

# Agenda Item

## TRAFFORD BOROUGH COUNCIL

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

### Report Title

**Executive's Revenue Budget Proposals 2024/25 & MTFS 2025/26 - 2026/27**

### Summary

It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level.

This report sets out the Executive's updated 3 year budget strategy, detailed revenue budget proposals for 2024/25 and Medium Term Financial Strategy (MTFS) for the period 2025/26 - 2026/27.

### Recommendation(s)

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

- a) Approves the 2024/25 net Revenue Budget of £217.83m.
- b) Approves the 2025/26 to 2026/27 Medium Term Financial Strategy (MTFS) including the income and savings proposals.
- c) Notes the continued arrangements in relation to an enhanced Finance and Change Programme and the role of the Finance and Change Board who will continue to work with the Executive on the development of sustainable budget plans to support the Council in meeting the financial challenges from 2025/26 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 the updated Annex J (any update for changes in Mayoral Police and Crime Commissioner or Mayoral General (incl. Fire Services) Precepts, if any, will be tabled at the Council Meeting);
- e) Approves the proposal to increase Council Tax by 4.99% in 2024/25:
  - o 2.99% general increase in the 'relevant basic amount' in 2024/25, and
  - o 2.00% for the 'Adult Social Care' precept in 2024/25.

- f) Notes the assumptions in the MTF5 to increase Council Tax by
  - o An increase in the 'relevant basic amount' of 1.99% in 2025/26 and 2026/27, and
  - o for the 'Adult Social Care' precept in 1% in 2025/26 and 2026/27.
- g) Approves the planned application of earmarked reserves as detailed in Section 6.
- h) Approves the Fees and Charges for 2024/25 and those relating to Registration of Births, Death & Marriages and Allotments also shown for 2025/26, as set out in the Fees & Charges booklet.
- i) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges which are within their respective delegated powers during 2024/25 in the event of any change in VAT rate, as appropriate.
- j) Delegates authority jointly to each Corporate Director in consultation with the Council's Director of Finance and Systems to amend fees and charges during 2024/25 which are within their respective delegated powers where the economics of the charge levels have changed (e.g. costs have risen unexpectedly), or for commercial reasons.
- k) Approves the proposal to set the minimum level of General Reserve for 2024/25 at £10.5m (Section 6).
- l) Approves the Capital Strategy, Prudential and Local Indicators and overall level of the Capital Programme and Asset Investment Fund of £413.15m (as detailed in the Capital Strategy, Capital Programme & Prudential Indicators 2024/27) of which £152.20m relates to 2024/25. (includes an updated Appendix 2).
- m) Approves the Treasury Management Strategy 2024/25 to 2026/27, including the Debt Strategy (Section 4), the policy on Minimum Revenue Provision (Section 5) the Treasury Investment Strategy (Section 6) and the Prudential Indicators, including the Authorised Limit (as required by Section 3(1) of the Local Government Act 2003, Operational Boundary, Minimum Revenue Provision and investment criteria as set out in Appendix 2 of the report.
- n) Approves the flexible use of capital receipts of up to £0.85m in 2024/2025 to support the cost of the Modernisation Team in developing the Council's Finance and Change Programme.
- o) Approves the proposed distribution of Dedicated Schools Grant as recommended by the School Funding Forum and Executive as summarised in Section 7 and detailed in Annex I.
- p) In the event the outcome of the secondary consultation relating to the Fair Price of Care changes the proposed budget assumptions, delegates authority to the Director of Finance and Systems, in consultation with the Executive Member for

Finance, Change and Governance, to vary the net Revenue Budget for 2024/25, with any shortfall being met from the Budget Support Reserve.

- q) Delegates authority to the Director of Finance and Systems, in consultation with the Executive Member for Finance, Change and Governance, to vary the net Revenue Budget for 2024/25, once the Baseline Funding has been updated to reflect the changes in Public Health Grant.

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

- r) The objective assessment by the Director of Finance and Systems of the robustness of budget estimates and adequacy of the financial reserves (Section 1 and 6).
- s) The Executive's response to the Scrutiny Committee's recommendations to the budget proposals as included in a separate report on the agenda.
- t) The Council's Public Sector Equality duty.
- u) The results of the consultation on the budget proposals where required.

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

- v) The approval on 4 January 2024 under delegated powers by the Director of Finance and Systems of the Council Tax Base for 2024/25 at 79,362 Band D equivalents.
- w) The estimated Council Tax surplus for 2023/24 has been calculated at £0.953m, sufficient to release £0.775m to support the Council's budget plans and a distribution of £0.124m and £0.055m 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 2025/26, £15.39m and 2026/27, £14.22m.
- z) That the Capital Programme for 2024/25, 2025/26 and 2026/27 is to be set at an indicative £152.20m, £231.48m and £29.48m respectively (indicative at this stage as a number of capital grants are not yet known).
- aa) 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 Joanne Harding, Executive Member for Finance, Change 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 2024/25 supports all key priorities and policies.
Relationship to GM Policy or Strategy Framework	Not Applicable
Financial	The report sets out the proposed budget for 2024/25, 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 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.

## **1. Introduction**

- 1.1 It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level.
- 1.2 This report sets out the Executive's updated 3 year budget strategy, detailed revenue budget proposals for 2024/25 and Medium Term Financial Strategy (MTFS) for the period 2025/26 - 2026/27.

## **2. Budget Requirements**

- 2.1 The Council is under an obligation to set a balanced and sustainable budget and to set the Council Tax Levels for the financial year 2024/25 by 9 March 2024 at the latest. The Council's Director of Finance and Systems (S151) Officer must confirm the robustness of the estimates applied and the adequacy of the Council's reserves as part of the budget setting report to Council. A statement from the S151 officer is included within this report.
- 2.2 The setting of the budget is a decision reserved for Full Council. The Council's Budget and Policy Framework requires the Scrutiny Committee to review the budget proposals to allow for their comments to be considered before the final budget proposals are made to Full Council.
- 2.3 The announcements and consultations made about Government funding for the Council in the Chancellor's Autumn Statement, the Local Government Finance Settlement and the ongoing challenges presented due to high inflation require a robust and timely response to enable a balanced budget to be set.
- 2.4 A Medium Term Financial Strategy (MTFS) covering the entirety of the resources available to the Council is considered to be the best way that resource prioritisation and allocation decisions can be considered and agreed in a way that provides a stable and considered approach to service delivery and takes into account relevant risks and uncertainty.
- 2.5 As the Council develops its detailed proposals it must continue to keep under review those key financial assumptions which underpin the Council's MTFS. Significant funding reforms have been signalled by Government and the Council has a reliance on funding sources that are potentially subject to change significantly in the Medium Term, and therefore it is important to continue to monitor the Medium Term position.
- 2.6 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. The budget reports to the Executive on 21 February 2024 will include the three year Capital Programme 2024-27 and associated capital estimates to be approved.

### 3. Budget Summary

The key summary of figures for the revenue budget are:

- 3.1 The gross budget gap for the three years before applying policy choice savings and funding proposals is now estimated to be £53.10m of which £17.80m is related to 2024/25.
- 3.2 The gross budget gap will be reduced over the three years of the MTFS 2024/25 to 2026/27 through permanent measures of £23.49m including:
  - o Additional funding from Council Tax of £13.97m (increase of 4.99% 2024/25 and 2.99% in 2025/26 and 2026/27)
  - o Income generation and service delivery savings of £9.52m
- 3.3 Included in these budget proposals is a one off use of Budget Support Reserve of £5.58m in 2024/25, consisting of:
  - o £2.08m agreed in February 2023, relating to the benefits and a one-off distribution from Greater Manchester Combined Authority.
  - o Use of general reserves £3.50m for the remaining gap in 2024/25.
- 3.4 If all the proposals in this report are implemented there currently still remains a residual budget gap of £29.60m, of which :
  - o £15.38m is in 2025/26, and
  - o £14.22m is in 2026/27
- 3.5 In order to ensure that we can manage the continued pressures on the Council's budgetary position throughout the period of the MTFS and to achieve a balanced budget in those years, the Finance and Change Programme will continue to provide a structured response to these issues and to provide strategic direction and proactive governance around the management of our Finance and Change programme.
- 3.6 The Budget Support Reserve was bolstered significantly as part of our previous MTFS to provide a cushion to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic and more recent implications of the downturn in the economy. The balance on this reserve is estimated to stand at £8.26m at the end of 2024/25. This includes £2.08m previously agreed in February 2023. The balance of £8.26m represents approximately 54% of the outstanding budget gap for 2025/26.
- 3.7 The overall budget movement for 2024/25 is an increase in the net budget of £8.03m or 3.83%, from £209.81m to £217.83m
- 3.8 The detailed proposals contained in the report close the 2024/25 budget gap of £17.80m via the following measures:
  - o Additional funding from Council Tax of £6.01m
  - o Income generation and Service delivery savings £6.21m
  - o Use of reserves from a one-off distribution from Greater Manchester Combined Authority totalling £2.10m as previous agreed in February 2023.
  - o Use of Budget Support Reserve of £3.50m for the remaining gap

- 3.9 Included in the firm budget proposals for 2024/25 and Capital Programme for 2024/27 there are a number of notable investments including:
- o Additional investment in social care activities of £5.45m
  - o Growth to progress towards being a carbon neutral borough by 2038 by providing additional investment of £15.45m within the Capital Programme to support progress against the carbon neutral action plan. This includes £12.16m active travel under the Mayors Cycling and Walking Challenge Fund and £1.13m in improving the efficiency in our street lights.
- 3.10 In addition to the above, the capital programme also includes investment of £12.30m in our highways, a continuation of plans to modernise our leisure centres and improve outdoor sports facilities of £54.26m (subject to business cases), addressing condition needs in school based improvements through Basic Need, Maintenance works and additional SEND provision of £43.08m, a further £9.48m on Adults Social Care including Disabled Facilities Grants to facilitate residents to remain in a home environment for longer and a further £2.86m in a Local Authority Housing Fund with the objective to provide long term sustainable accommodation for Ukraine and Afghan families.

#### **4. Other Options**

- 4.1 The Executive is recommending an overall increase to the level of council tax of 4.99% in 2024/25 comprising the increase of 2% for the 'adult social care precept' to be earmarked for adult social care expenditure and 2.99% general increase in the 'relevant basic amount'.
- 4.2 An alternative option is not to increase council tax but there would be insufficient funding to pay for the Council's services in 2024/25. If this option were pursued then further savings of £6.01m 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.
- 4.3 The use of reserves has been reviewed (See Section 6) and an appropriate amount has been assessed for release to support these budget proposals whilst still maintaining a prudent level of reserves to manage any unforeseen risks. Any further use of reserves is not recommended as it does not provide a sustainable means of balancing the budget.
- 4.4 The Finance and Change Programme provides a framework for delivering organisational change that supports the delivery of the MTFP. The scale of the financial challenges over the life of the MTFP requires a structured and controlled programme management approach. All change projects will be supported by clear business cases setting out the net business benefits of the changes being proposed.

- 4.5 Doing nothing is not considered a valid option as this would result in an unacceptably high risk of not achieving a balanced and sustainable MTFP. The impact of this would be the greater likelihood of the Council having HM Government intervention as a result of being unable to set a legal budget.
- 4.6 The Finance and Change programme provides a coordinated approach to business change activity. An un-coordinated approach to delivering cross cutting business change risks key projects competing in relation to the time and resources needed to secure their completion increasing the risk of non-delivery.

## **5. Consultation**

- 5.1 Any proposals that may require consultation with the public, businesses and staff, will be developed and feedback considered before any implementation. Details on budget proposals will be made available on the Council's website.
- 5.2 The final budget assumptions include a change in proposals, which will require further consultation with care providers. Assumptions have been made relating to the outcome of this exercise in preparing the final budget for 2024/25. In the event the outcome of the consultation changes these assumptions, a recommendation is made that the Director of Finance and Systems, in consultation with the Executive Member for Finance, Change and Governance, is given delegated authority to amend the Net Revenue Budget accordingly with any shortfall being met from the Budget Support Reserve for 2024/25.

## **6. The Public Sector Equality Duty**

- 6.1 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.
- 6.2 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.
- 6.3 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.



6.6 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.

**7. Reasons for Recommendation**

7.1 It is a statutory requirement for the Council to set and approve a balanced, robust budget and Council Tax level. This report sets out the Executive's updated 3 year budget strategy, detailed revenue budget proposals for 2024/25 and Medium Term Financial Strategy (MTFS) for the period 2025/26 - 2026/27. The setting of the budget is a decision reserved for Full Council.

**Key Decision**

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

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

**Legal Officer Clearance**      ...DS.....



**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  
2024/25 & 2025/26 - 2026/27  
Medium Term Financial  
Strategy**

**21 February 2024**

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## **Foreword by the Executive Member for Finance, Change and Governance Councillor Jo Harding**

This is my first year as Executive Member for Finance, Change and Governance and I am pleased to introduce Trafford Council's updated Medium Term Financial Strategy (MTFS), which covers the period from 2024/25 to 2026/27. The MTFS underpins the Council's Corporate Plan, which is our key strategic document for identifying our vision, ambitions and priorities, and sets out the approach the Council is taking to deliver these priorities and manage our finances over the next three years.

As a Council we provide a large number of services to support and improve the lives of residents, businesses, and visitors in Trafford. That is why it is important that we have a robust and sustainable financial strategy which supports the delivery on our key objectives and provide the services our communities need.

Over the last few years significant budgetary pressure has been felt by councils across the country, with the Local Government Association identifying a funding gap in the sector of £4bn over the next two years and evidenced by the increasing number of council Section 114 (effectively, bankruptcy) notices issued during the year.

It is a statutory requirement to set a balanced budget each year but the prolonged higher levels of inflation and escalating need for services continue to make balancing local authority budgets ever more challenging.

The Council has effectively managed its finances over the last few years but despite this it is not immune to the pressures councils across the country are facing and despite having bridged budget gaps of £288m since 2010.

Nearly 60% of the Council's budget is used to provide essential services to Trafford's most vulnerable children and adults, services where we are seeing significant increases in costs and a growing need for support.

Each and every year the costs of the services we deliver are growing at a significantly faster rate than our funding, meaning we have a budget gap over the next three years of £53m, equivalent to nearly 25% of our budget. This problem is compounded by the low level of funding the Council receives which is one of the lowest in the country and with a band D council tax level some £209 lower than the average of our neighbouring districts, making managing the council's budget in the years ahead extremely challenging.

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

inequalities in order to build sustainable and healthier futures for the people who live, work and learn in the borough.

