of borrowing has risen sharply over the last year making new external debt more expensive. Consequently, the investment and borrowing requirements are continually being monitored to ensure sufficient foresight, to project when external borrowing is required.

In order to mitigate some of the risk of uncertainty in interest rates, the Interest Rate Smoothing Reserve has been bolstered in recent years given the favourable returns associated with increasing investment returns, however will be available to help absorb any fluctuation over the short term should it be required.

4.2.16 **Treasury Management Strategic Investment Income from Manchester Airport Holdings (MAH) -** prior to the pandemic the Council received £5.6m of dividend income from our strategic investments in MAH. The impact the pandemic had on the aviation industry was well documented and along with the energy and cost of living crisis extended its recovery. Although MAH is reporting a return to normal trading conditions, the reinstatement of the dividend is not assumed in our plans until 2028/29. Along with other GM shareholders, discussions continue on a regular basis with Officers and Board Members of MAH about the investment plans for ongoing airport development and the timeframes to reinstate dividends to meet their needs and those of the shareholders.

4.3 Key Areas of Strategic Financial Risk

4.3.1 In addition to the themes covered in the previous paragraphs, there are a number of underlying strategic risks which remain under review and may need to feature in future plans.

4.3.2 **Preparing for Care Quality Commission (CQC) Inspection**

4.3.3 The CQC has a mandate to independently review and assess the quality of adult social care provided by Local Authorities and the Council is expecting an inspection at the earliest towards the end of this financial year. To support our readiness for inspection and in line with our corporate plan and our aim of improving outcomes for our most vulnerable adults, work has commenced and is ongoing. This has included a peer review undertaken in 2023 and an Improvement Plan overseen by a Board with an independent chair being implemented during 2024, with the overarching aim of improving our services and thus the outcomes for our most vulnerable adults. The programme is called "Improving Lives Everyday", and this work will also support preparation for the CQC inspection. The outcome of such inspections and the actions arising can sometimes require councils to make further investments into services. At this stage however, no additional resource has been added to the budget plans.

4.3.4 **Asset Investment Strategy Valuations** - The Council has committed approximately £350m in its Asset Investment Strategy, which includes short and medium-term loans to developers as well as investments in assets such as those relating to our town centre developments in Stretford and Altrincham.

Assets are valued annually, and adjustments are reflected in the statement of accounts. Although movements in asset valuations can be expected as part of a normal economic market, any downwards movements are not an immediate concern, particularly for those assets which have a long-term strategic importance as they will be held for many years.

Nevertheless, the Council needs to be mindful of the risk of potential market volatility, particularly in the case of an unplanned need for an asset to be sold. This may arise if the Council needs resources to balance its budget and is increasingly being seen by those authorities who have issued Section 114 Notices. The risk of a potential loss on sale may place the Council in a position of adjusting its future loan repayments (MRP) in order not to breach the parameters set out in the Prudential Code.

4.3.5 **Capital Programme Funding** – The Treasury Management budget is impacted by the extent to which the Council is funding its Capital Programme from borrowing. Recent falls in capital receipts from land sales have the potential to increase the revenue consequence of the programme, should additional borrowing be required. This is also against a backdrop where the cost of debt has increased significantly requiring the Council to consider whether borrowing remains affordable, sustainable, and prudent.

Although not unique to Trafford, the many assets held by the Council require continual maintenance and investment to ensure they remain in a suitable condition. This extends to both physical infrastructure such as highways and buildings as well as our digital environment such as ICT hardware and software systems.

The impact on the shortfall in capital receipts and the extent to which the Council is over programmed is under review. This is with the aim of delaying, deferring, or reducing the programme and potential amount of borrowing necessary to control the impact of debt charges on the Council's revenue budget.

4.3.6 **Charging for Services – Commercial** – there are a range of services that the Council provides on a commercial basis; this includes areas such as Catering and Cleaning to schools and the various venues operated by the Council. The Council's strategy for these services is to, at least, set charges that recover the full cost of delivering the service. The increasing levels of inflation have resulted in cost pressures which have not always been passed on to service users, especially school catering and cleaning. A refocus on full cost recovery is proposed as a savings proposal, however this may result in the possibility where the Council cannot recover its costs or may withdraw from the service.

4.3.7 **Staff Age Profile and Early Ill Health Retirement –** as with many organisations the Council is facing service continuity risks as a result of an ageing workforce, along with the new pension flexibilities allowing staff to retire earlier, causing difficulties in retention and adequate succession planning. In addition, the current year has seen an increased pattern in the number and severity of cases of staff requiring earlier ill-health retirement. The costs of accessing the pension fund, known as pension strain, is paid directly by the Council. The situation will continue to be monitored, however may result in an increase in employer pension contributions if a recurrent pattern emerges.

4.4 Summary on assumptions

4.4.1 As can be seen from the previous paragraphs, the degree of financial uncertainty faced by the Council and the lack of clarity on Government funding in 2025/26 and thereafter continues to cause difficulties in forecasting. This level of uncertainty has been exacerbated by the significant levels of savings Trafford has made since the beginning of austerity in 2010, coupled together with a history of low spend and low funding when compared to its statistical neighbours.

4.4.2 There is no doubt that the Autumn Statement scheduled for 30th October will provide some certainty on the future direction of travel, although will not provide sufficient detail on the impacts of changes in major funding streams such as Fair Funding and Business Rates, due to timeframes of the extensive consultation required for such significant policy changes.

4.4.3 Many of the pressures being felt across Local Government are caused by national issues many of which are outside of the sector's control. Pressures in Children's Services and School's related Special Educational Needs and Disabilities due to an increase in numbers and complexity of cases, in elderly social care because of an ageing population and more recently the escalation in costs relating to temporary accommodation, are such examples where acute demand is significantly outstripping the resources available.

4.4.4 The Government has indicated that it will need to make some difficult decisions in the next budget round to address the size of the country's budget deficit, however has indicated that it wants to reset the relationship between local and central government. Focused lobbying continues to be made from the Local Government Association and in addition a local submission to the Chancellor of the Exchequer was made by all The Leaders of the Greater Manchester

Combined Authority summarising the challenges faced by the sector and the believe that the current funding system for Local Government is fundamentally broken.

5. BUDGET UPDATE AND PROPOSALS TO CLOSE THE GAP

5.1 This section identifies:

- The revised budget gap for 2025/26 and explains the changes since the Final budget was published in February 2024;
- The draft set of budget proposals to address the budget gap.

5.1.1 The budget gap has been updated to reflect changes in budget assumptions such as updated inflation forecasts, service-related growth and demographic pressures and changes in non-policy choice funding assumptions, such as changes in the collection of council tax. The reinstatement of prior year budget gap funded from Budget Support Reserve is now presented as a component of the Gross Gap.

