

TRAFFORD BOROUGH COUNCIL

Report to: Executive
Date: 24 October 2022
Report for: Decision
Report of: Executive Member for Finance and Governance and the Director of Finance and Systems

Report Title

Executive's Draft Revenue Budget Proposals 2023/24 & MTFS 2024-26

Summary

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

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

- The draft overall budget movement for 2023/24 is an increase in the net budget of £16.58m or 8.6%, from £192.57m to £209.15m.
- The budget gap for the three years before applying any of these draft budget proposals is currently estimated to be £45.89m with £25.82m relating to 2023/24.
- This report presents a draft set of budget proposals to balance the planned budget gap of £25.82m in 2023/24, which in line with our three year strategy, contributes towards closing this budget gap by £17.3m via a mixture of measures:
 - Additional funding
 - Planned use of earmarked reserves
 - New savings and income generation
- These proposals will now form the basis of consultation with members of staff and, where required, the general public and are therefore subject to change; the draft proposals are also subject to review by the Scrutiny Committee.
- It should be noted that if all the budget proposals in this report are implemented there currently still remains a residual budget gap of £17.01m over the three years, comprising:
 - £8.52m in 2023/24,
 - £2.72m in 2024/25,
 - £5.77m in 2025/26,
- Note this assumes the use of reserves to mitigate the potential ongoing risk from the significant income streams from Business Rates and the Asset Investment Strategy. Any further recurrent impact in later years which could not be mitigated by the use of reserves would represent a further increase to the budget gap in

those later years.

- Final decisions will be taken by the Executive after taking into consideration further proposals to address the gap, all relevant matters and feedback, at which time a proposed budget will be put to full Council for approval on 15 February 2023.

Recommendations

It is recommended that the Executive:

- a) Approve the 2023/26 proposed budget strategy, including the 2023/24 draft revenue budget and the 2023/27 MTFS. The income and savings proposals are included for the purposes of consultation only (where necessary) and these proposals will also be referred to the Scrutiny Committee for their consideration;
- b) Notes the proposal to increase Council Tax by 2.99% in 2023/24 (comprising 1.0% adult social care precept and 1.99% general increase) and by similar levels for the remaining years of the MTFS 2023/26;
- c) Notes the assumptions made in setting the MTFP in section 3.2 and the degree of uncertainty;
- d) Notes the remaining budget gap for the years 2023/24 to 2025/26;
- e) Notes the commentary of the Director of Finance and Systems, the Council's statutory S151 officer, regarding the financial sustainability of the Council in Section 1.6
- f) 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.
- g) Notes the review of the Capital Programme which is ongoing and agrees that no further contractual commitments are made on capital projects which are financed from either capital receipts or borrowing until the current review of the capital programme is completed.
- h) Notes the 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 the next two years.

Contact person for access to background papers and further information:

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4336

Background Papers - None

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed draft budget for 2023/24 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	The update to the Corporate Plan has been done to ensure alignment with GM priorities where possible.
Financial	The report sets out the proposed draft revenue budget proposals for 2023/24 as they currently stand.
Legal Implications:	<p>It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level.</p> <p>Budget proposals take account of various legislative changes as they affect Council services.</p> <p>Where appropriate the Council will carry out consultation in relation to specific proposals within the budget. All proposals will also be assessed in line with the Council's Public Sector Equality Duty. Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements.</p> <p>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.</p>
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 2023.
Carbon Reduction	Various budget proposals in the revenue and capital budgets support the carbon neutral action plan.
Health and Wellbeing Implications	Equality Impact Assessment to be carried out supporting the budget proposals as appropriate.
Health and Safety Implications	An impact assessment of each budget proposal to be carried out.

Other Options

The budget proposals included in this report assume an overall increase to the level of council tax of 2.99% in 2023/24 comprising an increase of 1.0% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% general increase in the 'relevant basic amount'. An alternative option could be made to increase its 'relevant basic amount of council tax' above these levels. However this would exceed the referendum limits, which would mean a local referendum would be required to be held before any such increase could be implemented. Alternatively not increasing council tax by the level recommended in this report, subject to the final referendum level being notified in December 2022, would increase the overall funding gap by up to £3.41m in 2023/24 which would mean further reductions to expenditure on council services would be necessary.

Consultation

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

Reasons for Recommendation

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

Key Decision

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

Finance Officer ClearanceDM.....

Legal Officer ClearanceDS.....

DIRECTOR'S SIGNATURE



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



TRAFFORD
COUNCIL

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

24 October 2022

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1. BUDGET APPROACH AND PROCESS

1.1 Budget Approach 2022/26

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

1.1.2 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.

1.1.3 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 2022.

1.1.4 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.

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

1.1.6 In November 2021 the Executive approved a refreshed Corporate Plan – Our Trafford, Our Future, setting out the Council's strategic vision, outcomes and priorities for the borough.

The vision for Trafford is:

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

The key outcomes are:

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

1.1.7 Revisiting the Corporate Plan and strategic priorities also provided the opportunity to review the performance framework to be more data led and outcome focused. The refreshed priorities and performance indicators which will measure success against the Plan include:-

- **Reducing health inequalities:** Working with people, communities and partners, particularly in deprived areas, to improve the physical and mental health of all our residents. Performance measures include:-
 - Improve % of 'social value' spending (as % of total tendering/contracting)
 - Improve number of housing completions
 - Reduce the % of children who are classified as obese
 - Reduce the % of adults who are classified as overweight or obese
 - Percentage of adults who are active (increase)/fairly active/inactive (decrease)
 - Improve the % of children who are active
 - Reduce the under 75 mortality rate from causes considered preventable (per 100,000 population)
 - Improve the healthy life expectancy (by deprivation and gender)
 - Reduce the proportion of five year old children with experience of visually obvious dental decay
 - Reduce the depression (recorded prevalence age 18+)
 - Reduce smoking in routine/manual workers vs general population (inequality in smoking rates)

- **Supporting people out of poverty:** Tackling the root causes to prevent people from falling into poverty, and raising people out of it. Performance measures include:-
 - Reduction in those receiving Universal Credit and the Claimant Count
 - Number of people prevented from becoming homeless
 - Improve the number of affordable housing completions
 - Reduction in % of children in poverty
 - Maintain the low level of 16-17 year olds who are not in education training or employment (NEET)
 - improve the number of people being rehoused (from Trafford's housing waiting list)
 - Reduce % of households fuel poverty levels
 - Improve overall employment rate (aged 16-64) (%)
 - Improve school readiness (free school meal status)
 - Improve employees paid at/above real living wage

- **Addressing our climate crisis:** Reducing our carbon footprint and tackling the impact of climate change. Performance measures include:-
 - Reduce borough wide CO2 emissions (kilotonnes)
 - Reduce corporate CO2 emissions (kilotonnes)

- Increase number of electric charging points per 100,000 population (Absolute)
- Improve percentage of household waste which is collected for recycling
- Improve number of staff trained in carbon literacy
- Reduce vehicle miles travelled on roads in Trafford (millions)
- Reduce number of licenced vehicles with Trafford addresses
- Increase number of licenced Ultra Low Emission Vehicles with Trafford addresses (Number registered at year end)
- Improve proportion of Energy Performance Certificates (EPC) registered to Trafford addresses that are A,B or C
- Reduction in annual mean concentration of nitrogen dioxide
- Reduce household waste not sent for recycling (Tonnes)

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

- Implementing the carbon neutral framework action plan and Clean Air Plan to deliver net zero emissions, and with the other GM authorities and the GMCA undertake the activities required to implement the clean air plan, improving air quality across the Borough.
- Supporting local residents and businesses through the cost of living crisis.
- Continuing the strategic regeneration for the Civic Quarter, Stretford town centre and the Stamford Quarter, Altrincham.
- Investing in and maintaining our parks and green spaces.
- Increasing levels of physical activity, including the development of schemes which support active travel, alongside investing on our ageing leisure facilities.
- Progressing the development of new housing on Council land including Sale Magistrates Court site, and Lumina Village, the former Kellogg's headquarter site, owned jointly with Bruntwood.
- Advancing the Asset Investment Strategy.
- Reviewing the One Trafford Partnership contract - to progress how the delivery of these services could be improved to meet agreed standards.
- Continuing to respond to the consequences of Brexit.
- Progressing "living well in my community" - supporting and educating Trafford residents, working with them to ensure that they can live a happy healthy life with the access to the services that they need at the right time by developing a place-based community model that can respond to local resident's needs.

- Developing “living well at home” – to provide a range of support to enable people to live fulfilling independent lives in their own homes (and other home-settings) for as long as possible.
- Advancing “a step closer to home” – to ensure that there is a range of services that will wrap round our residents when they need additional support, enabling people to both stay in their normal place of residence when they need additional care and supporting people to leave hospital.
- Progressing “a short stay in hospital” – delivering a number of programmes that will aim to address a number of challenges which will need to be managed at a locality, system and national level in order to run an efficient and safe service that does not create health inequalities.
- Continuing with ‘A Framework for Change’ – the review of all our Legal and Governance Services and exploration of opportunities for developing shared services and alternative business models in order to better support and protect the Council in the delivery of its objectives.
- Reviewing our libraries and cultural provision across Trafford - to understand what it takes to facilitate and create a quality and diverse cultural experience that has a lasting impact on people’s lives and the communities they live in.
- Enhancing our approach to Social Value across the Council.
- Realising our ambitions to improve outcomes for children and families.
- Promoting the learning of all our children and support especially for our most vulnerable children where learning has been lost as part of COVID-19.
- Continuing to develop our People Strategy – by focussing on our people with specific attention on how we attract and retain great talent within Trafford Council. We will seek to develop career pathways and create opportunities for continued professional development ensuring that Trafford is a place where career ambitions can be achieved.
- Supporting employee wellbeing - continuing to be a key area of focus and our commitment to support colleagues to have a balanced home and working life will remain a priority. We recognise that in the current COVID-19 climate colleagues are facing new and different anxieties and worries and as such we will ensure that we continue to offer a range of interventions to support colleagues to maintain good mental and emotional health.
- Enhancing our Traded Services – by being commercially competitive and developing and enhancing our range of commercial services to schools (and more broadly) we will seek to review all current contracts and engage new clients in the process.
- Enhancing the borough wide Trafford Partnership - working with Trafford Partnership as part of the recovery strategy to ensure our residents, businesses and communities achieve their potential, particularly those who have been impacted more than others by COVID-19.

- Refreshing and delivering the financial strategy in light of the Spending Review and COVID-19 – to set a new financial strategy for 2023/24 and beyond that addresses the long term budgetary impact of COVID-19.
- Developing the Digital Strategy and investing in new technology – ensuring that digital innovation is at the heart of service changes. This digital strategy will build on the innovation at pace during the first phase of the COVID-19 pandemic and will allow more services to be delivered on line and will enhance customer experience and create an increasingly agile workforce.
- Progressing the modernisation programme and remodelling of services – to rethink the way we deliver our services through to co-design and co-produce our future service delivery.
- Maintain progress to the Ethical Care Charter and in particular the commitment to the Real Living Wage. This will initially involve progressing towards Real Living Wage Accreditation, which is a formal declaration of intent and will enable engagement with suppliers. The financial impact of this ambition will be considered as part of future MTFP proposals.
- Deliver the refreshed Corporate Plan and Strategic Priorities.