Despite the budget challenge there are some key areas of investment within these budget proposals. These include net investment in our social care services, safeguarding vulnerable children, services for young people and adults and supporting a sustainable care market. The budget includes for additional investment in these areas of £5.5m. We will also continue to develop our approach to collaborative working with our health partners to help address the challenges faced in the health service and help reduce health inequalities.

It is extremely disappointing that the Government have failed to indicate any further financial support for the continuation of the Household Support Fund in 2024/25. Despite this, significant investment will also be made in areas to support our most vulnerable residents; we have a council tax support schemes which assists approximately 13,000 people on low income with their council tax bills and costs approximately £14m each year. We will also continue to support our community hubs with the valuable work they do, with the Council also continuing to provide welfare and advice support to households.

We are also investing in services which affect the look and feel of the borough, as we know how important the environment is for our residents. The Capital Strategy sets out to maximise the capital funding which is available to the authority from a range of different sources and targets those resources at key investment projects which support the delivery of our priorities across these services. These include additional investment of £75m in 2024/25, including £6.0m in our highways, a continuation of plans to modernise our leisure centres with the ongoing refurbishment of Altrincham and progression of the redevelopment at Partington, addressing condition needs in schools and provision of additional school places £16m, £12m on active travel projects across the borough, continuation of the town centre regeneration schemes at Stretford and Altrincham and investment in our parks and green spaces £2.8m.

The recent and unprecedented announcement from Government of additional funding to be announced at the final settlement has only alleviated a small amount of the financial pressure and at a local level there remains significant financial pressure with a budget gap of nearly £30m over the following two years. Also, uncertainty over the distribution and certainty of funding beyond 2024/25 is something which we will continue keep a keen eye on over the short and medium term.

I am proud to be the Executive Member of Finance, Change and Governance and help lead this Council through what will be about the most challenging times financially in what will be the Council's 50<sup>th</sup> anniversary in 2024. Our many strengths, such as our ambitious approach to our economy, our bold environmental programme, vibrant communities, passionate and committed staff and elected members and good partnerships will stand us in good stead during this challenging period. Our MTFS provides the financial basis for the roadmap set out in the Corporate Plan. As ever, I would like to thank all those involved in the preparation of the MTFS, which concludes many months of work from all our political groups and officers across all directorates.

**Councillor Jo Harding**

**Executive Member for Finance, Change and Governance**

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

## **REPORT of the DIRECTOR OF FINANCE AND SYSTEMS to the COUNCIL 21 FEBRUARY 2024 (S25-26 LGA 2003)**

### **1.1 Background**

- 1.1.1 The Local Government Act 2003 requires the Director of Finance and Systems, the Council's section 151 officer, to report independently to the Council his own opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26).
- 1.1.2 The Law requires that such a report is put before Council as part of the overall budget deliberations, and that such a report be considered prior to the approval of the Budget Requirement and the setting of a Council Tax.

### **1.2 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. This is called the Exceptional Financial Support Framework and more detail is included in the report.
- 1.2.3 My conclusions on the robustness of the overall budget are provided in Section 1.6 and it is recommended to Council that it has regard to this report when making decisions about the calculation of council tax requirement.

### **1.3 Process and Introduction**

- 1.3.1 The Section 151 Officer has to consider the resilience of the Council and its ability to withstand and mitigate the impact of unknown costs as a result of local and national changes across the medium-term period.
- 1.3.2 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 2023/24 budget monitoring process and planning process review have been addressed in the 2024/25 budget wherever appropriate.
- 1.3.3 The setting of the budget has included the involvement and support from the Executive Portfolio Holders, members of the Corporate Leadership Team and other service management supported by the Financial Management Service.

- 1.3.4 All budget managers have been requested to agree their budget working papers and are therefore aware of their proposed budget for 2024/25 and the assumptions the budget is based on.
- 1.3.5 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 in demand-led budget areas reviewed by CLT. Savings will continue to be monitored by the Finance and Change Board and through CLT as part of the budget monitoring process which is a well-established bi-monthly financial monitoring of all Council activity on an outturn basis from May each year.
- 1.3.6 The Council has a controlling interest in a number of companies which are monitored through a number of structured boards. The viability of these companies is regularly assessed, and any support is provided based on sound evidence. Members and officers sit on these boards and members are provided with all the relevant information to allow them to make informed decisions. External advice on complex structures is taken as required to minimise the risk to the Council and its reserves.
- 1.3.7 In assuring the robustness of the Council's budget it is also important to have regard to the financial management capabilities across the organisation. This includes regular updates to the training given to budget holders and to Council Members and the range of available training, supported by the Financial Management Service, is assessed on an annual basis.
- 1.3.8 The impacts of the high levels of inflation throughout 2023/24 and which, whilst now on a downward trend, are forecast to continue into 2024/25, coupled with the uncertainty regarding future funding for local authorities beyond 2025/26 makes a robust and evidenced assessment of financial governance and future resilience critical. Therefore, in drafting the budget reports, and this opinion, close consideration has been attached to professional guidance and views from the Council's external auditor.
- 1.3.9 Guidance and information has been considered from the Chartered Institute of Public Finance and Accountancy (CIPFA) as part of the Council's financial management arrangements and in setting this budget, including:-
- **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.

1.3.10 Also CIPFA has also have provided advice to local authorities on the financial stress warning signs which have been considered as part of this statement:-

- Running down reserves – a rapid decline of reserves;
- A failure to plan and deliver savings in service provision to ensure a council lives within its resources;
- Shortening medium-term financial planning horizons – perhaps from four to three years to two years or even one year – this would indicate lack of strategic thinking and unwillingness to confront tough decisions;
- Greater ‘still to be found’ gaps in saving plans – identifying savings for the next financial year only and not beyond;
- Growing tendency for departments to have unplanned overspends and/or carrying forward undelivered savings in the following year.

1.3.11 Finally, the opinion of the Council’s external auditor needs to be considered. In their latest annual report they concluded in their assessment of the Council’s value for money arrangements:

***“...that although they were satisfied there is no immediate threat to the Council’s financial sustainability, the use of reserves at current levels is not considered sustainable into the future. Action should be taken to align funding to the reduced cost base to ensure the Council achieve its planned saving targets and identify efficiency savings in its future budget as these reserves are critical to the Council ability to manage future financial risks.”***

## **1.4 Financial Landscape and Trafford’s Financial Position**

1.4.1 The financial sustainability of local government has never been more challenging with 2023/24 seeing several high-profile local authorities declaring S114 notices and the financial landscape suggests there will be significantly more over the next twelve months. The forthcoming year, 2024/25, will be the fifth year where local authorities will only receive a single year finance settlement. The Council’s funding beyond 2024/25 will be determined by the outcome of the Review of Relative Needs and Resources (previously the Fair Funding Review) and the reforms to the Business Rates Retention System under the Levelling Up agenda. Currently there is no indication of future funding levels, and the Council is only able to financially plan with difficulty beyond 2024/25.

1.4.2 In November 2023 the Office for Budget Responsibility published its Economic and Fiscal Outlook which stated:

***“Since 2010-11, local authority spending has fallen from 7.4 to 5.0 per cent of GDP, and it falls further in our forecast to 4.6 per cent of GDP in 2028-29. Given local authorities’ statutory duty to provide a range of services where demand***



***is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue.”***

- 1.4.3 The recent Autumn Statement did not announce any new funding beyond the increases announced in the Financial Settlement in December 2022 and looking further ahead, prospects for local government finance settlements in the next spending review period look very tight indeed. There is no change in the overall planned increase in Resource Departmental Expenditure (RDEL) of 1% in real-terms but this is likely to mean real-terms cuts for unprotected services, including most of local government.
- 1.4.4 Over the same period referenced in the economic and fiscal outlook the Council's main funding has reduced 60% in real terms and over the period £288m of budget gaps have been addressed with a further £53m of gross gap over the next three years. To put this into context the net revenue budget in 2023/24 is £209m. The pressures on the budget are clearly articulated in this Budget Report and the next three years present acute financial pressure on the sustainability of the Council's finances. In recent years nearly £30m of reserves have been used to achieve a balance budget position, with a large part of this relating to the impact of the pandemic and the loss of the airport dividend. Clearly this is not a sustainable approach given only £8.3m of Budget Support Reserve remains at the end of 2024/25 and therefore the budget strategy will need careful planning for 2025/26 and later years.
- 1.4.5 During the year an external review of the Council's finances was undertaken which concluded that the Council has been well run; this is evidenced by the position on the in-year budget position which is showing an overall projected underspend of £0.6m at month 8.
- 1.4.6 Section 3 of this report details the difficult funding position this Authority faces which makes finding further savings from what is a very low expenditure base extremely difficult. In August 2023 the Institute of Fiscal Studies published a report on the variations across the country between an authority's assessed need to spend compared to the level of funding available. This identified Trafford to have a shortfall in funding of £148 per head, equivalent to a funding disparity of £35m when compared to national averages and other similar authorities and £25m compared to other Greater Manchester districts.
- 1.4.7 The major reason for this gap largely relates to two factors. The first is that Government funding uses deprivation as a key factor when it distributes resources. Whilst this is reasonable there is a strong argument that too much weighting is applied to deprivation and this in part has led to a wide range in the funding levels to councils across the country. The second factor relates to council tax levels and historically decisions have been made to freeze tax increases. This is significant to Trafford because nearly 60% of the budget is funded from council tax and had the Council not agreed to freeze the rate between 2011/12 and 2015/16 then it would have had over £15m of additional funding each year to support the budget position. These factors have therefore impacted adversely on our current funding position which has been further exacerbated by the pandemic, inflation and economic turbulence in the last few years.

1.4.8 If this funding position is not rebalanced, then it is unlikely that the Council will be able to present balanced budget proposals, through transformational changes alone, beyond 2024/25. (See Section 1.6).

## **1.5 The Adequacy of Reserves**

1.5.1 The Council's financial environment is subject to volatility, as are the demands on services and the needs of the borough's population and environment. The Council updates its priorities in response to these issues. Reserves balances and the use of reserves are therefore an important part of the Council's financial strategy. Further detail of the Reserves Strategy and Balances is included in Section 6 and Annex E and F.

1.5.2 Reserves are held to help manage the long-term budgetary stability and allow the Council to be able to change without undue impact on Council Tax income forecasts. The adequacy of the Council's General Fund Balance is also a key indicator for the robustness of the budget as a whole, as it provides assurance that potential financial impact of variations to budgets can be managed.

1.5.3 Reserves are set at a level that recognises the financial risks facing the Council. The greater the level of uncertainty, the more likely reserves will be needed. The Council prepares its budget using the best information available at the time but inevitably includes some uncertainty. In setting the budget, it is important that Executive take account of the uncertainties involved, both in establishing a suitable level of balances and contingencies, and in setting an overall strategy for the budget and medium-term financial plan.

1.5.4 A prudent approach needs to be maintained between holding too much and too little money in reserves. If reserves are too low, this increases the Council's exposure to risk and endangers its capacity to deliver priorities in a planned and prudent fashion. Demand led services, major projects, an environment of everchanging legislative requirements, combined with delays in Government Funding reviews all threaten financial stability. However, money held unnecessarily in reserves is not being spent on front line services and the public may not receive full value for money. The Council therefore regularly reviews the reserves position to ensure reserves remain adequate.

1.5.5 The latest information included within Cipfa's Financial Resilience Index shows the Council to have lower than average level of reserves compared to other similar authorities. In addition, the rate of use of the available reserves has been relatively high and is an indicator of financial stress if this continued. Since 2020/21 approximately £30m of Budget Support Reserve (BSR) has been used to help balance budgets, largely due to the impact of the Covid Pandemic and the loss in the airport dividend. This rate of use of reserves is simply not sustainable and is why I made the reference in the Draft 2024/25 Budget Report to no more than a 30% use of the remaining BSR of £10m, ie £3m be used in setting the 2024/25 Budget such that at least £7m remained to support future years budget planning.

1.5.6 The proposals in this Report include for a further application of reserves equivalent to 35% of the remaining balance on the BSR and whilst this is above the level I recommended in November because further additional contributions are expected

to be received, as a result of a planned redistribution of surpluses from the GM Waste Budget, that will mean the uncommitted balance can still be maintained at £8.3m at the end of 2024/25.

- 1.5.7 To mitigate the impact of the risks posed by the low level of reserves it will be necessary to continue the policy of replenishing reserves wherever possible. Therefore, any windfall income or budgetary underspend is transferred to the BSR at year end. Also, these budget plans include for a “repayment of reserves” over the medium to long term of £500k per annum.
- 1.5.8 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.
- 1.5.9 The calculation of the recommended minimum level of General Fund Reserve takes account of the key risks and uncertainties surrounding the budget estimates and proposals, including continued demand and inflationary pressures as well as other strategic and operational risks. New risks continue to be identified and in 2024/25 will also include the risks associated with the high external interest rate environment and the additional cost pressure this would pose on the cost of borrowing as the Council looks to reduce its under-borrowing position, the impending CQC inspection of adult social care and also the risk of increased children’s placement costs, in part caused by the potential increase in numbers of unaccompanied asylum-seeking children. The Section 151 Officer’s view is that the financial risks linked to the uncertainty, volatility and complexity of the financial landscape, and the continued absence of a multi-year finance settlement could be significant. Thus, it is considered prudent to increase the level of the General Fund Balances in 2024/25 from £9.5m to £10.5m.
- 1.5.10 School delegated balances amounted to £13.1m at the start of the financial year and cannot be used for general purposes. A deficit brought forward of £1.47m also exists on the central Dedicated School Grants and this is forecast to reach a combined deficit of £9.98m by year end. The figure includes a deficit associated with schools High Needs budgets which is forecast to overspend by £7.21m during the year resulting on a deficit at year end of £11.35m by 31 March 2024. The High Needs deficit is forecast at between £44.6m and £55.5m by the end of 2026/27. This deficit is being held as a negative reserve on the balance sheet as currently required by statutory regulations; this is starting to have a significant impact on council cashflow and liquidity.
- 1.5.11 Although additional resource was added at a national level to support High Needs, it is apparent that this is not enough to maintain a sustainable level. It is imperative that the council continues to work with the DfE to agree a recovery plan to mitigate the impact of this position.
- 1.5.12 However, the statutory override is only in place to 31 March 2026. At this point, if there is no further extension, Trafford’s accumulated DSG deficit has potential to be greater than the Council’s total reserves in which case it would be technically insolvent and mean a S114 would be required.