5.1.2 The gross budget gap for the three years has now increase by £3.44m to £55.49m.

5.1.3 A full breakdown of the changes to the gross budget gap from February 2024 Final to October 2024 Draft are detailed in Annex B and summarised below:

Budget Gap	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	Total (£'000)
Gross Gap at Draft Budget (Feb 24)	**15,976**	**19,273**	**11,226**	**46,475**
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	5,580	0	0	5,580
Restated Gross Gap after Reinstatement of Prior Year Gap (Feb 24)	**21,556**	**19,273**	**11,226**	**52,055**
Movements in Budget Assumptions	4,586	(908)	212	3,890
Movements in Funding	(554)	120	(18)	(452)
TOTAL BUDGET MOVEMENTS	**4,032**	**(788)**	**194**	**3,438**
REVISED BUDGET GAP (Oct 24)	**25,588**	**18,485**	**11,420**	**55,493**
CUMULATIVE BUDGET GAP (Oct 24)	**25,588**	**44,073**	**55,493**	

5.1.4 In respect of 2025/26 the overall gap has moved from £21.56m to £25.59m an increase of £4.03m. This consists of an increase in Budget Assumptions of £4.59m and an improvement in Funding of £0.55m.

5.1.5 A description of the significant features of the 2025/26 gross gap and changes since final are detailed in Annex C with Base Budget Assumptions shown in Annex A and a Subjective Budget Analysis in Annex E.

5.1.6 The adverse movement for 2025/26 of £4.03m since the final budget report relate to:

Budget Assumptions

- £1.048m additional resource for Local Government pay award which represents an increase in provision from 2% to 3%
- £589k additional resource for National Living Wage / Fair Price for Care due to a larger percentage increase than initially forecast
- £400k additional resource related to assumptions on inflation remaining higher for longer resulting in increased contract costs
- £500k reversal of a one-off saving from 2023/24 relating to the partial release of the Treasury Management reserve
- £250k added for the additional costs of financing the DSG High Needs deficit
- £850k extension for a further year of the one-off use of capital receipts to fund the Transformation Team extended to 2026/27
- £3.00m of recurrent pressures identified in the in-year monitoring, namely £1.0m Children Placements, £1.0m Temporary Accommodation, £0.5m unachieved savings and £0.5m from a combination of DOLS, Energy and Legal Fees.
- A realignment of assumptions for ICT and Digital pressures resulted in moving £250k of expected pressure to 2026/27
- Removal of £400k budget in Council Wide to start to replenish reserves following the large draw downs in recent years
- £299k of other minor variances

Funding

- £135k release of 2023/24 Council Tax Surplus from the difference between actual and estimate outturn
- £419k increase in Council Tax Base as a result of expected increases in property growth

5.1.7 The components of the gross budget gap, as they stand at the Draft budget stage are shown in the table below.

	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
The Budget Gap October 2024				
Base Budget Pressures				
Pay	2,917	1,939	1,961	**6,817**
National Living Wage / Fair Price for Care / Real Living Wage	2,229	1,878	1,878	**5,985**
Inflation – General / Contractual	2,202	2,685	2,711	**7,598**
Levies	1,057	1,938	1,229	**4,224**
Demographics / Care Costs	2,500	2,500	2,500	**7,500**
Grants, Legislative & Service Transfers	52	425	0	**477**
Treasury Management	119	255	361	**735**
Strategic Investment Programme	500	1,500	500	**2,500**

Reversal of One-off Savings in previous years	500	850	0	**1,350**
Other	4,720	638	48	**5,406**
Base Budget Pressures	**16,796**	**14,608**	**11,188**	**42,592**
Base Budget Funding Changes				
Change in Income from Council Tax (Growth in Tax Base, CTSS, PY Surplus)	(1,380)	(1,171)	(1,322)	**(3,873)**
Change in benefit from Business Rates (Baseline Funding, Distribution of PY Surplus, Sharing Agreement)	4,592	5,048	1,554	**11,194**
Change in Base Budget Funding	**3,212**	**3,877**	**232**	**7,321**
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	5,580	0	0	**5,580**
Gross Budget Gap	**25,588**	**18,485**	**11,420**	**55,493**
Accumulative Gross Budget Gap October 2024	**25,588**	**44,073**	**55,493**	

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

Base Budget Pressures

- **Pay –** assumed 3% in 2025-26 and 2% in following financial years
- **National Living Wage / Fair Price for Care -** This covers projected increases in the NLW and a Fair Price for Care to aid market sustainability.
- **Inflation General and Contractual -** includes inflationary increases for specific contracts at 2%. 2025/26 includes a £0.8m reduction relating to tapering of energy inflation as costs revert to pre-crisis levels.
- **Levies:** includes inflationary allowances in for waste disposal (+c4.5%), transport (+3%) and Environment Agency. The use of the waste smoothing reserve in 2025/26 (previous year saving) will cause a pressure of £0.5m in 2026/27 when it is reversed.
- **Demography-** an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care.
- **General and Service Grants –** it is assumed the Supporting Families Grant will cease from 2026/27.
- **Treasury Management** – Assumes an additional £0.25m full year effect of the dividend from the Airport Car Park which resumed in 2024/25. Which is offset by a reduction in increases in MRP for the escalating impact of the annuity basis on loan repayments (MRP). Also, additional borrowing costs of £250k relating to the increase in DSG High Needs deficit.
- **Strategic Investment Programme –** £0.5m in 2025/26 (£1.5m over three years) relates to a reduced reliance on the programme. A further £1.0m has been added to cover refinancing costs in 2026/27.
- **Reversal of one-off savings from previous years** - £0.5m in 2025/26 relates to reversal of use of Treasury Management reserve and £0.85m in 2026/27 relates to one off use of capital receipts to fund Transformation Team.

- **Other Changes £4.72m in 2025/26, £5.41m over three years**. 2025/26 includes £3.0m recurrent pressures from 2024/25: £1.0m Temporary Accommodation (subsidy loss), £1.0m Children's placements, £0.5m unachieved savings and £0.5m of other minor variances such as, DOLS and reduction in legal fees. In addition, additional investment in home care sustainability project at £0.6m and £0.9m to fund ICT pressures and digital cloud infrastructure in 2025/26.

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

- **Council Tax** – a net increase in 2025/26 of £1.38m due to an increase in the expected number of properties, introduction of 100% premium on second homes and the distribution of prior year surpluses.
- **Business Rates** – a decrease in benefits from Business Rates in 2025/26 of £4.59m, largely as a result of the smoothing benefit in 2024/25 from the review of appeals dropping out. Reductions of £5.05m and £1.56m in the years 2026/27 and 2027/28 largely due to the impact of the proposed business rate reset.

5.2 Meeting the Gap

5.2.1 The table below shows the draft budget position following the latest round of budget proposals and policy choice funding updates. A full detailed listing of savings and income proposals which have been developed for 2025/26 can be found in Annex D.