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

1.2 Finance and Change Programme

1.2.1 The scale of the financial challenge for 2023/24 and later years has warranted a different approach to budget setting this time around. This was due largely due to twelve years of national austerity measures which has seen the Council deliver over £263m of budget reductions, savings, income proposals and council tax increases. The challenge in balancing Council budgets has been made more difficult due to the long term effects of the Covid-19 Pandemic which put demand pressure on many Council services. The current economic and fiscal climate is also causing immense pressure on all areas of Council expenditure and important income streams. These have both resulted in an increased use of reserves; something which is not sustainable.

1.2.2 Immediately following the approval of the budget for 2022/23 in February 2022 a Finance and Change Programme was established to drive forward the development of a three-year change programme which would support the achievement of a balanced and sustainable budget in both the short and medium term. This programme was based around a number of key themes:-

- **Budget Proposals** – assessing and analysing all new ideas and determining any quick wins.
- **Managing Service Demand** – reviewing demand led services and pressures and undertaking deep dives on key areas of spend.

- **Digital First** - considering Trafford's digital solutions to manage information/data and support service delivery and redesign.
 - **Asset Management** – consider the assets that are required to deliver the strategy and services.
 - **Service Reviews** – reviewing all services to include a financial target while giving consideration to existing strategy, the local context and previous decisions.
- 1.2.3 The output of the work of the Programme has helped address the significant budget gap, with more detail included in Section 4.3 and Annex C.
- 1.2.4 To supplement the above approach there has been:-
- A review of all benchmarking data
 - A successful staff ideas scheme
 - A structured lobbying campaign which is due to be rolled out during October.
- 1.2.5 At the time of setting up the Programme the gross budget gap for 2023/24 and 2024/25 was £22.72m and £8.2m respectively. To compound an already difficult financial landscape inflationary pressures on both pay and prices, not seen since the 1970's due at least in part to the war in Ukraine and the effect of the cost of living crisis on demand for Council services, have now altered that outlook for the worse, and created a great deal of additional uncertainty.
- 1.2.6 Recent years have seen significant growth in demand for Children's Social Care nationally which has also been experienced in Trafford. Challenges in recruitment and retention, and pressures in Adult Social Care are also contributing to a situation in which Council finances are under more strain now than any time in the last twelve years.
- 1.2.7 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 prospects that the Government's Fair Funding review, which has potential to materially improve the level of resources the Council receives, are receding with the likelihood of funding reform being delayed again. The Council does hope that its suggestion of putting a floor under core spending power has gained some traction with Government as this would improve the Council's finances. However, the Council cannot plan on the basis that funding reform happens or that the Government provides further funding for all local authorities to compensate for inflationary pressures.
- 1.2.8 The impact of inflation and other pressures on the Council's budget will be profound. The gross budget gap in 2023/24 is expected to grow from £22.72m at the time the MTFS was approved in February to £25.82m based on current inflation projections. Over the life of the MTFS the gap could increase from £42m to over £46m unless mitigating actions are taken. These estimates will grow even further if the trend of worsening economic news continues.

- 1.2.9 The usual approach to balancing the budget, that has served the Council well, will need to continue but be augmented by additional measures and further work by the Finance and Change Programme in the run up to Christmas and before final budget proposals for 2023/24 are presented to Council in February 2023.
- 1.2.10 All local authorities are under severe pressure from inflation and it is likely that those that react first will manage the best. Waiting for certainty about how bad things are going to be will only serve to reduce options and cause reactive decision making. Government's initial reaction has been short term interventions and with the potential for more substantial resolutions only after some authorities get into more genuine difficulty. Taking early action to ensure that this, low funded, Council does not get into financial difficulty is therefore vital.
- 1.2.11 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. To bridge the budget gap for 2023/24 a number of new savings proposals have been identified and business cases are under development.
- 1.2.12 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 2023.
- 1.2.13 The output from the work of the Finance and Change Programme is included in these budget proposals and whilst good progress has been achieved to identify proposals 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 2023/24 at the Council Meeting in February 2023.

1.3 Future Risks and Challenges

- 1.3.1 The challenges over the next few years are not limited to the direct impact of inflation. A summary of the other significant challenges that are not fully reflected in the MTFs are set out in the paragraphs below and will need further consideration over the next few months:
- Council Tax and Business Rate Income – the impact of the cost of living pressures on both residents and businesses remains a real concern. Historically the collection rates in both areas have been strong but an assessment on the rates will be made when reviewing the tax-bases in December. The budget proposals include for an increase in council tax in 2023/24, which is a difficult proposal in the current climate but this is in-line with Government expectations of rises by local government and included in their Core Spending Power forecasts. To support residents through the current pressures the Council will continue to provide one of the most generous council tax support schemes in Greater Manchester, continue to provide enhanced welfare advice support both through its internal team and the Citizens Advice Bureau, provide the Trafford Assist scheme for

vulnerable residents, support the continuation of the community hubs and provide “Warm Spaces/ Living Rooms” over the winter period.

- Adult Social Care Reforms present a high risk of substantial additional cost which have potential to be well in excess of Government funding estimates. This is the case for both achieving a fair cost of care payable to care providers and in respect of the planned adult social care charging reforms, effective from October 2023.
- Providing sufficient capacity in the social care sector to prevent extended stays in hospital is estimated to cost in the region of £5m per year. There is currently no recurrent funding to support this programme across the health sector.
- High cost placements Children’s Social Care – The Council has recently experienced a small number of children requiring placements in high dependency units. Such placements are difficult to predict and with annual unit costs which can exceed £0.5m they place a disproportionate demand on limited resources.
- High/Special Educational Needs reforms – consultation is ongoing relating to the financial impact and sharing model of the cost of SEN and on-going overspends. Department for Education position may conclude that on-going overspends is local government’s problem.
- Cost of Living Crisis – has potential to place additional demands across a range of Council services as well as impact on debt collection.
- Recession – the size of the predicted recession and the Government response is unknown. Unless mild this will drive service demand and reduce income.
- Funding Reforms - no benefit assumed but could compound problems if the expected refresh does not tackle fundamental problems.

1.4 Budget & Staff Consultation

- 1.4.1 Proposals in this report may require consultation with the public, businesses and staff, with the form of consultation to be developed before the end of October 2022.
- 1.4.2 Details on these draft budget proposals will be made available on the Council’s website via the 2023/24 budget pages.
- 1.4.3 Where any budget proposal has the potential to affect staff there will be a requirement to consult separately internally through routine staff consultation arrangements.

1.5 Scrutiny Review

- 1.5.1 A Scrutiny review will be held during November and December 2022 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 2023/24 draft budget

proposals contained within this report, which will enable Scrutiny members to review the budget proposals and feedback any comments in January 2023.

1.6 Statutory Obligations of the Responsible Financial Officer (“S151 Officer”)

1.6.1 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.

1.6.2 The role and responsibilities of the S151 Officer are extensive and integral to the strategic management of the organisation as a whole. In summary, the S151 Officer:

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

1.6.2.2 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;

1.6.2.3 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;

1.6.2.4 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.

1.6.3 Members will be aware that the Council has a legal requirement to deliver a balanced budget. 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.

1.6.4 In February 2022, the Council’s S151 Officer concluded that given the low level of reserves that are available to the Council it was imperative that it embarks on a programme to deliver sustainable savings. The report also said that across local government and Trafford is no exception, that there were serious concerns in achieving a sustainable position in future years. The impacts and uncertainty being felt presently, caused largely by the effect of inflation, further compound the reality of this position and make the risk of more S114 notices even more real.

1.6.5 The work of the Finance and Change Programme has been positive and significant progress has made to identify permanent base budget savings with a number of measures included in this draft budget report; despite this progress there still remains a significant budget gap.

1.6.6 At this stage it is 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 is able to conclude that the final budget proposals for 2023/24 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 2022 and before the local government financial settlement, such that it is able to present balanced budget proposals to Council in February 2023.

2. FINANCIAL BACKGROUND

2.1 Background to the Budget

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

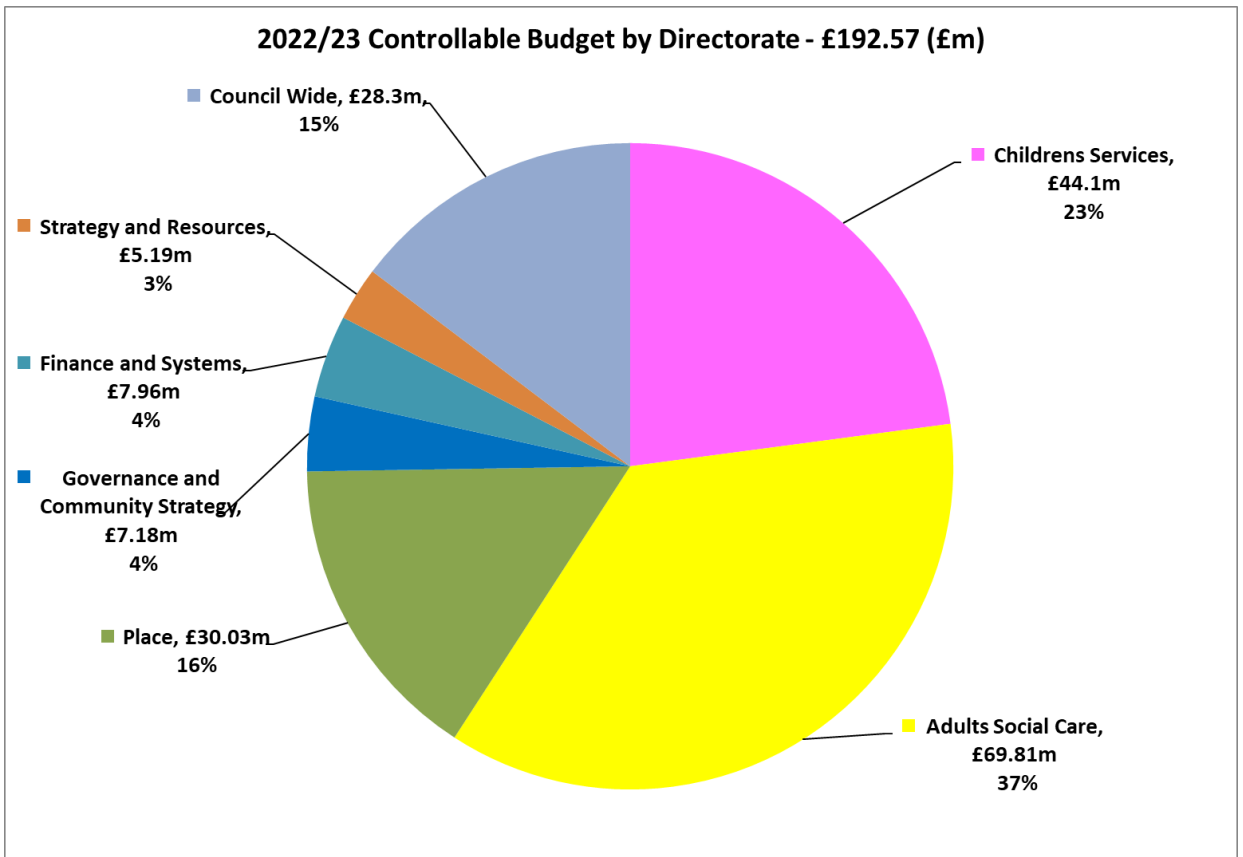
2.1.2 The Council's current gross budget is £514.90m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's gross income budget is £322.33m leaving a total net budget of £192.57m.