## 1.6 Conclusions and Recommendations

1.6.1 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 2024/25 are robust and the recommended level of earmarked reserves and balances are adequate and that the budget should be submitted to Council for approval on the basis that:

- a) the proposed level of Council reserves and contingencies are adequate to support the budget for 2024/25 having regard to an assessment of current financial and other risks set out extensively in this report and assuming these risks do not increase beyond those that can be contained by the Council. It should also be noted that matters will continue to be identified and will change throughout the coming financial year and beyond.
- b) These budget plans for 2024/25 include for a further additional use of Budget Support Reserve (BSR) of £3.5m above that agreed in February 2023 and whilst this still leaves the majority of the BSR available, it means that the need to make recurrent savings increases in later years. In addition, it is recommended that further in-year savings be identified and implemented during 2024/25 where possible to further reduce the call on the BSR and to reduce the budget gap in 2025/26.
- c) The estimates are robust for the calculation of the budget within the confines of the many risks noted throughout this report. Particular attention is drawn to the following specific conditions and risks:
  - i. The recommended level of General Reserve for 2024/25 is £10.5m, although this is the bare minimum as a percentage of Net Revenue Expenditure.
  - ii. The budget which has levels of contingency and provisions built in to reflect the considerable risks the Council is facing.
  - iii. The level of Council general and earmarked reserves relating to specific risks and specific initiatives, was £73.98m as at 1<sup>st</sup> April 2023 and is projected to decrease to circa £40m at the end of the three year period of the MTFP, which compared to other similar local authorities is low.
  - iv. The rate of use of reserves is not sustainable evidenced over the last three financial years where £30m has been applied to support the budget position. The reason for this being to largely offset the impacts of the Covid Pandemic and the impact of the loss of the airport dividend. This loss was originally expected to be a short-term but indications are the dividend is unlikely to be forthcoming until 2028/29 at the earliest, therefore this shortfall now needs to continue to be financed from recurrent savings.
  - v. The use of reserves is not a sustainable approach to balancing the budget. Remaining reserve levels are an indicator of financial stress and the latest benchmarking data from Cipfa shows the Council to have a high level of risk.

Therefore, extreme caution needs to be placed on the use of reserves in future years.

- vi. The Council has a major dependency on asset sales to support the capital programme. The timing of generating capital receipts can sometimes be protracted and therefore has potential to impact the robustness of the budget.
  - vii. The Council has three joint venture companies established to support significant regeneration schemes in the Borough. Until redevelopments are completed there will be a need to service debt financing from reserves over the next two to three years and mitigation strategies need to be considered to reduce this need.
  - viii. That the delivery of the savings programme is crucial to maintain budgeted stability and therefore the Finance and Change Board and Executive need to have tight control of this during 2024.25.
  - ix. Risk of abortive costs on capital project development schemes needs close monitoring – capitalisation of interest will put pressure on capital receipts and ability to finance new capital projects.
  - x. Priority needs to be given to generate additional receipts through the asset disposal programme. Any capital receipts generated over and above those needed to finance the approved capital programme need to be retained corporately and used to repay debt therefore reducing overall borrowing costs.
- d) The estimated budget gap for the next two financial years stands at £29.6m, with £15.4m in 2025/26. This is clearly a budget gap that cannot be addressed through transformational savings alone and will also need a rebalancing of the Council's overall funding position. During 2023, further work was commissioned to seek external advice of the Council's funding position which concluded that Trafford is one of the lowest funded authorities in the country and that this funding gap is widening each year. Further, that this rebalancing will only be achieved through Government intervention which could come from either a restructure of Local Government finance or additional flexibility to increase Council Tax above the referendum level.
- e) I would strongly recommend that the budget strategy for 2025/26 and future years is focussed on what needs to be done to avoid a s114 Notice and therefore takes a multi-faceted approach. It is essential that the Finance and Change Programme resume the financial planning process early in the financial year to:-
- i. Maintain close control of the 2024/25 monitoring position;
  - ii. Ensure effective monitoring of the in-year savings programme;
  - iii. Review and mitigate where possible any developing pressures that arise to ensure an unplanned use of reserves is not required;
  - iv. Generate the maximum level of capital receipts as it can from land disposals;

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

1.6.2 Given the size of the remaining gap for 2025/26 and 2026/27 it will be important to ensure sufficient and timely progress is made during the year to achieve material inroads to reduce the budget deficit. To support the Finance and Change Programme, it is recommended that Executive give consideration to engage with CIPFA to conduct an external assurance review as a prudent next step to look at the Council's financial management and governance arrangements. This, along with the progress made in identifying other measures to help balance the budget, will also support me in taking a rounded view on the ability to achieve a balanced budget position for 2025/26.

## 2 BUDGET APPROACH AND PROCESS

### 2.1 Budget Approach 2024/27

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

2.1.2 The key aim of the Strategy is to ensure that the Authority has appropriate resources in place to fund key service demands over the next few years. The Strategy includes the establishment of earmarked funds and the allocation of ongoing revenue budget and capital resources for key priorities.

2.1.3 The MTFS is refreshed each year to give a rolling five-year assessment of the fiscal environment and sets out how the Council intends to respond to:

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

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

2.1.5 The strategic direction of the authority is set out in the Corporate Plan, called ***Our Trafford, Our Future***. It is based on an analysis of the borough's strengths, challenges and opportunities and was influenced by local priorities. It outlines the vision, outcomes and priorities for the borough that the Council are seeking to achieve by 2024.

2.1.6 This plan reflects the ambition of Trafford's leadership and the values and aims of the Council to provide a blueprint for improving Trafford. It shapes the activity within the council, helps to prioritise resources and monitors progress made, as well as aligning with strategic financial planning.

2.1.7 The vision for Trafford is:

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

2.1.8 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.

2.1.9 A performance framework continues to be developed which is more data led and outcome focussed by looking at key performance indicators and increasingly using

visualisation methods such as dashboards and case studies to 'tell the story' and the impact to the borough. The priorities and performance indicators which measure success against the Plan include: -



2.1.10 It is essential that the Council does not lose sight of our key ambition and objectives for 2024/25 and beyond and the budget proposals remain closely aligned to these. These include:-

#### **Adults Services**

- Refreshing the Trafford Locality Plan to create one plan for health and care for Trafford by integrating the aims and aspirations of the current health and wellbeing strategy.
- Developing Integrated Neighbourhood Teams to support individuals who have multiple health and care agencies working with them in order to provide a more coordinated approach to care.
- Continuing the ongoing programme of work to support the Improving Lives Everyday Strategy 2022-25 to strengthen co-production and lived experience helping to shape services for the future.
- Strengthening our front door arrangements with Adult Social Care staff, to ensure that the first conversation is strength based while linking to local communities and maximising Technology Enabled Care (TEC) thereby retaining independence.

#### **One Trafford Partnership**

- Expanding the electrical fleet and plant through One Trafford Partnership to reduce our carbon usage.
- Continuing to develop active travel schemes, including the A56 corridor and Urmston Active Neighbourhood.



## **Childrens & Schools**

- Ensuring that our schools in Trafford remain good or outstanding, and continuing to work with school leaders, trusts and teaching school hubs, to continue our enhanced quality assurance programme.
- Continuing to strengthen the quality of social work practice for children in need, cared for children and child protection plans.
- Reviewing and refreshing the children's placement sufficiency strategy to ensure we have local placements for all our children.
- Embedding a Family Help Strategy, through the Trafford Team Together (team around the school), working with families to support with a range of issues including attendance and continuing to develop Family Hubs and the Early Years Trafford Team Together approach.
- Implementing the Inclusion Strategy incorporating the Inclusion Charter with identified pathways of support and interventions in schools.

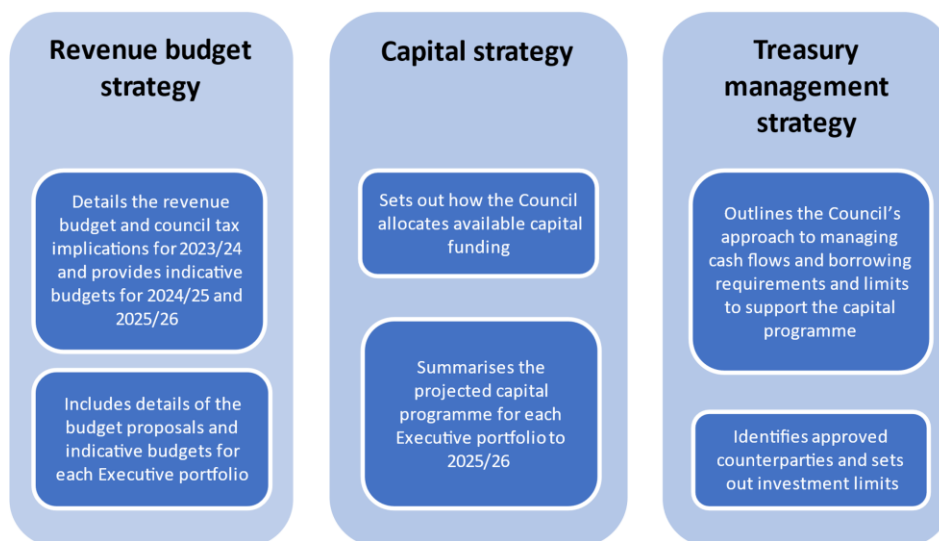
## **Other Areas**

- Continuing to implement 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.
- Providing ongoing support to local residents and businesses through the cost of living crisis.
- Continuing the strategic regeneration for the Civic Quarter, Stretford town centre and the Stamford Quarter, Altrincham.
- Investing in and maintaining our parks and green spaces including utilising the £3m from the National Lottery Heritage Fund towards the development of Longford Park.
- Increasing levels of physical activity, including the development of schemes which support active travel, alongside investing on our ageing leisure facilities including utilising £20m to help revitalise Partington Sports Village and progressing with the UK's first £25m wellbeing resort – Therme Manchester.
- Progressing the development of new housing on Council land including Sale Magistrates Court site, Lumina Village, the former Kellogg's headquarter site, owned jointly with Bruntwood as well as continuing to implement our Supporting House Strategy to help people with supported needs live as independently as possible.
- Working with Trafford residents 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, co-owned and designed with residents to support their health and wellbeing needs now and in the future as well as supporting residents digitally.

- Delivering the Culture Strategy by reviewing our cultural provision across Trafford - to understand what it takes to facilitate and create a quality and diverse cultural experience that has a lasting impact on people's lives and the communities they live in.
- Enhancing our approach to Social Value across the Council.
- Realising our ambitions to improve outcomes for children and families.
- Promoting the learning of all our children and support especially for our most vulnerable children where learning has been lost as part of COVID-19.
- Continuing to develop our People Strategy – by focussing on our people with specific attention on how we attract and retain great talent within Trafford Council. We will seek to develop career pathways and create opportunities for continued professional development ensuring that Trafford is a place where career ambitions can be achieved.
- Supporting employee wellbeing - continuing to be a key area of focus and our commitment to support colleagues to have a balanced home and working life will remain a priority. We 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 to ensure our residents, businesses and communities achieve their potential.
- Developing the Digital Strategy and investing in new technology – ensuring that digital innovation is at the heart of service changes; delivering more services online, enhancing the customer experience and supporting an 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.
- Launching and delivering a new Corporate Plan and Strategic Priorities and preparing for a Local Government Corporate Per Review.

2.1.11 As Trafford is in the final year of the Corporate Plan and given the changing landscape and other emerging themes, including Devolution Trailblazer and the growth agenda, the time is right for a review of the plan as we seek to ensure the plan responds to the changing conditions and needs of the residents in our borough. The Corporate Plan will take several months to review and is expected late summer 2024.

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



2.1.13 The core principles underlying the MTFS are as follows:-

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

2.1.14 It is essential that the Council does not lose sight of our key ambition and objectives for 2024/25 and beyond and the budget proposals remain closely aligned to these. These include: -

➤ **Reducing health inequalities**

Throughout the pandemic, rapid changes have been made to the ways we support residents in their community, their own home, in acute care and across our health and social care services. There is a 16-year difference in healthy life expectancy and an 8.5-year difference for males and 7.4-year difference for females in life expectancy between our most affluent and most deprived areas and the pandemic has laid bare these inequalities. Nationally, new inequalities have emerged, and existing inequalities have intensified. We are responding to these changes to reduce these inequalities so all our residents can live long and healthy lives. For example, work has been carried out to understand the health needs of different groups of residents in Trafford via a range of health needs assessments including

smoking, healthy Lives, serious violence, oral health and alcohol and substance misuse.

The Council will continue to work closely with our health partners to achieve tangible improvements in this area.

This year the Trafford Moving strategy for sport and physical activity was launched which aims to improve physical activity levels and mental health and wellbeing as well as addressing health and social inequalities in our communities. A bid for nearly £20m to help revitalise Partington Sports Village was successful, and the Council have partnered with Sport England and Kier for a multi-million-pound redevelopment of Altrincham Leisure Centre. These plans will support improving the long-term health and wellbeing of Trafford residents.

### ➤ **Supporting people out of poverty**

By providing the necessary skills, opportunities, information and advice Trafford Council works with partners to give people the choices and power to make best use of their income to prevent and reduce poverty. The Trafford Poverty Action Group continues to work with partners to help coordinate activity and make the borough a place where no-one is marginalised or discriminated against due to their financial or material circumstances. The Poverty Truth Commission was launched in May 2022, funded by Trafford Council and L&Q, and completed in 2023. The membership of the Commission was comprised of Trafford residents with lived experience of poverty and leaders from the public, private and voluntary sectors in the borough. The members worked closely together to identify issues in Trafford exploring the causes of poverty and its effects while developing ideas for how we can come together as a community to tackle it.

This work culminated in the publication of the end of commission report which included 4 key recommendations for how we focus our work to alleviate and end poverty in Trafford:

- Improve how Trafford residents access services
- Continue to use the voice of people with lived experience in the development of policy and services in Trafford
- Make public transport truly accessible for everyone
- Tackle mental health and isolation

Trafford Council voted to adopt the four recommendations of the Poverty Truth Commission's report and to support the all the updated actions in the refreshed 2023-2025 Trafford Poverty Strategy. This work is ongoing across the Council, partners and voluntary sector.

Trafford Council is now a fully accredited Living Wage employer and is a full member of the Employment Charter as of June 2023. Work continues with partners to support and encourage them to become accredited and help the local economy.

Trafford Strategic Partnership was relaunched in July 2023. From this relaunch four key themes have emerged including Cost of Living and Poverty, health Inequalities, Climate and Sustainability (employment, growth, skills, education). Strategic Partners worked together to understand how they can best support our collective effort to support residents most in need inc. fundraising ideas and understanding how we can best support our 6 community hubs.

Trafford has used the Household Support Fund to support the most vulnerable households in the most need with food, energy, and utility bills as well as for other wider essential costs. With most of the fund disbursed to families with children eligible for free school meals to support with food during the school holiday periods.

