

# Agenda Item

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive and Council  
**Date:** 16 February 2022  
**Report for:** Decision  
**Report of:** Executive Member for Finance and Governance and the Director of Finance and Systems

### Report Title

**Executive's Revenue Budget Proposals 2022/23 & MTFS 2023/24 - 2024/25**

### Summary

This report sets out the Executive's updated 3 year budget strategy proposals and detailed revenue budget proposals for 2022/23 and Medium Term Financial Strategy (MTFS) for the period 2023/24 - 2024/25.

The key summary of figures for the revenue budget are:

- The overall budget movement for 2022/23 is an increase in the net budget of £13.10m or 7.30%, from £179.47m to £192.57m.
- The budget funding gap for the three years before applying policy choice savings and funding proposals is now estimated to be £38.59m comprising :
  - £41.85m of additional cost pressures
  - £3.26m improvements in funding
- The budget gap for 2022/23 of £20.14m comprises
  - £13.04m of business as usual pressures
  - £7.10m of COVID-19 pressures
- The proposals contained in the report close the 2022/23 budget gap of £20.14m via a mixture of measures:
  - Additional funding from Council Tax of £3.39m
  - Income generation and Service delivery savings £5.32m
  - Use of reserves of £7.10m to address the COVID-19 pressures
  - Use of general reserves £4.33m for the remaining gap
- It should be noted that if all the proposals in this report are implemented there currently still remains a residual budget gap of:
  - £15.70m in 2023/24, and
  - £2.70m in 2024/25
- In order to ensure that we are able to manage the continued pressures on the Council's budgetary position throughout the period of the MTFS and to achieve a balanced budget in those years a Finance and Change Programme will be established to enhance our structured response to these issues and to provide

strategic direction and proactive governance around the management of our Finance and Change programme.

- A Budget Resilience, Innovation and Change Reserve has been bolstered significantly to provide a cushion and to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic. It will support the budget gap over the short-term and provide the necessary investment in the innovation and change programme which will support us to deliver a balanced budget in later years.
- A high level Finance and Change programme timeline has been developed with activities commencing with immediate effect in preparation for the start of the first phase of the next budget round.

### **Recommendation(s)**

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

- a) Approves the 2022/23 net Revenue Budget of £192.57m.
- b) Approves the 2023/24 to 2024/25 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Notes the arrangements proposed in relation to an enhanced Finance and Change Programme and the establishment of a Finance and Change Board which will work with the Executive on the development of sustainable budget plans to support the Council in meeting the financial challenges from 2023/24 onwards
- d) Approves the calculation of the Council Tax Requirement as summarised in Section 8.1 and set out in the Formal Council Tax Resolution in Annex J (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl. Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- e) Approves the proposal to increase Council Tax by 2.99% in 2022/23:
  - 1.99% general increase in the 'relevant basic amount' in 2022/23, 2023/24 and 2024/25, and
  - 1% for the 'Adult Social Care' precept in 2022/23.
- f) Approves the planned application of earmarked reserves as detailed in Section 7.
- g) Approves the Fees and Charges for 2022/23 and those relating to Registration of Births, Death & Marriages and Allotments also shown for 2023/24, as set out in the Fees & Charges booklet.

- h) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges which are within their respective delegated powers during 2022/23 in the event of any change in VAT rate, as appropriate.
- i) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges during 2022/23 which are within their respective delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- j) Approves the proposal to increase the minimum level of General Reserve for 2022/23 at £9.5m, an increase of £1.5m from 2021/22 (Section 7.5).
- k) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £417.38m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2022/25) of which £209.71m relates to 2022/23; including the proposal in relation to £50.52m of new prudential borrowing.
- l) Approves the Treasury Management Strategy 2022/23 to 2024/25, including the debt strategy (Section 3), the Treasury Investment Strategy (Section 5) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 3 of the report.
- m) Approves the flexible use of capital receipts of up to £0.27m to support the cost of the Modernisation Team in developing the Council's Finance and Change Programme.
- n) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 8 and detailed in Annex I.
- o) Due to the late publication of the Final Local Government Finance Settlement, Council delegates authority to the Director of Finance and Systems to vary the level of Budget Support Reserve needed to balance the 2022/23 revenue budget in the event of any change at final settlement.
- p) Delegate to the Director of Finance and Systems in consultation with Executive Member for Finance and Governance to administer the energy related discretionary schemes as announced on 3 February 2022 in accordance with the guidance, which will be fully funded by a section 31 grant.

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

- q) The objective assessment by the Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 1 and 7).
- r) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- s) The Council's Public Sector Equality duty.
- t) The results of the consultation on the budget proposals where required.
- u) The changes to the Council Tax Scheme 2022-23 and Council Tax Hardship Fund as detailed in a separate report to Executive on 24<sup>th</sup> January 2022.

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

- v) The approval on 11 January 2021 under delegated powers by the Corporate Director of Finance and Systems of the Council Tax Base for 2022/23 at 77,601 Band D equivalents.
- w) The estimated Council Tax surplus for 2021/22 has been calculated at £1.89m, sufficient to release £(1.550)m to support the Council's budget plans and a distribution of £(240)k and £(100)k representing the respective shares of the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services).
- x) The base budget assumptions as set out in the Medium Term Financial Strategy (MTFS) as detailed in Annex A.
- y) The budget gap for the two years 2023/24, £15.70m and 2024/25, £2.70m.
- z) The recurrent budget gap caused by the COVID-19 pandemic is expected to continue into 2022/23 and is estimated that £7.1m will be met from reserves.
- aa) That the Capital Programme for 2022/23, 2023/24 and 2024/25 is to be set at an indicative £209.71m, £143.60m and £64.07m respectively (indicative at this stage as a number of capital grants are not yet known).
- bb) That the Council Tax figures included in the report for the Mayoral Police and Crime Commissioner Precept and Mayoral General Precept (including Fire Services) are the recommended provisional amounts pending their formal approval.

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

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

**Background Papers – None**

**Implications:**

Relationship to Policy Framework/Corporate Priorities	Value for Money. The proposed budget for 2022/23 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	The report sets out the proposed budget for 2022/23, allocating available resource across service objective heads as detailed in Annex G of the report.
Legal Implications:	It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. Budget proposals take account of various legislative changes as they affect Council services. If the budget for a directorate is to be exceeded, which will result in a call on reserves, the Executive will need to identify the impact on reserves and when they will be replenished.
Equality/Diversity Implications	The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision. Measures have been subject to equality impact assessments where necessary.
Sustainability Implications	There are a number of measures throughout these budget papers which support the Council's ambition of becoming carbon neutral by 2038.
Carbon Reduction	Various budget proposals in the revenue and capital budgets (Annex D and A of the respective reports) support the carbon neutral action plan.
Resource Implications e.g. Staffing / ICT / Assets	Human Resources – statutory processes have been complied with during the course of these budget proposals in respect of staffing implications where they apply.
Risk Management Implications	The risks associated with the budget proposal have been considered.
Health and Wellbeing Implications	Equality Impact Assessments have been carried out where appropriate. The Council will be directed to have regard to its Public Sector Equality Duty in reaching its decision.
Health and Safety Implications	The health and safety implications of the budget proposal have been considered.

**Other Options**

The Executive is recommending an overall increase to the level of council tax of 2.99% in 2022/23 comprising the increase of 1% for the 'adult social care precept' to be earmarked for adult social care expenditure and 1.99% general increase in the 'relevant basic amount'.

An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2022/23. If this option were pursued then further savings of £3.27million would need to be identified over and above the significant level of savings already included in this budget report. Alternatively a decision could be made to increase its 'relevant basic amount of council tax' above the levels proposed in this report, however this would exceed the current permitted limits, which would mean a local referendum would be required before any higher increase could be implemented.

The use of reserves has been reviewed (See Section 7) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a prudent level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.

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

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

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

### **Consultation**

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

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

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

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

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

- The elimination of unlawful discrimination;
- The advancement of equality of opportunity between people who have protected characteristics and those that do not; and

- The fostering or encouragement of good relations between people who share a protected characteristic and those who do not.

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

**Reasons for Recommendation**

To enable the Council to set a Budget Requirement and Council Tax level for 2022/23. The reasons for these recommendations are to deliver a balanced budget for 2022/23 in relation to the proposals set out in this report, whilst having due regard for equality impact and risk mitigation.

The Innovation and Change Programme will support the implementation of the Council's corporate objectives by ensuring the Council is as effective and efficient as possible. This will lead to the optimisation of Council resources in relation to delivering the corporate objectives, priorities and outcomes.

The Innovation and Change Programme will be developed to align closely with the Council's Medium Term Financial Strategy. Business cases brought forward for approval will have a direct link to the achievement of managing demand pressures as well as the required efficiencies over the life of the Strategy reducing core spend.

The approval of Council is being sought to enable officers to proceed with implementing the Innovation and Change Programme.

**Key Decision**

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

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

**Legal Officer Clearance**      ...JL.....



**DIRECTOR'S SIGNATURE**

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







**TRAFFORD**  
**COUNCIL**

**Executive's  
Revenue Budget Proposals  
2022/23 & 2023/24 - 2024/25  
Medium Term Financial  
Strategy**

**16 February 2022**

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

I am pleased to present the Council's budget report for the period 2022/23 to 2024/25.

It's never easy to put together a council budget where we know that local demand is greater than the resources that are available, but this year has proved particularly difficult. Not only have we had a great amount of uncertainty including the continuing impact of the pandemic, and the impact of Brexit on our businesses and communities, but we have also been impacted by the rising costs on services caused by the recent increases in inflation.

These circumstances, alongside yet another single year Local Government Finance Settlement, makes planning for the future an even greater challenge than usual. At the start of the COVID-19 crisis, the government promised to do 'whatever it takes' to ensure that councils and our communities were supported through the crisis. However, it is clear this has not been the case with a continuing impact on demand for services and on our income streams outstripping the levels of support received. Despite some very welcome one-off grants, we still had to take the unprecedented step of increasing expenditure controls in the current financial year, as the council suffered major losses of income and significant additional costs.

The impact of COVID-19 will cast a shadow over budgets in Trafford for several years. Instead of recognising this, and increasing central grants accordingly, the government have set out an expectation that councils will raise Council Tax and the adult social care precept by the maximum amount available to cover the financial gap and growing cost pressures. We are faced with the difficult choice to increase Council Tax by 1.99% and use the 1% adult social care precept increase to help towards the rising cost of caring for older people and some of the most vulnerable in Trafford.

Nevertheless, we remain confident that we can improve services, facilities and the environment. Our proposals contain commitments to tackle health inequality, support people out of poverty and push forward with our ambitious climate change initiatives through the net zero action plan.

Our commitment to transform many of our care services, working with our stakeholders in the borough, will make sure they are as effective and efficient as possible and have the best outcomes for anyone who uses them. However, the demand for support through these services outweighs the resources available. Campaigning for a national solution to the social care crisis will continue to form part of our lobbying to national government. Businesses remain committed to our area and are looking to invest in Trafford. Despite the setback that the COVID-19 crisis has posed, we will continue to work with them to create more and better jobs.

We face difficult choices, and we must decide how we best cut our cloth in these trying times. But, as ever, our commitment to maintaining Trafford as a place where residents, communities and business prosper remains our overriding vision.

More detail on our updated priorities is included in **Section 2**, which also includes key outcomes that will allow us to measure how successful we have been.

The financial context and challenges faced by the Council are detailed in **Section 3**. After over a decade of funding reductions which has seen a reduction of £15bn in core local government funding, the next few years will still pose an extremely difficult financial challenge to the Council.

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

The pressures faced by local government have been well articulated by the Public Accounts Committee in their findings following a review of local government finance earlier in the year. These findings recommend the rest of government to be mindful of the unsustainable funding pressures faced by local government when allocating resources to the sector in future years.

There is still a high level of uncertainty surrounding local government finance, given the lack of a three-year settlement, the impending Fair Funding Review and reset of the business rates retention scheme. In addition, the recently announced plans for health and social care reform in the White Paper give little certainty or solution to the immediate funding challenges facing our social care services.

Since the draft budget was presented to Executive on 11 October 2021 there have been a number of factors which have contributed to an overall reduction in the budget gap for 2022/23 from £21.75m to £20.14m and over the next three years from £43.62m to £38.59m. This reduction of £5.03m primarily relates to announcements by the government in the Spending Round in October, changes in the national living wage, social care levy, offset by additional government support grants and assumptions regarding the reset of the business rates retention scheme

There has been a full review of budget assumptions and review of inflationary pressures on pay, goods and services and contractual expenditure as well as including the implications of the Local Government Financial Settlement. The implications of the projected outturn for 2021/22 have also been considered together with full robustness review of the budget by the Director of Finance and Systems (See Section 1). The Council's Scrutiny Committee has also contributed positively to the budget process and reviewed the budget assumptions and proposals and we will continue to support the work of Scrutiny Committee during 2022/23.

The 2022/23 revised gross budget gap of £20.14m has been met by a combination of the following:-

- Policy Choice Funding Increases amounting to £14.82m, comprising
  - Adult Social Care Precept of 1% to generate £1.20m
  - Increase in the basic rate of Council Tax of 1.99%, generating £2.18m

- Application of COVID-19 General Reserve of £7.1m as per previous budget plans.
- Application of Budget Support, Innovation and Change Reserve £4.33m

➤ Income generation and savings amounting to £5.32m

<b>Summary of the Budget Proposals</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap</b>	<b>20,137</b>	<b>10,552</b>	<b>7,899</b>	<b>38,588</b>
<b>Policy Choice Funding Proposals</b>				
(*) General Increase in basic Council Tax to 1.99%, 1.99%, 1.99%	(2,183)	(2,289)	(2,400)	(6,872)
(*) Social Care Precept increase 1%, 1%, 1%	(1,201)	(1,165)	(1,112)	(3,478)
Contribution from COVID-19 General Reserve	(7,097)	7,097		0
Contribution from Budget Support Reserve (General Budget)	(4,334)	4,334		
<b>Total Policy Choice Funding</b>	<b>(14,815)</b>	<b>7,977</b>	<b>(3,512)</b>	<b>(10,350)</b>
Savings and Income proposals	(5,322)	(2,832)	(1,691)	(9,845)
<b>Revised Budget Gap (Feb 22)</b>	<b>0</b>	<b>15,697</b>	<b>2,696</b>	<b>18,393</b>

(\*) reflects the referendum principles set by MHCLG for allowable increases to council tax in 2022/23. Other years assume the same increase will be allowed.

Our budget plans for 2022/23 include for some significant levels of additional investment, including within the revenue budget:-

- Additional funding for children's and adults social care £10.06m, (excluding grants and savings) with the major items including:-
  - Demographic pressures and increasing social care costs £6.0m
  - Additional investment to support increases in the Fair Price for Care which includes increases due to the National Living Wage and National Insurance Levy £3.54m
  - Other contractual inflation £0.52m
- Recurring gross pressures associated with Covid-19 £7.1m, associated with the loss of income from our investments in Manchester Airport, including a contingency of £1.5m.
- An additional £500k investment in our leisure centres to ensure the sustainability of these critical facilities. The resource will be used to manage the recurrent impact which both the pandemic and the wider refurbishment programme will have on trading over the next five years.

The capital investment plans of £79.56m include proposals for some major new investment; these include in 2022/23:-

- Investment in school infrastructure of £19.77m
- Major highways and other key infrastructure improvements £12.60m
- Improvements and provision of cycling and walking routes £3.61m
- Leisure Strategy and Sports Facility Provision £8.12m
- Targeted support to some of our most vulnerable residents £5.56m
- Investment to open up Trafford Waters, Trafford Park for residential development £4.00m
- Improvements to green spaces and Biodiversity £0.84m
- Public realm works in our town centres £1.54m
- Community Safety improvements £0.35m
- Installation of Cleaner Resomation Cremators £1.4m
- Town centre and business loans £0.55m
- Investments in Systems and Assets to improve the way we work £2.54m
- Future High Street Fund - £13.38m (this is second year phasing. Part of total allocation of £17.6m)
- Maintenance and improvements to public buildings £0.67m
- Investment in a number of other small schemes £3.65m

The Council's Asset Investment Strategy is continuing to support the achievement of a balanced budget in later years and is providing invaluable revenue streams to support the budget. To date commitments of £366m have been made from the Fund and are budgeted to generate a net revenue benefit of £7.61m in 2021/22. This is not without risk but we have taken a prudent approach to our investments and are building up a healthy risk reserve to mitigate against any future risks as well as setting amounts aside for future debt repayment. The importance of this risk reserve was reinforced during 2021/22 when the reserve was drawn upon to smooth a shortfall in income largely due the pandemic. Some of the acquisitions involved some key regeneration sites in the Borough and now they are in the Council's control provide a real opportunity to develop them into assets we can be proud of in the future. An example here is the acquisition of Stretford Mall in Stretford Town Centre and Stamford Quarter in Altrincham which will form a key part of our long term plans to support improvements to the town centre; something which we have been consulting on over recent years.

**In respect of climate change** - our last medium-term plan set out a bold ambition to transition to net zero by 2038. We have made significant progress in this ambition, reducing the council's own CO2 emissions by 11% between April 2020 and 2021, and in December 2020 launched our Carbon Neutral Action Plan.

The Plan sets out over 100 actions that the Council can take to decarbonise its own operations over the next decade whilst working with our partners to support borough wide Carbon reductions, taking advantage of the huge opportunities for green growth in the local

economy. Alongside the Council's own operations, the main areas targeted in the plan include homes, transport, commerce and industry – with industrial & Institutional Buildings alone accounting for 42% of the estimated Carbon emissions for the Borough.

While many of the actions set out in the Action Plan need to be taken by national government, we remain committed to progressing action locally on a number of priorities, often supported by match-funding from other sources, and leveraging in further funding from the private sector. The net zero ambition requires a step change in the scale of Borough investment and in our own assets. The Council is currently working with Borough partners, GMCA and central government to assess the scale of investment required, seek collaborative opportunities and identify sources of funding and finance.

The Council has embarked on an ambitious programme of Carbon literacy training for senior staff which not only raises awareness of the cross cutting implications of carbon reduction for all services but promotes individual action as well. Elsewhere the Trafford Council Climate Change commission, convened with partner organisations is now well established and work is underway to hold a citizens panel on carbon reduction in the spring, following a successful preparatory event in November.

The proposals in this report still leave a budget gap of £15.7m in 2023/24 and £2.7m in 2024/25. It is therefore imperative that the Council embarks on a bold and ambitious Innovation and Change Programme and invests in further transformational delivery of our services; more details are provided in Section 5. This is also reiterated in the S151 Officer's review of the robustness of the budget in Section 1. The Council's Executive and Leadership Team will continue to work on developing further budget proposals during 2022/23 to meet this future financial challenge and these will be reported to Executive in October as part of the draft budget proposals for 2023/24.

**Councillor Tom Ross**

**Executive Member for Finance and Governance**

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

## REPORT of the DIRECTOR OF FINANCE AND SYSTEMS to the COUNCIL 16 FEBRUARY 2022 (S25-26 LGA 2003)

### 1.1 Background

- 1.1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).
- 1.1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.
- 1.1.3 Further detail of robustness exercises supporting this report, relating to the Adequacy of Reserves, Budget Risk Assessment and the Financial Management Code are included in Section 7.
- 1.1.4 In drafting the budget reports close consideration has been given to various publications and relevant information from Cipfa, namely:-
- **Financial Management Code** which provides a useful framework to assist local authorities in demonstrating their financial sustainability and sets expected standards of financial management for local authorities;
  - **Prudential Property Investment** which provides a useful update on the Prudential Code and how they relate to the expansion of commercial activity by local authorities; and
  - **Financial Resilience Index (FRI)** which usefully compares the Council against similar local authorities across a range of key financial measures to give an indication of financial stability.
- 1.1.5 During 2021, the Council requested the Local Government Association to undertake a financial peer review and the findings from this are also taken into consideration in drafting these budget proposals.
- 1.1.6 In addition, the National Audit Office requires our external auditors to formally consider whether the Council has made proper arrangements for securing Value for Money. This assessment considers themes centred around Financial sustainability, Governance and Improving economy, efficiency and effectiveness. The latest Auditor's Annual Report, presented to the Accounts and Audit Committee in February 2022, concluded that the Auditor was satisfied there were no significant weaknesses in the Council's arrangements in all three areas, other than the matters arising from the Ofsted's inspection of Children's Social Care Services, for which the Council has an active improvement plan in place.



## **1.2 The Requirement to Deliver a Balanced Budget**

- 1.2.1 Members will be aware that the Council has a legal requirement to deliver a balanced budget. If spending is likely to exceed the available resources for a council the Officer charged with responsibility for the effective financial management of the council, the Section 151 Officer, must issue a Section 114 (S114) notice under the relevant section of the Local Government Act, section 114.
- 1.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued modified guidance to council Chief Finance Officers (CFOs) in 2020/21 to allow councils under budgetary pressure due to COVID-19 the time and space to explore alternatives to freezing spending via a S114 notice.
- 1.2.3 It is testament to the hard work of the Members and Officers who have embedded a strong culture of financial management across the Council that we have been able to continue to deliver services within the Council's budgetary framework despite the significant financial challenges faced. Whilst this report highlights the continuing financial challenge over the medium term, the Council's Section 151 Officer remains confident that at this moment the Council can meet these challenges using its robust and resilient financial management platform that has been built pre-pandemic. On the basis that the Council embarks on a programme of innovational change at pace as detailed elsewhere in this report the Section 151 Officer believes that the Council will be in the best position to be able to manage spending within its available resources such that the likelihood of being placed in the position where he would be required to consider whether it was appropriate to issue a S114 notice is not a significant risk in the short term. It will also provide a firm foundation for the Council's continued financial recovery as the impacts of the pandemic and other recent challenges recede.