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

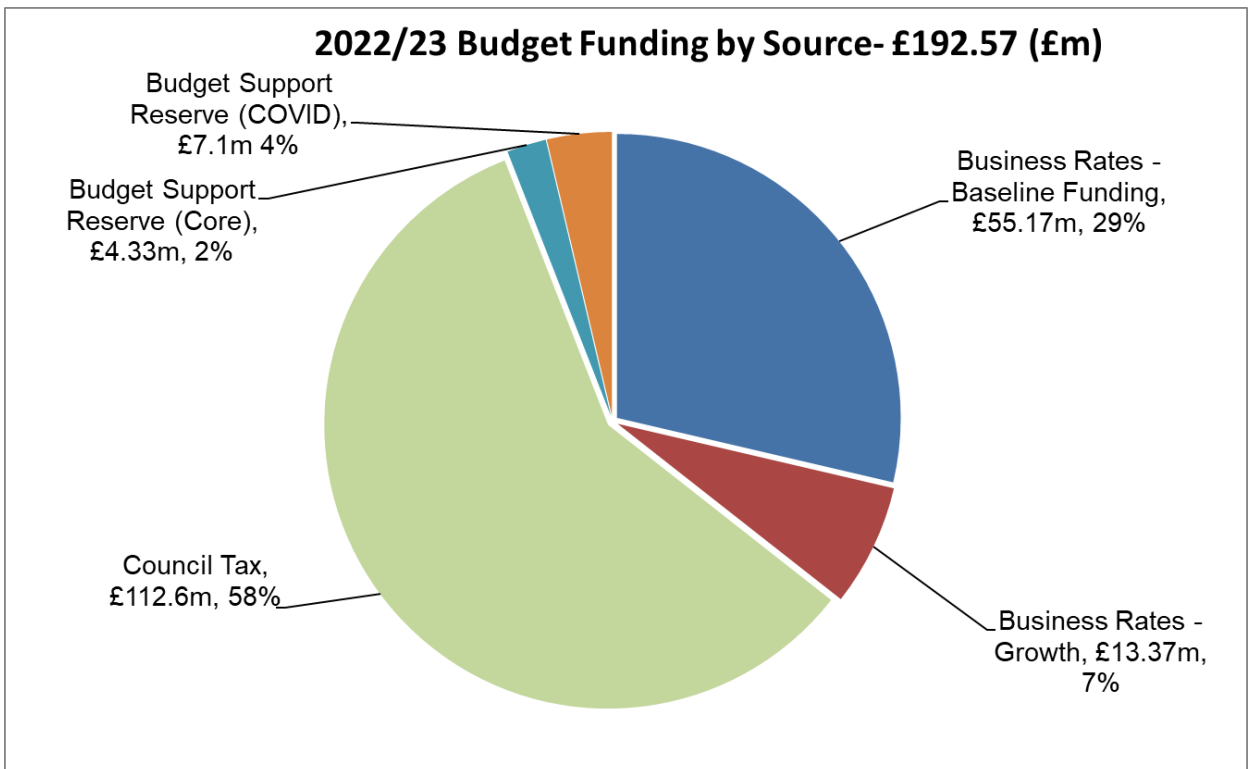
Gross to Net Budget	2022/23 £m		£m
Gross Expenditure	514.90		
Schools DSG	(166.94)		
Housing Benefit	(47.66)		
Other Government Grants	(31.60)		
Sales, Fees & Charges and Rents	(43.99)		
Contributions & Re-imbursments	(18.69)		
Other Income	(10.08)		
Earmarked Reserves	(3.37)		
Gross Income	(322.33)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

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

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



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



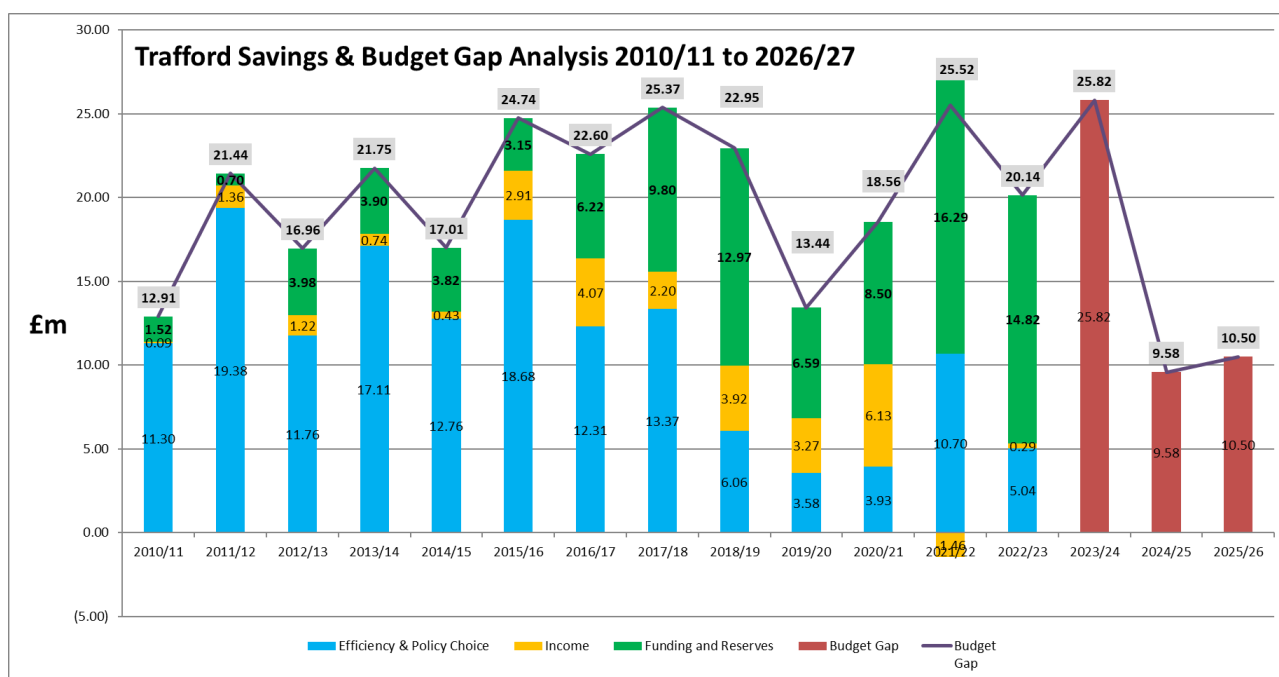
2.2 DELIVERY OF SAVINGS SINCE 2010

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

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

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

2.2.4 By 2022/23 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2022/23 was £263.39m. There is a further forecast gap for the next three years of £45.89m, of which £25.82m relates to 2023/24.



2.2.5 The future gap of £45.89m poses a significant risk for Trafford due to the comparably low levels of funding as well as low levels of spend, making future savings and efficiencies difficult:

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

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

- If Trafford received the average funding per head as its GM neighbours, it would benefit from an additional £34.20m per annum and an additional £19.03m if compared with Statistical Neighbours.
- Low level of council tax – Despite the proposal to increase council tax by 2.99% in 2022/23, 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 2.99% whilst all other authorities remained static.
- Low spend per head of population – Trafford has the lowest total expenditure per head of population across all GM authorities and 4th lowest across all metropolitan authorities at £1,371.58.
- Trafford have joined a group of twenty lowest funded councils (the F20) to lobby government for a temporary resource solution pending the Fair Funding Review. The F20 Group argues for the Government to introduce a funding floor, to quickly bring the least well-resourced local authorities up to a feasible level. If a funding floor were set at 90% of the average core spending power of local authorities, Trafford would receive an extra £24 per head or £5.70m.

2.3 Revenue Budget Monitoring 2022/23 Period 4 (July 2022)

2.3.1 Summary of Outturn - There is a net estimated outturn pressure of £6.91m at Period 4. This position includes :

- An overspend against the approved budget of £912k (See Table 1 below)
- the impact of inflation, which is significantly higher than the provisions included in our approved budget, and which is currently estimated to cost an additional £6m in 2022/23. This estimate includes the outcome of the draft local government pay settlement for 2022/23 and the spiralling forecast for energy costs. Significant risk exists on this estimate given the volatility of the situation. Government has to date given strong indications that local authorities will need to manage the impact of this themselves and that no government support will be available, which means this will affect the delivery of other Council services.

2.3.2 Detailed below in Table 1 is a summary breakdown of the service and funding variances against the latest service budgets.

Table 1: Budget Monitoring results by Service	2022/23 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	44,057	45,655	1,598	3.63%
Adult Services	56,927	56,813	(114)	(0.20)%
Public Health	12,887	12,868	(19)	(0.15)%

Place	30,998	32,872	1,874	6.05%
Strategy & Resources	5,137	4,917	(220)	(4.28)%
Finance & Systems	8,169	8,256	87	1.07%
Governance & Community Strategy	6,310	6,617	307	4.87%
Total Directorate Budgets (*)	164,485	167,998	3,513	2.14%
Council-wide budgets	28,087	25,486	(2,601)	9.26%
Net Service Expenditure variance	192,572	193,484	912	0.47%
Funding				
Business Rates	(68,540)	(68,540)	0	
Council Tax	(112,601)	(112,601)	0	
Reserves Budget Support	(4,334)	(4,334)	0	
Reserves to Support COVID-19	(7,097)	(7,097)	0	
Funding variance	(192,572)	(192,572)	0	0.00%
Net Revenue Outturn variance	0	912	912	0.47%
Dedicated Schools Grant	157,129	157,853	724	0.46%

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

- **Children’s placements** £350k overspend largely due to the service costs of a small number of high cost placements.
- **Home to School Transport** pressures of £980k due to the continued increase in demand in passenger numbers, additional costs for fuel and complexity of cases.
- **Adult placements** continue to be break-even, however assumptions on demand remain uncertain; a contingency balance of £750k has been included for future demand.
- **Adults Hospital Discharge Programme** – COVID related national funding for this budget has been removed and local budgets, managed through a Section 75 Agreement between the Council and the former Trafford CCG, are required to sustain the current operating model. A one-off support fund was established from the 2021/22 outturn whilst the model is reviewed. Current projections are that there are sufficient monies within this fund to cover projected costs in the current year.
- The recurring budgets are not thought sufficient to support the current level of demand and this remains a key risk for the provision of service in this area for 2023/24 onwards. In recognition of this risk, on 22 September 2022, the Care Secretary and Deputy Prime Minister, set out the government’s ‘Our Plan for Patients’ to improve access to the NHS and social care, this winter and next. To help people get out of hospitals and into social care support, the government is launching a £500 million Adult Social Care Discharge Fund. The full details of the scheme have yet to be announced, however it is likely that this will

have a neutral impact on the Council's budget as the resource will be used to offset additional costs.