The Holiday Activities and Food programme provides activity and enrichment sessions and enables Trafford's young people who are eligible for free school meals to take part activities during the Easter, summer and Christmas school holidays. Over the last 12 months over 4000 young people have taken part in sessions which include sports, arts and crafts as well as enjoying healthy nutritious foods.

Dedicated Inclusive Economy Delivery Plan developed to help both residents and businesses recover from the Covid Pandemic and address the Cost-of-Living Crisis.

The Council continue to support our most vulnerable residents. Trafford Community Hubs have received funding for a further year to continue to support residents. The Household Support Fund will be used to support free school meals and provide help towards food, energy, and utility bills for low-income households privately renting or owner occupiers. The Council also continues to provide welfare and advice support to households.

### ➤ **Addressing our climate crisis**

In October 2019, the Council pledged to be "net zero carbon" by 2038 and in December 2020 the Council launched its Carbon Neutral Action Plan. The Plan sets out over 100 actions that the Council can take to decarbonise its own operations over the next decade whilst working with our partners to support borough wide Carbon reductions, taking advantage of the huge opportunities for green growth in the local economy.

While many of the actions set out in the Action Plan need to be taken by national government, Trafford 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.

It should be acknowledged that Trafford Council alone cannot deliver on the Net Zero target and wide community & cross sector action is required.

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

Borough Carbon Dioxide emissions data for the years 2020 and 2021 have now been published by Central Government and the impact of the pandemic lock down caused a sharp reduction in emissions in 2020. However, this was a temporary effect and 2021 emissions show a return to the pre pandemic levels. Carbon Dioxide emission rates are falling but not at the rate required to meet our Carbon budget set for this century, and will be exhausted within 4 years at the current rate.

A Trafford site has been identified for Greater Manchester's first ever low carbon hydrogen hub with Trafford Council working in partnership with the Greater Manchester Combined Authority, Manchester Metropolitan University, Cadent and Electricity North West. Trafford Green Hydrogen is a major green initiative which will help address our climate crisis and will use renewable energy to produce green hydrogen fuel for use in industry, as well as transport. The first phase is aiming to be up and running during 2025 after being granted planning permission by the Council in October 2022.

Trafford Be.EV Electric Vehicle charging infrastructure has seen agreement for 87 chargers supplying 174 bays, which includes Trafford Council's first hub facility at Sale Waterpark featuring 8 units and facilities for 16 spaces in one area. Currently there is coverage in 14 out of the 21 wards in Trafford and due to the constraints of land and power availability looking at on street charging and potentially other measure to increase coverage.

The redevelopment of Altrincham Leisure Centre has commenced which includes a focus on fully decarbonising the existing building through the removal of all gas services alongside the installation of solar panels and air source heat pumps as well as heat recovery on air systems. Trafford Council has applied for Public Sector Decarbonisation Scheme funding to retrofit Partington and Stretford Leisure Centres.

- 2.1.15 **Corporate Plan and relationship with budget plan** - With this framework as the context, the budget proposals have been developed. The draft budget for 2024/25 was agreed by the Executive on 15<sup>th</sup> November 2023 and set out the overall approach to the budget to address a budget gap of £54.9m in the revenue budget over the next three years, of which £20.0m related to 2024/25.
- 2.1.16 The report summarised the work throughout the year of the Finance and Change Programme which was established to drive forward the development of a three-year change programme which would support the achievement of a balanced and sustainable budget in both the short and medium term.
- 2.1.17 The Finance and Change Programme was established in February 2022 to drive forward a three-year change programme which supports the delivery of a balanced

and sustainable budget in both the short and medium term. This programme is based around a number of key themes:-

- **Budget Proposals** – assessing and analysing all new ideas and determining any quick wins.
- **Managing Service Demand** – reviewing demand led services and pressures and undertaking deep dives on key areas of spend.
- **Digital First** - considering Trafford’s digital solutions to manage information/data and support service delivery and redesign.
- **Asset Management** – reviewing the assets that are required to deliver the strategy and services; ensuring that they are fit for purpose.
- **Service Reviews** – reviewing all services to include a financial target while considering existing strategy, the local context and previous decisions

2.1.18 The draft budget included a number of income generation and savings proposals totalling £5.59m were identified and assumptions were made on increases to the rate of council tax and use of reserves. At that stage a net budget gap of £6.41m remained in 2024/25.

<b>Summary of the Budget Proposals</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap (Oct 23)</b>	<b>20,083</b>	<b>19,153</b>	<b>15,699</b>	<b>54,935</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 2.99% ,1.99%, 1.99% (*)	(3,602)	(2,602)	(2,745)	(8,949)
Social Care Precept increase 2.0%, 1.0%, 1.0% (*)	(2,409)	(1,278)	(1,329)	(5,016)
Budget Support Reserve (agreed in Feb 23)	(2,076)	0	0	(2,076)
<b>Total Policy Choice Funding</b>	<b>(8,087)</b>	<b>(3,880)</b>	<b>(4,074)</b>	<b>(16,041)</b>
Savings and Income proposals	(5,588)	(2,522)	(983)	(9,093)
<b>Revised Budget Gap (Oct 23)</b>	<b>6,408</b>	<b>12,751</b>	<b>10,642</b>	<b>29,801</b>

(\*) Subject to council tax referendum principles – at the time to be announced in December 2023

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

- **Section 3** – Review of the Financial Background for Local Government, including the Revenue Budget position for 2023/24, Spending Round and Provisional Local Government Finance Settlement
- **Section 4** – Budget Update including the changes to the budget pressures and funding assumptions since draft budget and how the budget gap is met for 2024/25
- **Section 5** – Proposed Budget 2024/25 – 2026/27
- **Section 6** – Budget robustness and review of risks and update on the planned application of reserves
- **Sections 7** – Schools Funding and Budgets
- **Section 8** – Council Tax Requirement and Statutory Calculations

## 2.2 Consultation

- 2.2.1 In order to assist the evaluation of the budget proposals and to ensure that the Council is sufficiently informed to enable it to meet its duties under the Equality Act, a number of Equality Impact Assessments (EIAs) have been carried out to ensure that due consideration was given to those with the protected characteristics and to identify the likely impact of the proposals on each of these groups for the savings measures included in the report.
- 2.2.2 Any proposals that may require consultation with the public, businesses and staff, will be developed and feedback considered before any implementation. Details on budget proposals will be made available on the Council's website.
- 2.2.3 Each year the council undertakes an annual Fair Price of Care consultation exercise with adult's social care providers, relating to the proposed uplifts in hourly rates for the following year. This exercise was completed during the autumn of 2023 and reflected assumptions at the time relating to increases in the National and Real Living Wage for 2024. Since the consultation exercise was undertaken the final rates for both National and Real Living Wages (RLW) have been confirmed along with the level of overall Government support available as part of the Provisional Local Government Settlement. The increases in the rates of the RLW for 2024/25 are significantly higher than the funding the Council has available. The final budget assumptions include a change in proposals, which will require further consultation with care providers. Assumptions have been made relating to the outcome of this exercise in preparing the final budget for 2024/25. In the event the outcome of the consultation changes these assumptions, a recommendation is made that the Director of Finance and Systems, in consultation with the Executive Member for Finance Change and Governance, is given delegated authority to amend the Net Revenue Budget accordingly with any shortfall being met from the Budget Support Reserve for 2024/25.

## 2.3 Scrutiny Review

- 2.3.1 The Scrutiny process for the budget was undertaken across two different sessions at the end of November to look at the budget assumptions, key assumptions, risks and challenges and covered:-



- Session 1 - Review of the Place Directorate, Investment Strategy budget, impact of Covid-19 and a review of Council reserves
- Session 2 – 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 29 January 2024 in the Overview and Scrutiny Review of the Executive’s Draft Budget Proposals for 2024/25 report.

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

### 3 FINANCIAL BACKGROUND AND UPDATE ON BUDGET ASSUMPTIONS

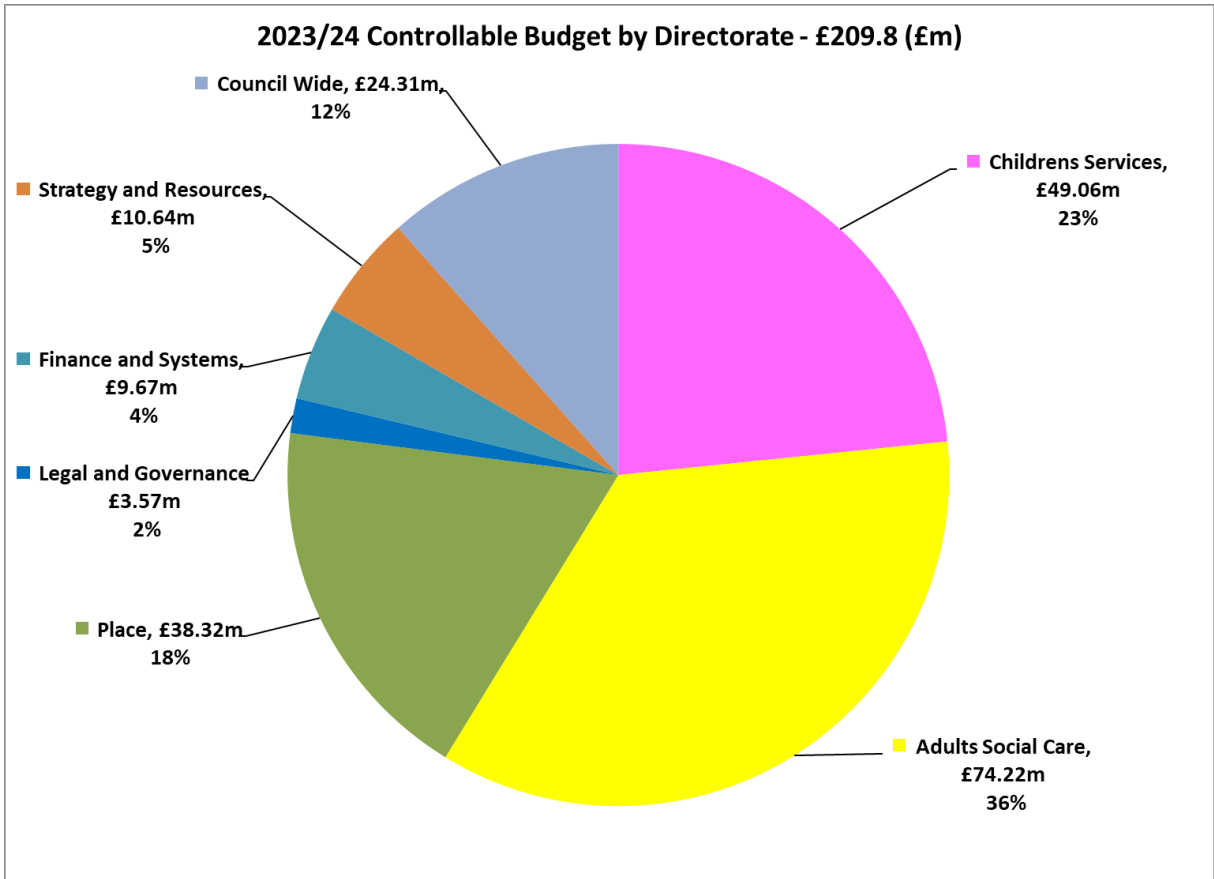
#### 3.1 Background to the Budget

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

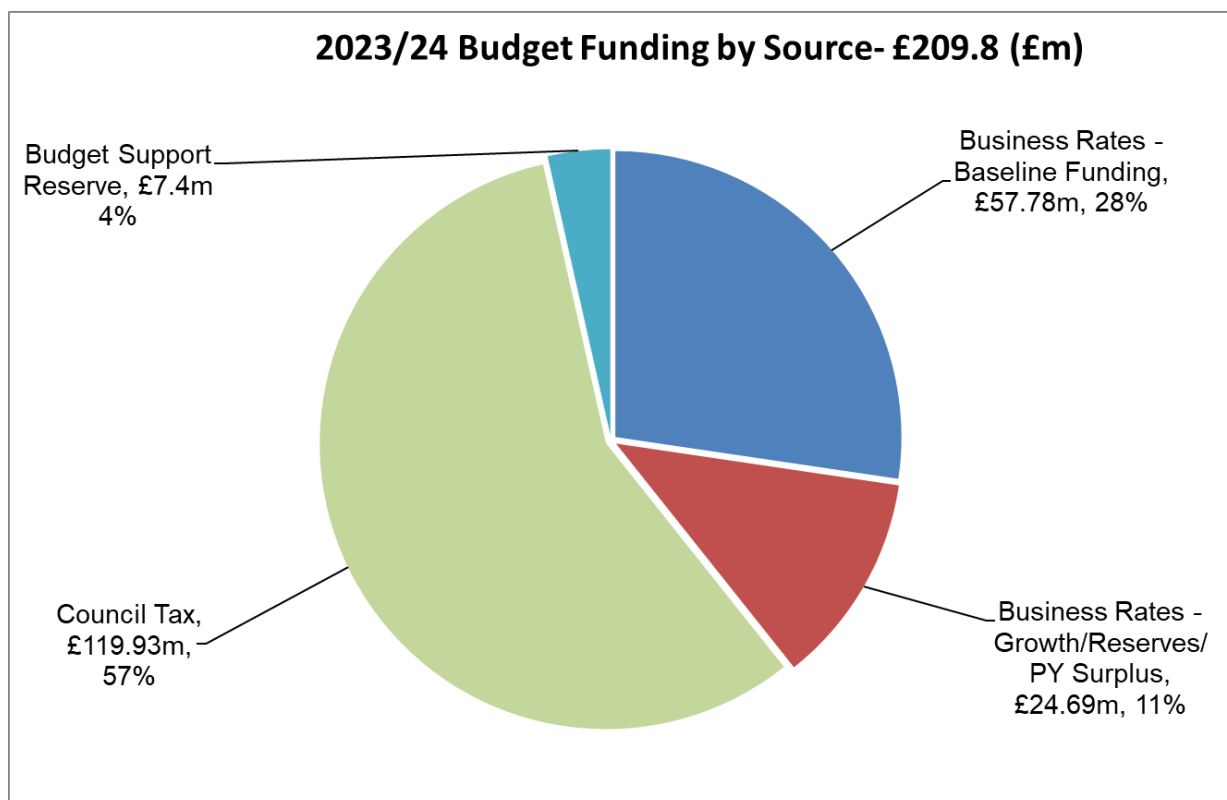
3.1.2 The Council's current gross budget is £562.19m, however this includes specific funding of Dedicated Schools Grant and Housing Benefit. The Council's gross income budget is £352.38m leaving a total net budget of £209.81m.