## **1.3 General Fund Revenue Balances**

- 1.3.1 The Council's reserves and balances are reviewed annually in line with the Medium-Term Financial Plan, the Reserves Policy, best practice guidance on Local Authority Reserves and Balances, and as required by the Local Government Act 2003. Use of reserves and balances are monitored on a regular basis to identify and report any proposals which carry ongoing risks or financial implications.
- 1.3.2 In comparison to other similar authorities the Council's reserve levels were at an average level using the latest available information, however this does not take into account the risk to financial sustainability given the significant use of reserves in 2021/22 and planned to be used to support the revenue budget in 2022/23. To mitigate the impact of this application of reserves, these budget plans include for a "repayment of reserves" over the medium to long term.
- 1.3.3 Whilst reserves levels are low it is important that they are actively managed and reviewed to ensure they provide resilience, not just in the short term but more importantly over the medium to long term. During 2021/22 the Council has been able to bolster and realign reserves in a number of areas to provide a cushion to

enable investment in future efficiency and innovation work. It is imperative that the Council invests in the development and delivery of a bold and ambitious innovational programme during the next financial year which is capable of delivering recurrent budget savings over the short and medium term to balance the Council's budget position in the coming years.

- 1.3.4 A full risk assessment of the Executive's budget proposals has been undertaken and this has been used to inform the appropriate level of specific earmarked reserves for the major financial risks. The assessment has also concluded that the recommended minimum level of General Fund Balances for 2022/23 is £9.50m, an increase of £1.5m above the current level. This level has been achieved through the Section 151 Officer's (Director of Finance and Systems) review and recommended realignment of reserves to ensure the 2022/23 budget remains robust and resilient to potential financial risks that may materialise during the year.

## 1.4 Process

- 1.4.1 The Section 151 Officer has to consider the resilience of the Council and its ability to withstand and mitigate the impact of unknown costs as a result of local and national changes across the medium-term period. The financial impact of the Covid-19 pandemic illustrates the importance of ensuring the Council's financial robustness and resilience to the impact of unplanned for events. This ensures the Council is able to mitigate the financial impact in the short term whilst permanent funding options are identified and implemented. There are a number of ways the Council demonstrates its financial resilience to Members and Trafford residents, these are summarised below and expanded on in section 7 :-

- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the Council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
- **Reserves Policy** – annual update of the Council's Reserves Policy to ensure earmarked reserves are aligned to the Council's corporate and strategic objectives over the medium-term period;
- **Budget Risk Assessment** – annual assessment of the adequacy of the Council's General Fund Balance to mitigate the impact of risks;
- **Scrutiny Committee and Accounts and Audit Committee** - regular Member scrutiny of the Council's Financial Management throughout the year; and
- **Internal and External Audit** – independent audits of the Council's financial management throughout the year.

- 1.4.2 The budget process has involved the identification or forecasting of spending needs, likely resource availability, and opportunities for efficiencies, income generation and resource realignment. Issues identified during the 2021/22 budget monitoring process and planning process review have been addressed in the 2022/23 budget wherever appropriate.

- 1.4.3 The process has involved the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by the Financial Management Service.
- 1.4.4 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2022/23 and the assumptions the budget is based on, which includes income targets.
- 1.4.5 With the support of the senior finance staff within the Financial Management Service, the Section 151 officer has undertaken a review of the Executive's budget proposals (both revenue and capital budget and reserves) at varying levels of detail taking into account known factors that will have a significant bearing on the conduct of the Council's business in 2022/23 and in the medium term. Importantly it includes discussion, information and assurances supplied by Directors and other senior staff.
- 1.4.6 At a detailed level budgets are based on forecasted activity and have been subject to appropriate challenge, sensitivity analysis and to ensure that they reasonably allow for a degree of error. Risks can be mitigated through a variety of management actions and the Corporate Leadership Team (CLT) has ensured that in higher risk areas additional capacity and rigour has been put in place to ensure forecast savings are robust and are capable of being delivered during the year with monthly updates on financial performance reviewed. Savings will continue to be monitored through CLT as part of the budget monitoring process which is a well-established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year. In addition monthly budget monitoring is reported to CLT on all high risk budgets.
- 1.4.7 The Council has a controlling interest in a number of companies; these are monitored through a number of structured boards. The viability of these companies is regularly assessed, and any support is provided based on sound evidence. Members and officers sit on these boards and members are provided with all the relevant information to allow them to make informed decisions. External advice on complex structures is taken as required to minimise the risk to the Council and its reserves.
- 1.4.8 The Section 151 officer has also taken account of how the Council is likely to react if an adverse financial situation was to arise during the year. This helps in assessing the adequacy of reserves.
- 1.4.9 In assuring the robustness of the Council's budget it is also important to have regard to the financial management capabilities across the organisation and this includes regular updates to the training given to budget holders and also to Council Members and the range of available training, supported by the Financial Management Service, will be reviewed during the year.

## **1.5 Budget 2022/23**

- 1.5.1 The year ahead presents a number of financial challenges, and in particular I would draw Members' attention to areas of uncertainty for which mitigating action is included in the budget and/or reserves, if required. These are detailed below and paragraph 1.6 refers specifically to concerns for 2023/24 given the potential reset of

the business rate retention scheme baselines, implementation of fairer funding and compounded by the use a one-off reserves supporting the 2022/23 budget.

- The Government has now indicated that the national reset of the business rate retention scheme baselines and introduction of fair funding review of local government needs and resources will take place, at the earliest, in 2023/24. This will give rise to significant financial turbulence and has made financial forecasting extremely difficult. Whilst the reset in itself poses a significant financial risk to the Council the Government is likely to include a transitional protection system to protect authorities from any significant financial cliff edges. The current budget assumptions include for these protections and are based on the Council's current funding levels from the original retained business rate and 100% GM Pilot schemes. There is a risk the Government does not afford protection to the additional funding derived from the 100% Pilot in which case this will put further pressure on the budget gap in future years. The delay in resetting the system, whilst in part good news, exposes the Council to a further year of potential decline in business rate funding and ongoing impact of the Covid-19 pandemic. To mitigate against any adverse impact priority has been afforded to maintaining a material Business Rate Risk Reserve.
- The delivery of the savings programme will be a challenge. All proposals have been subject to review and all business cases have been examined by budget holders and Strategic Finance Managers. There will continue to be significant demands on the capacity of managers and staff and particularly given the size of savings programme. The implementation of the Finance and Change Programme will enable the Council to effectively manage this risk (See Para 5.4).
- The uncertainty that exists on demand led services, following the pandemic particularly in adults and children's social care continues to pose the biggest threat to the Council's budget in the future and significant new investment has been incorporated into the 2022/23 and later years to reflect the latest demand pressures. Furthermore, uncertainty remains on the impact the pandemic will have on future key income streams. Whilst the full implications are not known at this stage this poses a risk to the budget. **Therefore, an additional temporary increase will again be made to the general contingency within the "council wide" section of the budget of £1.5m for 2022/23 to mitigate these risks.**
- A review and realignment of earmarked reserves has been undertaken to ensure specific earmarked reserve balances are maintained at an appropriate level, general balances reflect the risk on the overall revenue budget and budget resilience reserves are sufficient to support innovation and change activity that will be required to deliver recurrent savings that will help balance the Council's budget work after 2022/23.
- The approach to investments as included in our investment strategy has mitigated to a certain extent the need to make further efficiencies in service delivery. The assessment of risks is crucial to ensure this course of action continues to provide a secure source of income to support the revenue

budget and remains proportionate. In this regard close attention continues to be given to all updates from MHCLG and the Cipfa Prudential Code. The strategy remains a key risk and it is imperative the council can recycle maturing investments promptly, with due consideration to the security and liquidity of the investments in order to maintain the net income streams the Council's budget is reliant on. This is a major challenge and as a result, assumptions have been included in the MTFP to reduce the levels of net income that are budgeted from 2023/24. To mitigate any reduction in the income generated through the strategy, if they arise, during 2022/23 as a result of some large investments maturing, the asset strategy risk reserve would need to be applied. At this stage, the potential reduction to the income currently being generated could be in the region of £3.4m if investments cannot be recycled.

- There is also risk with regard to the ability of the external care market to provide sufficient capacity at a price supported by the Fair Price for Care review in order to support our growing care needs. Further work and consultation with care providers around market sustainability will be undertaken during the course of 2022/23;
- Pressures are continuing to be felt on school budgets and also in high needs provision where government funding increases are not keeping pace with the demands on expenditure. A working group has been established to look at how this pressures can be addressed in 2022/23.
- Significant work has been done over the past year to review the Council's Legal and Governance services to ensure that they are aligned to the needs of the Council and will be able to support the ambitious programmes for regeneration and development and innovation and change more widely across the Council, whilst ensuring that we continue to meet our statutory duties in relation to the delivery of services; that we support our regulatory services and functions; and manage risk across the Council as a whole. The changes proposed will require investment but a better resourced service will then reduce the extent to which the council is currently required to 'buy in' additional legal support. Whilst the full financial implications are not known at the time of writing this report, there is potential that future budget plans will need to include an element of growth in this area.

## **1.6 Future Years**

- 1.6.1 The decisions in this report and the utilisation of a reserves to balance the 2022/23 budget increases the challenges for future years. Current projections still leave a budget gap of £15.7m in 2023/24 even after assumptions on additional funding raised from general council tax increases and the social care precept. After over a decade of making savings and achieving additional income to balance the budget there is limited scope to achieve future savings particularly given the increased demand pressures in adults and children's services. Whilst Government has started to acknowledge some of these pressures any additional funding which has been provided has failed to keep pace with these demand pressures.

- 1.6.2 In addition, the impact on the Council's finances that the recently announced Social Care White Paper on the future funding arrangements for personal social care, will need to be clarified and quantified as the mechanics of the scheme become clear.
- 1.6.3 It is therefore crucial that the proposed Finance and Change Programme delivers traction and is bold and ambitious enough to deliver at pace recurrent budget savings. More details of this Programme are included in Section 5 of the report.

## **1.7 Summary**

- 1.7.1 The Council has a strong track record of developing and delivering robust financial plans. This is against a continued very challenging fiscal backdrop, which has seen concerns raised about the financial sustainability of many high-profile councils, requiring specific government intervention.
- 1.7.2 Although the Council is facing some in-year pressures, Executive agreed appropriate management action in year in order to bring the budget back into balance for 2021/22. This is starting to address the in-year position with the latest monitoring information showing a projected overspend of £1.44m, a reduction of £1.0m on the previous position. However, a risk remains which may require calling on some of our reserves set aside for this purpose in 2021/22.
- 1.7.3 The current assessment is that, whilst the proposals in this report will secure a balanced budget position for 2022/23, Trafford like other local authorities faces serious concerns in achieving a sustainable budget position beyond next year. The Council has historically had a reliance on some key income streams from both its strategic investments and asset investment strategy but the reliability of these is now under stress due to the ongoing impacts of the pandemic and the wider economic recovery. The MTFP, whilst reflecting the current impact of this, will need to be updated during the year and this could result in some in year pressure particularly if income streams cannot be maintained.
- 1.7.4 The proposals set out in this report can secure a robust budget for 2022/23 but do require a use of reserves to enable a balanced budget to be presented; this is not sustainable beyond 2022/23 and reserves cannot be used to avoid the requirement for permanent savings.
- 1.7.5 Reserves, whilst relatively low, are adequate for the risks we face and allow for support to the medium-term plan and finance and change programme as set out in the report. However, reserves are a one-off source of funding and the Council needs to make permanent reductions in its net expenditure, with significant progress needing to be made during 2022 through the developing Finance and Change Programme. Without significant progress during 2022, there will be a significant challenge to the Council in being able to present a robust budget beyond 2022/23.
- 1.7.6 In respect of the capital programme, I am confident that the plans outlined for capital investment over the next three years can be funded through available capital receipts and resources.
- 1.7.7 More details on the robustness of the budget plans are included in this report and specifically Section 7 which provides details on the major financial risks facing the

Council and projected reserve levels and Section 5.3 which provides further details in the Finance and Change Programme.

## **1.8 Conclusion**

1.8.1 This statement is not a guarantee that expenditure will be contained within each budget line as the nature of the Council's business means that some services will be placed under financial pressure at various times throughout the year. Therefore it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached. On the basis of the above-mentioned financial planning and monitoring processes and risk assessment of the budget, the Section 151 Officer is able to report (in accordance with section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget for 2022/23 are robust and the recommended level of earmarked reserves and balances are adequate.

1.8.2 In addition, the Section 151 Officer recommends ;

- (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £9.5m (a £1.5m increase in General Fund Reserve) for 2022/23
- a continuation of the £1.5m temporary COVID-19 contingency budget for a further 12 months to cover potential unknown moderate risks, such as a shortfall in Sales, Fees and Charges income.

## 2 Budget Approach and Process

### 2.1 Budget Approach 2021/25

- 2.1.1 The budget for 2021/22 was set at the height of the COVID-19 pandemic and this past year has seen local government at its best. Almost overnight, the way the Council had to deliver services and support changed at the start of the pandemic and the Council has continued to adapt to evolving events as the country responds to an ever changing national and local scene. There remains a significant impact on the way Council services are delivered and there are subsequently many financial challenges it faces.
- 2.1.2 Alongside our efforts to deal with COVID-19 have been our plans to build back better. The Council is determined that, as we emerge out of this pandemic, the future should be bright for everyone in Trafford – residents, businesses and communities alike.
- 2.1.3 The Corporate Plan is a living document and was approved by the Council in 2018. In 2021 given the COVID-19 recovery and response impacts, it was considered timely to review our strategic priorities and the kind of council we want to be to ensure that the vision and priorities were still relevant. We need to acknowledge the changing role of Voluntary, Community, Faith and Social Enterprise (VCFSE) groups, and the invigorated partner working that had occurred. The pandemic has also highlighted the emerging and new ways of delivering our health and social care services as well as the need to focus on supporting digital services and reducing inequalities.
- 2.1.4 The review of the Corporate Plan included mapping both the Council's emerging priorities as well as the Greater Manchester priorities to ensure alignment.
- 2.1.5 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.
- 2.1.6 The new vision for Trafford is:
- 'Trafford - where all our residents, communities & businesses prosper'***
- 2.1.7 The key outcomes are:
- All our residents will have access to quality learning, training and jobs ;
  - All our communities will be happy, healthy and safe;
  - All our businesses and town centres will be supported to recover and flourish for the benefit of everyone.
- 2.1.8 Revisiting the Corporate Plan and strategic priorities also provided the opportunity to review our performance framework to be more data led and outcome focused. We will continue to look at key performance indicators and increased visualisation methods; using dashboards and case studies to 'tell the story' and the impact to the borough. The refreshed priorities and performance indicators which will measure success against the Plan include:-



- **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)Xxx
- 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)

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

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

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

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

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

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

2.1.12 It is essential that we do not lose sight of our key ambition and objectives for 2022/23 and beyond and the budget proposals remain closely aligned to these. These include:-

- Implementing the carbon neutral framework action plan and Clean Air Plan to deliver net zero emissions, and with the other GM authorities and the GMCA undertake the activities required to implement the clean air plan, improving air quality across the Borough.
- Continuing the strategic regeneration for the Civic Quarter and Stretford town centre.
- Progressing the development of new housing on Council land including Sale Magistrates Court site, and Lumina Village, the former Kellogg’s headquarter site, owned jointly with Bruntwood.
- Advancing the Asset Investment Strategy.
- Reviewing the One Trafford Partnership contract - to progress how the delivery of these services could be improved to meet agreed standards.
- Continuing to respond to the consequences of Brexit.
- Progressing “living well in my community” - supporting and educating Trafford residents, working with them to ensure that they can live a happy healthy life with the access to the services that they need at the right time by developing a place-based community model that can respond to local resident’s needs.
- Developing “living well at home” – to provide a range of support to enable people to live fulfilling independent lives in their own homes (and other home-settings) for as long as possible.
- Advancing “a step closer to home” – to ensure that there is a range of services that will wrap round our residents when they need additional support, enabling people to both stay in their normal place of residence when they need additional care and supporting people to leave hospital.

- Progressing “a short stay in hospital” – delivering a number of programmes that will aim to address a number of challenges which will need to be managed at a locality, system and national level in order to run an efficient and safe service that does not create health inequalities.
- Continuing with ‘A Framework for Change’ – the review of all our Legal and Governance Services and exploration of opportunities for developing shared services and alternative business models in order to better support and protect the Council in the delivery of its objectives.
- Reviewing our libraries and cultural provision across Trafford - to understand what it takes to facilitate and create a quality and diverse cultural experience that has a lasting impact on people’s lives and the communities they live in.
- Enhancing our approach to Social Value across the Council.
- Progressing the Ofsted improvement plan and modernising Children’s Services to ensure collaborative high quality service delivery that makes a difference.
- Promoting the learning of all our children and support especially for our most vulnerable children where learning has been lost as part of COVID-19.
- Continuing to develop our People Strategy – by focussing on our people with specific attention on how we attract and retain great talent within Trafford Council. We will seek to develop career pathways and create opportunities for continued professional development ensuring that Trafford is a place where career ambitions can be achieved.
- Supporting employee wellbeing - continuing to be a key area of focus and our commitment to support colleagues to have a balanced home and working life will remain a priority. We recognise that in the current COVID-19 climate colleagues are facing new and different anxieties and worries and as such we will ensure that we continue to offer a range of interventions to support colleagues to maintain good mental and emotional health.
- Enhancing our Traded Services – by being commercially competitive and developing and enhancing our range of commercial services to schools (and more broadly) we will seek to review all current contracts and engage new clients in the process.
- Enhancing the borough wide Trafford Partnership - working with Trafford Partnership as part of the recovery strategy to ensure our residents, businesses and communities achieve their potential, particularly those who have been impacted more than others by COVID-19.
- Refreshing and delivering the financial strategy in light of the Spending Review and COVID-19 – to set a new financial strategy for 2022/23 and beyond that addresses the long term budgetary impact of COVID-19.

- Developing the Digital Strategy and investing in new technology – ensuring that digital innovation is at the heart of service changes. This digital strategy will build on the innovation at pace during the first phase of the COVID-19 pandemic and will allow more services to be delivered on line and will enhance customer experience and create an increasingly agile workforce.
- Progressing the modernisation programme and remodelling of services – to rethink the way we deliver our services through to co-design and co-produce our future service delivery.
- 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.

2.1.13 With this framework as the context, the budget proposals have been developed. A robust MTFP will allow the Council to work towards the achievement of these goals. The medium-term plan is underpinned by a number of key principles which are currently under review and which will be developed as part of the Finance and Change Programme – see section 5.3.

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

2.1.15 However, it must be said that the scale of the challenge for 2022/23 represents yet another significant budget gap the Council has had to address and, after many years of austerity, budgeting will place an immense strain on the Council's finances.

2.1.16 A full review of all assumptions used in developing the budget plans has been undertaken, to ensure they are still relevant and up to date, including a review of all continuing savings programmes. To bridge the budget gap for 2022/23, a number of new savings proposals have been identified and business cases developed.

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

2.1.18 The draft budget for 2021/22 was agreed by the Executive on 11th October 2021 and set out the overall approach to the budget to address a budget gap of £43.62m in the revenue budget over the next three years, of which £21.75m related to 2022/23.

2.1.19 At draft budget in October 2021 a number of income generation and savings proposals totalling £5.52m were identified and assumptions were made on

increases to the rate of council tax and use of reserves. At that stage a budget gap of £4.65m remained in 2022/23.

<i>Summary of the Budget Proposals</i>	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>Revised Gross Budget Gap (Oct 21)</b>	<b>21,752</b>	<b>11,334</b>	<b>10,529</b>
<b>Policy Choice Funding Proposals</b>			
General Increase in basic Council Tax to 1.99% (*)	(2,183)	(2,289)	(2,400)
Reinstate Social Care Precept increase 2.0% (*)	(2,296)	(2,356)	(2,412)
Contribution from Budget Support Reserve to Support COVID-19 Pressures	(7,097)	7,097	0
<b>Total Policy Choice Funding</b>	<b>(11,576)</b>	<b>2,452</b>	<b>(4,812)</b>
Savings and Income proposals	<b>(5,523)</b>	<b>(2,836)</b>	<b>(1,796)</b>
<b>Revised Budget Gap (Oct 21)</b>	<b>4,653</b>	<b>10,950</b>	<b>3,921</b>

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

- **Section 3** – Review of the Financial Background for Local Government, including the Spending Round and Provisional Local Government Finance Settlement
- **Section 4** – Review of the current year budget monitoring position
- **Section 5** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2022/23
- **Section 6** – Proposed Budget 2022/23 – 2024/25
- **Section 7** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 8** – Schools Funding and Budgets
- **Section 9** – Council Tax Requirement and Statutory Calculations

## 2.2 Consultation

2.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics

and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.