- **Strategic Investment Programme** – The Strategic Investment Property Portfolio is expected to deliver a net benefit to the revenue budget in 2022/23 of £5.67m. This is £1.56m lower than budget due to economic factors affecting some of the income particularly from the town centre investments.
- **Impact of COVID-19** – There continues to be nothing to suggest that the impact of the pandemic is having any adverse pressure on income from Sales, Fees and Charges in this early monitor. ***The balance of the centrally held COVID-19 contingency budget of £1.5m has therefore been released in full as previously reported.***
- Staffing budgets across all service areas are forecast to underspend by £761k. This was an area of significant underspend in 2021/22 largely due to difficulties in recruitment and the management controls introduced in the year. At this stage in the year, assumptions have been made that vacant posts will be filled, however this remains an area for review in managing the overall future budget gap.
- **Schools DSG**

The overspend on the schools DSG budget is now £725k which is mainly due to additional funding being allocated to the high needs block and an underspend in the growth fund;

The High Needs Block (HNB) still has significant pressures and work continues to take place on this with a HNB sub-group of the funding forum which is working on a report to summarise options for longer term savings;

In addition to this work a DSG Deficit Recovery Plan is currently underway and will be finalised by the end of October 2022. This will include the options for longer term savings and assist in future planning.

2.3.4 Inflation, Energy and Cost of Living Impact

The Consumer Price Index (CPI) rose by 10.1% in the 12 months to July 2022, which represents a 40 year high. There is particular concern in relation to energy prices, contractual inflation from companies in our supply chain and the impact of the 2022/23 local government pay award.

Not only does the escalating level of inflation pose a risk to the in-year position, where solutions need to be found to contain any pressures within existing resources, but also the impact on the Medium-Term Financial Plan and increase in the budget gap in future years.

At this stage our working assumption on the impact of the various inflation pressures in 2022/23 continues to be that a prudent figure of £6.0m would be needed. Representations have been made to Government with regards the impact in 2022/23 and anticipated ongoing implications. Pending the outcome of discussions with the Government,

as a precaution during the 2021/22 year end closedown, the opportunity was taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23 pressures and a balance of £3.0m was transferred from the Budget Resilience Reserve. To alleviate the in-year inflation pressures further, a figure of £1.0m could be released from the central contingency budget of £1.7m, to arrive at a resource of £4.0m, although this would leave no flexibility for other unknown pressures during the year.

2.3.5 Collection Fund Council Tax - As at Period 4, there is a favourable outturn on the Council Tax element of the Collection Fund. This is largely due to better than expected collection of historic debt.

2.3.6 Collection Fund Business Rates - As at period 4 a number of movements associated with the level of historic appeals, better collection rates of historic debt and the renegotiated growth pilot sharing agreement with GMCA have resulted in a favourable movement compared to budget.

2.4 Impact on Future Years

2.4.1 Despite continuing efforts to control expenditure and uncertainties in the forecasts, there are a number of areas where evidence of pressures is sufficiently robust to provide additional resource or reinforcement of our existing MTFs assumptions. Therefore the draft budget plans for 2023/24 have been reviewed in the following areas :-

- Service Pressures – an additional £1.5m has been added to accommodate the broad pressures associated with Home to School Transport and Children’s placements.
- Additional pressures associated with the 2022/23 local government pay award, contractual and energy inflation.
- The release of the favourable outturn from Council Tax and Business Rates.
- Recurrent staffing vacancies indicates a possible permanent saving area.

And furthermore, support of our existing plans already assumed in our MTFs:-

- As no evidence of recurrent pressures emerges, the removal of the £1.5m one off COVID-19 contingency budget from 2023/24.
- The recurrent shortfall in the Asset Investment Strategy, acts as further evidence to reduce the net budgeted income by £1.5m in 2023/24 and £0.5m in each year thereafter.

2.4.2 The outturn position for 2022/23 will be considered further before final budget proposals are brought back to the Executive in February 2023.

3. Budget Assumptions

3.1 The components of the budget gap

3.1.1 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.

3.1.2 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.

3.2 Events impacting the budget assumptions

3.2.1 Any update to the MTFP relies on many assumptions on future activities and forecast of demand. There has been an unprecedented level of change and uncertainty in the wider financial landscape, initially exacerbated by the COVID-19 pandemic and more recently the escalating cost of living crisis and the changes in the Government leadership. The level of uncertainty looks set to continue in the medium term and the situation and assumptions made in the update to the draft budget for 2023 to 2025 contain a high level of uncertainty, much of which is outside the control of the Council.

3.2.2 At the last Spending Round (2021) on 27th October 2021, the then Chancellor announced headline numbers for government departmental spending for the three years 2022/23 – 2024/25. The Local Government Provisional Finance Settlement, announced in December 2021, was subsequently met with some disappointment due to the lack of clarity given to local authorities over future years budgets with only 1 year being announced (2022/2023). There was a promise of consultation on significant financial reform early in 2022; albeit this has not transpired.

3.2.3 Mini Budget – The Growth Plan 2022 - On 23 September 2022, the Chancellor announced in the mini-budget “The Growth Plan 2022”, which was themed around the headlines of significant tax cuts to provide the stimulus for long term economic growth. Initial judgement is that this is not good news for public spending, given that such growth is a medium term objective, and public spending will not increase beyond current plans. This would leave local authorities having to work within the current resource envelope, with social care perhaps the only exception.

On 31 October, the Chancellor will set out his Medium-Term Fiscal Plan detailing the government’s fiscal rules, including ensuring that debt falls as a share of GDP in the medium term. The Chief Secretary to the Treasury stated the government is sticking to spending settlements for this spending review period (SR21).

A worst-case scenario is that the Chancellor has to make cuts to Spending Review 2021 (SR21) funding allocations. This is the logic of a fiscal policy with tax cuts and little or no economic growth in the short term. The Chancellor is likely to face a choice between increased debt or cutting spending plans.

Funding for social care is the one exception where funding may increase. During the Conservative leadership election, the new Prime Minister promised to reprioritise funding from the NHS to social care in recognition of the pressures in the hospital discharge programme due to lack of capacity and funding for social care.

There are no new spending commitments in the Growth Plan. The reversal of the Health and Social Care Levy will not affect the £13bn funding commitments for the NHS and social care over next two years. The Chancellor “confirmed funding for health and social care services will be protected and will remain at the same level as if the Levy were in place”.

In a statement on 22 September 2022, the Health Secretary, Therese Coffey, announced what appears to be the first tranche of a rebalancing between the NHS and social care, with a £500m Adult Social Care Discharge Fund to support discharge from hospital into the community.

Although we are awaiting full detail of how the new fund will operate, it seems very likely that there will not be any new money, and that local NHS bodies will have to share some of their additional funding with local authorities to deliver more social care.

3.2.4 At this stage a number of assumptions have been made using the previous settlement and a sector wide judgement on delayed timescales for the promised significant financial reform such as Business Rates Reset and Fair Funding Reform. The outcome of the review along with other assumptions, such as issues as inflation and their impact on the Council’s budget plans, include :

3.2.5 Fair Funding Review – This was a complete review of the relative needs and funding required by different councils to fund their services. Consultation was expected in early 2022 but was not released. It is assumed the new methodology will now be effective from 2025/26. Based on the provisional

consultation at the time, a reduction in resources of £0.5m per annum was anticipated starting from 2023/24. The re-phasing has benefited 2023/24 and 2024/25 by £0.5m in each year.

3.2.6 Business Rates Retention Scheme – Since 2017/18 Trafford has been part of the Greater Manchester 100% Business Rate Retention pilot. This scheme 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. Consultation on the scheme, including the future of pilots and reset, was expected in early 2022; as with the Fair Funding Review this has been delayed. Assumptions included in our plans are :-

- The business rate reset will be postponed until 2025/26. On the face of it, deferring the business rates reset is positive news for Trafford as any reset will put at risk most of the benefit the Council currently receives from business rates growth rewards. However, it should be noted that there is a significant risk associated with the financial reliance of business rates and the lack of clarity on the future changes which are now expected to take place from 2025/26. In which case the immediate benefit from the rates reset being postponed from 2024/25 is assumed as neutral in our plans for that year.
- 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 annual budget for business rates includes a provision which is set aside to cover businesses who successfully appeal against their charge. A review of the historic trend is indicating that the annual amount set aside can be reduced, alongside a reduction in the accumulated historic provision. The benefits will be released in 2023/24, however a smoothing reserve will be used to deliver the benefits of the one-off element over a period of three years 2023/24 to 2025/26.
- The Government has on several occasions frozen the Business Rate Multiplier (frozen at previous year rate or capped at 2%) which is applied against the rateable value of business properties. The Council receives S31 compensation from the Government to reflect the loss of income, as the decision to freeze the Small Business Rates Multiplier is part of a national policy. The compensation has been uprated using either the Consumer Price Index (CPI) or the (higher) Retail Price Index. Given the material increase in inflation and the difference between RPI and the lower CPI, there is significant uncertainty if the Government will continue to freeze the multiplier, as it has since 2020/21 or move to a cap (ie maximum increase of say 2%) and more importantly the level of compensation it will offer (RPI/CPI or lower). Our assumptions are based on the Multiplier being capped at 2% rather than frozen at the 2020/21 rate and a level of compensation of 6%.

- A renegotiation of the 100% pilot sharing agreement in 2021/22 resulted in a greater share of the benefits being retained by the local councils, the benefits of which have been reported in the 2021/22 outturn report and the 2022/23 budget monitoring reports. It is anticipated that the Growth Pilot and the amended sharing agreement will continue into 2023/24. The 2023/24 benefit will flow directly into the rates budget assumptions, whilst the benefit from 2021/22 and 2022/23 form part of the general fund outturn and will flow through the Budget Support Reserve.

3.2.7 Social Care reforms which will see the cost of care capped, changes to the means test and market sustainability/fair cost of care, which will harmonise LA and private rates, and pay a “fair” rate which covers actual operating costs plus a reasonable profit. Additional funding totalling £5.4bn was previously announced over the next three years, most of which was being met from an increase in Social Care National Insurance Levy contributions.

Although the increase in funding may be significant, it will also be coupled with new burdens. Local authorities will incur additional costs due to changes in the contribution an individual will make towards their costs. This means that local authorities will have to fund a greater proportion of care costs which are currently paid for by self-funders. Further to this there will be an increase in costs due to market sustainability/ fair cost of care as self-funders will be able to ask their local authority to arrange care on their behalf so that a better value of care can be sought.

In the MTFs we have assumed that the reforms are cost neutral to the Council overall. It should however be noted that many Councils are starting to identify significant shortfalls between expected funding levels and the likely cost of these reforms. The Local Government Association have formally written to the new Prime Minister raising these concerns.

On 22 September 2022, the Chancellor of the Exchequer announced the reversal of the Social Care National Insurance Levy, and also confirmed that it will not affect the previously announced quantum of funding. Furthermore, there was an indication in the leadership campaign that resources, within the £5.4bn initially focused on clearing NHS backlogs, may be reprioritised towards local government budgets in order to support those needing social care support.

Although the removal of the NI Levy is welcome news, as the Council will now pay a lower employer contribution, it should be noted that additional grant resource was also provided to local authorities to neutralise the impact of the levy; it is likely the reduction in the levy will be offset by a reduction in grant support.