Summary of the Budget Proposals	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**Total £'000**
Gross Budget Gap	**25,588**	**18,485**	**11,420**	**55,493**
Policy Choice Funding Proposals				
General Increase in basic Council Tax to 2.99%, 1.99%, 1.99% (*)	(3,859)	(2,761)	(2,911)	(9,531)
Social Care Precept increase 2.0%, 1.0%, 1.0% (*)	(2,581)	(1,395)	(1,450)	(5,426)
Budget Support Reserve	(3,200)	3,200	0	0
Total Policy Choice Funding	**(9,640)**	**(956)**	**(4,361)**	**(14,957)**
Savings and Income proposals	(6,107)	(907)	(311)	(7,325)
Revised Budget Gap	**9,841**	**16,622**	**6,748**	**33,211**

(*) Subject to council tax referendum principles for 2025/26 – to be announced in December 2024.

5.2.2 The value of savings proposals in the report are currently valued at £7.33m over the three-year period, with £6.11m planned in 2025/26. The proposals include a number of key savings which have required consideration following from the CIPFA Financial Resilience Review and mirror those difficult policy decisions made by authorities who have applied for EFS. Even after these proposals, this still leaves a budget gap of £9.84m for 2025/26 and a continuing challenge beyond that.

5.2.3 Whilst it is not uncommon to have a gap at the draft budget stage in the preparation of the MTFS, there is a level of concern with such a sizeable gap remaining when considering this follows 14 years of service cuts and therefore the ability to absorb further reductions in service provision becomes increasingly difficult.

5.2.4 Whilst there will be a further national budget announcement on the 30th October 2024 and the provisional local government finance settlement in December 2024, it is not prudent to rely on these to provide an answer to the budget position. Although good progress has been made towards reaching a balanced budget position for 2025/26 there is still a significant amount of work to do to achieve this. The Executive have already identified plans to make further progress to do this and these will need developing before the final budget is presented to Council for approval in February 2025.

These include a review of:

- the contributions made to other local authorities to ensure best value is being achieved.
- the scope to accelerate dividends from Manchester Airport Holdings Ltd.
- several other savings identified by CIPFA from work they have done with other authorities.
- accelerate work on policy savings options not yet costed.
- complete further review of service earmarked reserves to identify if any uncommitted balances can be release, although there is limited opportunity given the extensive exercise undertaken in preparation of 2024/25 budget.
- explore the outcome of the CIPFA review with Ministry of Housing, Communities and Local Government (MHCLG) and opportunities for a different approach to authorities in Trafford’s position which are well run but face substantial pressures in demand outside of their control.
- progress the lobbying strategy.

6. PROPOSED 2025/26 BUDGET and 2026/28 MTFS

6.1 The proposed net budget for 2025/26 is £228.68m an increase in the net budget of £10.69m or 4.9%, from £217.99m. Full subjective summary providing a breakdown of the 2025/26 net budget can be found in Annex E.

6.1.1 An objective breakdown is shown below:

Objective Summary *The 2025-28 Budget*	**Draft Budget Oct 2024**		
Budget	**2025/26 (£000)**	**2026/27 (£000)**	**2027/28 (£000)**
Service:			
Children's Services	57,213	59,140	61,167
Adults and Well Being Services (incl. Public Health)	76,539	81,584	86,022
Place	37,658	42,050	44,698
Legal & Governance	4,100	4,200	4,301
Finance and Systems	11,474	11,852	12,177
Strategy and Resources	10,567	11,567	11,924
Total Service Budgets	**197,551**	**210,393**	**220,289**
Council-wide	31,128	31,987	32,968
Net Budget	**228,679**	**242,380**	**253,257**
Funding:			
Council Tax	(136,047)	(313,030)	(147,057)
Business Rates: Local Share	(168,290)	108,947	(175,089)
Business Rates: Tariff Payment	106,404	1,633	111,541
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot, Fairer Funding Assumptions	(17,705)	(13,467)	(9,441)
Funding	**(215,638)**	**(215,917)**	**(220,046)**
Movement in Reserves			
Budget Support Reserve	(3,200)	0	0
Movement to/(from) Reserves	**(3,200)**	0	0
Cumulative Budget Gap	**9,841**	**26,463**	**33,211**
Annual Budget Gap	**9,841**	**16,622**	**6,748**

7. ROBUSTNESS, RISKS & RESERVES

7.1 Robustness and Risks

7.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.

7.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure are likely to vary from the established budgets, but in the round, these will compensate, and the approved budget needs only be sufficient to meet overall expenditure requirements.

7.1.3 Under the Local Government Act 2003, the Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that reserves are reviewed on an annual basis ensuring the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council.

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

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

7.2 Classification

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

- **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 the economic shock caused by the war in Ukraine 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.

- **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.

7.3 Balances

7.3.1 The Council's usable reserves at 31st March 2024 stood at £124.70m, of which £79.90m relates to Earmarked revenue reserves as shown below. The projected usage over the next three years has been provisionally estimated, however these will be subject to a detailed review before the final budget is concluded.

Usable Reserves	**Opening Balance 1/4/2024 £m**	**Estimated Balance 1/4/2025 £m**	**Estimated Balance 1/4/2026 £m**	**Estimated Balance 1/4/2027 £m**
Budget Support Reserve	11.14	9.73	6.53	6.53
Smoothing and Business Risk	26.79	18.47	14.50	9.72
Strategic Priority	17.91	10.33	7.25	1.15
Corporate	0.69	0.20	0.19	0.19
General Reserve	10.50	10.50	10.50	10.50
Service Area Priorities	12.87	3.89	2.70	2.29
Earmarked Reserves	**79.90**	**53.12**	**41.67**	**30.38**
Capital Related Reserves	29.19	22.68	22.18	22.18
School Related Reserves	15.61	15.61	15.61	15.61
Total Usable Reserves	**124.70**	**91.41**	**79.46**	**68.17**
School DSG (Mitigated position)	(9.72)	(19.78)	(28.18)	(34.90)

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

7.4 Using Reserves to Support the Budget

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

7.4.2 The impact of the pandemic and the ongoing economic uncertainty demonstrates the importance of maintaining sufficient reserves and their application has gone someway to help mitigate a substantial part of the previous budget gap and in allowing the Council to meet its obligations in setting a balanced budget in the short term.

7.4.3 The reliance the Council places on the significant income streams associated with Business Rates and the Asset Investment Programme also highlights the need to maintain specific risk reserves which will continue to be drawn upon to mitigate the impact economic shocks.

7.4.4 Although the Council has significantly lower levels of reserves than its neighbours, the ability to redirect these resources to support our budget and finance and change programme remains critical and therefore any decision around the use of Earmarked reserves to support its budget decisions has not been taken lightly.