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

<b>Gross to Net Budget</b>	<b>2023/24 £m</b>		<b>£m</b>
<b>Gross Expenditure</b>	562.19		
Schools DSG	(178.86)	Children's Services	49.06
Housing Benefit	(47.49)	Adults and Wellbeing	74.24
Other Government Grants	(39.51)	Place	38.32
Sales, Fees & Charges and Rents	(47.57)	Legal and Governance	3.57
Contributions & Re-imbursments	(19.09)	Finance and Systems	9.67
Other Income	(14.25)	Strategy & Resources and Traded Services	10.64
Earmarked Reserves	(5.11)	Council Wide	24.31
<b>Gross Income</b>	(352.38)		<b>209.81</b>
<b>Net Budget</b>	<b>209.81</b>		



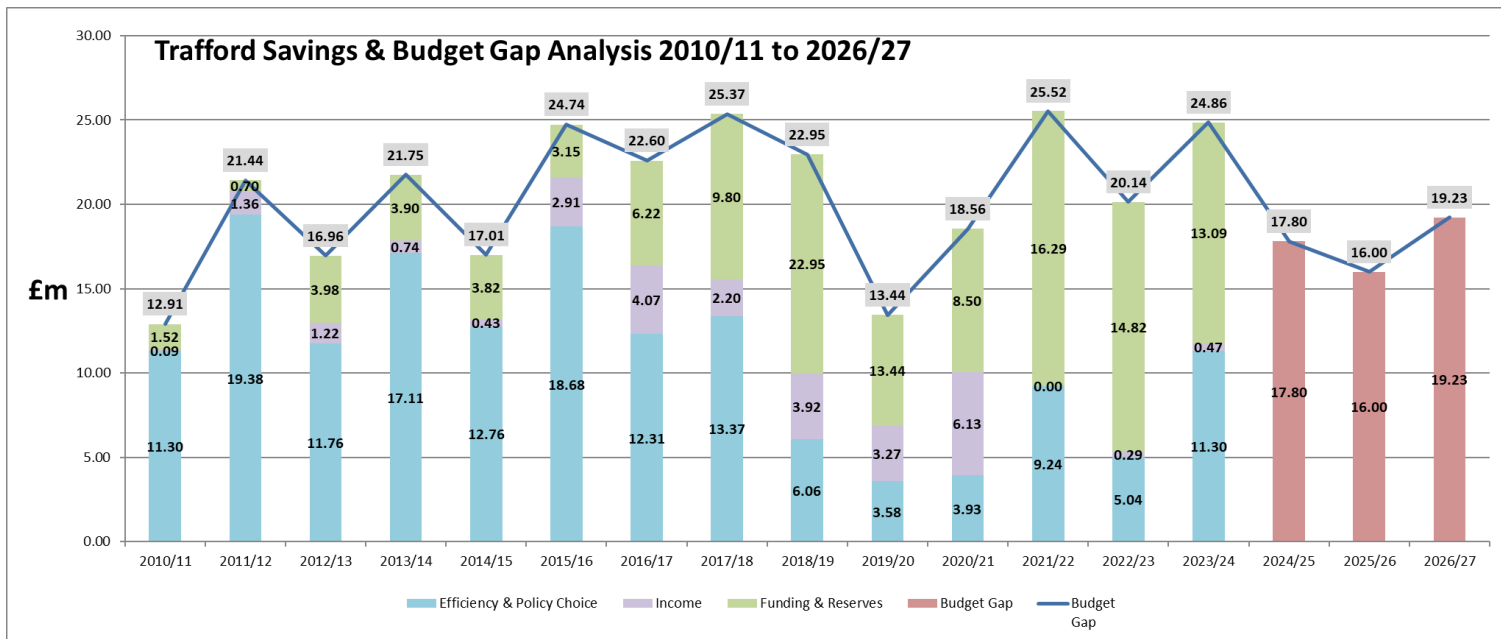
3.1.4 The Council's £209.8m net budget is funded mainly from Council Tax and Business Rates.



## 3.2 Delivery of Savings

- 3.2.1 In reflection of the Office for Budget Responsibility's Economic and Fiscal Outlook publication in November 2023, Local Government has faced substantial reductions to overall funding as part of Government plans to reduce fiscal deficits resulting in a £15bn real terms reduction to core government funding between 2010 and 2020.
- 3.2.2 Alongside reductions in funding, the Council has 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 inflationary pressures on goods and services and the National Living Wage. In addition to the business-as-usual pressures, the Council has also faced additional loss of income resulting from the pandemic, most notably from its strategic investments in Manchester Airport Holdings which saw the loss of nearly £6.0m of dividend income. Although the airport is making a strong recovery, it is not expected to resume a dividend payment for some time as it prioritises the repayment of emergency support loans made during the pandemic.
- 3.2.3 In recent years Government has provided some extra funding for social care by way of specific grant and combined with the introduction of the adult social care precept, this has meant that the rates of reduction to overall funding have levelled since 2016/17, albeit in recent years more emphasis is being placed on raising funds through council tax increases.
- 3.2.4 By 2023/24 the total value of budget gaps caused by the expenditure pressures and funding reductions since 2010/11 has been £288.25m. There is a further forecast gap for the next three years of £53.09m, of which £17.80m relates to 2024/25, including a recurrent gap of £7.4m from 2023/24 which was met from reserves. The

level of savings made so far poses a significant risk for Trafford making future savings and efficiencies difficult.



### 3.3 Update on 2023/24 Budget Monitoring Period 8

3.3.1 In updating the MTFs is important to have consideration to what is happening in the current financial year to make sure any pressures on the budget are recognised in future planning.

3.3.2 Despite continuing efforts to control expenditure, there were a number of areas where evidence of pressures was sufficiently robust at the draft stage to increase the budget requirement for 2024/25. These pressures were largely related to Children’s services placement costs, home to school transport and inflationary pressures caused by a higher than expected local government pay award. Many of these recurrent pressures remain at period 8 and the additional resource added at draft is largely unchanged.

3.3.3 Updated forecasts at Period 8 budget monitoring has resulted in the following changes to the final budget plans :-

- **Housing Benefit Subsidy £400k** – an additional pressure largely caused by an increase in the number of tenants requiring to be housed in emergency/temporary accommodation which attracts a lower subsidy from the Government.
- **Planning Fee Income £230k** – a net additional pressure caused by an ongoing shortfall in planning fee income. An in-year increase in planning fees applied from January 2023 has helped reduce this pressure to the figure shown.

- **Council Tax** - A recurrent shortfall of circa £600k was built into the draft budget plans, largely as a result of the increase in discounts and exemptions. The situation has improved and the number of claims for discounts has reduced along with and lower awards of Council Tax Support. The recurrent shortfall has been reduced to £200k in the final budget plans.

3.3.4 The Period 8 monitor is forecasting a £590k underspend and is positive news which reflects the effectiveness of our financial management practices and those additional controls put in place to contain the forecast adverse outturn anticipated earlier in the year. It reduces the likelihood of the unplanned use of the limited earmarked reserves and has also provided an opportunity to bolster the Budget Support Reserve to help address the significant budget gap in future years.

3.3.5 It is fair to say that projecting the financial outturn in recent years has been challenging given the level of uncertainty in the economy from the conflict within Ukraine and the high levels of inflation. The escalating conflict in the Middle East has added an additional layer of uncertainty which could trigger further volatility in the inflation forecast if the recent fluctuations in oil prices continues over the medium term.

3.3.6 On a positive note, the level of Inflation (CPI) has dropped significantly from 6.7% in September 2023 to 4.0% in December 2023 which provides some reassurance of the robustness of the 2024/25 budget assumptions such as, the Local Government pay award and contractual inflation.

3.3.7 The reducing levels of inflation has given the opportunity to review the level of the Inflation Risk Reserve which was established in 2021/22. It is now proposed to reduce this to £1.5m. This will leave a balance of circa £2.0.0m on the Inflation Risk Reserve at year-end which has been deemed sufficient to absorb any potential risk of further volatility.

### 3.4 Funding Comparison

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

- **Core Spending Power** - Trafford receives the lowest funding per head of population across all Greater Manchester authorities based on Core Spending Power at a rate of £842.09 for 2023/24 compared to a GM average of £991.02 and our Statistical Neighbours of £888.85.
- If Trafford received the average funding per head as its GM neighbours, it would benefit from an additional **£35.01m** per annum and an additional **£10.99m** if compared with Statistical Neighbours.
- **Low level of Council Tax** – Despite the proposal to increase council tax by 4.99% in 2024/25, Trafford will still maintain lower than average council tax rates. Currently, Trafford has the second lowest rate across all GM Authorities and would remain the second lowest if Trafford increased council tax by 4.99% in 2024/25 whilst all other authorities remained static.

- If Trafford raised its Council Tax to the average of GM neighbours (£1,735) this would raise an additional **£16.44m** per annum.

Greater Manchester Mets	Average Band D Council Tax 2023/24 £	2024/25 Trafford Increase at 4.99%
Wigan	1,480	
<b>Trafford</b>	<b>1,526</b>	<b>1,602</b>
Manchester	1,618	
Bolton	1,688	
Tameside	1,735	
Bury	1,828	
Salford	1,862	
Oldham	1,863	
Rochdale	1,868	
Stockport	1,883	
<b>Average GM</b>	<b>1,735</b>	

- An increase of 4.99% would equate to £1.46 per week for a Band D property.
- **Government Lobbying** - Trafford have joined a group of twenty lowest funded councils (the F20) to lobby government for a temporary resource solution pending the Fair Funding Review. The F20 Group argues for the Government to introduce a funding floor, to quickly bring the least well-resourced local authorities up to a feasible level. If a funding floor were set at 90% of the average core spending power of local authorities, Trafford would receive an extra £24 per head or £5.70m.
- **Institute of Fiscal Studies Report (IFS)** - In August 2023, the IFS published a report exploring the relationship between the amount of funding local authorities received in 2022/23 and their estimated relative needs.
- Local authorities funding needs vary due to differing geographical and socio-economic characteristics which affect both the demand and cost of providing services.
- To assess an authority's funding needs the report used a needs model, an updated (by IFS) version of the relevant council level needs used in the last needs formula. See table below for comparisons.

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

- Trafford receives funding of £631 per person but has funding needs of £779 resulting in a funding loss of £148 per head. If funding needs were met across the population of Trafford c235k this would generate **£34.84m** additional funding.
- Across all Greater Manchester authorities, the average loss per person is £40 meaning Trafford's loss is £108 greater or 2.7 times the GM average. If Trafford's funding matched the GM average loss this would generate **£25.54m** additional funding.
- Across Trafford's statistical neighbours, the average gain per person is £3 thus Trafford's loss is £151 greater than the average. If Trafford's funding matched its statistical neighbours average gain this would generate **£35.81m** additional funding.

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

3.4.3 The External Audit report into Value for Money presented to the September 2023 meeting of the Accounts and Audit Committee also raised concerns about the financial sustainability of the Council and the situation is recognised as one of the highest risks faced by the Council within the Strategic Risk Register.

3.4.4 The importance of lobbying the Government to highlight the significant shortfall in Trafford's resource allocation has been emphasised within the financial strategy for a number of years. To provide a level of external scrutiny, in November 2023, the council appointed an independent company, LGImprove, to provide a comparative data analysis to benchmark the Council across the range of funding streams and against its similar local authorities.

3.4.5 The findings reinforced the facts above and formed a bespoke lobbying document which was used by our local Member of Parliament, during a debate on the issues surrounding local government finance. The publication has also been shared with senior representatives of the Department of Levelling Up Housing and Communities.

3.4.6 Using national accounts information and Government Spending Power information over the last ten years, LG Improve were able to compare our relative financial and funding position against similar authorities. Their summary findings concluded that Trafford :-

- has managed its finances in a mature and responsible manner, but despite this, under the current funding methodology, it will continue to lose ground and along with the pressures of an increasing cost base this will inevitably increase the risk of a Section 114 notice being issued.



- is not a typical metropolitan district; it is perceived as being an affluent borough with low needs but has not enjoyed the level of Government spending power increases experienced by most other low needs authorities.
- Trafford's taxbase has not grown like other comparable LA's and the level of council tax is one of the lowest of the metropolitan authorities. Given this low level of funding and larger reliance on council tax within the Government model, Trafford's relative funding position will fall further behind each year.
- receives a low level of funding from Government, as evidenced by the lowest government spending power of all 36 metropolitan districts, it has fallen behind others as it has had low taxbase growth since 2011 and a low council tax rate and yet its budget has a higher reliance on council tax than others.
- has lower than average levels of useable reserves and by effective financial management has avoided trends, consistent at authorities who have issued a Section 114 notice, such as year on year depletion of reserves and significantly increasing need to borrow.
- The modelling shows that Trafford will continue to fall behind other authorities over the next five years if there is no change to the Government's approach to funding local authorities and the low starting budget means the council is exposed more starkly to increases in cost pressures.
- The emphasis in the national funding formula on deprivation and ability to raise council tax has increasingly penalised an Authority like Trafford in recent years.

#### 3.4.7 The lobbying made a specific number of asks, these being

- Specific targeted additional funding for low funded LA's to bring those areas closer to average levels of core spending power
- Greater flexibility for Trafford, with a low council tax rate, to increase Council Tax above existing referendum levels as already provided to some other authorities
- To reinstate the compensation factor within the funding formula for those authorities experiencing low tax base growth which has been frozen since 2012
- Support to address our accumulated High Needs DSG deficit which is estimated to be £10m by the end of 2023/24, potentially rising to £44m by 2026/27
- An appropriate level of new burdens funding to reflect the financial impacts of Real Living Wage increases, costs of supported accommodation and continued high levels of inflation.

#### 3.4.8 In summary, based on the current funding position and budget deficit, which is projected at £53.09m over the next three years, the Council will not be able to

sustain the delivery of any meaningful services and achieve a balance budget beyond the short term if this position is not addressed.

### 3.5 Autumn Statement, Policy Statement and Local Government Provisional Finance Settlement

3.5.1 On 22<sup>nd</sup> November 2023, the Chancellor's announced the Autumn Statement, followed by a more detailed pre-settlement Policy Statement on 5<sup>th</sup> December 2023 and lastly on the 18<sup>th</sup> December 2023, the Provisional Local Government Finance Settlement. These announcements set out the level of funding for the next settlement period and can be summarised as set out below.