3.2.8 Hospital Discharge Programme – On 22 September 2022 the Government announced their “Plan for Patients” which will inject £500 million of additional funding into adult social care to help people get out of hospitals and into social care support during this winter and next. The Adult Social Care Discharge Fund will help speed up the safe discharge of patients from hospital this winter to free up beds as well as helping to retain and recruit more care workers.

With 13,000 patients in beds who should be receiving care in the community, this will improve the flow in emergency departments and help reduce ambulance delays

The details of the scheme have yet to be announced, however it is likely that this will have a neutral impact on the Council's budget as the resource will be used to offset additional costs.

3.2.9 National Living Wage (NLW)/ Real Living Wage (RLW) and Fair Price for Care

In addition to the reforms above, 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. Budget assumptions have been bolstered over three years to reflect projected increases in energy costs and in the NLW to reach the proposed target for external care staff by 2025/26.

In addition, in line with the Council's aspiration of paying all providers at the RLW, an additional £1.5m has initially been included in our plans from 2024/25 to cover increases for suppliers of social care staff. This figure may need to be updated given the recently announced increase of 10.1% in RLW for 2023/24 on 22 September 2022.

The impact on meeting the RLW for all other suppliers has not been included in our plans at this stage and will be considered once a market impact assessment has been concluded by our procurement service.

3.2.10 Inflation - The escalating levels of inflation have been well documented with the Consumer Price Index (CPI) increasing by 10.1% in the 12 months to July 2022, which represents a 40 year high. The Bank of England had forecast inflation to remain high, with a peak of over 13% before reaching a figure in the region of 2% over the next 18 months. These rates are now being revised downwards, to a range of 5% to 7% in 2022/23, given the recent intervention on the energy price gap.

High levels of inflation are 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 include a pay award at 4% for 2023/24, plus a further 4% related to the additional costs of the 2022/23 pay award. Contractual inflation has been assumed to average 8% in 2023/24 with energy inflation being increased by 200% before tapering down over the last two years of the MTFS. The Government recently announced support towards the escalating cost of energy under the Energy Bill Relief Scheme (EBRS) scheme which provides price cap protection for non-domestic users for a period of six months from October 2022. The six month review may result in a positive movement from the figures assumed in the draft.

3.2.11 Pay and Pension – in addition to the inflation increases mentioned above, the regular tri-annual actuarial pension valuation is due later this year. Initial

indications suggest potential for a small reduction in employer contribution rates with the formal announcement expected later in the autumn.

3.2.12 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.

3.2.13 Current Year Estimated Outturn – the regular period budget monitoring is used to highlighted potential service pressures which could be considered recurrent and required additional resource to be added in 2023/24.

3.2.14 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 2022 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** – No assumptions had previously been made on inflationary uplifts; however, we now expect a level of inflation to be applied.
- **Lower Tier Services Grant and a Services Grant** - Although the Services Grant allocation method was stated as one off when it was announced in 2022/23, it was indicated that the funding will remain in local government in future years. We anticipate that both grants this will continue until the Fair Funding Formula review is implemented in 2025/26. No change from previous assumptions.
- **Social Care Grants** - The recently appointed Prime Minister made it clear in pre-nomination debates she wanted to increase funding for social care, although was unclear about how much and when. There has been additional funding for adult social care in every year since 2015-16. Social care grants (for adults and children's services) have increased by at least £500m in every year. The smallest increase was £500m in 2020-21, the largest £1.2bn in 2017-18. An assumption of an additional £500m nationally in 2023/24 and 2024/25 has been made and would result in approximately £2.0m per annum.
- **Settlement Funding Assessment** – This element of the core funding was historically increased by the uplift in the Small Business Rate Multiplier (SBRM) which is based on the September Consumer Price Index (CPI). As mentioned in the previous paragraphs the Government has frozen the increase in SBRM since 2020/21 and has provided the Council with S31 compensation grants to cover the loss of income. It is not clear if the Government will again freeze the SBRM and at what level it will offer compensation. Assumptions have been included in the business rates figures above.

- **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)** – The uplifts in RSG have varied over recent years from being frozen to increases in Retail Price Index (RPI) and most recently CPI in 2022/23. Our assumptions include an uplift in line with an estimated of CPI at 10.05% (July 2022 rate). The benefit of this will feed through the business rates model.

3.2.15 Council Tax – Council Tax referendum limits for local authorities are in line with those outlined in Spending Review SR21. There will be a core council tax referendum principle of up to 2% for unitary authorities; and an adult social care precept of 1% on top of the core principle.

It could be anticipated that the high level of inflation may result in the referendum limits being increased at the next SR, however as the increase in Council Tax is used within the calculation of CPI it is likely that an increase will be avoided. The Government may offer some form of compensation; however, no assumptions have been made in our plans.

Other assumptions relating to council tax include, growth in our taxbase for new properties, of +1% in each year, a positive outturn above expectations in 2021/22 (£0.99m) plus any estimated outturn in 2022/23 (currently neutral). A review of the provision set aside for bad debt is expected to deliver £0.25m. A review of the level of discretionary discounts relating to empty properties is currently being consulted on and could deliver £0.5m per annum from 2023/24.

3.2.16 Income from the Asset Investment Strategy – The income generated from the investment programme is a key element of the MTFS with a net budget contribution of £7.23m in 2022/23. 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 by £2.5m over the three years of the MTFS.

There is however an expectation that as some investments which are due for planned repayment by third parties over the next three years will be replaced by pipeline of investment opportunities. A figure of £2.2m is included in the MTFP to represent the need to identify replacement opportunities; this is included in our savings programme.

3.2.17 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.

Options are being considered to review the treasury management financial assumptions where it is prudent to do so and it would remain within the parameters of the guidance. In addition, changes will reflect recent changes in the Bank of England's Monetary Policy Committee forecasts relating to future increases in base rates.

3.2.18 **Treasury Management Strategic Investment Income from Manchester Airport Holdings (MAH)** - prior to the pandemic the Council budgeted for £5.6m of dividend income from our strategic investments in MAH. The impact the pandemic has had on the aviation industry is well documented and although a full recovery is expected, the uncertainty of the longer term economic impact of the pandemic makes budget forecasting difficult. A contribution from reserves was used in both of the financial years 2021/22 and 2022/23 in recognition of the temporary loss of income from the dividend. The removal of the one off reserve contribution in our 2023/24 plans is therefore a contributing factor to the accumulative budget gap. Due to the evolving wider economic uncertainty, the income from our MAH investments has only been included in our long term plans from 2026/27, a year later than previous assumptions.

3.2.19 **Schools DSG Deficit** - New provisions were put into regulations at the end of 2019/2020 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.

3.2.20 This override is ending on the 31st March 2023 and if not extended, the in year deficit outlined at in section 2 plus the balance brought forward of £0.068m would need to be met from the Council's general fund. There has been a request by DLUHC for submissions from Local Authorities on the impact this would have on general fund budgets. This has been provided and we are now awaiting the outcome. **Our assumptions are based on the override continuing and being met from future DSG with no impact on the general fund.**

3.3 Summary on assumptions

3.3.1 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, is causing perhaps one of the most difficult planning periods the Council has ever faced. 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.

3.3.2 Recent Government policy is refocusing on reducing the tax burden in order to stimulate government tax receipts over the medium term. A mini budget was delivered on 23rd September, however until any further fiscal statement and the provisional settlement is announced in December, the level of resources to support Local Government will remain unclear. It is likely that a rollover of existing resources will be the only option available to the Government, given the complexity and lead time to deliver significant change in policy. Resources

may be redirected or rephased to pressure points, such as the NHS discharge programme and Social Care Reform.

4. Bridging the Budget Gap

This section identifies: -

- The components of the budget gap as they stood at February 2022
- The revised budget gap for 2023/24 and later years taking into account the assumptions identified in the previous section.
- The draft set of budget proposals to address the budget gap.

4.1.1 The MTF5 position reported to Council in the February 2022 Budget Report showed a net budget gap for 2023/24 of £15.7m and 2024/25 of £2.7m.

4.1.2 The components of the gap, as they stood at February 2022 are shown in the table below

	2023/24 £'000	2024/25 £'000
The Budget Gap February 2022		
Base Budget Pressures		
Pay	1,618	1,651
Fair Cost of Care	3,449	1,926
Inflation - General, Contractual	2,399	2,461
Demographics/ Care Costs	2,500	2,500
Grants, Legislative & Service Transfers	(1,322)	0
Treasury Management	100	0
Treasury Management (MAH)	0	0
Strategic Investment Programme	3,300	870
Short Term COVID-19 Service Pressures (Covid contingency)	(1,500)	0
Levies	487	493
Reversal of One of Savings in 22 23	534	0
Other	2,245	750
Base Budget Pressures	13,810	10,651
Base Budget Funding Changes		
Growth in Tax Base +1% pa, Changes in Rates, Fairer Funding	(2,523)	(2,440)
Remove Prior Year Funding from Reserves (*)	11,431	0
Change in Base Budget Funding	8,908	(2,440)
Gross Budget Gap	22,718	8,211
Gap Closed by Policy Choice Proposals (at Feb 2022)		
1.99% Increase in basic Council Tax	(2,266)	(2,390)
1% Increase in Social Care Precept	(1,139)	(1,184)

Income and Efficiency Savings at Feb 22	(3,616)	(1,941)
Total Policy Choice Proposals	(7,021)	(5,515)
Total Budget Gap February 2022	15,697	2,696

(*) reserve contributions included £7.1m associated with COVID-19 pressures including £5.6m temporary loss of income from dividend income from investments in Manchester Airport Holdings

4.1.3 If the proposed increases in Council Tax and prior year savings programme are excluded this gave a gross budget gap of £22.71m for 2023/24 and £8.21m for 2024/25, totalling £30.93m

4.2 Updated Budget Gap

4.2.1 Since February the Medium Term Financial Strategy has been updated and expanded from the previous three year timeframe to five years and now includes the financial years 2026/27, 2027/28. This has enabled the potential ongoing pressure of the pandemic and impacts of major changes, such as the business rate reset, to be modelled over a more relevant period. The focus of the budget report will however remain to be the next one to three financial years.