7.4.5 The level of Earmarked reserves the Council holds is in part reflective of the past funding levels of the Council in comparison to its need to spend. This means that, as the lowest funded Council in Greater Manchester, it has accumulated one of the lowest levels of Earmarked reserves. Should the impact of the cost-of-living crisis last longer than anticipated and the demand pressures particularly those in children's and adults services not be met with additional government resource, the level of remaining reserves will be insufficient to meet such a scenario.

7.5 Main Reserves Initial Observations at Draft Budget Stage

7.5.1 A balance of earmarked reserves of £79.90m was brought forward at 1st April 2024, the following observations relating to the main reserves should be noted:

Budget Support Reserve

- **Budget Support Reserve -** This reserve had a brought forward balance of £11.14m at 1st April 2024 of which £5.58m is committed to support the 2024/25 budget.

  The reserve will be bolstered by £2.41m during 2024/25 in line with our budget plans which include:

  - A contribution from revenue budget provision of £0.5m in each year of the MTFP, was established to replenish reserves used to support pressures during the pandemic. A top up will still be made in 2024/25 however **given the size of the budget gap, this top up has now been removed from 2025/26.**
  - A contribution of £1.91m from GMCA relating to a release of their surplus reserves as previously reported. This will be held in this reserve and released largely to meet the annual increase costs of both the Waste and Transport Levies. **No change from previous assumptions.**

  Commitments from this reserve include the following:

  - £5.58m to support budget plans in 2024/25 as previously agreed.
  - The current in-year budget monitoring position as at Period 4 is a projected overspend of £4.21m. It is still relatively early in the financial year to predict the outturn with 100% accuracy, and in addition the Council holds several contingencies and supportive management action which may bring the outturn back in line. If this cannot be achieved, then an element of this reserve balance will need ring-fencing for this.

  Review of Service Area Priority Reserves

  - Following a preliminary review of Service Area Priority reserves, a balance of £1.75m has been released from the Finance & Systems Reserve previously held to part finance the upgrade/replacement of the core finance system. Recent discussions with the supplier have confirmed that the system will be supported until 2030 and the reserve balance can therefore be released and transferred to the Budget Support Reserve.

  At the end of 2025/26 the estimated balance on the Budget Support Reserve is estimated at £9.73m before any application to support the 2025/26 budget. In line with the Director of Finance and Systems recommendation that no more than 1/3 of the available balance should be used to support the draft budget, this would allow a figure of £3.2m to be released bring the underlying balance to £6.53m. This is a best-case scenario and assumes the in-year pressures will be brought back in line and inflation will remain on a downward trajectory.

Smoothing and Business Risk

- **Business Rate Risk Reserve -** This reserve represents the biggest reserve under the category of Resilience and Smoothing at £12.78m at 1st April 2024. The reserve has been used to smooth the estimated benefits from our review of business rates appeals which has been used to support our budget plans in 2023/24, 2024/25 and 2025/26 as agreed in the Final Budget Report in February 2023. The balance increased in 2023/24 when the benefit was released has been reduced over the three years as planned. The underlying balance is £4.29m at the end of 2025/26.

  The Council has a budget from Business Rates income of approximately £84m and due to the complexities in the system such as the uncertainty surrounding 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 £4.29m will be used to mitigate against these significant risks.

- **Inflation Risk Reserve –** Although inflation was starting to drop, albeit not doing so at the rate the Bank of England had previously forecast, in recent months it has started to rise again which leaves a level of risk when budget planning. This reserve was created to help mitigate against some of the pressures caused by the high and volatile levels of inflation. There was a balance of £2.04m on 1st April 2024 and will be utilised when needed in 2024/25 to absorb the additional cost of the local government pay award which has yet to be agreed. To put this in context, a 1% variance in the pay award assumptions would add a further pressure of £1.0m.

Strategic Priority

- **Asset Investment Strategy Risk Reserve -** this reserve is the largest reserve within the category of Strategic Priority and stood at £11.31m at 1st April 2024. The reserve was topped up in 2023/24 to a balance considered the minimum necessary to manage underlying risks, potential loss of income and additional cost due to delays in the investment property programme. This reserve will remain a critical tool in managing the ongoing risks associated with the programme.

- **Leisure Centre Risk Reserve** – this reserve was established to manage the expected shortfall in income during the building refurbishment programme. Its use was extended during the pandemic to smooth the support required because 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.

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 £10.5m and was based on the minimum agreed as part of the risk and resilience exercise when preparing the current budget. **No change from previous assumptions.**

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 given the size of the remaining budget gap it is imperative that all commitments will be thoroughly challenged as part of the annual review and updated as part of the final budget proposals.

- As mentioned in a previous paragraph following a high level review of Service Area Priority reserves, a balance of £1.75m has been released from the Finance & Systems earmarked reserves and transferred to the Budget Support Reserve. A further review of all Service Area reserves will take place before the final budget report in February 2025 to determine if any further balances can be released to support the wider budget gap.

7.6 Summary of initial review of Reserves

7.6.1 The reserve strategy set out in the previous MTFS was based on providing sufficient resource within the Budget Support Reserve to meet the budget gap in the medium term whilst the Council develops a suitable innovation 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. The reserve strategy which centred around bolstering and smoothing budget gaps has proved successful over the last few years and the transformation programme has so far been successful in delivering savings.

7.6.2 The budget gap for 2025/26 stands at £9.84m and the estimated balance on the Budget Support Reserve is estimated to stand at £6.53m at the end of 2025/26, after the application of £3.2m to support the 2025/26 budget. There therefore appears to be little headroom for any further substantial release of resources and at the same time provide sufficient robustness to absorb the major financial risks over the short term. There are also limited reserves left to repurpose and many of the remaining reserves are ring-fenced for strategic priorities.

7.6.3 However, without additional resource the Council will be left with the difficult decision of either depleting its limited reserves to balance 2025/26 or escalate

Government support via the EFS framework. If the Council depletes its own reserves, it leaves little protection from unknown pressures in future years associated with risks from Business Rates uncertainty and potential shortfalls in the income derived from the Asset Investment Strategy.

7.6.4 It is worth noting the estimated balance on the Budget Support Reserve is a best-case scenario and assumes the in-year pressures will be brought back in line. This leaves very little room for manoeuvre given the size of the remaining budget gap of nearly £33m over the next three years.

8. SCHOOLS FUNDING AND BUDGETS 2025/26

8.1 Background

8.1.1 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.

8.1.2 The DSG is on the whole managed by funding formulae, however, the HNB funds a complex system of pupils of unique and varied needs all attracting different levels of support. This system is not conducive to formulae funding and therefore the Department for Education (DFE) requires the Council to manage the HNB with the support of the School's Forum.

8.2 Significant and Growing Pressures in High Needs Block

8.2.1 Since the Children and Family's Act of 2014 came into effect, the number of pupils supported by the HNB through Education, Health and Care Plans nationally has grown significantly by 140% with Trafford's equivalent increasing by 113%. The accumulated effect is an exponential rise in the pressures on councils' HNBs across the country.