- 2.2.2 The Council has undertaken consultation on the budget proposals where relevant. The outcome of the consultation has been considered as part of these budget proposals and has resulted in no change to the draft proposals. Further details of the consultation are shown in Annex K.
- 2.2.3 A number of the proposals involve staff, notably an early retirement/severance scheme and terms and conditions changes have been undertaken on a voluntary basis.

## **2.3 Scrutiny Review**

2.3.1 The Scrutiny process for the budget was undertaken across three different sessions in November and December to look at the budget plans, key assumptions, risks and challenges and covered:-

- Session 1 – Review of all budget assumptions included in the draft budget proposals
- Session 2 - Review of the Place Directorate, Investment Strategy budget, impact of Covid-19 and a review of Council reserves
- Session 3 – Review of the budgets for Adult Services and Children’s Social Care.

2.3.2 All sessions were attended by relevant Executive Members and senior officers to give background to the budget proposals and answer questions.

2.3.3 Scrutiny Committee comments were submitted to the Executive on 24 January 2022 in the Overview and Scrutiny Review of the Executive’s Draft Budget Proposals for 2022/23 report.

2.3.4 The Committee recognised the challenging financial position and the risks faced by the Council and a number of updates were requested from the Executive to support their work over the coming year, including:-

- An update on the in-year budget deficit and details of any contingency plans in place to address any shortfall in savings at its March 2022 meeting;
- Regular updates on the use of Reserves at its meetings during 2022/23;
- That recruitment and retention of social workers and foster carers, particularly regarding support provided by the Council, be a key priority for the Council within the refreshed Corporate Plan.
- That the Children and Young People’s Scrutiny Committee be consulted on the reduction of external placements and receive updates on implementation.
- That the economic risks identified by budget Scrutiny be reported by exception to the relevant Committee during the 2022/23 municipal year.
- Further updates on the work undertaken to address delayed discharges of care.

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



### 3 FINANCIAL BACKGROUND

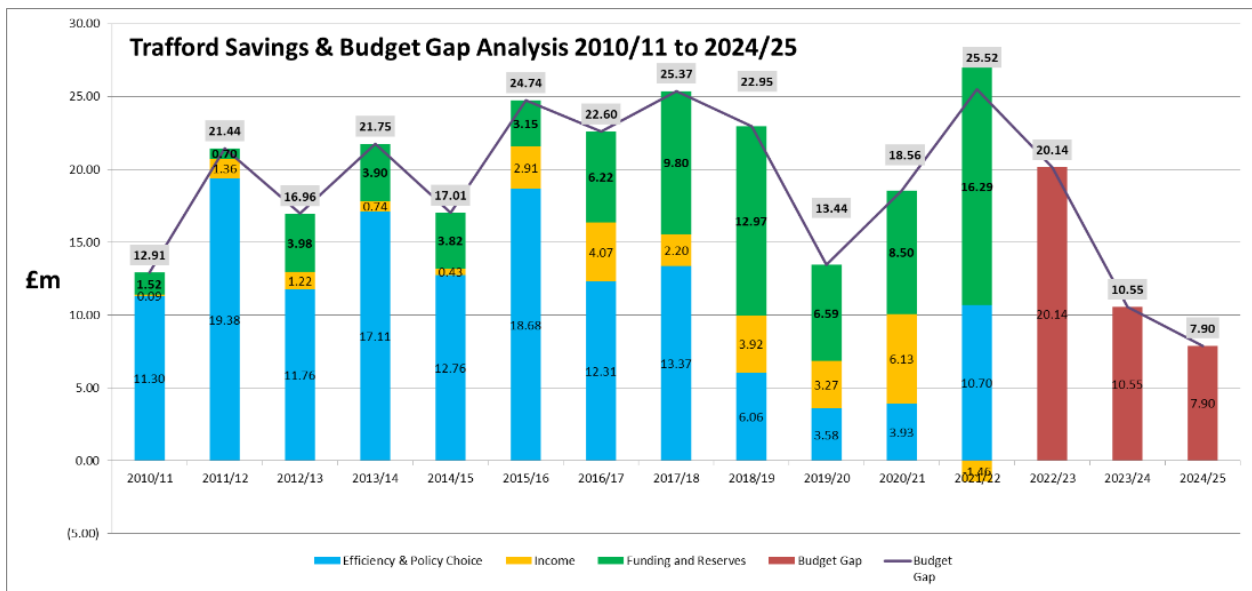
#### 3.1 Background

3.1.1 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.

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

3.1.3 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.

3.1.4 By 2022/23 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 to 2021/22 was £243.25m. There is a further forecast gap for the next three years of £38.59m, of which £20.14m relates to 2022/23.



3.1.5 The future gap of £38.59m 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
- 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 across all Greater Manchester 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 5<sup>th</sup> lowest across all metropolitan authorities at £1,368.82.
- If Trafford received the same funding per head as its GM neighbours it would benefit from an additional £34.2m.

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

#### **3.2.1 Spending Round 2021**

3.2.2 The Chancellor announced the Spending Round on 27<sup>th</sup> October 2021 and included headline numbers for government departmental spending for the three years 2022/23 – 2024/25. Whilst the multi-year spending round was welcomed news, there remained some uncertainty around future funding streams and distribution methods. The main national headlines included:-

- £4.8bn increase in Local Government grant funding over the next 3 years (£1.6bn in each year).
- Additional funding will be made available for social care reform (£3.6bn over 3 years to implement “the cap on personal care costs and changes to the means test”).
- £1.7bn will be allocated over 3 years to improve the wider social care system. £500m will be made available to “improve” the social care workforce
- Core Spending Power (CSP) will increase by £8.5bn (3% real terms growth), of which £4.8bn is new grant and £3.7bn from additional council tax.
- CSP includes an assumption local authorities will increase Council Tax by the core 2% and a further 1% for the adult social care precept.
- No new funding was announced for ongoing COVID pressures within local government.
- No announcements on the Fair Funding Review

#### **3.2.3 Local Government Provisional Finance Settlement**

3.2.4 The 2022/23 Local Government Finance Settlement was announced on 16<sup>th</sup> December 2021. At a headline level the provisional settlement reiterated the figures highlighted from the October spending round with the main headlines being:-

- The Council Tax referendum limits for local authorities are in line with those outlined in 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;
- Rolling over the current approach to the New Homes Bonus worth £554m.
- Increasing the Revenue Support Grant in line with inflation; an increase of £70m.
- Increasing the Public Health Grant by 2.81%.
- A one-off 2022/23 Services Grant worth £822m that will be distributed through the existing Settlement Funding Assessment. The grant allocation method was stated as one off, although it was indicated that the funding will remain in future years.
- £636m increase in the Social Care Grant.
- £162m in Adult Social Care reform funding will be allocated in 2022/23 to support local authorities as they prepare their markets for adult social care reform and to help move towards paying a fair cost of care.
- Maintaining the Lower Tier Services Grant at £111m with an updated cash terms funding floor
- Keeping the Rural Services Delivery Grant at £85m.
- Improved Better Care Fund increased by inflation +3.02% (September CPI)

3.2.5 The local government finance settlement was met with some disappointment due to the lack of clarity given to local authorities over future years budgets with only 1 year being announced. Furthermore, whilst the additional grants announced was welcomed news, this will merely support the increase in National Insurance and National Living Wage. It will however be insufficient to cover the pressures felt by inflationary increases

3.2.6 **Core Spending Power** - The headline funding measure used by Government to reflect changes in overall funding is called the Core Spending Power (CSP) which includes all the key funding streams available to a local authority. CSP will increase from £50.4bn to £53.9bn (6.88%) in 2022/23

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

Core Spending Power	2021/22 £m	2022/23 £m
Settlement Funding Assessment	41.833	42.002
Section 31 BR compensation grants	1.898	2.992
Council Tax	106.963	110.514
Improved Better Care Fund	7.983	8.224
New Homes Bonus	1.078	1.292
Social Care Support Grant	6.516	8.989

Market Sustainability and Fair Cost of Care Fund	0.000	0.638
Lower Tier Services Grant	0.266	0.280
2022/23 Services Grant	0.00	2.511
<b>Total</b>	<b>166.54</b>	<b>177.44</b>
<b>% Increase</b>		<b>6.55%</b>

3.2.8 Trafford's increase is £10.9m or 6.55% (2021/22 £166.5m to £177.4m in 2022/23) which is driven by the relatively high council tax-base and assumes authorities will take advantage of the full extent of the council tax referendum principles outlined below.

### 3.3 Outlook of Spending Review and local government finance settlement

3.3.1 **Fair Funding** - The Ministry of Housing, Communities and Local Government (MHCLG) has announced a delay in the fair funding review for local government, which will include a complete review of the relative needs and funding required by different councils to fund their services. The new methodology will be now be effective from 2023/24.

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

An announcement following the Spending Round has confirmed that the GM 100% Pilot will continue in 2022/23 and the full reset of business rates baselines, originally expected for 2020/21, is to be postponed and is now likely to take place in 2023/24. At the time of setting the budget an assumption was made that the reset would take place in 2024/25. Although this is positive news for Trafford as any reset will put at risk the majority of the benefit the Council currently receives from business rates growth rewards, there is a significant risk associated with the financial reliance of business rates.

The 12 members of the GM and Cheshire pool were invited to re-join the business rates pool from 2022/23, however all members have agreed that the pool should remain disbanded as in 2021/22. Trafford will remain as an individual authority for the purposes of the business rates retention scheme, but will still be part of the Greater Manchester 100% retention scheme.

The Spending round made a number of announcements regarding business rates including:

- Freezing the business rates multiplier in 2022/23, authorities will be compensated for any loss in income
- Extension of the one year Retail, Hospitality and Leisure relief (50% relief subject to £110k cap), and support for investment in property improvements and green technology.

- Confirmation that rateable values will be revalued in 2023 and triennially thereafter

The local government provisional finance settlement confirmed the COVID-19 Additional Relief Fund (CARF) of £1.5 billion, previously announced on 25 March 2021. The fund will be available to support those businesses affected by the pandemic but that were ineligible for existing support linked to business rates (e.g. non retail). Authorities are able to grant relief using discretionary powers, and the guidance asks them to design and adopt a local scheme. The government will fully reimburse the cost of the relief within a cash cap grant for each local authority. Trafford's allocation is £6.4m

- 3.3.3 The overall benefit from business rates growth supporting the Council's 2022/23 budget is £13.4m as detailed in Annex C. This is an increase of £6.1m from the 2021/22 levels, and includes an assumed recovery of £3.5m from the one off impact of the pandemic built in to the 2021/22 budget.
- 3.3.4 There still remains uncertainty over the level of funding that will be available from 2023 due to the reset to business rate baselines and a redistribution of the funding formula and the overall reserves strategy as outlined in these budget proposals recognises this risk.
- 3.3.5 **Adult Social Care Reform** – the government announced plans to reform adult social care in September 2021 and later released the Social Care white paper in December 2021. As a result of these reforms, 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 that are currently paid for by self-funders. Further to this there will be an increase in costs due to market equalisation 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.
- 3.3.6 In an attempt to compensate local authorities for these additional costs, a number of new grants were announced as part of the settlement and Social Care white paper totalling £5.4bn over the next three years, in addition to funding to stabilise the provider market. Most of this increase in resources will be funded by an increase in National insurance contributions:
- £3.6bn to fund the cost of the social care reforms, including:
    - £2.2bn over 3 years to cover the cost of the cap and means testing
    - £1.4bn over 3 years for the fair cost of care/market sustainability
  - £1.7bn to improve the wider social care system, including the quality and integration of care. The white paper gave further details of how this will be used, including:
    - At least £300m to integrate housing into local health and care strategies
    - £150m of additional funding to drive greater adoption of technology and achieve widespread digitisation
    - £500m for the social care workforce

- £570m for Disabled Facilities Grants
- Up to £25m to support unpaid carers
- £30m to help local areas innovate around the support and care they provide in new and different ways
- £5m to pilot new ways to help people understand and access the care and support available
- £70m to increase the support offer across adult social care to improve the delivery of care and support services
- Continue to invest in the Care and Support Specialised Housing funding with £210m available over the next 3 years.

3.3.7 **Council Tax** - As previously set out in the 2021 Spending Review, to allow Local Authorities to increase their Council Tax by up to 2% without the need to hold a referendum i.e. allow a 1.99% general increase in the 'relevant basic amount'. This budget report includes for a 1.99% increase in 2022/23 and a further 1.99% for 2023/24 and later years.

3.3.8 For local authorities with social care responsibilities continuation of the flexibility offered by the use of the 'adult social care precept' by allowing an additional 1% increase of Band D precept. This budget report includes a 1% increase for 2022/23 and 1% for years thereafter.

### 3.4 Summary

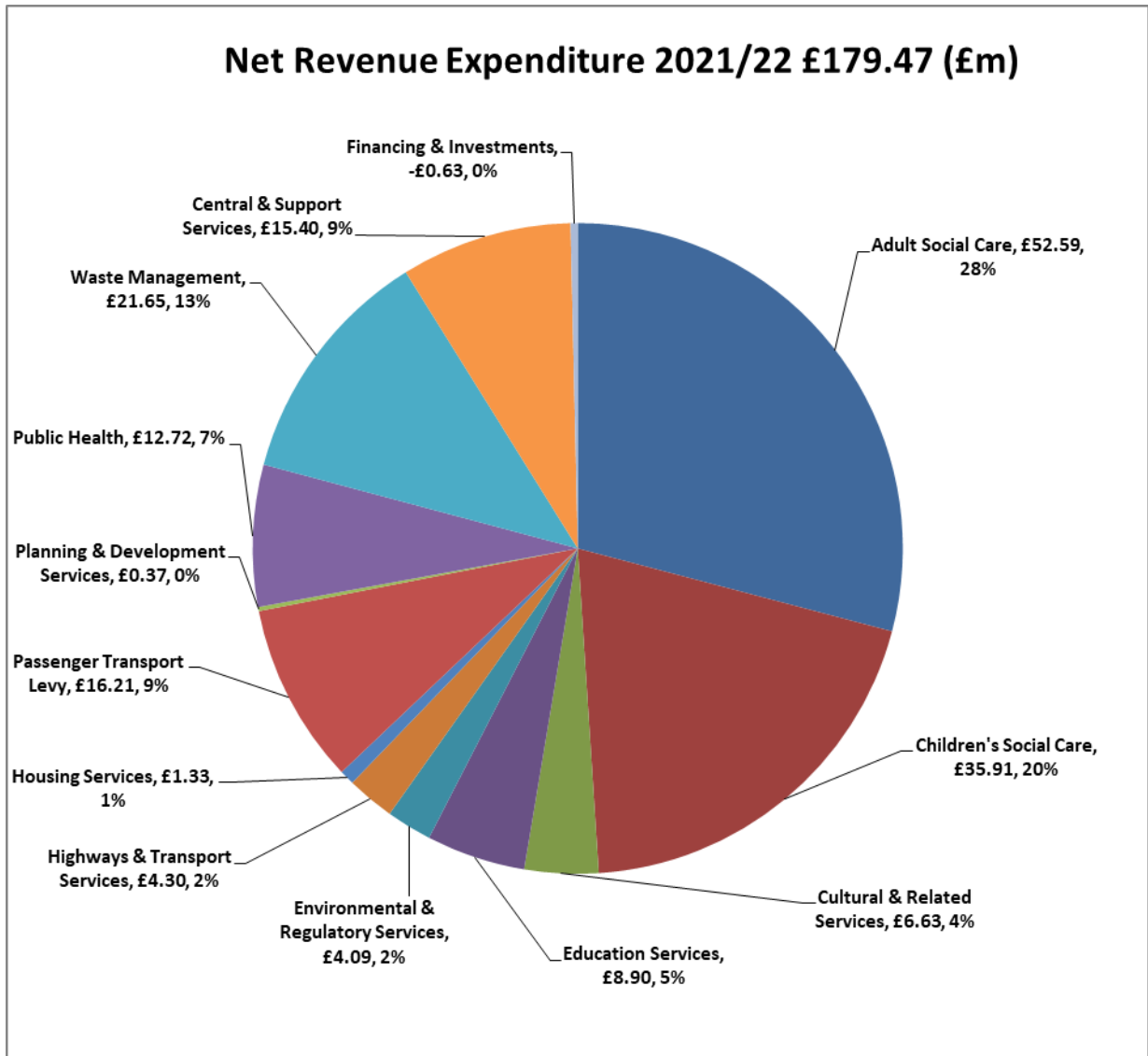
3.4.1 On the surface, the spending review appears to be a positive one with a sizeable increase in funding alongside delays in the business rates reset and fair funding review. However the increased investment does not go far enough to address the increased cost of national living wage, social care National Insurance levy and inflation. This, coupled with the uncertainty of a 1 year settlement and financial impact of the social care white paper, makes planning the future budget exceptionally difficult.

3.4.2 Further more, current budget assumptions estimate that the business rates reset will occur in 2024/25. Whilst no announcement has been made on the date of this review, current indications are that the review will begin in 2023/24. If the reset is implemented before 2024/25 there will be a negative impact on the budget.

## 4. 2021/22 BASE BUDGET & MONITORING POSITION

### 4.1. Base Budget 2021/22

4.1.1. The approved net budget for 2021/22 is £179.47m and is allocated across service areas as shown in the chart below



### 4.2. Revenue Budget Monitoring 2021/22 Period 8 (November 2021)

4.2.1. Detailed below is a summary breakdown of the service and funding variances against budget as at November 2021.

<b>Table : Budget Monitoring results by Service</b>	<b>2021/22 Budget (£000's)</b>	<b>Forecast Outturn (£000's)</b>	<b>Forecast Variance (£000's)</b>	<b>Percentage</b>
Children's Services	42,456	43,335	879	2.07%
Adult Services	52,520	52,987	467	0.89%
Public Health	12,494	11,612	(882)	(7.06)%
Place	31,132	32,321	1,189	3.82%
Strategy & Resources	5,540	5,199	(341)	(6.16)%
Finance & Systems	7,683	7,867	184	2.39%
Governance & Community Strategy	6,159	6,392	233	3.78%
<b>Total Directorate Budgets</b>	<b>157,984</b>	<b>159,713</b>	<b>1,729</b>	<b>1.09%</b>
Council-wide budgets	21,488	21,196	(292)	(1.36)%
<b>Net Service Expenditure variance</b>	<b>179,472</b>	<b>180,909</b>	<b>1,437</b>	<b>0.80%</b>
<b>Funding</b>				
Business Rates (see para. 22)	(62,459)	(62,459)	0	
Council Tax (see para. 19)	(105,869)	(105,869)	0	
Reserves Budget Support	(2,803)	(2,803)	0	
Reserves to Support COVID-19	(8,341)	(8,341)	0	
<b>Funding variance</b>	<b>(179,472)</b>	<b>(179,472)</b>	<b>0</b>	<b>0.00%</b>
<b>Net Revenue Outturn variance</b>	<b>0</b>	<b>1,437</b>	<b>1,437</b>	<b>0.80%</b>
<b>Dedicated Schools Grant</b>	<b>150,236</b>	<b>152,212</b>	<b>1,976</b>	<b>1.32%</b>

4.2.2. Although the estimated outturn is still showing a sizeable adverse variance of £1.44m, it is encouraging to see a favourable direction of travel resulting during the year. More details are included in the Period 8 monitoring reported to Executive on 24<sup>th</sup> January 2022.

### 4.3. Impact on Future Years

4.3.1. Despite continuing efforts to control expenditure and uncertainties in the forecasts, there are a number of areas where evidence of pressures in 2021/2022 are sufficiently robust to provide additional resource. Therefore the budget plans for 2022/23 have been bolstered by new investment in the following areas:-

- Children's Services - £0.5m – to reflect the increase in complexity of cases; a reduction of £0.5m since the draft budget to reflect an improvement in the the latest forecast case profile.
- Adults Services - £1.0m – to reflect risk of a budget shortfall when the one off resources for COVID-19 care costs pressures included in the 2021/22 budget are reversed in 2022/23; No change since draft.



- Savings Programmes unlikely to be delivered in 2021/22 relating to adults services of £0.586m and £0.321m in Place Directorate; An increase of £321k since draft budget.
- The additional net costs relating to the provisional Local Government Pay Award at £0.1m; No change since draft budget.
- £0.33m as a prudent measure, due to uncertainties surrounding the forecast levels of income for Council Tax. This has been reduced by £0.17m since draft budget in reflection of the improved position.
- £0.5m additional resource to support the Leisure CIC from the medium term impacts of the pandemic and loss of income during the impending refurbishment programme. This is in addition to the £0.215m already included in our budget giving total recurrent resource of £0.715m; an increase of £0.5m since draft budget.
- The favourable Council Tax outturn of £1.55m will be released in 2022/23, however due to the level of ongoing uncertainty, particularly surrounding the demand for Council Tax Support in next financial year an amount of £500k will be added to a Council Tax Risk Reserve. The remaining balance of £1.05m will be used towards bolstering the budget resilience reserves to support future plans.
- The favourable Business Rates outturn of £4.35m will be released in 2022/23 and will be used towards bolstering the budget resilience reserves to support future plans.