4.2.2 The position has also been updated to reflect changes in budget assumptions such as the escalating levels of inflation, service related growth and demographic pressures and changes in non-policy choice funding assumptions, such as the delay of the fair funding review until 2025/26. This has increased the gap from £42.0m to £45.89m over the three year period with £25.82m relating to 2023/24. A full breakdown of the changes to the budget gap are detailed in Annex B and summarised below :-

<i>Budget Movements</i>	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	Total (£'000)
Gross Budget Gap before Feb 22 Savings and Policy Choice Funding Proposals	22,718	8,211	11,072	42,001
Movements in Funding BAU	(11,060)	4,389	527	(6,144)
Movements in Budget Assumptions (BAU)	14,161	(3,024)	(1,104)	10,033
TOTAL BUDGET MOVEMENTS	3,101	1,365	(577)	3,889
REVISED GROSS BUDGET GAP (Oct 22)	25,819	9,576	10,495	45,890
ACCUMULATIVE BUDGET GAP (Oct 22)	25,819	35,395	45,890	

4.2.3 Business As Usual Pressures :-

The main features are detailed below with a summary of the base budget assumptions shown in Annex A along with a Subjective Budget Analysis in Annex D:

Expenditure Pressures

- **Pay - £5.85m in 2023/24, £9.35m over three years.** 2023/24 includes the additional costs of the 2022/23 provisional pay award (approximately 6% against budget 2%) £3.3m above budget and an estimate of 4% for the 2023/24 pay award. This is £1.6m or 2% above our previous assumptions. A core provision for a 2% increase has been assumed for all other years. A reduction of £0.7m in 2023/24 has been included for an anticipated reduction in employer pension contributions following the tri-annual valuation. **An additional pressure of £4.23m in 2023/24.**
- **National Living Wage, Real Living Wage and Fair Price for Care - £8.35m in 2023/24, £13.42m over three years.** This covers projected increases in the NLW to reach the proposed target for external care staff by 2025/26, £6.0m relates to 2023/24. A further £2.4m in 2023/24 relates to additional funding from the Social Care Reform grant to pay for the fair price of care reforms. **A combined additional pressure in 2023/24 of £4.9m over previous assumptions.**

The figures for 2024/25 include an additional £1.5m, for social care suppliers, in partial reflection of the Council's aspiration to reach the hourly rates set out under the Real Living Wage.

- **Inflation General and Contractual £8.17m in 2023/24 and £11.10m over three years.** Inflation has been revised upwards to an average of 8% in 2023/25 adding an additional pressure of £2.58m. Future years have been assumed at 3% in 2024/25 before dropping to 2%. Inflation relating to energy has been identified separately, our assumption includes a 200% increase in energy inflation an additional £3.2m in 2023/24. **A combined additional pressure in 2023/24 of £5.78m over previous assumptions.**
- **Levies:** includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £0.487m in 2023/24 or £0.980m over three years. **No change from previous assumptions.**
- **Demography-** an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care with £2.5m in each of the three years of the plan. **No change from previous assumptions.**
- **General and Service Grants £3.97m in 2023/24 and £7.27m over three years** – Additional grants in 2023/24 relating to Social Care Reform (Fair Price of Care) £2.4m in 2023/24, plus an assumed share of general social care grant of £2.0m in both 2023/24 and 2024/25 and indexation of Improved Better Care Fund £0.65m in each year. All other grants assumed to continue at existing levels. **Additional grants in 2023/24 of £2.65m over previous assumptions.**
- **Treasury Management Strategic Investment Income from Manchester Airport Holdings (MAH)** – No expectation of any dividend income over three years, assumed reinstated in 2026/27, one year later than previous assumption.

- **Income from the Asset Investment Strategy** – A reduction of £3.3m in 2023/24 and £4.67m over three years. £1.8m in 2023/24 relates to pressure as investments are repaid to the Council. A requirement to replace these with new opportunities is presented within the savings programme. A further £1.5m in 2023/24 (£2.5m over three years) relates to reduced reliance on the programme. **No change from previous assumptions.**
- **Short Term Covid Pressures** – 2023/24 £(1.5)m reduction - this represents the removal of a one off contingency budget established during the pandemic to cover any unforeseen pressures. **No change from previous assumptions.**
- **Reversal of One off Savings Targets from Previous Year** - £0.53m in 2023/24, £0.53m over three years – reinstatement of pressures associated with prior year one off/non recurrent savings.
- **Other Changes £4.17m in 2023/24, £5.19m over three years.** The pressure in 2023/24 includes pressures of £1.5m identified in the current year period monitoring, largely related to home to school transport, which are likely to be recurrent. A rescheduling of a home care sustainability project at £1.0m, a potential loss in SLA income previously received from the CCG of £0.3m, £0.25m relating to amendments in social care charging following a legal review and £0.67m has been added to the general contingency to accommodate potential future uncertainty and a figure of £1.0m in 2025/26 relating to potential long term ICT funding.

Funding Pressures

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

- **Collection Fund Council Tax (Non-Policy Choice)** -: assumptions include anticipated growth in the tax base +1% in each of the years of the plan; no change from previous assumptions. Collection of historic debt, a one-off benefit of £0.25m in 2023/24. Discretionary discounts relating to empty properties £0.5m per annum from 2023/24. The positive outturn above expectations in 2021/22, an addition one off benefit of £0.99m. **Total additional benefit 2023/24 £1.75m above previous assumptions**
- **Business Rates** –The Council has a budget for Business Rates of £62.46m in 2022/23 and a forecast of £79.25m in 2023/24. The changes from previous assumptions include a delay in the Fair Funding Review, a reduction in the annual amount set aside for the provision for appeals, a release of the better than expected outturn in 2022/23 along with increased benefits from the continuation of the renegotiated sharing agreement with GMCA in 2023/24, the indexation in baseline funding and retained business rates reflecting an increase due to inflation. The additional benefit from the renegotiated sharing agreement relating to 2021/22 and 2022/23 totalling £4.8m will be directed via the Budget Support Reserve in two tranches of £2.5m in 2023/24 and £2.3m in 2024/25. **Total additional Benefit 2023/24 £14.11m above previous assumptions.**

4.2.4 **Reserves** - Use of reserves to support the budget in 2022/23 amounted to £11.43m made up from £4.33m Budget Support Reserve and £7.1m COVID-19 General Reserve; because reserves are a one-off resource this means that their removal adds to the gap in 2023/24.

4.3 Meeting the Gap

4.3.1 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 2023/24 can be found in Annex C. The proposals for year 2 and 3 of the programme will be included in the final budget report as these are developed more fully over the next few months.

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

(*) Subject to council tax referendum principles for 2023/24 – to be announced in December 2022.

4.3.2 The value of savings proposals in the report are currently valued at £18.15m over the three year period, with £11.39m planned in 2023/24. This still leaves a budget gap of £8.52m for 2023/24 and a continuing challenge beyond that.

4.3.3 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 12 years of service cuts and therefore the ability to absorb further reductions in service provision becomes increasingly difficult.

4.3.4 It is imperative that the Finance and Change Programme continues the momentum gained over previous months and identify further opportunities to make recurrent budget savings to address the remaining gap. Whilst there will be a further national budget announcement on the 30 October 2022 and the provisional local government finance settlement in December, it is not prudent

to rely on these to provide an answer and therefore further work will continue at pace in the following areas:-

- The continuation of scoping and business case development for a number of areas of potential savings that are already identified. Most notably this includes an external review of the Council’s learning disability service;
- A system wide review of the provision of discharge to assess bed provision to ensure the most optimum and cost efficient service;
- A review of vacancy management protocols which will involve temporary freezes on vacancies in all back-office service areas. This will be trialled during 2022/23 to determine the operational impacts and the level of savings which could be derived.
- Consideration to other changes to staff terms and conditions;
- A review of contract management and procurement arrangements, initially through STAR procurement, to develop a three-year plan targeting efficiencies through collaborative procurement;
- A review of existing and potential enforcement activity that could support the alleviation of congestion; any income would be used to invest in our existing infrastructure and to support active travel;
- A review of activity across a number of areas including commissioning, business support and remaining discretionary services;
- Review of Combined Authority budget contributions.

4.3.5 Based on current assumptions and proposals the 2023/24 net budget will increase by £16.58m or 8.6%, from £192.57m to £209.15m.

4.3.6 A full Subjective summary providing a breakdown of the 2023/24 net budget can be found in Annex D and an Objective summary below.

Budget	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
<u>Service:</u>			
Children’s Services	46,565	47,361	47,555
Adult Services (incl. Public Health)	76,757	80,391	83,081
Place	37,084	36,833	37,808
Governance and Community Strategy	6,324	6,487	6,650
Finance and Systems	8,463	8,721	9,914
Strategy and Resources	5,186	4,879	4,959
Total Service Budgets	180,379	184,672	189,967
Council-wide Budgets	28,771	28,619	28,483

Net Budget	209,150	213,291	218,450
Funding:			
Council Tax	(118,879)	(122,787)	(127,444)
Business Rates: Local Share	(150,194)	(153,199)	(156,263)
Business Rates: Tariff Payment	94,943	96,443	98,749
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(24,000)	(20,212)	(16,988)
Fairer Funding Assumptions	0	0	500
Funding	(198,130)	(199,755)	(201,446)
Movement in Reserves			
Budget Resilience, Innovation and Change Reserve	(2,500)	(2,300)	0
Movement to/(from) Reserves	(2,500)	(2,300)	0
Cumulative Budget Gap	8,520	11,236	17,004
Annual Budget Gap	8,520	2,716	5,768

5. ROBUSTNESS, RISKS & RESERVES.

5.1 Robustness and Risks

- 5.1.1 The law requires that the Council sets a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.
- 5.1.2 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget needs only be sufficient to meet overall expenditure requirements.
- 5.1.3 Under the Local Government Act 2003, the Director of Finance and Systems is required to prepare a report, for use when the Council is deciding its annual budget and council tax, on the robustness of the budget and the adequacy of the Council's reserves. It is for this reason that it is recommended that reserves are reviewed on an annual basis ensuring the judgements on the adequacy of reserves are informed and remain appropriate particularly in relation to the potential impact of new risks and financial challenges faced by the Council.
- 5.1.4 The detailed review, which will be reported upon as part of the final budget report will consider :
- The rationale for holding each reserve;
 - Whether the approved commitments for the use of each reserve are still needed;
 - Whether the level of the Council's reserves remains appropriate to provide resilience against the financial risks and challenges facing the Council;
 - Whether the existing reserves need to be reclassified to meet the Council's corporate and strategic objectives over the MTFP period;
 - Whether any new reserves need to be created to meet the Council's corporate and strategic objectives going forward; and
 - The use of the Council's outturn surplus to replenish existing reserves and/or create new reserves.

5.2 Classification

- 5.2.1 For ease of management, reserves have been grouped into nine categories as follows:-

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

5.3 Balances

5.3.1 The Council's usable reserves at 31st March 2022 stood at £154.12m, of which £69.09m relates to Earmarked revenue reserves as shown below. The projected usage over the next three years has been provisionally estimated, however these will be subject to a detailed review before the final budget is concluded.

	Opening Balance 1/4/2022	Estimated Balance 1/4/2023	Estimated Balance 1/4/2024	Estimated Balance 1/4/2025
<i>Usable Reserves</i>	£m	£m	£m	£m
MTFP Budget Resilience and Change	11.65	16.45	12.45	10.15
Smoothing and Business Risk	18.85	15.62	16.88	13.21
Strategic Priority	11.60	8.70	6.97	7.56
Corporate	1.00	1.58	0.21	0.00
General Reserve	9.50	9.50	9.50	9.50
Service Area Priorities	16.49	9.68	6.71	3.81
Earmarked Reserves (exc COVID)	69.09	61.53	52.72	44.23
COVID-19 Reserves	48.14	(8.41)	0.00	0.00
Capital Related Reserves	22.65	15.69	15.69	15.69
School Related Reserves	14.24	14.30	14.30	14.30
Total Usable Reserves	154.12	83.11	82.71	74.22

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

5.4 Using Reserves to Support the Budget

- 5.4.1 Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option but it is not prudent for these reserves to be deployed to finance recurrent expenditure. Holding these types of reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience.
- 5.4.2 The impact of COVID-19 demonstrated the importance of maintaining sufficient reserves and their application has gone some way 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. The ongoing economic uncertainty has also highlighted the importance of maintaining an adequate level of reserves associated with significant income streams such as business rates and the strategic investment programme.
- 5.4.3 Although the Council has significantly lower levels of reserves than its neighbours, the ability to redirect these resources to support our budget and finance and change programme has never been so critical in Trafford's history and therefore any decision around the use of Earmarked reserves to support its budget decisions has not been taken lightly.
- 5.4.4 The level of Earmarked reserves the Council holds is in part reflective of the past funding levels of the Council in comparison to its need to spend. This means that, as the lowest funded Council in Greater Manchester, it has accumulated one of the lowest levels of Earmarked reserves. Should the

recurrent impact of the pandemic and the cost of living crisis be higher or last longer than anticipated and into future years, the level of remaining reserves will be insufficient to meet such a scenario.