8.2.2 An independent report was carried out by ISOS Partnership commissioned by the county councils' network and Local Government Association in July 2024 which takes a holistic overview of the systematic challenges within the SEND system and sets out how the overall education system can be reformed to help improve outcomes for children with SEND as well as deliver more effective value for money than is presently the case.

8.2.3 The projected overspend on the DSG is £10.31m for 2024/25 which consists of a combined surplus on the SB, CSSB and EYB Blocks of £415k and a deficit of £10.72m on the High Needs Block. Adding in the brought forward deficit of £9.72m gives an estimated deficit of **£20.03m** by year end.

DSG Reserve	1 April 2024 £000	P4 Forecast outturn £000	31 March 2025 Projection £000
Schools Block (SB)	(1,045)	(327)	(1,372)
Central Schools Services Block (CSSB)	(400)	(88)	(488)
High Needs Block (HNB)	11,164	10,722	21,886
Early Years Block (EYB)	1	0	1
TOTAL DSG Reserve (surplus)/deficit	**9,720**	**10,307**	**20,027**

8.2.4 The Council's aim is to stabilise and then recover this position with low level support from the Education & Skills Funding Agency (ESFA), who provide advice and guidance on helping control the growing HNB deficit through completion of a DSG Deficit Recovery Plan. Through this work we are actively implementing strategies to mitigate this deficit.

8.2.5 There are a further 2 levels of support provided by the DfE : Delivering Better Value (DBV) and Safety Valve (SV). The purpose of these interventions is to establish sustainable high needs budgets. Local Authorities receive additional funding as part of their agreed plan, but this is subject to them making satisfactory progress towards achieving the targets set out in their plans **The Council has been advised by the ESFA that we are not yet in a position to qualify for further support or funding.** It is uncertain whether these schemes will continue.

8.2.6 A statutory override currently exists which means that the DSG deficit is ring-fenced from other Council earmarked reserves until 31 March 2026. Trafford will not be able to balance the in-year spend or recover the deficit by 2025/26. Despite the deficit being held outside of the Council's General Fund, the fact that the Council has been required to direct its own cash resources to make up the shortfall in grant is having an adverse impact on cashflow and investment returns. An amount of £250k was added to the 2024/25 budget to reflect these additional costs on the Council and a further £250k has been added in 2025/26 plans in reflection of the growing deficit.

8.2.7 The council is required to prepare a DSG deficit management plan in the form of 2 versions: mitigated and unmitigated. The mitigated forecast is after accounting for the cost reduction and/or invest to save measures in place. The unmitigated forecast is prior to accounting for any cost reduction and/or invest to save measures in place; a 'do nothing' forecast and assumes numbers and costs will continue to rise at current levels.

The tables below set out both positions.

Unmitigated HNB position			
	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
DSG Grant	295.18	301.08	307.10
Projected spend	307.07	316.93	327.31
In-year deficit	11.89	15.85	20.21
Cumulative deficit	**31.92**	**47.77**	**67.98**

Mitigated HNB position			
	2025/26 (£m)	2026/27 (£m)	2028/29 (£m)
DSG Grant	295.18	301.08	307.10
Projected spend	302.49	309.01	316.32
In-year deficit	7.31	7.93	9.22
Cumulative deficit	**27.34**	**35.27**	**44.49**

8.2.8 Various mitigations that have been identified include a stronger more consistent mainstream offer, building local provision and improved commissioning arrangements. In addition, Trafford is part of the North West SEND Change Programme Partnership (CPP), along with Manchester, Rochdale and Oldham. The National SEND and Alternative Provision improvement plan aims to improve outcomes for children and young people, improve experiences for families and deliver financial stability. As a result of being part of this programme, £1.2m has been made available to the Council to test the reforms the Government wants to make to the system for supporting children and young people with SEND which will assist with some of the mitigations above.

8.2.9 High Needs Capital Provision Allocation (HNCPA) - To support the achievement of the duty to secure sufficient places that meet the needs of children and young people with SEND, the Council received capital allocations of £4.543m in 2023/24 and a further £1.2m in 2024/25. The funding is being invested in several capital schemes to increase the number of places in Trafford special schools, as well as in small specialist classes (SSC) in primary and resourced provision (RP) in secondary, places which help most pupils with complex SEN to have their needs met within a mainstream school.

8.2.10 Trafford is a member of the f40, the education funding campaign group that represents 42 of the lowest funded LAs for education across England. Like the majority of LA's across the country, f40 members are increasingly concerned about the deepening SEND crisis, with the current need and expectation outstripping the available capacity and funding. The resources and funding available for children with special educational needs are coming under huge strain as demand for support continues to increase. The impact on children, families, schools and LAs is enormous, and is resulting in growing deficit SEND budgets.

8.3 Budget Position 2025/26

8.3.1 Due to the timing of the general election, the DfE have not been in a position to publish indicative schools and high needs national funding formula (NFF) allocations for 2025/26 to the usual timescale in July. It is expected that the allocations and operational guidance will be published at the end of October therefore the allocations will be detailed in the Final Budget Report.

8.4 Summary

8.4.1 Without new interventions the high needs deficit is forecast to continue to increase over the MTFS period and is not financially sustainable. **This creates a significant and unresolved financial risk to the Council.**

9. CAPITAL STRATEGY AND PROGRAMME

9.1 Background

9.1.1 The Capital Strategy and Programme aims to provide a long-term vision of the Council's planned capital expenditure, capital financing and treasury management activity and how these can contribute to the provision of services through the Capital Programme and Asset Investment Strategy.

9.1.2 A re-profiled Programme was presented to Executive as part of the Period 4 budget monitor on 16 September 2024 and reflected a rephasing which was considered both deliverable and affordable, taking factors such as inflation and forecast levels of available receipts into account.

9.1.3 The revised capital programme budget for the 2024/25 financial year is £73.11m and is detailed in the following table along with the re-phasing of the remaining years of the three-year capital programme.

	2024/25 Revised Budget	2025/26 Revised Budget	2026/27 Revised Budget	TOTAL BUDGET
Service Analysis:	£m	£m	£m	£m
Children's Services	12.48	27.18	16.89	56.55
Adult Social Care	3.76	3.09	2.69	9.54
Place	53.72	36.76	29.37	119.85
Legal & Governance	0.11	0.25	-	0.36
Finance & Systems	3.04	2.09	1.81	6.94
General Programme Total	**73.11**	**69.37**	**50.76**	**193.24**

9.1.4 The general capital programme is resourced by a combination of both internal and external funding. The overall funding of the current three-year capital programme includes a shortfall of £2.47m. This level of over-programming was approved by Council in February 2024 (this is deemed a prudent level of overprogramming by the Council's s151 officer, given the likelihood of some slippage in the overall programme).