4.3.2. The uncertainties relating to the forecast income for 2022/2023 in the areas of the Asset Investment Programme have been considered under our reserves policy in future years as described later in the report.

## 5. BUDGET UPDATES & PROPOSALS

### 5.1. This section identifies:-

- The revised budget gap for 2022/23 and later years and explains the changes since the draft budget was published in October 2021;
- The final budget proposals to address the budget gap.

### 5.2. Updated Budget Gap

5.2.1. In the draft budget report in October 2021 the timescale of the Medium Term Financial Strategy had been expanded from the previous three year timeframe to five years and included the financial years 2025/2026 and 2026/2027. This 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 time period.

5.2.2. With the additional financial years added to the timeframe, the gap at draft budget was £49.86m for the period 2022 to 2027. Whilst the five year timeframe remains relevant for the strategic planning purposes, attention on the medium term must remain our priority and as such the final budget report has refocused on the three year period 2022 to 2025.

5.2.3. The budget position reported to Council in the October 2021 Draft Budget Report showed an overall gross budget gap of £43.62m over the three year period 2022/2023 to 2024/2025 with £21.75m relating to 2022/23.

5.2.4. Due to the changes announced in the Spending Review, the Provisional 2022/23 Local Government Finance Settlement and pressures and updates to policies, assumptions and estimates, the gross budget gap for the three years has now reduced by £5.0m to £38.59m.

5.2.5. In respect of 2022/23 the overall gap moved from £21.75m to £20.14m, a reduction of £1.62m.

5.2.6. Details of the improved position of £1.62m are included in the following paragraphs, however in summary the significant movements since draft relate to :-

- £1.5m additional provision for demographic growth and pressures within Adults care budgets
- £1.42m addition in adults services budget related to increased Fair Price for Care in Adults service provision, to cover the increases in National Living Wage, Inflation and National Insurance Social Care Levy. This brings the total increase for Fair Price for Care in 2022/23 to £3.5m
- £700k related to increase costs of National Insurance Levy for Trafford's staff.
- Additional Government grant support towards meeting part of the above investment, consisting of £638k Market Sustainability and Fair Cost of Care Grant, £2.51m Services Grant and £2.47m Social Care Grant.

- £500k additional investment in our Leisure CIC, supporting these vital facilities through the impact of the pandemic and refurbishment programme.
- £321k related to 2021/2022 savings programme which will not be achieved.
- £214k increase in the New Homes Grant
- an improvement of £188k related to income from Council Tax and Business Rates.
- £33k of other movements.

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

<i>Budget Gap</i>	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	Total (£'000)
<b>Gross Gap at Draft Budget (Oct 21)</b>	<b>21,752</b>	<b>11,334</b>	<b>10,529</b>	<b>43,615</b>
Movements in Budget Assumptions	(1,067)	907	549	389
Movements in Funding	(548)	(1,689)	(3,179)	(5,416)
<b>TOTAL BUDGET MOVEMENTS</b>	<b>(1,615)</b>	<b>(782)</b>	<b>(2,630)</b>	<b>(5,027)</b>
<b>REVISED BUDGET GAP (Feb 22)</b>	<b>20,137</b>	<b>10,552</b>	<b>7,899</b>	<b>38,588</b>
<b>CUMULATIVE BUDGET GAP (Feb 22)</b>	<b>20,137</b>	<b>30,689</b>	<b>38,588</b>	

The following paragraphs provide an update on how the pressures have changed since the draft budget was presented. These changes can be separated out into Business as Usual (BAU), COVID-19 and Funding.

#### 5.2.8. Business As Usual Pressures :-

The significant features of the 2022/23 gap and changes since draft are detailed below with a summary of the base budget assumptions shown in Annex A:

- **Pay** – includes an amount of £3.17m in 2022/23 reflecting a 2% pay award plus an additional 1.75% for the impact of the unbudgeted 2021/22 pay award (previously assumed as a pay freeze) plus the additional costs of the National Insurance Social Care Levy relating to Trafford staff announced since the draft budget. A core provision for a 2% increase has been assumed for all other years; an impact of £6.43m over three years. **An increase of £736k in 2022/23 since draft budget.**
- **National Living Wage, Real Living Wage, NI Levy (Fair Price for Care)** - an allowance of £3.54m in 2022/23 or £8.51m over three years. This covers projected increases in the National Living Wage as announced in the 2021 Spending Review to reach the proposed target for external care staff, plus the impact of inflation and the National Insurance Levy. Since the draft budget, the

above costs have been amalgamated together under the umbrella of Fair Price for Care. **An increase of £1.4m since draft.**

- **Treasury Management Strategic Investment Income from Manchester Airport Group (MAG) and other-** prior to the pandemic the Council budgeted for £5.6m of dividend income from our strategic investments in MAG. The impact the pandemic has had on the aviation industry is well documented and although a full recovery is expected, the uncertainty of the longer term economic impact of the pandemic makes budget forecasting difficult. In order to remain prudent, the income from our MAG investments has been excluded from our three year MTFS. The 2023/24 budget recognises the loss of dividend as a recurrent pressure, as a result of the contribution from COVID-19 reserve in 2022/23 dropping out. As the situation becomes clear, both the aspiration and the assumptions on the income can be adjusted. Other Treasury Management pressures includes £0.744m over three years. **A small increase of £70k since draft budget relating to additional borrowing costs for highways investment within the Capital Programme.**
- **Inflation General and Contractual** - General Inflation relates to non-staffing budgets and had included a general allowance of 2% per annum over the three years resulting in £0.118m in 2022/23 or £0.605m over five years. Other contractual inflation has been assumed totalling £2.25m in 2022/2023 and £11.68m over five years. Changes since draft include a transfer of £0.5m held against contractual inflation now shown against the National Living Wage. **In addition, a further £360k has been included for Public Health budgets reflecting an the inflationary increase in the public health grant.**
- **Levies:** includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £0.335m in 2022/23 or £0.815m over five years. **No change since draft budget.**
- **Demography-** an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care with £6.0m added in 2022/23 and £2.9m and £2.5m in the following two years. A total of £11.4m over three years. The higher figure in 2022/23 largely reflects the full year impact of demand pressures being experienced in the current year. An increase of £1.5m since the draft budget loaded within Adults services.
- **Income from the Asset Investment Strategy** - because some investments are due for planned repayment by third parties over the next three years this means the net returns will cease. Whilst it is anticipated that a pipeline of investment opportunities will be maintained, this does create a pressure on the budget until suitable replacement investments can be identified. At draft budget this was a total pressure of £1.1m in 2022/23 and £3.3m over five years.

The income generated from the investment programme has contributed towards the council maintaining a balanced budget over time, however the impact of the pandemic and the current volatility in the economic climate have resulted in pressures being experienced in the current year. The use of the earmarked investment reserve has helped to smooth this volatility, however given the medium term outlook and proposed changes to the MRP guidelines which are

currently being consulted on, the reliance on the income generated from the programme has been tailored down by £1.5m in 2023/24 and a further £500k in 2024/25. **An increase in pressures of £2.0m over three years but nil in 2022/23.**

- **Service Area Grants** – The draft budget assumed a zero growth in service related grants, the 2021 Spending Review announced additional resources for Adults Social Care to finance both demand pressures as well as facilitate the stabilisation of the care market and changes in the way social care is paid for as set out in the recent White Paper. Since draft budget, changes in grants over three years include £2.36m Market Sustainability and Fair Cost of Care Grant, £2.51m Services Grant and £2.47m Social Care Grant with a total additional amount of £5.62m in 2022/23. The Government has indicated that the Services Grant is a one off grant, although has indicated that the funding will remain in future years. Our plans have therefore assumed that it will continue to benefit Trafford. Other changes since draft include £214k increase in New Homes Bonus and other minor indexation movements of £51k; **resulting in a net increase in grants since draft of £5.89m in 2022/23;**
- **Other Changes** - additional pressures of £2.23m in 2022/23 or £5.34m over three years. The pressure in 2022/23 includes unachieved savings within Adults Services and Place relating to 2021/22 of £0.91m, an increase of £0.31m since draft, additional investment of £0.5m in our Leisure CIC to address both recurrent pressures due to the pandemic and loss of income arising during the proposed refurbishment programme, amendments in Adults charging policy following a change in legislation £0.25m and £0.63m added to the general contingency to accommodate potential future uncertainty. **A net increase in 2022/23 of £0.56m since draft.**

### **Funding Pressures**

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

- **Collection Fund Deficit 2020/21 net benefit:** as part of the package of support measures to assist in offsetting COVID-19 costs in 2020/21 authorities were allowed to spread the estimated cost of both the Council Tax and Business Rates deficits over a three year period 2021/22 to 2023/24. These estimates were subsequently built into our medium term budget plans. When the 2020/21 accounts were closed, the actual deficit was lower by £1.88m for Council Tax and £1.97m for Business Rates. These one off positive movements have now been included in our income assumptions and have been released over two financial years 2022/23 and 2023/24 with £1.93m in each year. **No change since draft.**
- **Collection Fund Council Tax :** A the time of the draft budget, due to uncertainty in the Council Tax forecasts such as the end of the Government’s Job retention scheme, the levels of Council Tax Support and the end of the local Council Tax Hardship scheme, an ongoing pressure of £0.5m was included in or plans for 2022/23. Uncertainties surrounding the wider economy continue to be faced, however as a result of improved collection of historic debt in 2021/22 of which

£0.5m has been set aside in an earmarked risk reserve, the ongoing pressure has been revised downwards resulting in a which **positive movement of £0.17m since draft.**

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

The business rate reset was anticipated in 2022/23, however at the time of the draft budget was assumed to be delayed until 2023/24. The 2021 Spending Review did not add any further detail on the timeframes for the reset, however due to the magnitude of the changes involved, the MTFS has been amended to show a reset in 2024/25 at the earliest. This delay has seen a benefit of £1.68m and £3.17m in 2023/24 and 2024/25 over our draft budget assumptions.

A number of changes announced in the Provisional Settlement have **resulted in a minor benefit of £18k relating to Business Rates in 2022/23 plus a further £360k increase in the Public Health Grant element included in the baseline funding.**

Annex B gives details of the separate components of the rates budget.

- **Fair Funding Review** – Prior to the pandemic the Government had announced a review of the method of distribution of resources across local government under the Fair Funding Review. This review has been delayed due to the pandemic and was expected in 2023/24. No further detail was made at the Provisional Local Government Based other than a consultation exercise will take place in 2022. **Therefore no change since draft budget.**
- **Reserves** - Use of reserves to support the budget in 2021/22 amounted to £11.14m made up from £2.80m Budget Support Reserve and £8.34m COVID-19 General Reserve; because reserves are a one-off resource this means that their removal adds to the gap in 2022/23. **No change since draft budget.**

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

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

Our previous medium term budget plans assumed net COVID-19 pressures of £8.3m in 2021/22 and £7.1m in 2022/23. The pressure in 2022/23 related to the ongoing loss of the Manchester Airport Dividend of £5.6m plus a general contingency budget of £1.5m.

The Council continues to monitor the impact of the pandemic on a monthly basis and at the time of the draft budget, additional resources had been added to the business as usual base budget for items such as additional demand in Adults social care. As time has progressed the separation of COVID-19 pressures from business as usual activity has become increasingly difficult. Many COVID-19 pressures have now been considered under business as usual activity.

Regular monitoring returns continue to be provided to the Government Departments which have been used at a national level to inform the debate on whether additional resources are required. The Government announced a number of support packages as a result of the recent pressures experienced as a result of the Omicron variant and it is anticipated that additional support would be forthcoming if future variants cause a similar impact.

### 5.3. Approach to managing the budget gap

5.3.1. The draft budget report presented the strategic principles as to how the Council intended to manage the budget gap and risks and uncertainties over the medium term. A reminder of these principles, and an update on the strategy, is as follows :-

- **COVID-19 Related Pressures** – continuation of the original strategy in 2022/23 of separating out COVID-19 pressures, where they can reasonably be identified and meeting these from reserves. There is nothing to suggest that the previous assumptions relating to those pressures purely caused by COVID-19 for 2022/23, which relate to the loss of the dividend from Manchester Airport and a £1.5m contingency budget, need to be changed at this stage.
- The temporary COVID-19 contingency of £1.5m already included in our plans for 2022/23, will be used to alleviate potential moderate risks, such as shortfall in Sales, Fees and Charges income. Other COVID-19 related risks which may cause pressures associated with Business Rates income, the Asset Investment Strategy are managed against the established specific earmarked risk reserves. In addition, since draft budget, the expectations on the level of income generated from the investment strategy have been reduced by £2.0m over the timeframe of the MTFS.

In a refinement to the draft budget proposals, the risks associated with the long term impact the pandemic has had on our Leisure CIC, will be addressed by the redirection of annual resource of £0.22m previously targeted at bolstering a Leisure risk reserve and an additional £0.50m to give a combined £0.72m investment per annum into the service budget. This resource will also be used to absorb income losses during the proposed refurbishment of the centres over the next five years.

An investment of £0.50m per annum in our existing plans, aimed at replenishing reserve levels depleted by the pandemic, will be directed towards a MTFP Budget Resilience, Innovation and Change Reserve.

The planned growth in general contingency of £0.75m per annum over the next three years also remains in place to absorb further uncertainty, as reported at draft.

- **Reserves** - The use of reserves as part of the strategy was highlighted in the draft report and a detailed review has been undertaken to assess their adequacy and availability to support the budget. The outcome of this review and the statement on their adequacy is highlighted in section 1 and 7 of this report.
- **Business as Usual Pressures** – As a result of the Government clarifying the level of funding available for local government in the 2021 Spending Review, the Council is now clear on the size of the budget gap and challenges this poses over the short term.

Although a significant part of the gap will be closed through annual increases in Council Tax, it is estimated that a balance of £18.4m over three years will remain. Given the significance of this gap, the Council must undertake a radical approach in how it will achieve a balanced budget.

## 5.4. Meeting the Gap

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

<b>Summary of the Budget Proposals</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap</b>	<b>20,137</b>	<b>10,552</b>	<b>7,899</b>	<b>38,588</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 1.99%, 1.99%, 1.99%	(2,183)	(2,289)	(2,400)	(6,872)
Social Care Precept increase 1%, 1%, 1%	(1,201)	(1,165)	(1,112)	(3,478)
Contribution from COVID-19 General Reserve to support COVID-19 Pressures in 2022/23	(7,097)	7,097		0
Contribution from Budget Resilience, Innovation and Change Reserve	(4,334)	4,334		0
<b>Total Policy Choice Funding</b>	<b>(14,815)</b>	<b>7,977</b>	<b>(3,512)</b>	<b>(10,350)</b>
Savings and Income proposals (*)	(5,322)	(2,832)	(1,691)	(9,845)
<b>Revised Budget Gap (Feb 22)</b>	<b>0</b>	<b>15,697</b>	<b>2,696</b>	<b>18,393</b>

(\*) Full details are included in Annex D

- 5.4.2. In order to ensure that we are able to manage the continued pressures on the Council's budgetary position throughout the period of the MTFs and to achieve a balanced budget in those years a Finance and Change Programme will be established to enhance our structured response to these issues and to provide strategic direction and proactive governance around the management of our Finance and Change programme.



#### 5.4.3. The Finance and Change Programme will:-

- provide strategic direction and cross council working to ensure that a three year financial plan is developed aligned to the corporate priorities and strategic objectives
- deliver a structured and proactive governance arrangement that focuses on outcome delivery, benefit realisation and savings, managing interdependencies and tracking impacts to strategic priorities and delivery against manifesto pledges
- provide oversight and monitoring in one place, driving Management Information and reporting with a single view of the truth with an emphasis on best practice, continuous improvement and the building of robust relationships

#### 5.4.4. It will be important to provide sufficient resources to provide capacity in the Programme, to be financed from budget resilience and innovation reserves. The Board will focus on

- **Service Reviews** – reviewing all services to include a financial target while giving consideration to existing strategy, the local context and previous decisions
- **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
- **Budget Proposals** – assessing and analysing all new ideas and determining any quick wins
- **Asset Management** – consider the assets that are required to deliver the strategy and services

#### 5.4.5. A high level programme timeline has been developed with activities commencing with immediate effect, including options to engage in external support if necessary. Milestone objectives will be presented back during the early part of the new financial year in preparation for the start of the first phase of the next budget round.

#### 5.4.6. An initial savings and income programme was developed as part of the draft budget proposals and specific details are included in Annex D.

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

## 6. PROPOSED 2022/23 BUDGET and 2023/25 MTFS

6.1. The proposed net budget for 2022/23 is £192.221m an increase in the net budget of £12.749m or 7.1%, from £179.472m. Full subjective and objective summaries providing a breakdown of the 2022/23 net budget can be found in Annexes E & H.

6.2. An objective breakdown is shown below:-

<b>Objective Summary The 2022-25 Budget</b>	<b>Final Budget February 2022</b>		
<b>Budget</b>	<b>2022/23 (£'000)</b>	<b>2023/24 (£'000)</b>	<b>2024/25 (£'000)</b>
<b>Service:</b>			
Children's Services	44,100	45,406	46,392
Adult Services (incl. Public Health)	69,807	75,361	79,775
Place	31,003	34,067	36,335
Governance and Community Strategy	6,210	6,404	6,567
Finance and Systems	7,962	8,083	8,226
Strategy and Resources	5,189	5,776	5,744
<b>Total Service Budgets</b>	<b>164,271</b>	<b>175,097</b>	<b>183,039</b>
<b>Council-wide Budgets</b>	28,302	27,670	28,438
<b>Net Budget</b>	<b>192,573</b>	<b>202,767</b>	<b>211,477</b>
<b>Funding:</b>			
Council Tax	(112,601)	(117,133)	(122,001)
Business Rates: Local Share	(150,195)	(150,195)	(153,199)
Business Rates: Tariff Payment	95,023	94,542	96,803
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(13,369)	(14,784)	(15,687)
Fairer Funding Assumptions	0	500	1,000
<b>Funding</b>	<b>(181,142)</b>	<b>(187,070)</b>	<b>(193,084)</b>
<b>Movement in Reserves</b>			
Budget Support Reserve (COVID-19)	(7,097)	0	0
Budget Resilience, Innovation and Change Reserve	(4,334)	0	0
<b>Movement to/(from) Reserves</b>	<b>(11,431)</b>	<b>0</b>	<b>0</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>15,697</b>	<b>18,393</b>
<b>Annual Budget Gap</b>	<b>0</b>	<b>15,697</b>	<b>2,696</b>

6.3. Whilst the budget gap has now been closed for 2022/23 the size of the challenge over the following two years remains significant. For that reason the budget process for 2023/24 will, commence immediately, supported by the Finance and Change Programme as described in the previous section.

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

### **7.1. Robustness**

- 7.1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council their own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). This report is presented in Section 1.
- 7.1.2 In meeting the legal obligation, the Council must demonstrate that it has set a balanced and robust budget, which is sufficient to meet its legal obligations, and then its aspirations. This requires all plans to be costed, forecasts and estimates to be checked for reasonableness, and risks to be assessed across the many varied services the Council provides. This also includes an assessment for emergencies, severe weather and other service and strategic risks.
- 7.1.3 Robustness does not guarantee that all possible eventualities are identified, or that all budget estimates are exact. Actual income and expenditure is likely to vary from the established budgets, but in the round these will compensate, and the approved budget need only be sufficient to meet overall expenditure requirements.
- 7.1.4 In exercising their statutory duty the Director of Finance and Systems, in conjunction with the Corporate Leadership Team, will take all matters and issues into consideration and will make a reasoned assessment of whether the budget is sufficient, robust and all significant risks have been considered. The Executive will ensure the minimum reserve level is maintained to ensure the Council can meet its obligations.

### **7.2. Financial Resilience**

- 7.2.1. The past two years have illustrated the importance of the Council's financial resilience in managing the impact of unplanned/unforeseen events. Inevitably the pandemic has tested the Council's financial resilience and it is expected to continue to do so over the medium-term period. The Council's strong financial management has ensured its robustness and resilience to the many challenges during 2021/22 evidenced by the Council's ability to mitigate the financial impact and set a balanced budget in 2021/22. It is important that the Council continues to build on this to address and mitigate the financial challenges ahead.
- 7.2.2. As reported in Section 1 there are a number of ways the Council demonstrates its financial resilience to Council Members and residents and these include, MTFP Regular Review and Updates, Reserves Policy reviews, Budget Risk Assessment, regular Member scrutiny via Scrutiny Committee and Audit Committee and independent Internal and External Audit of the Council's financial management throughout the year.
- 7.2.3. This section of the report provides further detail on the activities relating to

#### **➤ The Financial Management Code**

- **Risk Assessment of MTFP and Budget Proposals**
- **Reserves Policy Review**

### 7.3. Financial Management Code

- 7.3.1. As part of the wider focus on Local Authority financial resilience particularly following the past twelve months, CIPFA's Financial Management Code of Practice is now expected to come into effect from April 2022. The Financial Management Code is based on six principles supporting financial resilience, which the Council will need to demonstrate it complies with:
- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
  - **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
  - Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
  - Adherence to **professional standards** is promoted by the leadership team and is evidenced.
  - **Sources of assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
  - The **long-term sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

Many aspects of the Financial Management Code reinforce procedures which are already baked into Trafford's existing practices, such as the Governance arrangements evidenced in the Council's Constitution and Standing Orders.