3.5.2 **Autumn Statement** - No new funding was announced in the 2023 Autumn Statement for local authorities beyond the increases that were already announced in 2022, despite inflation eating into local government's funding allocations. A reminder of these grant allocations is shown later in this section, however the relevant new announcements made were :-

#### ➤ **Business Rates**

- New powers to de-couple the Small Business Rate and Standard Business Rate Multipliers will be used from 2024-25. This will allow the Government to apply different increases in multiplier dependent on the size of the business.
- 75% Retail, Hospitality and Leisure (RHL) discounts will continue for a further year. Local authorities will be "fully compensated for the loss of income from these business rates measures".
- Trailblazer Deals - Publication of Memoranda of Understanding for Single Settlements (and confirmation of 10-year Trailblazer business rates pilots) in Greater Manchester and West Midlands (\* see below)
- New investment zones in West Midlands, East Midlands and Greater Manchester.
- **Resource Departmental Expenditure Limit (DEL)** budgets (eg Education, Health and Defence) will increase by 1.0% in real terms over the medium term, which imply real-terms cuts for unprotected local government services.
- **Planning Fees** - Local authorities will be able to increase planning fees for applications from larger businesses (to recover the full costs) but will have to return fees if timelines not achieved.
- **National Living Wage** - will increase to £11.44 for workers 21 years and over (an increase of 9.8%).

(\* **Business Rates Trailblazer Devolution Deal (TDD) and Investment Zones** in the Autumn Statement issued in November 2022, the Government announced outline details of a Trailblazer and Devolution Deal offered to the Greater Manchester and Midlands Combined Authorities. The deal provides a framework for these authorities to retain 100% business rates growth in

designated Investment and Growth Zones for a period of twenty-five years. In addition, all of GM will benefit from the 10-year Trailblazer Deal from 2024/25 allowing elements of growth from a baseline of 2013/14 to be retained. Subsequently, the national reset, which is expected in 2026/27 at the earliest, will only result in a partial reset for GM.

Details of the scheme and the subsequent relationship with the existing business rate growth and potential reset have yet to be confirmed. No benefit from the Devolution deal has been assumed in the MTFs.

**No further funding increases for local government beyond those that had been previously announced. Additional funding for the NHS and adult social care announced in the Autumn Statement 2022 has been “reaffirmed”.**

**3.5.3 Provisional Local Government Finance Settlement 2024** - The 2024-25 settlement is effectively the second year of a two-year settlement, the headlines of which was an increase in Core Spending Power of 6.5%. Assuming authorities increase their Band D by the maximum allowed, CSP will increase nationally in 2024-25 from £60.2bn to £64.1bn. The key changes to CSP being:-

- **Council Tax** - “Core” Band D council tax thresholds will be 2.99% in 2024-25 (Fire authorities will no longer be able to increase Band D by £5, if that is higher than 2.99%). Police and crime commissioners can increase by £13 in 2024-25. The Adults Social Care Precept will be 2% in 2024-25
- **Social Care Grant** – The Social Care Grant has increased in line with previous announcements by £3.85bn to £4.54bn of which Trafford’s share is £17.2m.
- **Improved Better Care Fund** – no change, the funding remains at £2.14bn.
- **Baseline Funding Level (BFL) and Revenue Support Grant (RSG)**. Local authorities’ BFL allocations will be uplifted by the Consumer Price Index (6.62%). RSG allocations will be uplifted in line with the Consumer Price Index (6.62%).
- **Business Rates Cap compensation** will be paid to compensate authorities for lost income arising from the decision to cap/freeze the small business rating multiplier.
- **Market Sustainability and Fair Cost of Care Fund (MSFCCF)** - The Autumn Statement 2022 announced, the boost to adult social care funding through this package, with an additional ringfenced fund of £400 million in 2023-24, rising to £680 million in 2024-25, to support local authorities to continue to move towards paying a more sustainable rate for care, while balancing this with wider objectives to support capacity and discharge. Trafford’s share of the £680m is £2.70m and is in line with previous assumptions. This grant has been rolled into the Market Sustainability and Improvement Fund (below).

- **New - Market Sustainability and Improvement Fund – Workforce Fund (MSIF -WF)** – After the 2023/24 budget was set, in July 2023, the government announced additional an additional £570 million of ringfenced funding across financial years 2023 to 2024 and 2024 to 2025 to local authorities to improve and increase adult social care provision, with a particular focus on workforce pay and capacity within the adult social care sector. Trafford’s share was £1.44m in 2023/24 reducing to £808k in 2024/25. The Provisional Settlement confirmed the grant at £808k for 2024/25. Both the MSFCCF and MSIF-WF have been merged together to form the ASC MSIF.
- **Adults Social Care Discharge Fund** – As previously announced in 2024/25, this is worth £500m, and is intended to form part of Better Care Fund plans, aimed at reducing delayed transfers of care. The NHS is receiving the same amount to also put into Better Care Fund plans, for a total of £1bn across both sectors. The £500m grant is being allocated on the basis of the improved Better Care Fund shares 2022/2023, with no change to distribution methodology or previous assumptions.
- **Reduced: Services Grant** – will continue to operate in the same way in 2023-24 but with a reduced overall amount (down from £483m to £77m). This has resulted in a significant impact, with Trafford’s new grant of £232k being a reduction of £997k over previous assumptions.
- **New Homes Bonus** - The 2024/25 allocations have been announced at £291.4m; a slight increase from £291.3m on 2023/24. There have been no changes to the design of the scheme for 2024/25, with a single year’s new allocation with no future legacy payments from previous years. However, as a result of a slowdown in the number of new properties being built in 2023, the Council has seen a significant reduction in the grant of £391k above previous assumptions.
- **100% business rates pilots** will continue for another year, but ministers will review their contribution policy objectives. Business rates pooling will be available in 2024- 25.

3.5.4 For Trafford, CSP has increased by 6.0% from £200.14m to £212.12m which assumes:-

- council tax will be increased by the maximum permitted level of 4.99% for council services (2.99% Core, 2.0% ASC) and increases to the tax-base £6.58m,
- compensation funding due to the government capping the business rate multiplier and additional funding for adult social care and other grants £3.07m and
- changes in settlement funding £2.32m.

	<b>2023-24</b>	<b>2024-25</b>	<b>Change</b>
	<b>£ millions</b>	<b>£ millions</b>	<b>£ millions</b>
Settlement Funding Assessment	44.182	46.499	2.318
Compensation for under-indexing the business rates multiplier	6.436	7.370	0.935
Council Tax Requirement excluding parish precepts	119.698	126.276	6.578
Improved Better Care Fund	8.224	8.224	0.000
New Homes Bonus	0.753	0.242	-0.511
Social Care Grant	14.573	17.215	2.642
ASC Market Sustainability and Improvement Fund	3.653	4.137	0.485
ASC Discharge Fund	1.153	1.922	0.769
Services Grant	1.473	0.232	-1.241
<b>Core Spending Power</b>	<b>200.143</b>	<b>212.118</b>	<b>11.974</b>
Change since 2022/23 (% change) (*)			6.0%

(\*) *The overall increase in CSP following the Final Settlement (See Section 3.8) is 7.1% (National increase 7.5%)*

3.5.5 As can be seen in the table above, the fact that Council Tax now represents the single biggest element of CSP at £126.28m or 60%, shows the growing expectation that it will be used to finance the increases in local authority budgets. This continues to have a detrimental effect on the Council's funding due to the lower taxbase growth and the low Band D charge. This situation was highlighted in the recent work undertaken by LGImprove (see section 3.3) showing Trafford's low Council Tax growth and low Band D were causing Trafford to slip further down the funding tables when compared with similar metropolitan councils.

### **3.6 The Exceptional Financial Support (EFS) Framework**

3.6.1 The EFS is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure.

3.6.2 The Provisional Financial Settlement 2024 specifically added the consideration of requests for additional Council Tax Provision. A Council may request additional council tax flexibility which would allow increases above those imposed by referendum limits. The request would include the amount of additional flexibility required, key numbers (e.g. local tax base, amount raised etc.) and any measures to be taken to protect tax payers on low incomes through hardship schemes. To date two councils have been offered this ability with increases of 10% above current thresholds.

3.6.3 The EFS Framework is a measure of last resort, and there is an expectation that local authorities should take every possible step locally to minimise the need for support via the process. The process, which is a precursor to issuing a formal Section 114 notice, follows a defined framework and is being used by an increasing number of councils facing financial difficulties.

### **3.7 Local government finance settlement – Pre-Final settlement additional funding**

It is very unusual for there to be any material changes in funding between the provisional and final settlements, however an open letter from the County Council Network (CCN) and County All-Party Parliamentary Group (APPG) was published signed by over 40 MPs, where they made it clear that they would not vote for the final settlement unless additional money was found for local government, and particularly for children’s services and home-to-school transport:

It follows November’s Autumn Statement, which provided no new funding for local authorities despite the County Councils Network (CCN) highlighting its members were under extreme financial pressure, with these councils facing a total £4bn funding deficit over three years.

On 24 January 2024, the Secretary of State for Levelling Up, Housing and Communities published a written statement, announcing an increase in funding that will be reflected in the final 2024/25 local government finance settlement.

This package includes :-

- £500 million for social care authorities, aimed at children’s social care and distributed through the social care grant;
- A £15 million increase to the rural services delivery grant;
- An increase in the minimum funding increase guarantee threshold from 3% to 4%;
- £3 million in support for local authorities experiencing significant difficulties due to internal drainage board levies, to be delivered outside the of the settlement; and
- A specific funding uplift for the Isles of Scilly and the Isle of Wight (amount not specified).

Overall, the Government estimates that this package will amount to about £600 million in additional funding, with additional services grant funding making up the balance.

Although the final allocations of the £500m, plus any additional service grant, will not be announced until the Final Settlement is released, it is anticipated that the Council will receive approximately £2.0m.

## Productivity Plans

In addition to the funding increases, the written statement also announced that all local authorities will have to produce productivity plans, setting out how they will 'improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers' money'.

The Government is aiming to require local authorities to produce these plans by the Parliamentary summer recess (late July) and will design a process for local authorities to follow. The Government will provide more information on these requirements for local authorities at the final Settlement.

## 3.8 Final Settlement

3.8.1 Details of the Final Settlement were released on 5<sup>th</sup> February 2024 in advance of the formal Parliamentary debate scheduled for 7<sup>th</sup> February 2024.

3.8.2 The final allocations for Social Care Grant, New Homes Bonus and Services Grant are broadly in line with levels assumed in the pre-announcement.

- **Social Care Grant** – Of the £500 million for social care authorities, this will be aimed at Children's and Adults social care and distributed through the Social Care Grant of which Trafford's share has been confirmed at £1.97m.
- The additional grant will be directed towards meeting pressures within the Children's services already assumed in our draft budget (increased cost of care and Home to School transport) and the increase fair price for care to cover some of the costs associated with uplifts in the real living wage.
- **New Homes Bonus** – A revised submission has been made to the Government, following a reassessment of the number of properties due for demolition. Trafford's share has been confirmed at £377k.
- **Services Grant** – The Services Grant has been used to distribute any unallocated resource held within the Local Government finance envelope. The final allocation has been confirmed at £254k.
- **National Levy Rebate** – As in previous years, every authority in England will receive a share of the accumulated surplus currently held in the business rates levy account for 2023/24. A total of £100m is forecast and will be returned to the sector on a one-off basis, of which the Council's share has been estimated at £0.305m. This will be received in 2023/24 and transferred to reserves to be used as funding as part of the 2024/25 plans. No details of individual authority allocations were released on 5<sup>th</sup> February and final allocations may vary from those assumed.
- **Public Health Grant** – Details of the uplift in Public Health Grant were announced on 5<sup>th</sup> February which show the grant will be £157k higher than anticipated. The expenditure budget will be adjusted to reflect the additional grant, resulting in a neutral impact on the budget. Further details of how this grant will be allocated within Business Rates Baseline Funding are awaited and once clarification is received the Net Revenue Budget will be adjusted

accordingly. Delegated authority has been requested to allow the Director of Finance and Systems, in consultation with the Executive Member for Finance, Change and Governance, to vary the net Revenue Budget for 2024/25, once the Baseline Funding has been updated to reflect the changes in Public Health Grant.

- **Green plant and machinery exemption** - A grant of £21.7m will be paid to local authorities to reimburse them for lost business rate income as a result of the introduction of the green plant and machinery exemption in 2022-23. Allocations have been published for both 2022-23 and 2023-24 and will be accounted for as part of the 2023/24 outturn. There may be further allocations in respect of 2024/25 onwards, however these are unknown at this stage and will be factored into future budget plans in due course.

### 3.9 Summary

- 3.9.1 There was a level of anticipation in the run up to the Autumn Statement and Provisional Settlement that significant additional resource would be provided by the Government to meet the growing demand and service pressures being faced by local government.
- 3.9.2 It is clear that the authority receives a low level of funding when compared with similar authorities and the gap is widening as the funding model places an increased reliance on raising funds from Council Tax. Despite a focused attempt at a local level to lobby the Government to address the anomalies within the current funding methodology which have been demonstrated to penalise a low Council Tax growth and low tax authority like Trafford, the funding announcements resulted in increasing the Council's budget gap.
- 3.9.3 Although the Local Government Financial Settlement headline was a 6.5% increase in spending power, with Trafford at 6%, the additional resource did not reflect the sustained higher levels of inflation and cost pressures. This was clearly evidenced in the additional resource for Market Sustainability and Fair Cost of Care Fund, not fully reflecting the significant cost pressure caused by the announcement that the National Living Wage and Real Living Wage will be increased by 9.8% and 10.1% respectively for 2024.
- 3.9.4 Furthermore, additional resource, which was previously announced for the ASC Discharge Fund, will largely be cost neutral as it will be used to meet additional pressures associated with the delivery of the intended schemes.
- 3.9.5 The net loss in New Homes Bonus is another example of where a suburban conurbation like Trafford is losing out due to the method of allocating resources. Due to its geography, Trafford, does not necessarily have the ability for taxbase growth, when compared with say an inner city metropolitan borough with brownfield housing developments or a rural borough with larger green field opportunities.
- 3.9.6 Although the additional allocation of funding, announced in the Pre-Final Settlement statement was welcome news, and is a positive sign that the Government is willing to acknowledge the growing financial pressures within local government, it does not



address the totality of the budget deficit locally or nationally over the next three years.

- 3.9.7 The delay in the Fair Funding Review and uncertainty surrounding the timescales regarding the Business Rates Reset and Growth Pilots poses a significant level of uncertainty for future planning. In addition, the date of when the General Election will take place in 2024 and the potential for a new Government, will likely result in yet another single year settlement being announced for 2025/26.

## 4. BUDGET UPDATES & PROPOSALS

4.1. This section identifies:-

- The revised budget gap for 2024/25 and later years and explains the changes since the draft budget was published in October 2023;
- The final budget proposals to address the budget gap.