9.1.5 This current programme will continue to be reviewed on an ongoing basis reflecting the risks of programme slippage, cost escalation and potential for a lower level of capital receipts. The monitoring will also be coordinated alongside the bidding process for the Capital budget setting process for the next three years and as set out within the existing Capital Strategy; this gives schemes with more emphasis on savings and income generation a higher priority, to assist with the revenue challenges that the Council is currently facing.

9.1.6 The current priorities, as set out in the Capital Strategy, over the medium term are:-

- Support the Medium-Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget.

- Support investment that attracts additional external funding.
- Protect the Council’s asset base including ICT infrastructure.
- Ensure schemes of a health and safety nature are delivered.
- Statutory implications/impact on service delivery.

9.1.7 The bidding process will be completed over the next couple of months with the aim of developing a final capital budget plan for 2025/26 to 2027/28 which will be considered by the Capital Programme Board and the Executive as part of the final budget in February 2025.

Base Budget Assumptions Annex A

Base Budget Assumptions	2025/26 £m/%	2026/27 £m/%	2027/28 £m/%
Service Expenditure			
Pay: Inflation – 2024/25 (not yet agreed)	4.00%	n/a	n/a
Pay: Inflation	3.00%	2.00%	2.00%
Pay award cost	£2.90m	£1.92m	£1.94m
Pay: Pension Inflation	0.0%	0.0%	0.0%
	£0.00m	£0.00m	£0.00m
Pay: Living Wage/ FPFC/Real Living Wage	£5.77m	£2.23m	£1.88m
General Inflation: Prices	2.0%	2.0%	2.0%
	£0.28m	£0.09m	£0.10m
Contractual Obligations: Inflation Specific	£3.85m	£2.81m	£2.47m
Energy Inflation	-£0.80m	£0.00m	£0.00m
Levies: Waste (GMWDA) % Levy Increase/ (Decrease)	4.50%	4.31%	4.00%
Levies: Transport % Levy Increase/ (Decrease)	3.00%	3.00%	3.00%
Demographics: Children	£1.00m	£1.00m	£1.00m
Adults	£1.50m	£1.50m	£1.50m
Treasury Management			
Investment Rates (3-month money market)	3.61%	3.13%	3.15%
Debt Rates (10-year PWLB)	4.54%	4.54%	4.60%
Funding			
Council Tax rate increase (Adult Social Care)	2.00%	1.00%	1.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	1.99%	1.99%
Council Tax base increase	1.84%	1.00%	1.00%

Breakdown of the Movements in the Budget Gap

Annex B

Budget Movements	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	Total (£000)
Gross Budget Gap before Feb 24 Savings and Policy Choice Funding Proposals	**21,556**	**19,273**	**11,226**	**52,055**
Movements in Funding Assumptions:				
Release of better than expected Council Tax outturn from 23/24	(135)	135	0	0
Increase to Council Tax Base	(419)	(15)	(18)	(452)
Movements in Funding Assumptions	**(554)**	**120**	**(18)**	**(452)**
Movements in Budget Assumptions:				
Reversal of one-off savings in previous year (TM reserve)	500	0	0	500
Additional software costs	63	0	0	63
Additional cost of 2025/26 pay award (increase provision from 2% to 3%)	1,048	20	20	1,088
Rephasing of IT and digital pressures	(190)	210	(20)	0
Extend flexible use of capital receipts for Transformation Team to 2026/27	(850)	850	0	0
Additional borrowing / lost interest due to DSG deficit	250			250
Other Budget Assumptions	3,765	(1,988)	212	1,989
Movements in Budget Assumptions	**4,586**	**(908)**	**212**	**3,890**
TOTAL BUDGET MOVEMENTS	**4,032**	**(788)**	**194**	**3,438**
REVISED BUDGET GAP (Oct 24)	**25,588**	**18,485**	**11,420**	**55,943**
ACCUMULATIVE BUDGET GAP (Oct 24)	**25,588**	**44,073**	**55,493**	

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 final budget was presented In February 2024. 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 2025/26 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 - £2.92m in 2025/26, £6.82m over three years**. A core provision of 3% has been assumed in 2025/26 and a 2% increase has been assumed for years 2026/28**.** There is **an additional pressure from previous assumptions of £1.05m** in the year 2025/26 as a result of increasing pay award assumptions from 2% to 3%.

- **National Living Wage, Real Living Wage and Fair Price for Care - £2.23m in 2025/26, £5.99m over three years.** This covers projected increases in the NLW in 2025/26 and Real Living Wage for social care suppliers. **An additional £0.59m in 2025/26 over previous assumptions.**

- **Inflation General and Contractual £2.20m in 2025/26 and £7.60m over three years.** Inflation related to Childrens and Adults contracts has been revised upwards to reflect the slower than expected reduction in inflation. Inflation relating to energy has been identified separately, the budget was increased by 200% in 2023/24 (+£3.0m) with the budget being reduced by £1.6m and £0.8m in 2024/25 and 2025/26. **An additional pressure in 2024/25 of £0.40m over previous assumptions.**

- **Extended Use of Capital Receipts £0.85m positive movement in 2025/26** by extending the flexible use of capital receipts to fund the costs associated with the Council’s Finance and Change programme for a further year.

- **Levies:** includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £1.06m in 2025/26 or £4.22m over three years. **No changes to previous assumptions.**

- **Demography- £2.50m in 2025/26 and £7.50m over three years.** An annual budget increase to reflect the increasing pressures and number of adults and children requiring social care. **No changes to previous assumptions.**

- **Treasury Management** – Assumes an additional £0.25m full year effect of the dividend from the Airport Car Park which resumed in 2024/25. Which is offset by a reduction in increases in MRP for the escalating impact of the annuity basis on loan repayments (MRP). **Also, additional borrowing costs of £250k from previous assumptions** relating to the increase in DSG High Needs deficit.

- **Income from the Asset Investment Strategy** – A reduction in income of £0.50m in 2025/26 and £2.50m over three years. A £0.5m in 2025/26 (and £0.5m in 2026/27 and 2027/28) relates to reduced reliance on the programme. A further £1.0m reduction in 2026/27 relates to an increase in financing costs. **No change from previous assumptions.**

- **Reversal of One-off Savings Targets from Previous Year** - **An additional £0.50m in 2024/25 from previous assumptions** relating to the reversal of the one-off saving from the Treasury Management reserve. In addition, the reversal of the one-off use of capital receipts to fund the Transformation Team has been pushed back to 2026/27 - £850k.

- **Other Changes £3.772m in 2025/26, £1.99m over three years**. The pressure in 2025/26 includes pressures identified in 2024/25 Period 4 budget monitoring: £1.0m Temporary accommodation, £1.0m Children's placements, £0.5m Unachieved savings and £0.5m in other areas such as, reduction in legal fees and DOLS in adults. Overall, there is a **£3.77m increase in 2025/26** pressures from previous assumptions**.** There was a **£1.60m decrease in 2026/27 assumptions** largely as a result of removing additional budget for Leisure CIC subsidy.