A self-assessment review against the Code has been undertaken and this has reiterated a high level of existing compliance, however it identified a number of areas where improvements can be made and samples of these are shown below. The full self-assessment will be reported and considered by the Corporate Leadership Team before the start of the new financial year.

**Effective Oversight of Alternative Delivery Models** – focus on improving regular updates on company performance to the Executive and the Accounts and Audit Committee relating to Joint Ventures. In addition periodic training should be provided to councillors where appropriate. Any key company risks should also be included on the Strategic Risk Register. The arrangements for Board Meetings need strengthening and formalising with more time to consider reports and brief Board Members.

**To enable financially informed decision making:** The Chief Finance Officer should be able to provide the leadership team with sound advice on the key principles of local government finance. Need to establish annual reviews of the Council's scheme of delegation and financial procedure rules.

**Need to report explicitly on the affordability and risk associated with the capital strategy** and where appropriate have access to specialised advice to enable them to reach their conclusions. Continued work to develop local indicators to support the Asset Investment Strategy and compliance with the Prudential Code. Need to develop the links between the capital programme and the Council's asset management planning.

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

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

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

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

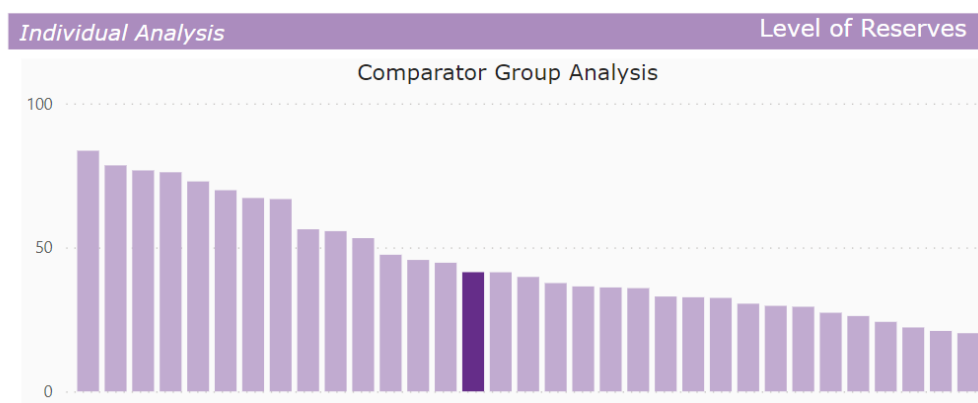
7.4.4. The revised MTFP ensures that Members and Senior Officers have an informed financial basis on which to make decisions by forecasting the main changes anticipated over the medium term period based on the best available information. However, as Covid-19 pandemic has demonstrated the financial landscape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

#### **7.5. Reserves Policy Review**

7.2.1 The future of local government funding is still uncertain; changes as a result of the fairer funding review and business rates reset have been delayed until at least 2023/24 and the financial impact of the changes relating to sustainable funding of social care remain unclear. In this context the reserve policy is crucial in helping the Council deal with the risk, uncertainty and complexity of this policy context.

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

7.2.3 Trafford has historically seen reserves below average for metropolitan councils, though this gap has narrowed in recent years and in 2019/20, the screenshot below taken from the CIPFA's Financial Resilience analysis, demonstrates that the Council's earmarked reserves (as at 31 March 2020) were considered to be at an average level compared to other Metropolitan Districts.



7.2.4 Reserves have increased considerably in 2020/21 due to the carry forward of Section 31 business rate grant and other COVID related monies of £114m, however excluding these the level of reserves has largely remained static at 31/3/21 compared with 31/03/2020. It must also be considered that the budget for 2021/22 and 2022/23 includes a significant contribution from reserves, including £15.4m to support COVID-19 pressures and £7.1m general budget support. It is apparent that the level of uncommitted reserve is insufficient to meet the substantial budget gap over the medium term, however it is anticipated that the flexible use of reserves will form part of the Councils strategy in its response to the financial challenge.

7.2.5 The Council's reserves policy sets out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.

7.2.6 In line with the requirement to provide the statement on the adequacy of the Council's reserves, the Reserves Policy is reviewed as part of the draft and final budget process and supplemented with regular reviews as part of the monitoring and financial closedown process. This ensures the judgements on the adequacy of reserves are informed and remains appropriate, particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revisions at final budget stage are set out below.

### 7.3 Classification

7.3.1 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 previously included in Budget Resilience and Smoothing, however has been separated out at final budget stage, 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;
- **COVID-19 Reserves** – This is a new category of reserves which specifically holds the resources earmarked to support COVID-19 pressures and timing differences relating to the accounting treatment of the Collection Fund deficit caused by the pandemic;
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan;
- **Corporate Reserves including General Reserve** - statutory and ring fenced reserves. The General Reserve is the minimum level of reserve the Council is required to hold to protect against In year financial shocks;
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities;
- **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy;
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.

### 7.4 Balances and Review of Reserves

7.4.1 The Council's usable reserves at 31st March 2021 stood at £200.34m, of which £166.18m relates to Earmarked revenue reserves as shown below, along with their projected usage over 3 years including the current financial year.

	Opening Balance 1/4/2021	Estimated Balance 1/4/2022	Estimated Balance 1/4/2023	Estimated Balance 1/4/2024
<i>Usable Reserves</i>	£m	£m	£m	£m
MTFP Budget Resilience, Innovation and Change Reserve	6.35	11.16	12.17	12.67
Smoothing and Business Risk Reserves	15.64	14.03	14.00	12.65
Strategic Priority	13.76	9.38	4.97	4.75
Corporate	(2.94)	0.50	1.07	0.00
General Reserve	8.00	9.50	9.50	9.50
Service Area Priorities	11.10	5.08	1.56	0.87
<b>Earmarked Reserves (exc COVID-19)</b>	<b>51.91</b>	<b>49.65</b>	<b>43.27</b>	<b>40.44</b>
COVID-19 Reserves (*)	114.27	10.39	1.59	0.00
<b>Earmarked Reserves</b>	<b>166.18</b>	<b>60.04</b>	<b>44.86</b>	<b>40.44</b>
Capital Related Reserves	18.99	11.44	4.48	4.48
School Related Reserves	15.17	15.17	15.17	15.17
<b>Total Usable Reserves</b>	<b>200.34</b>	<b>86.65</b>	<b>64.51</b>	<b>60.09</b>

(\*) Excludes balances to be confirmed for COVID-19 rates reliefs in 2021/22. 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 therefully used to compensate the Collection Fund for the accumulated shortfall and cannot be used for any other purposes.

7.4.2 At the time of writing the draft budget report the following observations on reserves were made and these still stand when preparing the final budget.

Although the reserve balance brought forward is substantial at £166.18m, the majority of this relates to COVID-19 reserves which are ring fenced to meet the 2020/21 Collection Fund shortfall.

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

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

- In year budget pressures and the potential shortfall of the current savings programme cascading into 2022/23;
- Unknown pressures in future years associated with risk from Business Rates uncertainty and potential shortfalls in the income derived from the Asset Investment Strategy;



- Supporting the risks of the strategic priority programmes, the biggest of which relates to managing the risk associated with the Strategic Investment Programme. Also included in this group of reserves, is the the Leisure Centre Risk Reserve providing smoothing support for the Leisure CIC following the impact the pandemic and the long term plans for a major refurbishment of the centres to make them fit for purpose for the future.

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

7.4.4 As part of the development of the final budget proposals a further review of reserve levels has been undertaken with due regard placed on ensuring any remaining reserves are sufficient to cover the range of risks faced by the Council.

7.4.5 The review has enabled the Council to develop sufficient resource within an MTFP Budget Resilience Innovation and Change Reserve to provide capacity 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, each reserve has been reviewed to ensure it remains at an adequate level given the range of risks faced by the Council. Revisions in the in-year estimated outturn position as at period 8 have also informed how reserve levels can be bolstered.

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

## **7.5 GENERAL RESERVE**

7.5.1 General Reserve: the Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. In February 2021 Council agreed to set the minimum level of the General Fund Reserve at £8.00m as recommended by the Director of Finance and Systems. It is recommended for 2022/23 that this level be increased to £9.5m with some of the significant reasoning behind this decision set out below:-

- In 2022/23 there remains to be significant uncertainty regarding the economic outlook. The implications on the wider economy from the ongoing impact of COVID-19, increases in inflation and pay awards and Brexit remain as significant concerns which could lead to a further economic downturn.
- Uncertainty relating to pay and conditions in the social care market will continue for the foreseeable future. The Fair Price for Care negotiations and the long term plans set out in the Social Care White Paper by the Government are aimed at addressing long term market sustainability. In the meantime, the allowance for Pay & Inflation with the General Reserve has been increased to in reflection of the ongoing uncertainty.

- The income from the Strategic Investment Programme represents a significant resource for the Council and has helped deliver a balanced budget over recent years, as well as being a key enabler in the economic regeneration of the area. The programme has its own risk reserve with the objective of absorbing fluctuations in the programme income as it develops over time. The programme's risk reserve was not however designed to absorb the general impact of an economic downturn and it is thought prudent that given the increased uncertainty that the minimum General Reserve is increased to cater for this risk.

Advised minimum level of General Reserve	2022/23 £m
Tax & Treasury Management	0.05
Pay & inflation	2.39
Fees and Charges	0.19
Emergency & Disaster Recovery	1.45
Efficiencies	3.34
Demand led budgets	2.00
Other Pressures	1.46
Funding Risk	3.98
<b>TOTAL</b>	<b>14.86</b>
Risk reduction of 34%	-5.36
<b>Advisory level of minimum reserve</b>	<b>9.50</b>

## 7.6 Summary

7.6.1 In summary, the Council's overall budget plans include for a specific application of earmarked reserves in 2022/23 of £13.41m.

- **Budget Resilience, Innovation and Change Reserve - £4.33m** required to balance the 2022/23 business as usual budget plans.
- **Covid-19 General Reserve - £7.097m** required to meet the estimated recurrent COVID-19 pressures in 2022/23.
- **Council Tax and Business Rates Compensation Reserve - £1.59m** Government support towards the estimated 2020/21 Council Tax and Business Rates shortfall will be drawn down over three years at £1.59m per annum in line with our previous plans.
- **Business Rates and Council Tax Smoothing Reserves - £0.38m** net drawn down of reserves largely related to the release of the better than expected outturn position of Business Rates and Council Tax in the previous financial year.

## 8. SCHOOLS FUNDING & BUDGETS 2022/23

### 8.1 Background

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

There are 4 blocks within the DSG:

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

### 8.1.2 Summary Position 2021/22

The latest monitoring position as at the end of November, updated to reflect latest DSG allocations, forecasts a £2m over spend for 2021/22.

The overspend position forecast within the 2021/22 financial year is within the HNB and is largely due to a significant increase in demand for out of borough places due to the increasing complexity of need and limited capacity in-borough as well as requests for top-up funding from primary, secondary and special schools.

<b>DSG Overall Position P8</b>	<b>2021/22 Budget (£m)</b>	<b>2021/22 Expected Outturn (£m)</b>	<b>Variance (£m)</b>
Schools Block	187.120	187.075	(0.045)
Central School Services Block	1.553	1.412	(0.141)
High Needs Block	32.619	34.781	2.162
Early Years Block	18.754	18.754	0
<b>Total</b>	<b>240.046</b>	<b>242.022</b>	<b>1.976</b>

The level of central DSG reserve at 1 April 2021 was £1.753m and most is ring-fenced to support specific expenditure.

<b>DSG Central Reserve</b>	<b>Reserves (£m)</b>
High Needs	(0.181)
Growth Fund	0.739
De-delegation	0.669
Central Schools Services Block (CSSB)	0.222
Pupil Referral Units (PRU)	0.184
Early Years	0.120
<b>Total</b>	<b>1.753</b>

At this point it is expected that the overall DSG will be in deficit at the end of 2021/22.

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

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

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

The authority would be required to complete a deficit management plan which would be submitted to the Department for Education (DfE) to show how the future DSG spend will be managed.

### 8.1.3 **Budget Position 2022/23**

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

<b>DSG Allocations</b>	<b>2021/22 (£m)</b>	<b>2022/23 (£m)</b>	<b>Change (£m)</b>
Schools Block	187.120	194.344	7.224
Central School Services Block	1.553	1.527	(0.026)
High Needs Block	32.619	35.355	2.736
Early Years Block	18.754	17.417	(1.337)
<b>Total</b>	<b>240.046</b>	<b>248.643</b>	<b>8.597</b>

In addition to the above allocations there has been supplementary funding awarded following the spending review of £5.437m for schools and £1.313m for the high needs block. This is to be paid as a separate grant in 2022/23 and will be rolled into the blocks in future years. School-level allocations will be published in Spring 2022.

This extra funding recognises the additional costs that local authorities and schools will face in the coming year which were unforeseen when the original allocations were calculated such as the Health & Social Care Levy (increased employers NI contributions) and also takes into account that colleges and other providers offering extra hours of study to students with High Needs may require extra High Needs top-up funding to support these students. This will be considered by the High Needs sub-group.

#### Schools block

The increase in funding is £7.224m (3.86%). The minimum per pupil funding levels ensure that every primary pupil receives at least £4,265 per pupil (2% increase, £4,180 in 21/22), and every secondary school at least £5,525 per pupil (2% increase £5,415 in 21/22).

#### Central School Services Block (CSSB)

There are 2 elements to the CSSB: ongoing responsibilities that local authorities have a statutory duty to deliver for all pupils; and historic commitments made prior to 2013/14. In line with the government's reforms to move to a fairer funding system, these have been reducing year on year. The allocation for 22/23 has reduced by £0.026m.

#### High Needs Block (HNB)

The allocation is £35.355m an increase of 8.4%, with the additional supplementary grant, the total funds available are £36.668m.

#### Early Years Block (EYB)

Despite an increase in the hourly rate for free entitlements for 2, 3 and 4 year olds of 21p (2 year olds) and 17p (3 & 4 year olds), there has been a reduction in participation of 760 hours which has resulted in a reduction in funding of £1.337m.

There are still significant pressures within the HNB due to:

- A continued increase in the numbers and complexity of Education Health Care Plans (EHCPs) (the Council is currently funding 2438 EHCPs which is an increase of 176 (7.8%) from this time last year at an average cost of £15,778);
- School age population growth – advances in life-expectancy for children with complex conditions; more awareness and better diagnoses; and increasing poverty;
- Increase in the number of places funded in our own special schools (which are now close to capacity – 3 additional places are being funded in 22/23)
- Lack of places in our own Special Schools resulting in costly out of borough places being sought;
- Staffing cuts in mainstream schools impacting on their ability to cater for children with SEND and other agencies unable to meet their share of costs and/or provide supporting services; and

- The sharp focus on inspection and through the broader accountability framework does not incentivise mainstream schools to be inclusive.

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

A full review of budget assumptions for future years has been undertaken with expenditure expected to increase by approximately £3.2m in 22/23 and £1.2m in 23/24 and 24/25. Over the three years this will amount to £5.6m based on the following:

- Continued increase in the volume and complexity of EHCP payments to schools (£1.5m)
- An uplift in complexity of need leading to a rise in special school top-ups (£2m)
- Increase cost of out of borough placements caused by increasing complexity and lack of places in our own special schools (£1.1m)
- Inflationary cost increases on out of borough placements, pay and running costs (£1m).

The High Needs allocation including the supplementary grant for 2022/23 is £36.668m, an increase of just over £4m (12.4%) on the 2021/22 allocation. The assumption is that this will increase by 5% in 2023/24 and 3% in 2024/25 as advised by the Education and Skills Funding Agency (ESFA).

Although Local Authorities have seen increases in their HNB funding for 2022/23, the government has committed to pursue a review of the special educational needs and disability (SEND) system to see what further improvements are necessary to ensure that it supports children and young people with SEND as effectively as possible. This was expected to begin in spring 2021 but has been delayed. The table below sets out a summary of the HNB position.

<b>High Needs Block Summary</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>
Required HNB budget	38.148	39.369	40.593
HNB grant	36.668	38.501	39.656
<b>(Surplus)/Deficit</b>	<b>1.480</b>	<b>0.868</b>	<b>0.937</b>

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

High Needs share of the DSG Central Reserve	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
High Needs Deficit brought forward	(0.181)	(2.343)	(3.823)	(4.691)
Movements in year	(2.162)	(1.480)	(0.868)	(0.937)
<b>Useable reserves remaining</b>	<b>(2.343)</b>	<b>(3.823)</b>	<b>(4.691)</b>	<b>(5.627)</b>

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

- Developing inclusion & preventative services;
- Reducing the reliance on Independent and Non Maintained Special Schools (NMSS);
- Promoting independence within the post-16 cohort;
- Review of EHCP bandings; and
- Transfer of 0.5% from the School's Block (this has been approved by funding forum and equates to £965k);

There are risks associated with these options, such as :

- Increases in demand may be higher than expected;
- Increases in costs may be higher than anticipated;
- The pandemic may bring additional cost pressures as children/young people will require extra support over a longer period; and
- Developing capacity in-borough requires adequate capital funding and physical space in existing provisions.

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

#### 8.1.4 **Future Changes**

##### National Funding Formula (NFF)

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

The introduction of a hard formula, in which the Education Skills and Funding Agency (ESFA) will calculate and distribute allocations directly to schools and academies using the NFF, was to take place in 2020/21 after 2 years of a soft

formula. The ESFA has begun consulting on this but that implementation is not likely to take place until 2024/25 or 2025/26.

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



## 9. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

### 9.1 Budget Requirement

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

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

9.1.2 If the proposals in this budget report are agreed, the calculation for the 2022/23 Council Tax Requirement will be as follows:

Calculation of Council Tax Requirement & Relevant Basic Amount of Council Tax 2022/23	£
<b>Service Budget</b>	
<b>Gross Expenditure</b>	
Service expenditure	514,903,209
<b>Gross Income</b>	
Fees, charges and specific grants	(322,331,222)
<b>Service Area Net Budget</b>	<b>192,571,987</b>
<b>Financing Budget</b>	
Retained Business Rates Baseline	(54,812,394)
Business Rates Growth, Other Items, Prior Year Movements	(13,728,014)
Other Council Tax Items, Prior Year Movements	154,465
Application of COVID-19 General Reserve	(7,097,000)
Application of Budget Resilience Reserve	(4,334,015)
<b>Financing Net Budget</b>	<b>(79,816,958)</b>
<b>Council Tax Requirement</b>	<b>112,755,029</b>
<b>Council Tax Base in Band D's</b>	<b>77,601</b>
<b>Relevant Basic Amount of Council Tax</b>	<b>£1,453.01</b>

9.1.3 The Director of Finance and Systems in accordance with his delegated powers approved the 2022/23 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 11 January 2022 at 77,601, which is an increase of 1,785 Band D equivalents on 2021/22. The 2022/23 Council Tax Base for each of

the four Parish Councils was also approved as: Partington 1,669, Dunham Massey 231, Warburton 163 and Carrington 144.

## 9.2 Energy Bills Rebate

9.2.1 On 3<sup>rd</sup> February, the Chancellor of the Exchequer announced a number of support packages to help households with rising energy bills, this included

- **A £200** discount on their energy bill this Autumn for domestic electricity customers in Great Britain. This will be paid back automatically over the next 5 years.
- **A £150** non-repayable rebate in Council Tax bills for all households in Bands A-D in England.
- **£144 million** of discretionary funding for Local Authorities to support households who need support but are not eligible for the Council Tax rebate.

9.2.2 At the time of drafting this report, the details of how the Council Tax rebate will operate have yet to be formalised, however details given at the time of the announcement are as follows

- Households in England in Council Tax Bands A-D will be eligible for a £150 rebate in their council tax bill in April this year.
- The rebate to bills will be made directly by local authorities and will not have to be repaid.
- The rebate will not be paid for second homes or empty properties.
- The Government expects the vast majority of people who pay by Direct Debit to receive this money in April. For households in Bands A-D who do not pay by Direct Debit, their councils will be ready to process their claims in April.
- For those with council tax bills lower than £150 that month, it will take a bit longer to receive the benefit in full. Almost all households should see the full benefit by May.
- The government is providing new funding to local authorities for these rebates, as well as extra funding to help with increased administrative costs.
- For those who need help with their energy bills but are not eligible – such as households on income support in higher bands (E-H) or with properties in bands A-D that are exempt from council tax – local authorities will receive £144 million of discretionary funding to help.
- council tax energy rebate payments must be disregarded as income for the purposes of calculating eligibility for both working-age and pensioner local council tax support schemes in 2022-23.