### 4.2. Updated Budget Gap

4.2.1. The budget position reported to Council in the October 2023 Draft Budget Report showed an overall gross budget gap of £54.94m over the three year period 2024/2025 to 2026/2027 with £20.1m relating to 2024/25.

4.2.2. The budget position has been updated to reflect changes in budget assumptions since the draft was presented such as the latest period monitoring, updated inflation forecasts, service related growth and demographic pressures and changes in non-policy choice funding assumptions announced in the Spending Review and the Provisional 2024/25 Local Government Finance Settlement.

4.2.3. The gross budget gap for the three years has now reduced by £1.85m to £53.09m.

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

	2024/25	2025/26	2026/27	Total
<i>Budget Gap</i>	(£'000)	(£'000)	(£'000)	(£'000)
<b>Gross Gap at Draft Budget (Oct 23)</b>	<b>20,083</b>	<b>19,153</b>	<b>15,699</b>	<b>54,935</b>
Movements in Budget Assumptions	59	(679)	3,317	2,697
Movements in Funding	(2,342)	(401)	277	(2,466)
Adjustment re Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	0	(2,076)	0	(2,076)
<b>TOTAL BUDGET MOVEMENTS</b>	<b>(2,283)</b>	<b>(3,156)</b>	<b>3,594</b>	<b>(1,845)</b>
<b>REVISED BUDGET GAP (Feb 24)</b>	<b>17,800</b>	<b>15,997</b>	<b>19,293</b>	<b>53,090</b>
<b>CUMULATIVE BUDGET GAP (Feb 24)</b>	<b>17,800</b>	<b>33,797</b>	<b>53,090</b>	

4.2.5. In respect of 2024/25 the overall gap has moved from £20.08m to £17.8m a reduction of £2.28m. This consists of an increase in Budget Assumptions of £57k, an improvement in Funding of £2.34m.

4.2.6. A description of the significant features of the 2024/25 gross gap and changes since draft are summarised 4.2.8 with Base Budget Assumptions shown in Annex A and a Subjective Budget Analysis in Annex E.

4.2.7. In summary, the improved position for 2024/2025 of £2.28m since draft relate to:

- £1.08m additional budget pressure related to assumptions on inflation (pay award contingency and contract inflation)
- £1.34m reduction in assumptions relating in costs assumptions related to Transport and Waste Levies
- £200k increase in Legal and Governance related to an increase in case load.
- An increase in social care grants announced in the provisional and anticipated final settlement of £2.3m , a reduction in Services Grant of £1.24m and other grants (e.g. New Homes Bonus, Public Health Grant) £570k
- Budget realignments removing £43k relating to care contracts and National Living Wage adjustments.
- Additional pressures identified at Period 8 relating to housing benefit subsidy (pressures from Temporary Accommodation) and a continued reduction in planning fees, totalling £630k
- Additional pressure of £250k within Treasury Management to reflect the ongoing negative impact on investments due to the escalating DSG deficit.
- Funding changes in assumptions on Council Tax base following Period 8 update £408k positive movement, release of Council Tax Surplus 2022/23 £118k, Benefit from Business Rates £1.20m and a further £305k release of national levy surplus following the provisional settlement. Plus a positive £314k relating to the introduction of a 100% premium on long term empty homes from 1 year instead of the current 2 years

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

	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<b>The Budget Gap February 2024</b>				
<b>Base Budget Pressures</b>				
Pay	4,287	1,869	1,919	<b>8,075</b>
National Living Wage/ Fair Price for Care/ Real Living Wage	4,859	1,640	1,878	<b>8,377</b>
Inflation - General, Contractual	2,850	1,802	2,685	<b>7,337</b>
Demographics/ Care Costs	6,654	2,500	2,500	<b>11,654</b>
Grants, Legislative & Service Transfers	(8,311)	21	400	<b>(7,890)</b>
Reduction in Income	60	0	0	<b>60</b>
Treasury Management	(136)	(131)	170	<b>(97)</b>
Strategic Investment Programme	870	500	1,500	<b>2,870</b>

Levies	397	1,057	1,238	<b>2,692</b>
Reversal of One of Savings from previous years	0	850	0	<b>850</b>
Other	2,706	2,102	2,526	<b>7,334</b>
<b>Base Budget Pressures</b>	<b>14,236</b>	<b>12,210</b>	<b>15,516</b>	<b>41,962</b>
<b>Base Budget Funding Changes</b>				
Change in Income from Council Tax (Growth in Tax Base, CTSS, PY Surplus, COVID Deficit dropping out)	(1,296)	(808)	(1,271)	<b>(3,375)</b>
Change in benefit from Business Rates (Baseline Funding, Distribution of PY Surplus, COVID deficit dropping out, Sharing Agreement)	(2,544)	4,592	5,048	<b>7,096</b>
<b>Change in Base Budget Funding</b>	<b>(3,840)</b>	<b>3,784</b>	<b>3,777</b>	<b>3,721</b>
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	7,404	0	0	<b>7,404</b>
<b>Gross Budget Gap</b>	<b>17,800</b>	<b>15,997</b>	<b>19,293</b>	<b>53,090</b>
<b>Cumulative Gross Budget Gap February 2024</b>	<b>17,800</b>	<b>33,797</b>	<b>53,090</b>	

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

#### **Base Budget Pressures**

- **Pay** - 2024/2025 includes £0.7m additional costs associated with the 2023/24 pay award and an assumed 4% relating to 2024/25. 2% inflation assumed for remaining years.
- **National Living Wage/ Fair Price for Care** - This covers projected increases in the NLW and a Fair Price for Care to aid market sustainability. Adjustments have been made since draft budget to reflect the changes in assumptions in sustaining the commitment to support external social care providers to attain the RLW for their staff providing commissioned services.
- **Inflation General and Contractual** - includes inflationary increases for specific contracts ranging from 3% to 7%. 2024/25 and 2025/26 includes a total of £2.4m reduction relating to tapering of energy inflation as costs revert to pre-crisis levels.
- **Demography**- an annual budget increase to reflect the increasing pressures and number of adults and children requiring social care, 2024/25 includes £2.2m for recurrent pressures in children's placements a net increase of £2.0m in 2024/2025 related to Hospital Discharge Programme (HDP) including £1.75m routed via the NHS and a reduction of £0.5m in Trafford's own HDP budget.
- **General and Service Grants** - 2024/2025 includes the second year of the additional resource for Adults Social Care Market Sustainability and Fair Cost of Care Reform £2.7m and Adults Discharge Fund £2.5m. Plus £4.64m of general Social Care Grant to fund ongoing base pressures, plus £0.864m indexation of

Better Care Fund monies. Grant reductions of £1.24m and £0.39m have been seen in 2024/25 relating to the Services Grant and New Homes Bonus.

- **Treasury Management** – includes £0.36m additional benefits of interest accrued on support loans to Manchester Airport Group during the pandemic and benefits from investments in car parks. Increases in future years includes the escalating impact on the annuity basis on loan repayments (MRP).
- **Strategic Investment Programme** - £0.37m in 2024/25 relates to pressure as investments are repaid to the Council. A further £0.5m in 2024/25 (£1.5m over three years) relates to a reduced reliance on the programme.
- **Levies:** includes inflationary allowances for waste disposal, transport and Environment Agency (flood defence) of £0.4m in 2024/25 or £2.7m over three years. 2024/25 has been updated with assumptions regarding the use of waste smoothing reserves and a reduction in the Transport Levy related to Trafford's share based on population.
- **Other Changes £2.71m in 2024/25, £7.33m over three years.** 2024/25 includes £2.0m recurrent pressures from 2023/24, related to home to school transport and Section 17 payments and additional investment in Supporting People of £0.5m. A rescheduling of the additional investment in home care sustainability project at £0.6m in 2025/26. An additional £1.4m in 2026/27 to cover the additional costs of the investment in our leisure centres and a figure of £1.5m over three years relating to potential long term ICT funding.

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

- **Council Tax** – a net increase in 2024/2025 of £1.3m due to an increase in the number of properties and the distribution of prior year surpluses.
- **Business Rates** – an increase in benefits from Business Rates in 2024/2025 of £2.54m, as a result of the baseline funding being increased in line with inflation, distribution of the one off revaluation adjustment announced in the provisional settlement. Reductions in 2025/26 and 2026/27, are largely as a result of the smoothing benefit from the review of appeals dropping out and the impact of the proposed business rate reset.

### 4.3. Meeting the Gap

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

<b>Summary of the Budget Proposals</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>Total £'000</b>
<b>Revised Gross Budget Gap</b>	<b>17,800</b>	<b>15,997</b>	<b>19,293</b>	<b>53,090</b>
<b>Policy Choice Funding Proposals</b>				
General Increase in basic Council Tax to 2.99%, 1.99%, 1.99%	(3,602)	(2,602)	(2,745)	(8,949)

Social Care Precept increase 2%, 1%, 1%	(2,409)	(1,278)	(1,329)	(5,016)
Cont from Budget Support Reserve (GMCA distribution via Reserves (Transport and Waste) agreed February 2023	(2,076)	0	0	(2,076)
Additional use of Budget Support Reserve	(3,504)	0	0	(3,504)
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	0	5,580	0	5,580
<b>Total Policy Choice Funding</b>	<b>(11,591)</b>	<b>1,700</b>	<b>(4,074)</b>	<b>(13,965)</b>
Savings and Income proposals (*)	(6,209)	(2,311)	(1,001)	(9,521)
<b>Revised Budget Gap (Feb 24)</b>	<b>0</b>	<b>15,386</b>	<b>14,218</b>	<b>29,604</b>

(\*) Full details of 2024/2025 proposals are included in Annex D

- 4.3.2. A significant proportion (24.9%) of the gross budget gap has been closed by the recurrent increase in Council Tax (Basic and Social Care Precept) of £13.97m (£8.95m + £5.02m) over three years.
- 4.3.3. The use of one off reserves totals £5.58m in 2024/25, with £2.07m previously agreed in February 2023 to cover increases in GM Waste and Transport Levies met from a GMCA distribution of reserves in 2023/24. A further use of Budget Support Reserve of £3.50m has been used to close the remaining budget gap in 2024/25. It must be noted that the use of these reserves is one off in nature and will need to be replaced with long term sustainable savings in later years.
- 4.3.4. The Finance and Change Programme which was instigated in 2022/23 to provide a structured approach to the management of the medium term budget challenges, has helped to identify savings and income proposals of £9.52m over the three years of the MTFs with £6.21m of firm savings in 2024/2025.
- 4.3.5. Whilst it is not uncommon to have a gap over the timespan of the MTFs, there is a level of concern with such a sizeable gap remaining when considering this follows 13 years of service cuts and therefore the ability to absorb further reductions in service provision becomes increasingly difficult.
- 4.3.6. It must also be noted that most significant savings made over recent years have been delivered from corporate budget areas, namely from a review of Treasury Management activities and Strategic Investment Income. This leaves little capacity for further corporate savings to be made in the future and it is likely that going forward emphasis will need to be placed on service based savings and income generation.

## 5. PROPOSED 2024/25 BUDGET and 2025/27 MTFS

5.1. The proposed net budget for 2024/25 is £217.83m an increase in the net budget of £8.03m or 3.8%, from £209.81m. Full subjective and objective summaries providing a breakdown of the 2024/25 net budget can be found in Annexes E & G.

5.2. An objective breakdown is shown below:-

<b>Objective Summary The 2024-27 Budget</b>	<b>Final Budget February 2024</b>		
<b>Budget</b>	<b>2024/25 (£'000)</b>	<b>2025/26 (£'000)</b>	<b>2026/27 (£'000)</b>
<b>Service:</b>			
Children's Services	55,836	57,052	58,979
Adults and Wellbeing (incl. Public Health) Place	72,898	77,180	81,875
Legal and Governance	37,899	38,898	45,085
Finance and Systems	4,047	4,100	4,200
Strategy and Resources	10,336	11,717	12,329
	10,897	11,584	11,835
<b>Total Service Budgets</b>	<b>191,913</b>	<b>200,531</b>	<b>214,303</b>
<b>Council-wide Budgets</b>	25,920	27,201	27,943
<b>Net Budget</b>	<b>217,833</b>	<b>227,732</b>	<b>242,246</b>
<b>Funding:</b>			
Council Tax	(128,227)	(132,912)	(138,256)
Business Rates: Local Share	(159,358)	(168,290)	(171,656)
Business Rates: Tariff Payment	99,080	106,404	108,947
Business Rates: Assumptions, Growth, S31 Grants, GM Pilot	(23,748)	(17,548)	(12,177)
Fairer Funding Assumptions	0	0	500
<b>Funding</b>	<b>(212,253)</b>	<b>(212,346)</b>	<b>(212,642)</b>
<b>Movement in Reserves</b>			
Budget Support Reserve agreed in Feb 2023 (use of reallocated GM Waste Reserves)	(2,076)	0	0
Budget Support Reserve	(3,504)	0	0
<b>Movement to/(from) Reserves</b>	<b>(5,580)</b>	<b>0</b>	<b>0</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>15,386</b>	<b>29,604</b>
<b>Annual Budget Gap</b>	<b>0</b>	<b>15,386</b>	<b>14,218</b>

5.3. Whilst the budget gap has now been closed for 2024/2025 the size of the challenge over the following two years remains significant and is unlikely to be addressed through transformational savings alone. The need for additional resource

to meet the growing demand and growing cost pressures will be fundamental in addressing the gap over the medium term. The lack of clarity regarding the outcome of the next General Election and the likelihood of a further one year roll over financial settlement, this will add yet further uncertainty in planning.

**5.4.** It is essential that the Finance and Change Programme resume the financial planning process early in the financial year to:-

- Maintain close control of the 2024/25 monitoring position;
- Ensure effective monitoring of the in-year savings programme;
- Review and mitigate where possible any developing pressures that arise to ensure an unplanned use of reserves is not required;
- Generate the maximum level of capital receipts as it can from land disposals;
- Identify opportunities for further savings that will be an essential requirement for 2025/26 and where possible accelerate delivery in 2024/25.

**5.5.** Given the size of the remaining gap for 2025/26 and 2026/27 it will be important to ensure sufficient and timely progress is made during the year to achieve material in-roads to reduce the budget deficit. To support the Finance and Change Programme, it is recommended that Executive give consideration to engage with CIPFA to conduct an external assurance review as a prudent next step to look at the Council's financial management and governance arrangements.



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

### **6.1. Robustness**

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

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

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

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

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

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

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

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

6.2.4. A self-assessment review against the Code is undertaken annually and the last update was presented to the Corporate Leadership Team and Accounts and Audit Committee in November 2023 along with an action plan of progress against improvements.