5.5 Main Reserves Initial Observations at Draft Budget Stage

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

MTFP Budget Resilience and Transformation Reserve

- **Budget Resilience, Innovation and Change (BRIC) Reserve** - This reserve had a brought forward balance of £11.65m at 1st April 2022 of which £4.33m is committed to support the 2022/23 budget.

The reserve will be bolstered by £9.14m during 2022/23 in line with our budget plans which include:-

- a release from the Collection Fund, relating to the better than expected outturn in 2021/22 from Council Tax £1.05m and Business Rates £3.8m,
- £2.3m additional benefits in 2022/23 from the amended business rates growth pilot sharing agreement with GMCA.
- a contribution from revenue budget provision of £0.5m, which was established to replenish reserves used to support pressures during the pandemic
- £1.5m anticipated windfall from GMCA relating to reduced Waste Levy and energy from Waste.

This will give an estimated balance at the end of 2022/23 of £16.45m.

Commitments from this reserve will include the following :-

- A figure of £1.5m has been included to support the Finance and Change Programme in 2023/24.
- The current in-year budget monitoring position as at period 4 is a projected overspend of £6.91m which includes an estimate for service pressures of £0.91m and inflationary pressures of £6.0m. It is still relatively early in the financial year to predict the outturn with 100% accuracy, and in addition if the Government will provide further support to relieve some of the inflationary pressure. In the event that the outturn cannot be brought back in line, then an element of this reserve balance will need ring-fencing for this.
- Our draft budget plans include support of £2.5m in 2023/24 and £2.3m in 2024/25 largely associated with the release of the Business Rates items mentioned above.
- The smoothing of the remaining budget gap over the course of the MTFP, pending the outcomes from the Innovation and Change Programme to deliver a balanced budget.

Smoothing and Business Risk

- **Business Rate Risk Reserve** - This reserve represents the biggest reserve under the category of Resilience and Smoothing at £5.93m at 1st April 2022. The reserve will also be used to smooth the estimated benefits from our review of business rates appeals in 2022/23 which will be used to support our budget plans in 2024/25 and 2025/26 as set out in the draft MTFP. The balance will increase by £4.2m in 2023/24 when the appeals provision is released and reduce by £2.2m and £2m in 2024/25 and 2025/26 to support the budget.

The Council has a budget from Business Rates income of approximately £79m and due to the complexities in the system such as the uncertainty surrounding the long term impact of the pandemic, a potential downturn in the general economy along with the forthcoming business rate reset, the importance of maintaining a suitable balance in this reserve cannot be underestimated. The underlying balance of £5.93m will be used to mitigate against these significant risks.

- **Inflation Risk Reserve** – As part of the 2021/22 year end close down, the opportunity was taken to create a specific Inflation Risk Reserve to help mitigate against some of the 2022/23 pressures and a balance of £3.0m was transferred from the Budget Resilience Reserve. As reported in the Period 4 monitoring report, this reserve is expected to be utilised in full in 2022/23 to meet the inflationary pressures (energy, pay award).

Strategic Priority

- **Asset Investment Strategy Risk Reserve** - this reserve is the largest reserve within the category of Strategic Priority and stood at £6.3m at 1st April 2022. The reserve was established as a contingency for potential loss of income and additional cost due to delays in the investment property programme. The flexible use of this reserve has been required during and after the pandemic due to the significant impact of delays in developer loans being drawn down and shortfalls in rental income as reported in the Period 4 monitor. It is likely that this reserve will remain a critical tool in managing the ongoing risks associated with the programme.
- **Leisure Centre Risk Reserve** – this reserve was established prior to the pandemic to manage the expected shortfall in income during the building refurbishment programme. Its use was extended during the pandemic to smooth the support required as a result of the impact on trading income. There remains a high degree of uncertainty on the ongoing trading and the impact of the building redevelopment programme and the reserve will continue to play a critical role in managing these risks.

Corporate Reserves

- **General Reserve** – The level of General Reserve incorporates risk assumptions on pay/inflation, emergency and disaster recovery

scenarios, increases in demand led budgets, savings target not being met and business rates/council tax shortfalls. It is highly unlikely that the events would occur simultaneously and the figure is calculated on a prudent basis. The balance is currently £9.5m and was based on the minimum agreed as part of the risk and resilience exercise when preparing the current budget.

Service Area Priority Reserves

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

COVID-19 Various

- **The COVID-19 Reserves** mainly relate to compensation grants received from the Government making good the shortfall in Business Rates and Council Tax income as a result of the Government's various rate and council tax relief schemes. These reserves are fully used to compensate the Collection Fund for the accumulated shortfall and cannot be used for any other purposes. A balance of £7.10m will be used in 2022/23 to support the budget in reflection of the COVID-19 pressures, largely associated with the loss of income from our investment in Manchester Airport Holdings.

5.6 Summary of initial review of Reserves

- 5.6.1 The reserve strategy set out in the previous MTFS was based on providing sufficient resource within an MTFP Budget Resilience Innovation and Change (BRIC) 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.
- 5.6.2 The fundamentals of the current reserve strategy remain in place and where the opportunity has arisen to bolster reserves, to be used to smooth the impact of the budget gap, this has been taken. This can be seen in the benefits realised from the renegotiated Business Rates growth pilot sharing agreement and the review of the Business Rate appeals provision, both of which have been directed to reserves to be drawn down to support the 2023/24 and 2024/25 budget.
- 5.6.3 The estimated forecast on the MTFP BRIC Reserve at the end of the three year MTFP currently stands at £10.1m. Given the size of the outstanding budget gap in 2023/24 of £8.5m and £17.4m over the three years, the pressure being placed on this reserve and need to deliver a sustainable savings programme at pace is all too apparent.
- 5.6.4 The core risk reserves remain in place and at previously levels, these include unknown pressures in future years associated with risk from Business Rates

uncertainty and potential shortfalls in the income derived from the Asset Investment Strategy.

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

6. Schools Funding and Budgets 2023/24

6.1 Background

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

6.2 Summary Position 2022/23

6.2.1 The projected overspend on the DSG is £724k for 2022/23 which is predominantly driven by the pressures on the High Needs Block. The majority of this is due to additional placements costs.

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

6.2.3 The Council is currently receiving an element of low-level support from the Department of Education's (DfE) who have been able to provide some advice and guidance on helping to control the growing high needs deficit. At the end of 2022/23 the accumulated high needs deficit is forecast to be at £3.1m. Discussions are at the early stages to identify the support although this is unlikely to be in the form of additional funding at this stage.

6.2.4 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.

6.2.5 A statutory override currently exists for 2022/23 which means that the DSG deficit is ring-fenced from other Council earmarked reserves. The continuation of this override has recently been consulted on but the outcome of this is still unknown.

7. CAPITAL STRATEGY AND PROGRAMME

7.1 Background

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

7.1.2 An update of the Programme was presented to Executive on 12 October 2022 which set out the updated budget for 2022/23 of £58.22m and £222.32m over the next three years.

SERVICE AREA	2022/23 £m	2023/24 £m	2024/25 £m	TOTAL £m
Children's Services	16.75	28.35	2.85	47.95
Adult Services	3.82	4.14	2.47	10.43
Place	35.79	84.88	38.60	159.27
Governance & Community Strategy	0.05	0.00	0.00	0.05
Finance & Systems	1.81	2.71	0.10	4.62
TOTAL CAPITAL BUDGET	58.22	120.08	44.02	222.32

7.1.3 A full review of the capital programme is currently being undertaken by the Capital Programme Board to ensure it aligns closely to the Council's key objectives whilst also remaining affordable within the capital resources which are available.

7.1.4 Capital resources, like revenue resources, are under acute pressure and therefore as part of the exercise it is likely to be necessary to have to review the existing criteria used to prioritise the allocation of resources to capital schemes.

7.1.5 The key priority will need to be how the programme supports the delivery of invest to save schemes which support the Council's revenue budget. Due to the limited internal resources available, in the form of capital receipts and small amounts of prudential borrowing, there is potential that some priority building works are delayed until sufficient resources become available.

7.1.6 The review will be completed over the next couple of months with the aim of developing a final capital budget plan for 2023/24 to 2025/26 which will be

considered by the Executive in November. Given the limited internal resources available it is recommended that no further commitments are made on planned projects that are financed from either capital receipts or borrowing until this review is completed.

Base Budget Assumptions

Annex A

Base Budget Assumptions	2023/24 £m	2024/25 £m	2025/26 £m
Service Expenditure			
Pay: Inflation – 2022/23 (not yet agreed)	6.00%	n/a	n/a
Pay: Inflation	4.00%	2.00%	2.00%
Pay award cost	£6.34m	£1.54m	£1.54m
Pay: Pension Inflation	-1.0%	0.0%	0.0%
	-£0.70m	£0.00m	£0.00m
Pay: Living Wage/ FPFC/Real Living Wage	£8.35m	£3.43m	£1.64m
General Inflation: Prices(*)	8.0%	3.0%	2.0%
	£0.21m	£0.16m	£0.14m
Contractual Obligations: Inflation Specific	£4.54m	£2.64m	£2.35m
Energy Inflation	£3.20m	-£1.60m	-£0.80m
Levies: Waste (GMWDA) Levy Increase/ (Decrease)	£0.49	£0.49	£0.49
Demographics:	Children	£1.00m	£1.00m
	Adults	£1.50m	£1.50m
Treasury Management			
Investment Rates	2.82%	2.42%	2.30%
Debt Rates (new debt)	4.50%	3.50%	3.10%
Funding			
Council Tax rate increase (Adult Social Care)	1.00%	1.00%	1.00%
Council Tax rate increase (Relevant Basic Amount)	1.99%	1.99%	1.99%
Council Tax base increase	1.00%	1.00%	1.00%

(*) To be reviewed before the final budget report is presented in February 2023.