9.2.3 In addition, and most importantly, the Government has clarified the rebate payment will operate outside of the Council Tax mechanism, and only use the council tax lists and system to identify eligible households and administer the payment. **The rebate does not affect council tax setting, the calculation of bills and the presentation of charges will not be impacted.**

### 9.3 Council Tax Increases

9.3.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its “relevant basic amount of Council Tax” by an amount equal to or exceeding a level set out by the Government annually. For 2022/23 a figure of 3% has been set, which is a combination of the core principle of 2% and the ‘adult social care precept’ of 1%.

9.3.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2022/23 by 2.99%:

➤ 1.99% general increase in the ‘relevant basic amount’, and

➤ 1.0% for the ‘Adult Social Care’ precept.

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

	2021/22	2022/23
Council Tax Base	75,816	77,601
Council Tax Requirement with Levies (£)	106,963,487	112,755,029
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,252.66	1,280.74
Social Care Precept	158.17	172.27
Relevant Basic Amount of Council Tax	1,410.83	1,453.01
<b>% increase in Relevant Basic Amount of Council Tax</b>	<b>4.99%</b>	<b>2.99%</b>

9.3.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 2.99%, which is within the 3% figure set by Government in 2022/23 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.

9.3.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £10.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing a £12.00 increase in their Band D precept.

9.3.6 Partington Town Council, at its meeting on 1 November 2021, elected to keep the level of Band D Council Tax at £52.04 in 2022/23, the same as in 2021/22. Carrington Parish Council passed a resolution on 21 June 2021 to keep the Band D Council Tax at £30.00 in 2022/23, the same as in 2021/22. Warburton Parish Council at its meeting on 4 January 2022, elected to set a Band D Council Tax of £50.00 in 2022/23, the same as in 2021/22. Dunham Massey Parish Council is not setting a Precept in 2022/23.

### 9.4 Council Tax Levels and Bandings

9.4.1 The overall Precepts and Council Tax levels for 2022/23 for Trafford properties are as follows:

Council Tax per Precepting Body	Precept Amount £	Council Tax per Band D Property £	Council Tax Level Increase
Trafford Services (inclusive of 'Adult Social Care Precept')	112,755,029	1,453.01	2.99%
Mayoral Police and Crime Commissioner (see note)	17,716,308	228.30	£10.00/ 4.58%
Mayoral General Precept (including Fire Services) (see note)	7,989,023	102.95	£12.00/ 13.19%
<b>Total (excluding Parishes)</b>		<b>1,784.26</b>	<b>3.73%</b>
Partington Precept	86,855	52.04	0.00%
<b>Total for Partington</b>		<b>1,836.30</b>	<b>3.62%</b>
Carrington Precept	4,320	30.00	0.00%
<b>Total for Carrington</b>		<b>1,814.26</b>	<b>3.67%</b>
Warburton Precept	8,150	50.00	0.00%
<b>Total for Warburton</b>		<b>1,834.26</b>	<b>3.63%</b>

9.4.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 11 February 2022.

9.4.3 The council tax for 2022/23, inclusive of the 'adult social care precept', for each of the eight valuation bands would be as follows:

Band	Valuation range (in 1991 prices)	Council Tax (Excl. Parishes) £	Council Tax for Partington £	Council Tax for Carrington £	Council Tax for Warburton £
A	Up to £40,000	1,189.50	1,224.19	1,209.50	1,222.83
B	Over £40,000 and up to £52,000	1,387.75	1,428.23	1,411.08	1,426.64
C	Over £52,000 and up to £68,000	1,586.00	1,632.26	1,612.67	1,630.44
D	Over £68,000 and up to £88,000	1,784.26	1,836.30	1,814.26	1,834.26
E	Over £88,000 and up to £120,000	2,180.75	2,244.35	2,217.42	2,241.86

F	Over £120,000 and up to £160,000	2,577.25	2,652.42	2,620.58	2,649.47
G	Over £160,000 and up to £320,000	2,973.76	3,060.49	3,023.76	3,057.09
H	Over £320,000	3,568.52	3,672.60	3,628.52	3,668.52

## BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2022/23 £m	2023/24 £m	2024/25 £m
<b>Service Expenditure</b>			
Pay: Inflation – 2021/22 (not yet agreed)	1.75%	n/a	n/a
Pay: Inflation	2.00%	2.00%	2.00%
	£2.47	£1.62	£1.65
Pay: Pension Inflation	0.0%	0.0%	0.0%
	£0.00	£0.00	£0.00
Pay: National Living Wage/ Fair Price for Care	£3.54	£3.05	£1.93
General Inflation: Prices	2.0%	2.0%	2.0%
	£0.13	£0.13	£0.14
Contractual Obligations: Inflation Specific e.g. energy	£1.73	£2.27	£2.33
Levies: Waste (GMWDA) Levy Increase/ (Decrease)	£(0.67)	£0.49	£0.49
Demographics: Children	£1.50	£1.00	£1.00
Adults	£3.50	£1.90	£1.50
<b>Treasury Management</b>			
Investment Rates	0.64%	0.94%	1.09%
Debt Rates	2.50%	2.50%	2.50%
<b>Funding</b>			
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	(0.25)%	1.00%	1.00%
Change in Baseline Funding Level :-			
Baseline Funding (Core) %	2.00%	2.00%	2.00%
Baseline Funding (Core) £m	£0.73	£0.74	£0.76
Baseline Funding (RSG) %	0.00%	0.00%	0.00%
Baseline Funding (RSG) £m	£0.00	£0.00	£0.00
Baseline Funding (PH) %	0.00%	0.00%	0.00%
Baseline Funding (PH) £m	£0.00	£0.00	£0.00

**Budget Movements & Proposals: Draft Budget Oct 21 to Final Feb 22**

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>Total £000</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct 21)</b>	<b>4,653</b>	<b>10,950</b>	<b>3,921</b>	<b>19,524</b>
Movements Since Draft affecting the Gross Gap				
Social Care (Inflation increases Fair Price for Care, NLW)	1,253	827	79	2,159
Increase in Social Care Contracts RPI	167	0	0	167
H&SC Levy Increase Council Staff	700	0	0	700
Savings not achieved in 21/22	321	0	0	321
Increase in New Homes Bonus	(214)	0	0	(214)
Adults Demographic pressures	1,500	0	0	1,500
Norfolk Judgement Adults Clients charging	(250)	250	0	0
Leisure CIC annual support (COVID and Refurb)	500	0	0	500
Reduce income expectations from Strategic Investment Programme	0	1,500	500	2,000
2022/23 Services Grant	(2,510)	0	0	(2,510)
Market Sustainability and Fair Cost of Care Fund Grant	(638)	(1,722)	0	(2,360)
Social Care Grant	(2,473)	0	0	(2,473)
Increase in Public Health Expenditure reflecting increase in grant (inflation)	360			360
Other Budget Assumptions	217	52	(30)	239
<b>CHANGES TO BUDGET ASSUMPTIONS</b>	<b>(1,067)</b>	<b>907</b>	<b>549</b>	<b>389</b>
Rates adjustments to assumptions	(378)	(1,682)	(3,173)	(5,233)
Changes to Council Tax Base	(170)	(7)	(6)	(183)
<b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>	<b>(548)</b>	<b>(1,689)</b>	<b>(3,179)</b>	<b>(5,416)</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>Total £000</b>
<b>CHANGES IN MEETING THE GAP</b>				
<b>CHANGES TO SAVINGS AND INCOME PROPOSALS</b>	<b>201</b>	<b>4</b>	<b>105</b>	<b>310</b>
Increase in Adult Social Care Precept limited to 1% (2% assumed at draft)	1,095	1,191	1,300	3,586
Contribution from Budget Resilience, Innovation and Change Reserve	(4,334)	4,334	0	0
<b>TOTAL CHANGES TO POLICY CHOICE FUNDING</b>	<b>(3,239)</b>	<b>5,525</b>	<b>1,300</b>	<b>3,586</b>
<b>REVISED BUDGET GAP (Feb 22)</b>	<b>0</b>	<b>15,697</b>	<b>2,696</b>	<b>18,393</b>





**Business Rates Retention GM Pilot**
**Annex C**
**Business Rates Benefit Calculation 2021/2022 to 2025/2026**

	2021/22 (*) £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Gross Rates Payable	183,901	184,323	184,323	197,991	202,054
Transitional Adjustments and Mandatory & Discretionary Reliefs	(16,678)	(19,803)	(20,199)	(20,607)	(21,020)
<b>NET RATES PAYABLE</b>	<b>167,223</b>	<b>164,520</b>	<b>164,124</b>	<b>177,383</b>	<b>181,034</b>
Accounting Adjustments (Appeals & BDP) & Cost of Collection	(14,151)	(7,042)	(7,896)	(8,414)	(11,617)
<b>NNDR Income</b>	<b>153,072</b>	<b>157,478</b>	<b>156,228</b>	<b>168,969</b>	<b>169,417</b>
Local Share	151,541	155,903	154,666	167,279	167,723
Tariff	(95,720)	(95,022)	(94,542)	(96,803)	(99,109)
<b>Retained Business Rates</b>	<b>55,821</b>	<b>60,881</b>	<b>60,124</b>	<b>70,476</b>	<b>68,613</b>
<b>Baseline Funding Level (BFL)</b>	<b>54,643</b>	<b>55,172</b>	<b>55,652</b>	<b>56,395</b>	<b>57,153</b>
Growth	1,347	5,708	4,471	14,081	11,460
SAICA Renewable Energy	83	83	85	86	88
Section 31 Compensation Grants	9,002	11,410	14,159	11,184	11,843
<b>Growth/(Decline) to Baseline</b>	<b>10,432</b>	<b>17,201</b>	<b>18,715</b>	<b>25,351</b>	<b>23,391</b>
GM Pilot 'No Detriment' Over Payment	(5,544)	(8,753)	(9,671)	(15,154)	(14,197)
GM Pilot 'No Detriment' Over Payment Rebate	2,772	4,376	4,835	7,577	7,098
<b>Business Rates Benefit over BFL</b>	<b>7,660</b>	<b>12,825</b>	<b>13,880</b>	<b>17,774</b>	<b>16,293</b>
Release of Prior Year Surplus/ (Collection of Deficit)	91,715				
Contribution from reserves	(91,715)				
Contribution from Business Rates Risk Reserve	600				
Business Rates Growth Reset					
<b>Business Rates Growth</b>	<b>8,260</b>	<b>12,825</b>	<b>13,880</b>	<b>17,774</b>	<b>16,293</b>

## Total Benefit from Business Rates

Benefit from Business Rates	2021/22 (*) £000	2022/223 £000	2023/24 £000	2024/25 £000	2025/26 £000
Core Baseline Funding	36,418	36,418	37,146	37,889	38,647
Revenue Support Grant	5,415	5,584	5,696	5,695	5,695
Public Health Grant	12,809	13,170	12,809	12,809	12,809
<b>Total Baseline Funding Level (BFL)</b>	<b>54,642</b>	<b>55,172</b>	<b>55,652</b>	<b>56,395</b>	<b>57,153</b>
Business Rates Benefit above Baseline	8,260	12,825	13,880	17,774	16,293
Assumptions on Transitional Protection				(3,447)	(5,441)
Assumption on Growth Post Reset				1,000	1,500
Collection of 2020/21 COVID deficit over three years	(1,773)	(1,773)	(1,773)		
Government Support at 75% of estimated 20/21 deficit	1,330	1,330	1,330		
Release of Prior Year Surplus/Smoothing Reserve		987	987		
<b>Business Rates Benefit over BFL</b>	<b>7,816</b>	<b>13,369</b>	<b>14,424</b>	<b>15,327</b>	<b>12,382</b>
<b>Total Benefit from Business Rates</b>	<b>62,460</b>	<b>68,541</b>	<b>70,076</b>	<b>71,723</b>	<b>69,535</b>
<b>Yearly Change</b>					
Change in BFL		529	840	743	758
Change in Business Rates Benefit		5,165	1,055	3,894	(1,481)
Change in 2020/21 COVID deficit		387		(987)	
Change in Business Rates Benefit post reset				(2,004)	(1,464)
<b>Yearly Change</b>		<b>6,081</b>	<b>1,895</b>	<b>1,646</b>	<b>(2,187)</b>

(\*) This excludes adjustments for :-

- COVID Additional Restrictions Fund (CARF) relief in 2021/22 which will reduce retained rates by £6.4m. This is fully funded via a section 31 grant and therefore has nil impact on the total benefit from business rates.
- Retail and Hospitality and Leisure Relief in 2021/22 which will reduce retained rates by £47.7m. This is fully funded via a section 31 grant and therefore has nil impact on the total benefit from business rates.

Increase in Business Rates over period £6.081m + £1.895m + £1.646m + £(2.187)m  
= £7.436m

## Income &amp; Savings Proposals 2022/23

Theme/Title	Service Area	Description of Saving	2022/23 £000's
Children Placements	Children's	A review of demand and placements for looked after children.	(1,358)
Review Family Time (Contact) service	Children's	Review of staffing establishment to follow a realignment of the service.	(45)
Staffing Efficiencies	Children's	Review of staffing establishment outside of the main redesign programme.	(65)
<b>Sub-Total</b>			<b>(1,468)</b>
Direct payments (DP)	Adults	Increase the uptake in DP usage to reduce commissioned or other expenditure.	(50)
Smoking Cessation	Adults	Reduce the prevalence of community smoking and thereby reduce long-term health conditions that result and the support required.	(40)
Weight Management	Adults	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	(16)
Liberty Protection Safeguards (LPS)/Portal – Reshaping.	Adults	The implementation of the LPS scheme and a whole system portal which will drive through efficiencies and costs savings.	(100)

Theme/Title	Service Area	Description of Saving	2022/23 £000's
Learning Disabilities - supported accommodation	Adults	Working with providers to identify efficiencies that can be achieved in the learning disability supported living accommodation contracts.	(113)
<b>Sub-Total</b>			<b>(319)</b>
Review of estates income	Place	Realignment of 21/22 savings assumed in 22/23	(90)
Electric vehicle (EV) charging points	Place	Expand number of EV charging points on a revenue share model.	(50)
Strategic Investment Income	Place	Recycling of receipts to maintain net income at achievable levels	(1,040)
Waste disposal levy	Place	Savings in waste disposal costs charged through the GM contract. Achieved by improved recycling and use of smoothing reserve.	(1,000)
Resident parking permits and parking charges	Place	A range of measures will be undertaken to ensure charges are suitable whilst also recognising potential impact on users, businesses and the environment.	(100)
Safety at Sports Grounds certificates	Place	Increased charge to better recover costs.	(20)
Decarbonisation of Public Sector Buildings	Place	Expected energy savings	(75)
<b>sub-total</b>			<b>(2,375)</b>

Theme/Title	Service Area	Description of Saving	2022/23 £000's
Traded Services	Strategy & Resources	Traded Services income - increase in charges to offset pay and cost inflation.	(148)
Flexible use of capital receipts/one off resources to cover transformational activity (phase 1)	Strategy & Resources	To utilise the flexibility in the use of capital receipts to fund transformational activity.	(500)
<b>Sub-Total</b>			<b>(648)</b>
Traded Services	Finance & Systems	Traded Services income - increase in contributions to offset pay and cost inflation.	(37)
Digital Strategy	Finance & Systems	Increased use of digital technology to deliver better and more efficient services.	(100)
<b>Sub-Total</b>			<b>(137)</b>
Civic function/ Mayoral Attendant/Car	Governance and Community Strategy	A range of temporary measures.	(54)
<b>Sub-Total</b>			<b>(54)</b>
Voluntary Redundancy/Severance Scheme	All Services	Introduction of a VR/VS scheme which allows colleagues to apply to leave the Council's employment through voluntary means. Year 2 impact of 2020/21 scheme.	(211)
9 day fortnight	Council Wide	Continuation of the voluntary scheme	(10)
Additional Savings from Advanced Pension Payment	Council Wide	Realisation of recurrent savings from advance pension payment	(100)
<b>Sub-Total</b>			<b>(321)</b>
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>			<b>(5,322)</b>

## 2022/23 Subjective Budget Analysis

## Annex E

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	STRATEGY & RESOURCES £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>NET BUDGET Brought Forward</b>	<b>42,748</b>	<b>65,291</b>	<b>31,496</b>	<b>6,328</b>	<b>7,818</b>	<b>5,755</b>	<b>20,036</b>		<b>179,472</b>
<u>Budget Pressures :</u>									
Pay	606	406	262	172	287	401	1,031		<b>3,165</b>
National Living Wage	40	3,496	0	0	0	0	0		<b>3,536</b>
General Inflation	19	7	54	33	9	7	2		<b>131</b>
Contractual Inflation & Obligations	438	443	1,115	6	63	25	0		<b>2,090</b>
Levies	0	0	335	0	0	0	0		<b>335</b>
Demographics/ Care Costs/ Social Worker	1,500	4,500	0	0	0	0	0		<b>6,000</b>
Grants, Legislative & Service Transfers	64	(3,352)	0	0	0	0	(2,730)		<b>(6,018)</b>
Loss of Income	0	0	(259)	0	0	0	0		<b>(259)</b>
Treasury Management	0	0	0	0	0	0	644		<b>644</b>
Strategic Investment Programme	0	0	1,090	0	0	0	0		<b>1,090</b>
Short Term COVID-19 Service Pressures	0	(1,120)	(1,470)	(240)	0	(350)	0		<b>(3,180)</b>
Short Term COVID-19 Service Grants	0	0	0	0	0	0	8,667		<b>8,667</b>
Other	153	483	821	8	(8)	21	744		<b>2,222</b>
<b>Total Budget Pressures</b>	<b>2,820</b>	<b>4,863</b>	<b>1,948</b>	<b>(21)</b>	<b>351</b>	<b>104</b>	<b>8,358</b>		<b>18,423</b>
<u>Budget Savings</u>									
Income Generation	0	0	(100)	0	(37)	(148)	0		<b>(285)</b>
Savings Proposals Efficiencies & Policy Choice	(1,468)	(347)	(2,341)	(97)	(170)	(522)	(92)		<b>(5,037)</b>
<b>Total Approved Budget Proposals</b>	<b>(1,468)</b>	<b>(347)</b>	<b>(2,441)</b>	<b>(97)</b>	<b>(207)</b>	<b>(670)</b>	<b>(92)</b>		<b>(5,322)</b>
<b>PROPOSED NET BUDGET</b>	<b>44,100</b>	<b>69,807</b>	<b>31,003</b>	<b>6,210</b>	<b>7,962</b>	<b>5,189</b>	<b>28,302</b>		<b>192,573</b>

	CHILDREN £000's	ADULTS £000's	PLACE £000's	GOV AND CS £000's	FINANCE & SYSTEMS £000's	PEOPLE & TRADED £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>Funding:</b>									
Council Tax								(109,482)	<b>(109,482)</b>
Council Tax - 1.99% General Increase								(2,179)	<b>(2,179)</b>
Council Tax - 1% Adult Social Care Increase								(1,095)	<b>(1,095)</b>
Council Tax 20/21 Estimated Deficit (1/3 )								1,353	<b>1,353</b>
Council Tax Govovernment Support (COVID)								(258)	<b>(258)</b>
Council Tax 21/22 Estimated Surplus								(1,550)	<b>(1,550)</b>
Council Tax use of smoothing reserve								609	<b>609</b>
Business Rates: Local Share								(150,195)	<b>(150,195)</b>
Business Rates: Tariff Payment								95,023	<b>95,023</b>
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(16,609)	<b>(16,609)</b>
Business Rates 20/21 Estimated Deficit (1/3)								1,773	<b>1,773</b>
Business Rates Gov Support (COVID-19)								(1,330)	<b>(1,330)</b>
COVID Rates diff est/act and Gov Grant Support Smoothing Reserve								2,798	<b>2,798</b>
<b>PROPOSED FUNDING</b>								<b>(181,142)</b>	<b>(181,142)</b>
<u>Additional Use of Reserves:</u>									
Budget Support Reserve								(4,334)	<b>(4,334)</b>
COVID Support								(7,097)	<b>(7,097)</b>
<b>FUNDING FROM RESERVES</b>								<b>(11,431)</b>	<b>(11,431)</b>
<b>BUDGET GAP</b>									<b>0</b>