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 +1.84% in each of the years of the plan, **£419k increase from previous assumptions**. A benefit of £0.70m in 2025/26 from the introduction of the Council Tax Premium on second and empty properties.

- **Business Rates –** The Council has a budget for Business Rates of £84.18m in 2023/24 and a forecast of £79.59m in 2025/26 and is expected to reduce to £74.54m by 2026/27. **No changes to previous assumptions.** The assumption includes a review of Fair Funding and Business Rate Reset in 2026/27. This is no change from previous assumptions, although it is likely to be delayed further given the timeframes required to implement these significant changes.

- The substantial benefits released in 2023/24 relating to the review of provisions held for appeals has been smoothed using reserves over the period of plan with 2025/26 being the final year. The combined impact of the tapering down of the smoothing reserve and business rate reset will see a reduction in rates income over the next two years.

- Trailblazer and Devolution Deal - The deal announced by the Government under the Levelling Up agenda, provides a framework for Greater Manchester Combined Authority to retain business rates growth above a baseline in designated Investment and Growth Zones for a period of ten years. Whilst zone areas have now been set, details of the scheme and the subsequent relationship with the existing business rate growth have yet to be confirmed. No benefit from the Devolution deal has been assumed in the MTFS.

Reserves - Use of reserves to support the budget amounted to £5.58m in 2024/25; because reserves are a one-off resource this means that their removal adds to the gap in 2025/26. This in effect represents the reinstatement of the unmet gap from previous years.

Savings and Income Proposals — Annex D

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

Saving Title	Previously Approved/ New	Service Area	Description of saving	2025/26 £000
Children Placements	PA	Children's Services	Continuation of demand management approaches and review of placements for looked after children	(500)
Investing in our Children – Family Help	PA	Children's Services	Implementation of the Family Help service redesign	(75)
Family Practitioner Posts	PA	Children's Services	Review of the service posts once the service re-design has been completed	(142)
Review of service posts	New	Children's Services	Review of the service posts once the service re-design has been completed and this saving will be achieved through the management of some vacancies and reconfiguration of the resource	(112)
Agency spend	New	Children's Services	Two weeks pause on agency recruitment	(102)
Sub-Total Children's Services				**(931)**

Bad debt provision - Adults Social Care	PA	Adults and Well Being	Review level of contribution to bad debt provision	(50)
Living Your Best Life	PA	Adults and Well Being	Enhancing and re-designing services for people with a learning disability and people with Autism.	(300)
Direct payments review	New	Adults and Well Being	Increase in take up and review of systems	(300)
Grant maximisation - Public Health	New	Adults and Well Being	A review of the use of the Public Health Grant.	(600)
Public Health reserve	New	Adults and Well Being	One off use of the reserve	(600)
Agency spend	New	Adults and Well Being	Two weeks pause on agency recruitment	(24)
Sub-Total Adults and Wellbeing				**(1,874)**
Electric vehicle (EV) charging points	PA	Place	Expand number of EV charging points on a revenue share model	(50)
Review of operational and strategic estates	PA	Place	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	(208)
Other Authority contributions	PA	Place & Council Wide	Review level of contributions	(50)
Highway Advertising	PA	Place	Review opportunities to increase income	(50)

Sale Water Park	PA	Place	Review service provision and cost recovery	(90)
Sale Waterside	PA	Place	Review the occupancy level both with external and internal service. Will impact on all service areas	(75)
Investment Income	New	Place	Dividend income from LLP with Bruntwood	(200)
Private Finance Initiative (Sale Waterside)	New	Place	Use of PFI reserve and review of PFI contribution to reserves	(440)
Garden waste	New	Place	Introduce a charge for collection of garden waste	(916)
Service vacancy factor	New	Place	Increase to existing efficiency target	(71)
Sub-Total Place				**(2,150)**
Traded Services	PA	Finance & Systems	Traded Services income - increase in contributions to offset pay and cost inflation.	(42)
Review of Trafford Assist Scheme	PA	Finance & Systems	Review of the use of the scheme, focussing on the administrative cost of delivery.	(50)
Service vacancy factor	New	Finance & Systems	Increase to existing efficiency target	(79)
Sub-Total Finance & Systems				**(171)**
Traded Services - Catering & Cleaning	PA	Strategy & Resources	Review Traded Services income - increase in charges to offset pay and cost inflation.	(561)
Libraries	PA	Strategy & Resources	Investigate different operating models	(30)

Review of Sale Waterside Arts Centre	PA	Strategy & Resources	Improve effective use of asset and business development	(50)
Review School Crossing Points	PA	Strategy & Resources	Undertake a review of options to introduce digitalised School crossing points by having more pelican/toucan crossings where possible	(100)
Bereavement Charges	New	Strategy & Resources	Recovery of inflationary pressures on service costs	(50)
Library book purchases	New	Strategy & Resources	Defer annual library book purchases	(50)
Corporate events	New	Strategy & Resources	Pause activity on corporate events	(7)
Service vacancy factor	New	Strategy & Resources	Increase to existing efficiency target	(87)
Sub-Total Strategy and Resources				**(935)**
Treasury Management	New	Council Wide	Interest saving linked to the PFI	**(46)**
Sub-Total Council Wide				**(46)**
TOTAL SAVINGS AND INCOME PROPOSALS				**(6,107)**