Breakdown of the Movements in the Budget Gap

Annex B

<i>Budget Movements</i>	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	Total (£'000)
Gross Budget Gap before Feb 22 Savings and Policy Choice Funding Proposals	22,718	8,211	11,072	42,001
Changes in Funding Assumptions BAU				
Delay in Fair Funding Review	(500)	(500)	0	(1,000)
Business Rates Sharing Agreement benefit in 23/24	(2,000)	2,000		0
Release of Actual Council Tax Surplus Above Est 21 22	(993)	993	0	0
Review of council tax discretionary discounts	(500)	(20)	(20)	(540)
Release of collection fund bad debt provisions Council Tax	(253)	(13)	269	3
Release of collection fund bad debt provisions Rates	(250)	0	250	0
One-off release of the business rate appeals provision in 2022/23 and use of smoothing reserve	(4,814)	2,629	28	(2,157)
Inflationary Indexation of Business Rates	(1,750)	(700)	0	(2,450)
Movements in Funding Assumptions (BAU)	(11,060)	4,389	527	(6,144)
Movements in Budget Assumptions BAU :				
Pay Award 22/23 above assumed budget	3,328	64	64	3,456
Pay Award 23 24 (2% above assumed)	1,600	32	32	1,664
Energy Inflation	3,200	(1,600)	(800)	800
Impact of Inflation on NLW/RLW and Fair	4,900	1,500	0	6,400

Price for Care Calculations				
Estimate of additional ASC grants of £500m in 23/24 and 24/25	(2,000)	(2,000)	0	(4,000)
Removal of assumed growth in Corporate Contingency Budget	0	(750)	(750)	(1,500)
Additional investment in ICT	0	0	750	750
Change in Pension Contributions	(700)	0	0	(700)
Pressures in 22/23 (Children's Services home to school, Savings not met)	1,500	0	0	1,500
Impact of Inflation on contracts and services	2,575	365	0	2,940
Indexation of Better Care Fund	(650)	(650)	(650)	(1,950)
Other Budget Assumptions	408	15	250	673
Movements in Budget Assumptions (BAU)	14,161	(3,024)	(1,104)	10,033
TOTAL BUDGET MOVEMENTS	3,101	1,365	(577)	3,889
REVISED BUDGET GAP (Oct 22)	25,819	9,576	10,495	
ACCUMULATIVE BUDGET GAP (Oct 22)	25,819	35,395	45,890	

Savings and Income Proposals

Annex C

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	2023/24 £000
Children Placements	PA	Children's	A review of demand and placements for looked after children	(1,000)
Staffing Efficiencies Children's Services	PA	Children's	Review of staffing establishment outside of the main redesign programme	(45)
Troubled Families Funding/Strengthening Families	New	Children's	Continuation of the service redesign	(275)
VCSFE service/children's commissioning	New	Children's	Undertake strategic needs assessment of commissioned services and offer	(72)
Sub-Total Children's				(1,392)
Weight Management	PA	Adults	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	(31)
Liberty Protection Safeguards (LPS)/Portal – Reshaping.	PA	Adults	The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.	(101)

Bad debt provision - Adults Social Care	New	Adults	Review level of contribution to bad debt provision	(50)
Homecare	New	Adults	Rephase Council contribution once Transformation Funding ceases	(1,000)
Demographic Growth Control	New	Adults	Demographic Growth Control	(100)
Sub-Total Adults				(1,282)
Electric vehicle (EV) charging points	PA	Place	Expand number of EV charging points on a revenue share model	(100)
Strategic Investment Income	PA	Place	Investment Programme - Recycling of receipts to maintain net income at achievable levels	(1,800)
Review of operational and strategic estates	New	Place	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	(136)
Planning Fees - greater cost recovery	New	Place	Increase planning fees (subject to Government confirming an uplift in fees, which are set nationally)	(100)
Regulatory Services - cost recovery	New	Place	The cost of safety certificates / recover more from taxi tests to increase.	(25)
Reduce Place Contingency	New	Place	Removal of a contingency budget from an earlier restructure	(30)
Housing Service	New	Place	Removal of temporary posts/vacancies	(50)
GMCA contribution	New	Place	Review level of contribution	(50)
Street Lighting	New	Place	Review option in relation to Trimming, 1hr warm up, cool down at start and end of day	(150)
Illuminated signs / bollards	New	Place	Invest to save to declutter and de-illumination to reduce energy cost impacts	(50)

Street Lighting	New	Place	Look at further options to trim earlier / later and switch off street lighting in low risk areas	(300)
Sale Water Park	New	Place	Review service provision	(100)
Unadopted highways/access roads	New	Place	Reduce budget provision	(50)
Sub-Total Place				(2,941)
Traded Services	PA	Finance & Systems	Traded Services income - increase in contributions to offset pay and cost inflation.	(38)
Review of Subscriptions	New	Finance & Systems	A range of subscriptions for external services to be reviewed	(20)
Sub-Total Finance & Systems				(58)
Traded Services	PA	Strategy & Resources	Review Traded Services income - increase in charges to offset pay and cost inflation.	(151)
Traded Services	New	Strategy & Resources	Reduce subsidy on some traded activity - 5% reduction in cost	(110)
Change Charging basis for Modernisation Team	New	Strategy & Resources	Utilising the flexibility on capital receipts, it is intended to charge the cost of the team to the capital programme for a further two years.	(600)
Review of Sale Waterside Arts Centre and Flixton House Operations	New	Strategy & Resources	A review of the operational effectiveness of both assets.	(180)
Review Music Service	New	Strategy & Resources	Continue to remove the remaining Corporate overhead subsidy and continue with expansion of offer with a view to broadening reach	(30)
Sub-Total Strategy and Resources				(1,071)
Treasury Management Budget	New	Council Wide	Realignment of the Treasury Management Budget to support the latest forecast position and	(3,850)

			activity relating to borrowing and Investments	
Increase Vacancy Factor/Budget utilisation	New	All	Increase vacancy management period across all services	(700)
Digital Strategy	PA	All	Increased use of digital technology to deliver better and more efficient services.	(100)
Sub-Total Council Wide and Cross Directorate				(4,650)
TOTAL SAVINGS AND INCOME PROPOSALS				(11,394)

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.

Details of Reserves by Category

Annex E

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2022	TOTAL COMMITTED 22/23 to 24/25 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	REVISED BALANCE March 25 £000
MTFP Budget Resilience and Change	MTFP Budget Resilience, Innovation and Change Reserve (BRICR)	(11,651)	1,499	(10,152)	(10,152)
Sub-Total Budget Resilience		(11,651)	1,499	(10,152)	(10,152)
Smoothing and Business Risk	Business Rate Risk Reserve	(5,929)	(2,000)	(7,929)	(7,929)
Smoothing and Business Risk	Insurance Reserve	(1,539)	0	(1,539)	(1,539)
Smoothing and Business Risk	Earmark Gen - Employment Rationalisation	(800)	600	(200)	(200)
Smoothing and Business Risk	Housing Benefit Overpayment Reserve	(500)	0	(500)	(500)
Smoothing and Business Risk	Timperley Sports Club Synthetic Pitch	(108)	78	(30)	(30)
Smoothing and Business Risk	Earmark Gen - Local Search Litigation Costs Settlement	(78)	0	(78)	(78)
Smoothing and Business Risk	Earmark Gen - Civic vehicle reserve	(24)	24	0	0
Smoothing and Business Risk	Smoothing - Waste Levy	(1,351)	1,158	(193)	(193)
Smoothing and Business Risk	Smoothing - Winter Maintenance	(120)	0	(120)	(120)
Smoothing and Business Risk	Smoothing - Elections	(263)	390	127	127
Smoothing and Business Risk	Smoothing - Interest Rate	(2,567)	2,280	(287)	(287)
Smoothing and Business Risk	Exchequer Services Reserve	(333)	100	(233)	(233)
Smoothing and Business Risk	EU Exit Funding Reserve	(249)	300	51	51
Smoothing and Business Risk	Sale PFI Bullet Payment	(1,232)	(240)	(1,472)	(1,472)
Smoothing and Business Risk	Admin Building Cyclical Maintenance Reserve	(761)	450	(311)	(311)
Smoothing and Business Risk	Council Tax Risk Reserve	0	(500)	(500)	(500)
Smoothing and Business Risk	Inflation Risk Reserve	(3,000)	3,000	0	0

Sub-Total Smoothing and Business Risk		(18,854)	5,640	(13,214)	(13,214)
COVID-19	Covid General Reserve	(7,097)	7,097	0	0
COVID-19	Council Tax Compensation Grant Covid (75%)	(510)	510	0	0
COVID-19	Business Rates Compensation Grant Covid (75%)	(2,660)	2,660	0	0
COVID-19	NDR Rates Exceptional Deficit Reserve (Section 31 Grants)	(37,870)	37,870	0	0
Sub-Total COVID-19 Budget Resilience and Smoothing		(48,137)	48,137	0	0
Strategic Priority	Transformation Fund Match Funding Reserve	(1,823)	1,068	(755)	(755)
Strategic Priority	Strategic Investment Programme Risk Reserve	(6,309)	543	(5,766)	(5,766)
Strategic Priority	Leisure Centres Risk Reserve	(1,628)	900	(728)	(728)
Strategic Priority	Children's Action Fund Reserve	(69)	36	(33)	(33)
Strategic Priority	Bus Reform	(1,500)	1,500	0	0
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(275)	0	(275)	(275)
Sub-Total Strategic Priority		(11,604)	4,047	(7,557)	(7,557)
Corporate	NDR Deficit Reserve	(289)	289	0	0
Corporate	Star Procurement Earmarked Reserve	(527)	527	0	0
Corporate	Planning Income Reserve	(186)	186	0	0
Corporate	General Reserve	(9,500)	0	(9,500)	(9,500)
Sub-Total Corporate		(10,502)	1,002	(9,500)	(9,500)
Service Area Priority	Earmark Gen - ICT Development	(1,259)	850	(409)	(409)
Service Area Priority	Economic Development	(1,438)	1,000	(438)	(438)
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(68)	40	(28)	(28)
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(29)	29	0	0

Service Area Priority	Earmark Gen - Community Safety	(351)	308	(43)	(43)
Service Area Priority	Earmark Gen - Modernisation	(306)	300	(6)	(6)
Service Area Priority	One Trafford Partnership Reserve	(1,973)	1,300	(673)	(673)
Service Area Priority	Sports Partnership Reserve	(378)	368	(10)	(10)
Service Area Priority	Earmarked Service C/fwd Place	(1,014)	719	(295)	(295)
Service Area Priority	Earmarked Service C/fwd G & CS	(59)	40	(19)	(19)
Service Area Priority	Earmarked Service C/fwd F & S	(864)	472	(392)	(392)
Service Area Priority	Earmarked Service C/fwd Strategy & Resources	(724)	562	(162)	(162)
Service Area Priority	Earmarked Service C/fwd Children	(27)	27	0	0
Service Area Priority	Earmarked Service C/fwd Adults	(4,398)	3,061	(1,337)	(1,337)
Service Area Priority	Adults Discharge to Assess Adults	(3,286)	3,286	0	0
Service Area Priority	Traded Services Reserve	(317)	317	0	0
Sub-Total Service Area Priority		(16,491)	12,679	(3,812)	(3,812)
SUB-TOTAL Earmarked Reserves		(117,239)	73,004	(44,235)	(44,235)
	Capital Related Reserves	(22,649)			(15,694)
	School Related Reserves	(14,235)			(14,303)
	SUB-TOTAL	(36,884)			(29,997)
	TOTAL USABLE RESERVES	(154,123)			(74,232)