## Details of Reserves by Category

## Annex F

CATEGORY	RESERVE NAME	BALANCE AT 31st MARCH 2021	TOTAL COMMITTED 21/22 to 23/24 £000	BALANCE AFTER COMMITMENT (UNDER)/ OVER £000	TOTAL TRANSFERS 21/22 to 23/24 £000	REVISED BALANCE £000	Narrative
Budget Resilience	MTFP Budget Resilience, Innovation and Change Reserve (BRICR)	(6,347)	(1,750)	(8,097)	(4,568)	(12,665)	<p>Target balance of 100% of budget gap required (approx. £16m) plus a further £5m for Innovation and Change Programme.</p> <p><b>Reserve movements :-</b></p> <p><b>Transfers from Other Reserves :-</b></p> <p>£5.23m transferred from COVID-19 General Reserve</p> <p>£1.5m moved to General Reserve to bring to £9.5m.</p> <p>£250k from Insurance Reserve</p> <p>£365 from Emp. Rationalisation</p> <p>£218k Finance &amp; Systems Reserve</p> <p><b>Period 8 21/22 Monitor :-</b></p> <p>£1.05m Council Tax estimated surplus</p> <p>£4.35m Business Rates surplus.</p> <p><b>Other :-</b></p> <p>£500k per annum previously identified to replenish MAG dividend reserve (see below)</p> <p>£1m anticipated return of Rates Growth Pilot monies from GMCA</p> <p>£1m anticipated return of waste levy monies from GMCA</p> <p><b>Budget 22/23 :-</b></p> <p>Budget Support £4.34m</p>
<b>Sub-Total Budget Resilience</b>		<b>(6,347)</b>	<b>(1,750)</b>	<b>(8,097)</b>	<b>(4,568)</b>	<b>(12,665)</b>	
Smoothing and Business Risk	Manchester Airport Group Dividend	0	0	0	0	0	Reserve utilised in full to support the pandemic in 20/21. Revenue budget growth of £500k was originally included in order to replenish this reserve to balance of 50% of the budgeted dividend cover. The £500k has been redirected to the MTFP Budget



							Support Reserve to manage the short term gaps and savings agenda
Smoothing and Business Risk	Business Rate Risk Reserve	(6,529)	600	(5,929)	0	(5,929)	£0.6m to be committed to support budget in 21/22. Remaining balance deemed minimum balance to meet underlying business rate volatility.
Smoothing and Business Risk	Insurance Reserve	(1,700)	0	(1,700)	250	(1,450)	Sufficient to cover four excess property claims (£250k per claim) plus a further £0.500m to cover historic claims relating to MMI and £0.200m balance of risk. Reduce to 3 claims at £250k. <b>Release £250k to budget support (BRICR)</b>
Smoothing and Business Risk	Earmark Gen - Employment Rationalisation	(1,166)	0	(1,166)	366	(800)	Established to cover costs of VS/VR scheme. Brought forward balance of £1.166m included draw down for the costs of the 2021 cycle. Reduce reserve to a balance of £800k for future potential restructuring costs. <b>£366k to budget support (BRICR)</b>
Smoothing and Business Risk	Housing Benefit Overpayment Reserve	(500)	300	(200)	0	(200)	Reserve balance brought forward was reinstated at £0.5m to reflect risk of 21/22 budget pressures due to COVID-19. A pressure of approx. £300k is now expected in 21/22 and this reserve will be utilised to offset this. The uncertainty on the Housing Benefit budget is expected to continue and the £200k is the minimum recommended balance. This may be increased at year end should resources allow.
Smoothing and Business Risk	Timperley Sports Club Synthetic Pitch	(93)	78	(15)	0	(15)	This will be used towards replacing synthetic pitches across the Borough
Smoothing and Business Risk	Earmark Gen - Local Search Litigation Costs Settlement	(93)	0	(93)	0	(93)	Reserve established as a contingency for potential back claims regarding changes in local search litigation costs and Central Land Charges Register.
Smoothing and Business Risk	Earmark Gen - Civic vehicle reserve	(24)	24	0	0	0	Replacement of mayoral vehicle. No change.
Smoothing and Business Risk	Smoothing - Waste Levy	(571)	550	(21)	0	(21)	To smooth the effects on the Council's budget of movements in the waste levy over the medium term.

Smoothing and Business Risk	Smoothing - Winter Maintenance	(120)	0	(120)	0	(120)	To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions. Has not been required as risk is managed within revenue budget.
Smoothing and Business Risk	Smoothing - Elections	(308)	320	12	0	12	To smooth the elections budget across the 4 year Municipal cycle.
Smoothing and Business Risk	Smoothing - Interest Rate	(2,161)	390	(1,771)	0	(1,771)	Balance sufficient to meet potential short term volatility in the financial markets
Smoothing and Business Risk	Exchequer Services Reserve	(237)	230	(7)	0	(7)	Accumulated underspend of unspent grants (ring-fenced for activities such as fraud work, ICT systems, Universal Credit)
Smoothing and Business Risk	EU Exit Funding Reserve	(300)	300	0	0	0	Government funding to be used to enhance capacity and capability within local authorities in preparation for EU Exit related activities and risks
Smoothing and Business Risk	Sale PFI Bullet Payment	(1,086)	(360)	(1,446)	0	(1,446)	Reserve used to hold the final bullet payment relating to the programme. Previously held as a provision but reclassified as a reserve in 20/21. Not Available for any other purpose.
Smoothing and Business Risk	Admin Building Cyclical Maintenance Reserve	(758)	450	(308)	0	(308)	Reserve was previously classified as Capital. To provide a reserve sufficient to cover major lifecycle maintenance and unexpected costs associated with the maintenance and repair of all major administrative sites.
Smoothing and Business Risk	Council Tax Risk Reserve	0	(500)	(500)	0	(500)	Reserve to manage risk of shortfall in Council Tax Income due to uncertainty in take up of LCTSS/Hardship. Initially seeded by £500k from 21/22 Council Tax Surplus (period 8 monitor)
<b>Sub-Total Smoothing and Business Risk</b>		<b>(15,646)</b>	<b>2,382</b>	<b>(13,264)</b>	<b>616</b>	<b>(12,648)</b>	
COVID-19	Covid General Reserve	(20,672)	15,438	(5,234)	5,234	0	Reserve created to hold support for one off Covid pressures in 21/22 and 22/23 in line with MTFP plan. Plus balances of unspent Covid general grant. <b>£4.0m transferred to budget support reserve at draft budget</b>

							<b>22/23 stage. Balance of £1.23m has also been transferred to BRICR.</b>
COVID-19	Council Tax Hardship Reserve	(1,131)	1,131	0	0	0	Balance of Council tax Hardship Grant not spent in 2020/21. To be used to support hardship cases in 2021/22
COVID-19	Council Tax Compensation Grant Covid (75%)	(767)	767	0	0	0	Reserve established to hold Government support in meeting 20/21 Council Tax deficit. Will be drawn down over 3 years as planned in MTFP
COVID-19	Business Rates Compensation Grant Covid (75%)	(3,990)	3,990	0	0	0	Reserve established at Final budget stage to hold Government support in meeting 20/21 Business Rates deficit. Will be drawn down over 3 years as planned in MTFP
COVID-19	NDR Rates Exceptional Deficit Reserve (Section 31 Grants)	(87,713)	87,713	0	0	0	Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting and is not available for any other purpose
<b>Sub-Total COVID-19 Budget Resilience and Smoothing</b>		<b>(114,273)</b>	<b>109,039</b>	<b>(5,234)</b>	<b>5,234</b>	<b>0</b>	
Strategic Priority	Transformation Fund	(532)	532	0	0	0	see below
Strategic Priority	Transformation Fund Match Funding Reserve	(3,750)	3,750	0	0	0	Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services. This money can only be used on the activities that were laid out in the Transformation programme and some of this money will be allocated to the CCG for their share of programme costs.
Strategic Priority	Strategic Investment Programme Risk Reserve	(6,201)	1,730	(4,471)	0	(4,471)	Reserve established as a contingency for potential loss of income, additional cost due to delays in investment property fund. Reserve has been used/contributions adjusted during 21/22 in order to manage variations in the programme. Balance is minimum considered necessary to manage the underlying risks.
Strategic Priority	Leisure Centres Risk Reserve	(1,368)	1,368	0	0	0	Reserve to manage the risk during leisure centre refurbishment programme and any economic downturn due to pandemic. Particularly loss of income, changes in

							assumptions for demand, inflation and also risk of potential default on development loan. A budget provision of £715k is included in Place Directorate to manage these pressures. The reserve will be used to smooth net expenditure over the programme.
Strategic Priority	Children's Action Fund Reserve	(138)	138	0	0	0	A new reserve of £1.5m which was established in 2019/20 for investment in Children's Services following the recent OFSTED inspection. Remaining balance will be used in 21/22.
Strategic Priority	Bus Reform	(1,500)	1,500	0	0	0	Reserve established to hold Trafford's share of redistributed GM reserves. Will be released in 22/23 for GM Bus Reform.
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(275)	0	(275)	0	(275)	Major Projects can result in abortive costs and the transfer of schools with deficits can also result in costs which need to be written off and so a small reserve has been created to protect against these two write off risks. Reserve maintained at current levels.
<b>Sub-Total Strategic Priority</b>		<b>(13,764)</b>	<b>9,018</b>	<b>(4,746)</b>	<b>0</b>	<b>(4,746)</b>	
Corporate	NDR Deficit Reserve	4,124	(4,124)	0	0	0	Reserve established towards meeting Trafford's share of the NDR Deficit. This is a requirement of collection fund accounting and is not available for any other purpose
Corporate	Star Procurement Earmarked Reserve	(546)	546	0	0	0	STAR revenue budget under/overspends to be carried forward. Commitment to spend is approved by STAR Board (Stockport, Trafford, Rochdale and Tameside). Ring-fenced reserve for members of STAR
Corporate	Planning Income Reserve	(358)	358	0	0	0	A reserve established to hold surplus planning income in line with Government requirements to reinvest increases in fee income towards improvements in planning services. This is a ring fenced reserve with specific statutory conditions attached to it.

Corporate	Prepaid Rev Grants Res (IFRS)	0	0	0	0	0	
Corporate	Council Tax Smoothing Reserve	(285)	285	0	0	0	Reserve established to hold Trafford's contribution towards Council Tax over distribution 19/20 to be settled in 21/22.
Corporate	General Reserve	(8,000)	0	(8,000)	(1,500)	(9,500)	This is the reserve that the Council is required to hold to protect against in year financial shocks. Balance was increased by £1m in 20/21 and a further £1.5m to bring to £9.5m as part of Robustness Review at Final budget stage. This will bring the balance to approximately 5% of the Net Revenue Budget.
<b>Sub-Total Corporate</b>		<b>(5,065)</b>	<b>(2,935)</b>	<b>(8,000)</b>	<b>(1,500)</b>	<b>(9,500)</b>	
Service Area Priority	Earmark Gen - ICT Development	(589)	340	(249)	0	(249)	Reserve established to ensure there are funds available for the replacement of equipment such as ICT and to smooth out maintenance costs as a result of the Digital Investment programme.
Service Area Priority	Economic Development	(704)	937	233	0	233	Reserve set aside specifically for economic development related projects.
Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(20)	20	0	0	0	Funds earmarked for ICT upgrades plus additional costs associated with the libraries
Service Area Priority	Earmark Gen - Vol Sec Grants Reserve	(4)	4	0	0	0	Carry forward of prior year spend due to slippage on projects - committed on schemes.
Service Area Priority	Earmark Gen - Community Safety	(568)	268	(300)	0	(300)	Investment in Community Safety initiatives related to unspent grant from prior years.
Service Area Priority	Earmark Gen - Modernisation	(306)	306	0	0	0	Hold rolling balance of Modernisation Team budget underspend for future commitment
Service Area Priority	One Trafford Partnership Reserve	(1,859)	1,858	(1)	0	(1)	Established to hold contractor penalty payments to be invested in one-off Partnership schemes.
Service Area Priority	Sports Partnership Reserve	(165)	165	0	0	0	Ring-fenced funding from Sports Partnership to be used on specific projects
Service Area Priority	Earmarked Service C/fwd. <b>Place</b>	(967)	719	(248)	0	(248)	Service Carry Forward Place.

Service Area Priority	Earmarked Service C/fwd. <b>G &amp; CS</b>	(95)	95	0	0	0	Service Carry Forward Governance and Community Services
Service Area Priority	Earmarked Service C/fwd. <b>F &amp; S</b>	(1,057)	548	(509)	218	(291)	Service Carry Forward Finance and Systems. <b>Balance of £218k has been released to BRICR</b>
Service Area Priority	Earmarked Service C/fwd. <b>S&amp;R</b>	(612)	612	0	0	0	Service Carry Forward Strategy & Resources
Service Area Priority	Earmarked Service C/fwd. <b>Children</b>	(111)	111	0	0	0	Service Carry Forward Children's
Service Area Priority	Earmarked Service C/fwd. <b>Adults</b>	(3,779)	3,779	0	0	0	Service Carry Forward Adults.
Service Area Priority	Traded Services Reserve	(261)	243	(18)	0	(18)	Service Carry Forward Traded Services.
<b>Sub-Total Service Area Priority</b>		<b>(11,097)</b>	<b>10,005</b>	<b>(1,092)</b>	<b>218</b>	<b>(874)</b>	
		<b>(166,192)</b>	<b>126,868</b>	<b>(40,433)</b>	<b>0</b>	<b>(40,433)</b>	
Capital Related Reserves		(18,993)				(4,485)	
School Related Reserves		(15,167)				(15,167)	
<b>SUB-TOTAL</b>		<b>(34,160)</b>				<b>(19,652)</b>	
<b>Total Reserves</b>		<b>(200,352)</b>				<b>(60,085)</b>	

## Narrative Summary of Key Issues

### Budget Resilience

#### ➤ MTFP Budget Resilience, Innovation and Change Reserve (BRICR)

This reserve previously categorised within Budget Resilience and Smoothing group, has now been classified separately under a Budget Resilience group at the final budget stage due to the scale of the challenges faced by the Council in meeting a balanced budget in the medium term.

Each year the Council faces unavoidable base budget pressures relating to pay, general inflation and demographic growth which is offset by an assumed level of growth in Council Tax, leaving a net budget pressure. The current policy recommends that as a minimum that the budget support reserve be maintained at a level of 50% of the net pressure, which would equate to approximately £5.5m.

Although this principle remains in place, the challenges the Council is facing over the medium term and continued uncertainty in how to address a balanced budget has emphasised the importance of having sufficient capacity within this reserve.

The reserve has been bolstered significantly to provide a cushion and 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.

The reserve includes a number of significant movements, including revisions undertaken as part of the final budget; these can be summarised as follows:-

- A planned drawdown of £2.8m to support the 2021/22 budget;
- An increase of £5.40m as a result of the positive outturn relating to Council Tax and Business Rates income, as reported in the Period 8 budget monitoring;
- An increase of £0.5m per annum over the next three years, as a result of the redirection of existing revenue budget resource previously identified with the objective of replenishing the Manchester Airport Dividend Reserve (see below for further background)
- An increase of £2.0m relating to potential return of monies from Greater Manchester Combined Authority relating to the 2021/22 Business Rates Growth Pilot (£1.0m) and surplus Waste Levy reserves (£1.0m).
- Transfer of balances following the review of reserves as part of the draft and final budget preparations. Details of movement are shown in bold above, however in summary includes
  - £5.23m released from the COVID-19 General Reserve, largely accumulated from uncommitted grant support received in the previous financial year.
  - £0.83m released from various earmarked reserves
  - A transfer to the General Reserve of £1.5m to provide a revised balance of £9.5m.

The final budget for 2022/23 also includes a proposal that £4.34m will be met from the MTFP Budget Resilience, Innovation and Change Reserve in order to balance the remaining budget gap in 2022/23. This will leave a balance of £11.16m at the end of 2021/22 available in support of this reserve's principle objectives.

## Smoothing and Business Risk Reserves

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

The Council has a budget from Business Rates income of approximately £68m and due to the complexities in the system such as the uncertainty surrounding the long term impact of the pandemic, a potential downturn in the general economy along with the forthcoming business rate reset, the importance of maintaining a suitable balance in this reserve cannot be underestimated. The suggested reserve balance of £5.93m is considered the minimum level given the underlying risks.

- **Manchester Airport Dividend Reserve** – this reserve was established to provide resilience if the income from our strategic investments in the airport was reduced. In the event of the pandemic, the reserve was used in full in 2020/21. As part of the longer term plans to replenish the level of reserves over the medium term, a recurrent amount of £0.5m was included in the 2021/22 budget. This was initially directed towards this reserve, however during the final budget review a decision has been made to direct this to the MTFP Budget Resilience, Innovation and Change so it can be managed in line with the principles of that reserve.
- **Employment Rationalisation** - This reserve was established to meet the one off costs over budget for major restructuring costs (severance/pension strain). At final budget an amount of £366k has been transferred to the MTFP Budget Resilience, Innovation and Change Reserve to leave a balance of £800k which is thought a prudent level to cover potential future costs.
- **Insurance Reserve** - The balance on this reserve is used to cover the insurance excess costs plus balance of risk for historic claims. The review at final budget has identified a balance of £250k which will be transferred to the MTFP Budget Resilience, Innovation and Change Reserve.

## COVID-19 Reserves

- **COVID-19 Various** - A substantial balance of £114.27m relates to various COVID-19 Reserves and mainly relates 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 relief schemes. These reserves are therefore used to compensate the Collection Fund for the accumulated shortfall and cannot be used for any other purposes. The balance also includes resource to meet our budget plans, including £7.1m of support in 2022/23 for specific COVID-19 pressures identified in our previous plans. The non committed balance of the reserve of £5.23m has been transferred to the MTFP Budget Resilience, Innovation and Change Reserve.



## Strategic Priority

- **Asset Investment Strategy Risk Reserve** - this reserve is the largest reserve within the category of Strategic Priority and stood at £6.2m at 1<sup>st</sup> April 2021. The reserve was established as a contingency for potential loss of income and additional cost due to delays in the investment property programme. The flexible use of this reserve has been required during the pandemic due to the significant impact of delays in developer loans being drawn down and shortfalls in rental income. These pressures are reported in detail in the period monitoring. This reserve will remain a critical tool in managing the ongoing risks associated with the programme.
- **Leisure Centre Risk Reserve** – this reserve was established prior to the pandemic to manage the expected shortfall in income during the buildings refurbishment programme. The balance on the reserve has however been redirected to support the impact that the pandemic has had on the trading income of the Leisure CIC.

The current revenue budget included a figure of £215k to replenish this reserve on an annual basis and as part of the final budget preparation a further resource of £0.5m has been added to ensure the sustainability of these critical leisure facilities. The combined resource of £0.715m will be used to manage both the recurrent impact the pandemic, as well as the wider refurbishment will have on trading over the next five years.

The revised budget will be loaded against the service area budget, with the Leisure Centre Risk Reserve being used to smooth the net costs as the programme progresses. For this reason, the balance on this reserve over time will be subject to fluctuation, however will be assumed to be fully committed.

## 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.

Due to the growing levels of uncertainty given the economic outlook the level of this reserve has been reviewed and increased to £9.5m (previously £8.0m). See detailed analysis below.

## Service Area Priority Reserves

- **Service Area Priority Reserves various** - This category of reserves holds service area reserves which have largely built up from prior years underspends, including unspent grants. Most elements are contractually committed, however all commitments have been

thoroughly challenged as part of the final budget review. A total amount of £0.218m has been identified as suitable for transfer to the MTFP Budget Resilience Innovation and Change Reserve. At the time of writing the final budget report, the outcome of the review has yet to be concluded, however work will continue to identify any potential for further resource could be released to bolster the budget support reserve further.