Subjective Analysis 2025/26

Annex E

2025/26 SUBJECTIVE ANALYSIS	CHILDREN'S SERVICES (£000's)	ADULTS & WELL BEING (£000's)	PLACE (£000's)	LEGAL & GOV (£000's)	FINANCE & SYSTEMS (£000's)	STRATEGY & RESOURCES (£000's)	COUNCIL-WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
NET BUDGET Brought Forward	55,836	73,055	37,899	4,047	10,336	10,897	25,920		217,990
Budget Pressures :									
Pay	467	324	245	76	259	466	1,080		2,917
National Living Wage/ Fair Price for Care	26	2,203	0	0	0	0	0		2,229
General Inflation	20	7	14	2	16	33	2		94
Contractual Inflation & Obligations	748	874	295	20	65	106	0		2,108
Levies	0	0	725	0	0	0	332		1,057
Demographics/ Care Costs	1,000	1,500	0	0	0	0	0		2,500
Grants, Legislative & Service Transfers	171	(150)	0	0	31	0	0		52
Treasury Management	0	0	0	0	0	0	119		119
Strategic Investment Programme	0	0	500	0	0	0	0		500
Reversal of One off Savings Targets Prior Year	0	0	0	0	0	0	500		500
Other	(124)	600	130	(45)	938	0	3,221		4,720
Total Budget Pressures	**2,308**	**5,358**	**1,909**	**53**	**1,309**	**605**	**5,254**		**16,796**
Budget Savings									
Income Generation	0	0	0	0	(34)	(461)	0		(495)
Savings Proposals Efficiences & Policy Choice	(931)	(1,874)	(2,150)	0	(137)	(474)	(46)		(5,612)
Total Approved Budget Proposals	**(931)**	**(1,874)**	**(2,150)**	**0**	**(171)**	**(935)**	**(46)**		**(6,107)**
PROPOSED NET BUDGET	57,213	76,539	37,658	4,100	11,474	10,567	31,128		228,679
Funding:									
Council Tax								(129,452)	(129,452)
Council Tax - 2.99% General Increase								(3,871)	(3,871)
Council Tax - 2% Adult Social Care Increase								(2,589)	(2,589)
Council Tax diff est/act deficit use of smoothing reserve								(135)	(135)
Total Council Tax Funding								**(136,047)**	**(136,047)**
Business Rates: Local Share								(168,290)	(168,290)
Business Rates: Tariff Payment								106,404	106,404
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(14,705)	(14,705)
COVID Rates diff est/act and Gov Grant Support Smoothing Reserve								(3,000)	(3,000)
Total Business Rates Funding								**(79,591)**	**(79,591)**
PROPOSED FUNDING								(215,638)	(215,638)
Additional Use of Reserves:									
Budget Support Reserve								(3,200)	(3,200)
Movement in Reserves Total								**(3,200)**	**(3,200)**
FUNDING FROM RESERVES								(3,200)	(3,200)
BUDGET GAP									9,841

Details of Reserves by Category

Annex F

Category	Reserve Name	Balance at 31.03.2024 £000	Est balance at 31.03.2025 £000	Est balance at 31.03.2026 £000	Est balance at 31.03.2027 £000
Budget Support Reserve	Budget Support Reserve	(11,143)	(9,727)	(6,527)	(6,527)
Sub-Total Budget Resilience		**(11,143)**	**(9,727)**	**(6,527)**	**(6,527)**
Smoothing and Business Risk	Business Rate Risk Reserve	(12,779)	(7,290)	(4,290)	0
Smoothing and Business Risk	Insurance Reserve	(1,060)	(1,060)	(1,060)	(1,060)
Smoothing and Business Risk	Earmark Gen - Employment Rationalisation	(600)	(400)	(200)	(200)
Smoothing and Business Risk	Housing Benefit Overpayment Reserve	(403)	(403)	(403)	(403)
Smoothing and Business Risk	Timperley Sports Club Synthetic Pitch	(138)	0	0	**0**
Smoothing and Business Risk	Earmark Gen - Local Search Litigation Costs Settlement	(144)	(144)	(144)	(144)
Smoothing and Business Risk	Earmark Gen - Civic vehicle reserve	(6)	(11)	(16)	(21)
Smoothing and Business Risk	Smoothing - Waste Levy	(1,514)	(889)	(389)	(389)
Smoothing and Business Risk	Smoothing - Elections	0	0	(269)	(179)
Smoothing and Business Risk	Smoothing - Interest Rate	(5,140)	(3,640)	(3,640)	(3,640)
Smoothing and Business Risk	Exchequer Services Reserve	(420)	(83)	0	0
Smoothing and Business Risk	EU Exit Funding Reserve	(179)	0	0	0
Smoothing and Business Risk	Sale PFI Bullet Payment	(1,406)	(1,406)	(1,006)	(606)
Smoothing and Business Risk	Admin Building Cyclical Maintenance Reserve	(467)	(835)	(770)	(770)
Smoothing and Business Risk	Council Tax Risk Reserve	(500)	(275)	(275)	(275)
Smoothing and Business Risk	Inflation Risk Reserve	(2,036)	(2,036)	(2,036)	(2,036)
Sub-Total Smoothing and Business Risk		**(26,792)**	**(18,472)**	**(14,498)**	**(9,723)**
Strategic Priority	Transformation Fund Match Funding Reserve	(1,373)	0	0	0

Strategic Priority	Strategic Investment Programme Risk Reserve	(11,310)	(6,151)	(3,896)	(293)
Strategic Priority	Leisure Centres Risk Reserve	(3,212)	(2,378)	(1,578)	(578)
Strategic Priority	Childrens Action Fund Reserve	(22)	0	0	0
Strategic Priority	Bus Reform	(1,500)	(1,500)	(1,500)	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(497)	(301)	(280)	(275)
Sub-Total Strategic Priority		**(17,914)**	**(10,330)**	**(7,254)**	**(1,146)**
Corporate	NDR Deficit Reserve	(343)	(19)	0	0
Corporate	Star Procurement Earmarked Reserve	(323)	(186)	(186)	(186)
Corporate	Planning Income Reserve	(20)	0	0	0
Corporate	General Reserve	(10,500)	(10,500)	(10,500)	(10,500)
Sub-Total Corporate		**(11,186)**	**(10,705)**	**(10,686)**	**(10,686)**
Service Area Priority	Earmark Gen - ICT Development	(1,291)	(448)	(230)	(80)
Service Area Priority	Economic Development	(1,205)	(477)	(202)	(43)
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(177)	(70)	(1)	(1)
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(2)	0	0	0
Service Area Priority	Earmark Gen - Community Safety	(403)	(268)	(268)	(268)
Service Area Priority	Earmark Gen - Modernisation	(1)	(1)	(1)	(1)
Service Area Priority	One Trafford Partnership Reserve	(1,537)	(757)	(655)	(655)
Service Area Priority	Sports Partnership Reserve	(174)	(232)	(232)	(232)
Service Area Priority	Earmarked Service C/fwd **Place**	(951)	(81)	(38)	(38)
Service Area Priority	Earmarked Service C/fwd **L& G**	(218)	(44)	0	0
Service Area Priority	Earmarked Service C/fwd **F & S**	(2,518)	(727)	(618)	(510)
Service Area Priority	Earmarked Service C/fwd **S& R**	(832)	(490)	(460)	(460)
Service Area Priority	Earmarked Service C/fwd **Children**	(436)	0	0	0

Service Area Priority	Earmarked Service C/fwd **Adults**	(1,926)	(300)	0	0
Service Area Priority	Adults Discharge to Assess **Adults**	(968)	0	0	0
Service Area Priority	Traded Services Reserve	(225)	0	0	0
Sub-Total Service Area Priority		**(12,864)**	**(3,895)**	**(2,705)**	**(2,288)**
SUB-TOTAL Earmarked Reserves		**(79,899)**	**(53,129)**	**(41,670)**	**(30,370)**
	Capital Related Reserves	(29,189)			(22,188)
	School Related Reserves	(15,612)			(15,612)
	SUB-TOTAL	**(44,801)**			**(37,800)**
	TOTAL USABLE RESERVES	**(124,700)**			**(68,170)**