## 2022/23 Objective (Service) Budget Analysis

## Annex G

SERVICE EXPENDITURE ANALYSIS	Net Budget 2021/22 (£'000)	Proposed Net Budget 2022/23 (£'000)	Movement (£'000)
<b>Children's Service</b>			
Children with Complex and Additional Needs	268	273	5
Commissioning	1,123	1,152	29
Children's Social Services	19,976	20,570	594
Education and Early Years' Service	19,068	19,643	575
Early Help Delivery Model	2,409	2,522	113
First Response	(20)	18	38
Youth Offending Service	(80)	(78)	2
DSG	0	0	0
<b>Children's Service Sub-Total</b>	<b>42,744</b>	<b>44,100</b>	<b>1,356</b>
<b>Adults Service (incl. Public Health)</b>			
Client Costs	59,017	65,924	6,907
BCF and Other Grants	(20,794)	(24,391)	(3,597)
Assistive Equipment and Technology	996	1,018	22
Social Care Activities - Care Management	11,441	12,127	686
Commissioning and service delivery	2,126	2,243	117
Public Health	12,507	12,886	379
<b>Adult Service Sub-Total</b>	<b>65,293</b>	<b>69,807</b>	<b>4,514</b>
<b>Place</b>			
One Trafford Partnership	17,775	18,267	492
Street Lighting Energy	986	1,055	69
Media Advertising	(416)	(814)	(398)
Waste Disposal Levy	15,903	15,238	(665)
Strategic Management	1,421	1,512	91

<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2021/22 (£'000)</b>	<b>Proposed Net Budget 2022/23 (£'000)</b>	<b>Movement (£'000)</b>
Property Investment Fund	(7,607)	(7,557)	50
Sport and Leisure	417	921	504
Economic Growth & Planning	2,503	2,528	25
Public Protection & Enforcement	633	589	(44)
Parking Services	(977)	(1,592)	(615)
Strategic Support Services	864	856	(8)
<b>Place Sub-Total</b>	<b>31,502</b>	<b>31,003</b>	<b>(499)</b>
<b>Governance and Community Strategy</b>			
Legal & Democratic Services	2,797	2,723	(74)
Access Trafford	2,886	2,917	31
Partnerships and Communities	0	0	0
Arts and Culture	837	762	(75)
Directorate Wide Efficiency -G&CS	(192)	(192)	0
<b>Governance and Community Strategy Sub-Total</b>	<b>6,328</b>	<b>6,210</b>	<b>(118)</b>
<b>Finance and Systems</b>			
Finance Services	4,702	4,831	129
ICT Services	3,304	3,319	15
Transformation	0	0	0
Directorate Wide Efficiency -F&S	(188)	(188)	0
<b>Finance and Systems Sub-Total</b>	<b>7,818</b>	<b>7,962</b>	<b>144</b>
<b>People and Traded Services</b>			
Human Resources	2,541	2,692	151
Communications	215	223	8
Executive	470	410	(60)

<b>SERVICE EXPENDITURE ANALYSIS</b>	<b>Net Budget 2021/22 (£'000)</b>	<b>Proposed Net Budget 2022/23 (£'000)</b>	<b>Movement (£'000)</b>
School Crossing Patrols	447	463	16
Bereavement Services	(667)	(638)	29
Catering & Cleaning Traded Services	448	250	(198)
Music Service	382	323	(59)
Business Intelligence	1,248	760	(488)
Directorate Wide Efficiency -People	670	706	36
<b>People and Traded Services Sub-Total</b>	<b>5,754</b>	<b>5,189</b>	<b>(565)</b>
<b>Total Service Budget</b>	<b>159,439</b>	<b>164,271</b>	<b>4,832</b>
<b>Council Wide Service</b>			
Transport Levy	16,209	16,209	0
Flood Defence	152	152	0
Coroner's & Mortuary	728	728	0
AGMA/ Other	517	517	0
Contingencies, Provisions and Corporate savings	1,871	3,540	1,669
Interest Receivable (incl. Airport Dividend)	(500)	(1,343)	(843)
Loan Debt (principal and interest)	7,481	8,970	1,489
Property Investment Fund	860	860	0
Insurance	886	904	18
Members Expenses	2,434	2,434	0
Other Centrally held budgets	(10,605)	(4,669)	5,936
<b>COUNCIL-WIDE BUDGETS</b>	<b>20,033</b>	<b>28,302</b>	<b>8,269</b>
<b>Proposed Net Budget</b>	<b>179,472</b>	<b>192,573</b>	<b>13,101</b>

## Annex H – MTFP Risk Assessment

Risk Identified	Risk	Risk Mitigation
<p>Adequacy of overall resource envelope to sustain expenditure pressures.</p> <p>Government's Comprehensive Spending Review and Local Government Finance Settlement</p>	<p>The adequacy of the total resources available to local government is not sufficient to deliver sustainable services.</p> <p>Single year announcements of the Government's Comprehensive Spending Review and the impact this will have on future Local Government Finance Settlement leading to increased uncertainty, volatility and risk about the future direction of local government funding making accurate medium term financial planning difficult.</p> <p>Risk around Services Grant announced as part of the provisional settlement as a one year grant, however an indication from the Government that it would be contained within the LG envelope in future years settlements. As the method of redistributed is yet to be confirmed, there is a risk that revised redistribution method will not match the current level.</p>	<ul style="list-style-type: none"> <li>- Focus on maintaining mandatory services through an Innovation and Change Programme</li> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management)</li> <li>- Government reforms</li> <li>- Reserves Policy</li> </ul>
<p>Savings Programme not being achieved</p>	<p>The delivery of each year's respective savings programme is essential to avoid cascade and pressures in to future years.</p>	<ul style="list-style-type: none"> <li>- Innovation and Change Programme/Board</li> <li>- In year budget monitoring</li> <li>- RAG status monitoring and exception reporting to CLT</li> <li>- MTFP Summer Review</li> <li>- budget Resilience Reserves</li> </ul>

<p>Asset Investment Strategy and Joint Ventures</p>	<p>- the Council has a controlling interest in a number of companies and an ambitious and complex strategic investment programme. This represents a high risk to the council of default against regulation and or a budget shortfall.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- MTFP Summer Review</li> <li>- budget Resilience Reserves</li> <li>- Governance Boards</li> <li>- Use of external advisors</li> </ul>
<p>Fair Funding Formula</p>	<p>The MTFP assumes that the Fair Funding Review will have a small benefit to the Council. Whilst transitional arrangements are expected when the new funding formula is implemented, it is still not clear what impact this will have on the Council's assessed relative 'need to spend' and its baseline funding levels</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Reserves Policy</li> </ul>
<p>Business Rates</p>	<p>The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget.</p> <p>The MTFP assumes a business rate reset in 2024/25 and removal of the 100% retention scheme. As the reform has been delayed there is uncertainty about which retention scheme will apply in the future with options being 100%, 75% or 50% and the impact this will have on the Business Rates modelling and MTFP forecasts.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Business Rates modelling - Identified available one-off resources (GMCA redistribution)</li> </ul>

<p>Care Market – Financial Sustainability and Appropriate and Required Care Provision</p>	<p>A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision will result in additional costs.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the costs of care services and commission and understanding of the financial legacy of the COVID19 financial impact.</li> <li>- Further Government support funding for social care services. Impact analysis of Social Care White Paper.</li> <li>- Reserves Policy</li> </ul>
<p>Capital Financing Costs</p>	<p>A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases, revisions to the Prudential Code, availability of cash on a short term basis at low interest rates and/or a significant unplanned reduction in the level of the Council’s internal balances.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of interest rates by Treasury Management Team</li> <li>- Updates from Treasury Management advisors (Link Asset Services)</li> <li>- MTFP Summer Review</li> <li>- Flexibility built in to the capital financing budgets to respond to interest rate increases and new long term borrowing</li> <li>- Reserves Policy</li> </ul>



Collection Fund	<p>The in-year Collection Fund position is monitored to determine the forecast surplus/deficit position to be declared and included in the MTFP estimated resources for Council Tax and Business Rates. A deficit position on the Collection Fund will need to be funded by the Council in the preceding financial year (or spread across 2021/22 to 2023/24 per Government support).</p> <p>The forecast outturn positions are subject to change during the year due to volatility in collection rates, changes in Council Tax support particularly in relation to COVID19 impact and increasing Business Rates reliefs again in relation to COVID19 impact.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- In year monitoring of collection rates</li> <li>- Government support to spread the impact across 2021/22 to 2023/24</li> <li>- Reserves Policy</li> </ul>
Council Tax Taxbase	<p>Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
COVID19 Pandemic	<p>The financial impact of COVID19 has already been unprecedented. The MTFP assumes impact in 2022/23 of Airport dividend and will be managed from reserves. No further Government support assumed in MTFP. The pandemic has exacerbated the uncertainty, volatility and risk in the financial landscape making medium term financial planning increasingly difficult. Future variants pose a risk to financial planning and forecasting.</p>	<ul style="list-style-type: none"> <li>- Continuing monitoring of the COVID19 financial impact through the monthly Government return and quarterly budget monitoring</li> <li>- Assume further impact of any restrictions will receive some level of Government support.</li> <li>- Council's COVID19 strategy of response</li> <li>- Reserves Policy</li> <li>- Contingency items within revenue budget</li> </ul>

<p>Demand, Price and Demographic Led Services Hospital Discharge Programme</p>	<p>Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures. Work is ongoing on new Children Social Care operating model which are expected to reduce service demand. If these service transformation projects are not successful in reducing demand costs will continue to be incurred without the ability to use contingency budget to fund them. In addition, the impact of COVID19 could increase the demand for some services i.e. mental health services.</p> <p>Further pressures may be felt under the hospital discharge programme, the costs of which have been met from NHS budgets during the pandemic. Sufficient resource would need to continue to support this programme if ambitions remain at current levels.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Speedy negotiation with NHS/ICS relating to sharing model.</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> </ul>
<p>Education</p>	<p>The Council depends on a significant proportion of DSG funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional cash limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children’s requirements within the Borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.</p>	<ul style="list-style-type: none"> <li>- DSG Review Group working to address long term budget sustainability of the DSG</li> <li>- Reserves Policy</li> </ul>

Levies	Delays in announcements of future years' waste and transport levies by the GMCA which could impact on the MTFP forecasts. The future waste levy increase will be dependent on the delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases.	<ul style="list-style-type: none"> <li>- Discussions with GMCA colleagues throughout the year to understand position on levies</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> </ul>
National Living Wage	The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> </ul>
Trade Deal Negotiations Linked to UK Leaving the EU	Government negotiations with the EU on a future trade deal post the UK leaving the EU are ongoing. There has been little clarification on how these negotiations will impact on Local Authorities. The impact this will have on the financial landscape is uncertain and is creating volatility in the national economic position.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel financial Management)</li> <li>Government reforms</li> <li>- Brexit contingency Reserve</li> </ul>
Pay Award	Increase in inflation rates and rapidity of changes make forecasting difficult. Pay freeze for 21/22 was increased to 1.75% and met from contingency. Future years pay award assumed at general inflation of 2% however risks of volatility in rate changes makes forecasting difficult.	<ul style="list-style-type: none"> <li>- monitoring of pay award negotiations</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>

Price Inflation	Whilst estimates have been made in the MTFP, forecasts of specific inflation cost pressures remain uncertain and could adversely impact the MTFP. Inflation rates are increasing over the medium term period and their rapidity of change is concerning. Furthermore, the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Children's and Adult Social Care services) is resulting in price increases in excess of inflation.	<ul style="list-style-type: none"> <li>- monitoring of inflation rates</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>
Reserves	Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified.	<ul style="list-style-type: none"> <li>- Reserves Policy</li> </ul>

## Annex I

### OUTLINE OF 2022/23 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM

-	<b>Description</b>	<b>Amount per pupil</b>		<b>Pupil Units</b>		<b>Sub Total</b>	<b>Total</b>
	Primary (Years R-6)	£3,210.05		21,295.00		£68,358,036	
	Key Stage 3 (Years 7-9)	£4,536.26		10,091.00		£45,775,410	<b>£147,214,744</b>
	Key Stage 4 (Years 10-11)	£5,115.40		6,467.00		£33,081,298	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
Deprivation	FSM	£472.57	£472.57	3,165.00	2,355.00	£2,608,586	<b>£12,000,875</b>
	FSM6	£593.22	£869.72	3,364.00	2,945.00	£4,556,917	
	IDACI Band F	£221.20	£321.75	1,749.84	1,342.99	£819,170	
	IDACI Band E	£271.47	£427.32	1,493.89	1,207.25	£921,429	
	IDACI Band D	£422.29	£598.25	1218.71	810.59	£999,586	
	IDACI Band C	£462.51	£653.55	659.98	653.49	£732,335	
	IDACI Band B	£492.68	£703.82	744.71	751.47	£895,804	
	IDACI Band A	£643.49	£894.86	304.25	303.14	£467,047	
		<b>Primary amount per pupil</b>	<b>Secondary amount per pupil</b>	<b>Eligible proportion of primary NOR</b>	<b>Eligible proportion of secondary NOR</b>		
English as an Additional Language	EAL 3	£568.08	£1,538.35	2,759.51	390.41	£2,168,219	<b>£2,321,198</b>
Mobility		930.05	1337.26	137.40	18.84	£152,980	
		<b>Amount per pupil</b>		<b>Eligible proportion of primary and secondary NOR respectively</b>			
Prior attainment	Low Attainment % new EFSP	£1,136.17		5,150.87		£5,852,264	<b>£9,412,906</b>
	Low Attainment % old FSP 78	£1,719.34		2,070.94		£3,560,643	
Lump Sum per school						£121,962.30	<b>£10,122,871</b>
Additional lump sum for amalgamated school							<b>£85,374</b>
Split Sites							<b>£40,000</b>
Sparsity							<b>£25,472</b>
Rates							<b>£1,573,195</b>
Additional funding under the minimum funding level (primary £4,241 secondary £5,500)							<b>£6,684,406</b>
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>							<b>£189,481,041</b>
Minimum Funding Guarantee (MFG is set at + 1.55%)							<b>£2,548,086</b>
<b>Total Funding For Schools Block Formula</b>							<b>£192,029,128</b>
less de-delegation							<b>-£388,630</b>
less Education functions							<b>-£220</b>
<b>Total Funding For Schools Block Formula less de-delegation</b>							<b>£191,640,278</b>

## Formal Council Tax Resolution

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

1. It be noted that on 11th January 2022 the Council calculated
  - (a) the Council Tax Base 2022/23 for the whole Council area as 77,601 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
  - (b) 1,669 for dwellings in the Parish of **Partington**;
  - (c) 144 for dwellings in the Parish of **Carrington**;
  - (d) 163 for dwellings in the Parish of **Warburton**;

to which Parish Precepts relate.

**It is recommended : -**

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2022/23 (excluding Parish precepts) as £112,755,029.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2022/23 in accordance with Sections 31 to 36 of the Act:
  - (a) £572,749,064 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
  - (b) £459,894,710 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £112,854,354 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act).
  - (d) £1,454.29 being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
  - (e) £99,325 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - (f) £1,453.01 being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
  - (g) £1,505.05 **Parish of Partington**

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

(h) £1,483.01

**Parish of Carrington**

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

(i) £1,503.01

**Parish of Warburton**

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

4. The council tax set by Trafford Council includes a 1.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2022/23 the Mayoral Police and Crime Commissioner and the Mayoral General (including Fire Services) have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each category of dwellings in the Council's area as indicated in the table below.
6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate shown in the tables below as the amounts of Council Tax for 2022/23 for each part of its area and for each of the categories of dwellings.

**Valuation Bands**

<b>Council Tax Schedule 2022/23</b>	<b>Band A £</b>	<b>Band B £</b>	<b>Band C £</b>	<b>Band D £</b>	<b>Band E £</b>	<b>Band F £</b>	<b>Band G £</b>	<b>Band H £</b>
<b>Trafford Council (including Adult Social Care Precept)</b>	968.67	1,130.12	1,291.56	1,453.01	1,775.90	2,098.79	2,421.68	2,906.02
<b>Mayoral Police and Crime Commissioner Precept</b>	152.20	177.56	202.93	228.30	279.03	329.76	380.50	456.60
<b>Mayoral General Precept (including Fire Services)</b>	68.63	80.07	91.51	102.95	125.82	148.70	171.58	205.90
<b>Sub total</b>	<b>1,189.50</b>	<b>1,387.75</b>	<b>1,586.00</b>	<b>1,784.26</b>	<b>2,180.75</b>	<b>2,577.25</b>	<b>2,973.76</b>	<b>3,568.52</b>

<b>Partington</b>								
Parish only	34.69	40.48	46.26	52.04	63.60	75.17	86.73	104.08
Parish & District only	1,003.36	1,170.60	1,337.82	1,505.05	1,839.50	2,173.96	2,508.41	3,010.10
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,224.19</b>	<b>1,428.23</b>	<b>1,632.26</b>	<b>1,836.30</b>	<b>2,244.35</b>	<b>2,652.42</b>	<b>3,060.49</b>	<b>3,672.60</b>
<b>Carrington</b>								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	988.67	1,153.45	1,318.23	1,483.01	1,812.57	2,142.12	2,471.68	2,966.02
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,209.50</b>	<b>1,411.08</b>	<b>1,612.67</b>	<b>1,814.26</b>	<b>2,217.42</b>	<b>2,620.58</b>	<b>3,023.76</b>	<b>3,628.52</b>
<b>Warburton</b>								
Parish only	33.33	38.89	44.44	50.00	61.11	72.22	83.33	100.00
Parish & District only	1,002.00	1,169.01	1,336.00	1,503.01	1,837.01	2,171.01	2,505.01	3,006.02
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,222.83</b>	<b>1,426.64</b>	<b>1,630.44</b>	<b>1,834.26</b>	<b>2,241.86</b>	<b>2,649.47</b>	<b>3,057.09</b>	<b>3,668.52</b>

### PARISH COUNCIL PRECEPTS

Parish/Town Council	2021/22			2022/23			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,578	82,119	52.04	1,669	86,855	52.04	0.0%
Carrington	126	3,780	30.00	144	4,320	30.00	0.0%
Warburton	165	8,250	50.00	163	8,150	50.00	0.0%
<b>TOTAL</b>	<b>1,869</b>	<b>94,149</b>		<b>1,976</b>	<b>99,325</b>		



The budget consultation was to inform residents and businesses of the amount needing to be saved next year, the proposals under consideration and to gather responses from stakeholders. The online public consultation commenced 6th December 2021 and closed 11th January 2022 and due to Covid a greater emphasis was placed on the use of social media for the duration of the consultation.

The proposals impacting on the public related to

- amending parking tariffs (town centres and on street locations) and
- changing resident permit charges.

The budget consultation media release was on the home page of the Council’s website and received a total of 496 unique page views. The media release also appeared in the Manchester Evening News, The Messenger and Altrincham Today which included reference to how people could take part in the consultation. Utilising social media channels Twitter, Facebook and LinkedIn, there were a total of 16,924 views and out of those 1,146 interacted with the post (Retweets, replies, follows, likes).

**Parking Charges Review**

This proposal is to amend the tariffs in Town Centre car parks and on street locations. Across Trafford there are a number of central locations where parking charges are applied on and off street. \*please note no change to village car parks was being proposed.

**Parking charges – Town Centre and Central Locations**

On and Off St	2 hours	3 hours	4 hours	5 hours	6 Hours
Current tariffs	£1.20	£2.50	£3.50	£4.50	£5.50
Proposed tariffs	£2.00	£3.00	£4.00	£5.00	£6.00

There were 177 responses to this question. In answer to the question ‘Do you agree with the proposal to amend the tariffs for on and off street parking in Town Centre and Central locations’ the following feedback was received

- 119 (67%), either strongly disagreed or disagreed with the proposal
- 45 (26%) either strongly agreed or agreed with the proposal
- 13 (7%) neither agreed nor disagreed or didn’t know.

A selection of comments in favour and against the increase in tariffs included

In favour :-

*Local people should be walking and using public transport more and visitors from outside the area should pay for parking.*

*Driving into town centres should be strongly discouraged and made difficult if Trafford council is to act on the climate emergency declared*

*The proposed increase would make sense, it has felt very inexpensive to park near to the town centre of Altrincham for quite some time and this rise would be in keeping with other locations*

*I agree with the changes for 3 hours+ but disagree with the increase for 2 hours. I think you will put a lot of people off coming into Altrincham if you raise it to that level, £1.50 or lower would be better*

**Against :-**

*In increasing the parking fees you are also adversely affecting the vast number of leisure businesses in our towns and villages*

*It actively discourages shoppers parking in the Town Centre and shopping in Altrincham - at a time when our retailers really really need increased footfall to cope with the impact of Covid*

*Keep the parking charges at reasonable levels. Less mobile people struggle to visit town so costs must be reasonable to allow access to town centres*

Having reviewed the feedback from the public consultation, it is recommended that the proposal is implemented without change. This will contribute to the management costs for accessibility and highways.

### **Amended Resident Permits**

This proposal is to include a change to the resident permit charges.

<b>Residents' Permits costs</b>			
	<b>1st Permit cost</b>	<b>2nd Permit cost</b>	<b>Visitor annual permit cost</b>
<b>Current Cost</b>	£41.75	£ 41.75	£ 41.75
<b>Proposed cost</b>	£47.50	£ 47.50	£ 47.50

There were also 177 responses to this question. In answer to the question 'Do you agree with the proposal to amend the tariffs for Resident and Visitor Annual Permits' the following feedback was received

- 101 (57%), either strongly disagreed or disagreed with the proposal
- 33 (19%) either strongly agreed or agreed with the proposal
- 43 (24%) neither agreed nor disagreed or didn't know.

A selection of comments in favour and against the increase in tariffs included

**In favour :-**

*It's a small increase for a whole year of parking. Maybe increase to £52, £1 a week seems ok to me*

*Many people in permit areas have driveways and multiple vehicles and should pay extra for permits for having more than one vehicle per adult per household*

*This may have a beneficial outcome and help reduce the number of vehicles per household*

**Against :-**

*The permit idea is good as it keeps the streets free for residents - but they already have to pay car tax and petrol tax, why should the poor people pay just to have a privilege of parking near to their house?*

*Living in a residents only parking area does not guarantee a space to park despite making the annual purchase of a pass*

*Parking is already expensive and not readily accessible due to demand, increasing by this amount given council tax rises seems unreasonable*

Having reviewed the feedback from the public consultation, it is recommended that the proposal is implemented without change. This will contribute to the management costs for accessibility and highways.

### **Other suggestions and comments**

The consultation also allowed the opportunity to provide supplementary comments. A total of 323 comments were received

When asked 'Do you have any other suggestions or ideas for the Council to consider when setting its budget for next year, 159 comments in addition to those in the categories above. The remainder of the comments were varied and mixed and included;

- Efficiencies around council buildings and estate, investment approach, staff salaries and management efficiencies.
- Improving One Trafford Partnership
- Maintenance and repairing of roads/streets
- Reconsider plans and current cycle lanes

Other comments included increase for social care budgets/critical services i.e. Mental Health provision, local libraries, increasing speed bumps and cameras in the borough, options to improve recycling and investment within Trafford's enforcement services. Any specific requests / suggestions have been shared with the relevant council team.