- 6.2.5. In the majority of areas a good level of compliance has been identified and these have been assessed as Green meaning that compliance can be evidenced. A number of areas have been identified with further actions for improvements in 2024/25.
- 6.2.6. Highlights of significant improvements made during the year and areas to focus on are as follows :

**Effective Oversight of Alternative Delivery Models:** Updates on the performance of the Council's joint venture companies is reported to the Executive on an annual basis. This supplements the bi-monthly monitoring of the Investment Strategy commitments and performance which is also reported to Executive, Accounts and Audit Committee and the Investment Management Board.

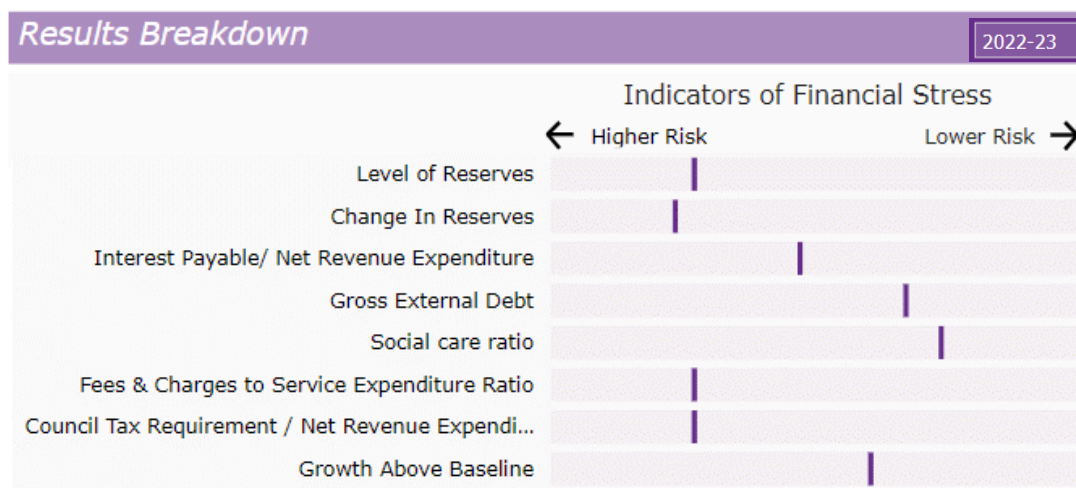
**To enable financially informed decision making:** Financial Management budget holder training has been rolled out and comprises mandatory training for all budget holders including bespoke training for budget holders responsible for managing demand led budgets (Childrens and Adults Services). Specific training around the Prudential Code and Treasury Management has been provided to the Accounts and Audit Committee. This will be supplemented with further sessions to support understanding of the Council's overall budget position. All training is now on a dedicated intranet page and made available for all Members.

**Need to report explicitly on the affordability and risk associated with the capital strategy:** to further develop work in this area officers have established a capital programme board to monitor the risk and delivery associated with the capital programme. This is a clear risk, given the constraints and difficulty in generating capital receipts. Affordability review of the Capital Programme remains a key theme in developing the programme. Need to develop the links between the capital programme and the Council's asset management planning.

### **6.3. CIPFA Financial Resilience Index**

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

6.3.2. The core indicators comparing Trafford with its statistical neighbours are shown in the table below and although they provide a broad indication of possible areas of scrutiny, further interpretation is necessary before any conclusions can be reached. The indicators suggest Trafford has a high level of risk associated with Reserves, Fees and Charges to Service Expenditure and Council Tax requirement as a proportion of Net Revenue Expenditure.



6.3.3. Trafford has historically had lower than average reserve balances but has managed to maintain a stable level of reserves despite real terms spending power reductions. Low levels of reserves has been a key factor in authorities issuing Section 114 notices, however Trafford has managed its reserves well and has not depleted its reserves at the same rate as S114 authorities. Compared to previous years the CIPFA Resilience Index has identified an increase in Trafford’s risk in its change in reserves. The growing need to draw on reserves to balance the Council’s budget is increasing the risk of the Council issuing a S114 notice. The Council cannot continue to use its reserves at the current rate due to the one off nature of reserves.

6.3.4. The higher risk relating to Fees & Charges shows the proportion of income from fees and charges against the Council’s total service expenditure. This shows the council has a score of 8.44% which compares to 3.91% for the lowest comparable council and 22.08% for the highest. Despite carrying out rigorous annual reviews of Fees & Charges to adjust for inflationary increases and market conditions, this indicator suggests there may be an opportunity to further increases Fees & Charges.

6.3.5. CIPFA’s indicator - Council Tax requirement as a proportion of Net Revenue Expenditure - shows the Council as high risk compared to its statistical neighbours as it continues to become more reliant on Council Tax at 59% of Net Revenue Expenditure. This is of particular concern as Trafford has a lower than average band D and tax base growth. Despite being a low spending authority which has managed its resources well, without a fair funding review or change in funding, this position will inevitably increase S114 risk.

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

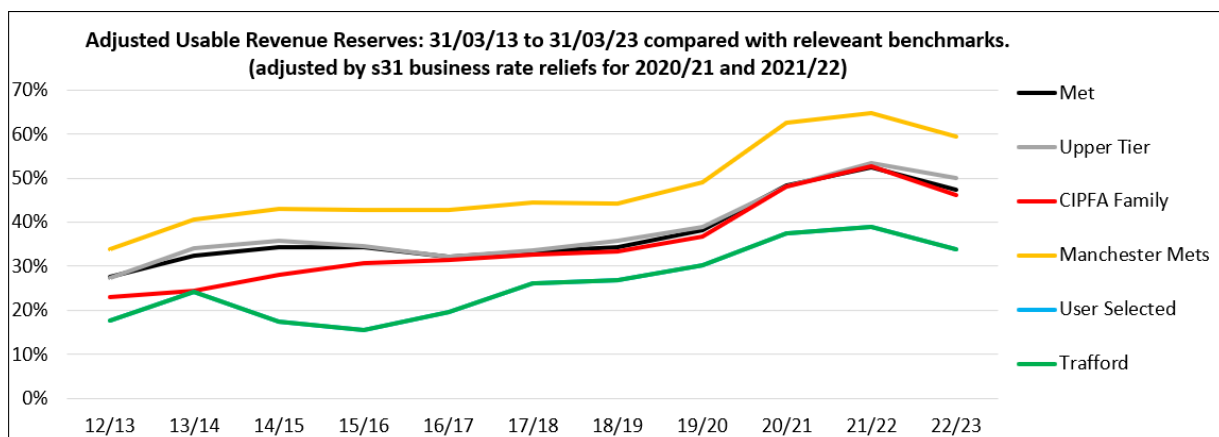
6.4.1. It is clear that the financial environment facing local authorities is subject to significant uncertainty, volatility and risk as a result of changes to funding

arrangements and the spending pressures that they will face over the medium term period.

- 6.4.2. The MTFP tries to forecast the main changes anticipated over this period, however it is clear that the medium term will bring much more uncertainty, volatility and risk than previously experienced. The financial impact of the pandemic and the uncertainty caused on the economy has exacerbated this.
- 6.4.3. Careful management and identification of these risks has been essential over the last few years and updates to the MTFP forecasts and assumptions have been undertaken on a regular basis during the year.
- 6.4.4. The revised MTFP ensures that Members and Senior Officers have an informed financial basis on which to make decisions by forecasting the main changes anticipated over the medium term period based on the best available information. However, as long term-financial impact of economic downturn and middle east conflict has demonstrated the financial landscape can change quickly. The Council's Finance Team will continue to monitor the assumptions and forecasts that underpin the MTFP to ensure they are based on the latest information available. Full details of the MTFP risks are included at Annex H for information.

## 6.5. Reserves Policy Review

- 6.5.1. The future of local government funding is still uncertain; changes as a result of the fairer funding review and business rates reset have been delayed until at least 2026/27 and the financial impact of the changes relating to sustainable funding of social care remain unclear. In this context the reserve policy is crucial in helping the Council deal with the risk, uncertainty and complexity of this policy context.
- 6.5.2. Balancing the annual budget by drawing on Earmarked reserves may be viewed as a legitimate short-term option, but it is not prudent for reserves to be deployed to finance recurrent expenditure. Holding reserves is primarily to assist in cushioning the effects of financial shocks and aids resilience.
- 6.5.3. Trafford has historically seen reserves below average for metropolitan councils and its statistical neighbours; as illustrated by the graph below. Trafford's Usable Reserves as a percentage of Net Revenue Expenditure are the lowest out of the Greater Manchester Metropolitan authorities and 9<sup>th</sup> out of 11 statistical neighbours.



- 6.5.4. Reserves increased considerably as a result of the pandemic due to the carry forward of Section 31 business rate grant and other related monies. COVID reserves will be drawn down in full by March 2024.
- 6.5.5. Reserves, excluding COVID, had a combined balance of £73.98m in April 2023 (see table in next section) and were bolstered over recent financial years as part of a deliberate policy supporting the Council's medium term financial strategy to provide a cushion as the Council continued its recovery from the financial impacts of the pandemic and wider economic downturn. Planned contributions from the Budget Support Reserve of £7.40m in 2023/2024 and a further £5.58m in 2024/25 represents a significant proportion of this reserve and cannot be sustained at these levels.
- 6.5.6. Furthermore, the reserves policy requires that there are adequate levels of risk mitigation reserves given the range of uncertainties faced by the Council. At a balance at 31<sup>st</sup> March 2023 of £21.94m the Smoothing and Business Risk group holds core balances to cover significant risks such as Inflation Risk Reserve £4.5m, Business Rates Risk £5.44m and Interest Rate Smoothing £3.11m, the Strategic Priority group at an opening balance of £10.77m includes £5.0m Strategic Investment Fund Reserve. All of these reserves have been essential during the year in managing the underlying risks they have been established for.
- 6.5.7. In addition, the Council is required to hold a Minimum General Reserve which incorporates general risk assumptions on pay/inflation, emergency and disaster recovery scenarios, increases in demand led budgets. The balance at 31<sup>st</sup> March 2023 was £9.5m which is based on a level of broadly 5% of net revenue expenditure. Given the increase in net revenue expenditure and developing risks, this report proposes to increase the General Reserve by £1.0m to £10.5m. These are considered by The Director of Finance and Systems to be the minimum level to provided a sufficient level of robustness in the MTFS.
- 6.5.8. The Council's reserves policy sets out the methodology for the creation, classification, review and approval process for the use of reserves to enable a more corporate approach to be taken, ensuring reserves are aligned to the Council's priorities over the medium term.
- 6.5.9. In line with the requirement to provide the statement on the adequacy of the Council's reserves, the Reserves Policy is reviewed as part of the draft and final budget process and supplemented with regular reviews as part of the monitoring and financial closedown process. This ensures the judgements on the adequacy of reserves are informed and remains appropriate, particularly in relation to the potential impact of new risks and financial challenges faced by the Council. The key features of the revisions at final budget stage are set out below.

## 6.6. Classification

- 6.5.1 For ease of management, reserves have been grouped into eight categories as follows:-
- **MTFP Budget Support Reserve** – This category of reserve was separated out due to the scale of the challenges faced by the Council in meeting a

balanced budget in the medium term. The reserve is to support the MTFP as the Council continues its recovery from the financial impacts of the pandemic and will be used specifically to meet the budget gap over the short-term and necessary Finance and Change programme to deliver a balanced budget.

- **Smoothing and Business Risk Reserves** - earmarked reserves linked to the financial resilience of the Council, for example being able to respond to unexpected demand pressures and smoothing of irregular budget spending.
- **Strategic Priority Reserves** - earmarked reserves linked to the Council's priorities over the medium term financial plan.
- **Corporate Reserves including General Reserve** - statutory and ring fenced reserves. The General Reserve is the minimum level of reserve the Council is required to hold to protect against in year financial shocks.
- **Reserves Linked to Service Area Priorities** - earmarked reserves linked to the Council's transformational change and service area priorities.
- **COVID-19 Reserves** – reserves established to hold the resources earmarked to support COVID-19 pressures and timing differences relating to the accounting treatment of the Collection Fund deficit caused by the pandemic.
- **Capital Reserves** – consist of capital receipts, grants and contributions which can only be used to fund capital expenditure and are all allocated to support the current capital programme. These will not be considered as part of the Reserves Policy.
- **Schools Reserves** - represent the carry forward balances of individual school surpluses and deficits along with the accumulated balance of DSG grant. Individual school balances will not be considered as part of the Reserves Policy.
- **Schools DSG Reserves** – represents the balance of central related DSG balances and includes the accumulated deficit on High Needs Block. These reserves do not form part of the councils usable earmarked reserves as under statute they are required to be kept separate until March 2026 when the statutory override is scheduled to stop. Details are provided elsewhere within this report on plans to manage the deficit.

## 6.6 Balances and Review of Reserves

6.6.1 The Council's usable reserves at 31st March 2023 stood at £101.12m, of which £73.98 relates to Earmarked revenue reserves as shown below. The projected usage over the next three years has been reviewed as part of the final budget report. The table below shows their projected usage over 3 years including the current financial year.

<i>Usable Reserves</i>	Opening Balance 1/4/2023 £m	Estimated Balance 1/4/2024 £m	Estimated Balance 1/4/2025 £m	Estimated Balance 1/4/2026 £m
MTFP Budget Resilience and Change	13.51	10.48	8.26	8.76
Smoothing and Business Risk	21.94	25.36	16.94	13.51
Strategic Priority	10.77	10.09	6.59	5.06
Corporate	1.88	0.46	0.00	0.00
General Reserve	9.50	10.50	10.50	10.50
Service Area Priorities	16.38	9.22	5.00	2.09
<b>Earmarked Reserves (excl. COVID)</b>	<b>73.98</b>	<b>66.11</b>	<b>47.29</b>	<b>39.92</b>
COVID-19 Reserves	(8.41)	0.00	0.00	0.00
Capital Related Reserves	22.46	7.01	0.50	0.00
School Related Reserves	13.09	13.11	13.11	13.11
<b>Total Usable Reserves</b>	<b>101.12</b>	<b>86.23</b>	<b>60.90</b>	<b>53.03</b>
<b>School DSG (Mitigated Position)</b>	<b>(1.47)</b>	<b>(9.98)</b>	<b>(19.40)</b>	<b>(30.02)</b>

6.6.2 The rationale for holding some of the key reserves, was made in the draft budget report and many of these still stand when preparing the final budget. Details of main reserve movements and changes in assumptions when preparing the Final Budget report can be found in Annex E, with details of all reserves, an analysis of their balance, proposed commitments and transferred values against each reserve is shown in detail in Annex F.

## 6.7 GENERAL RESERVE

6.7.1 The Council is required by law to maintain a minimum level of reserves to meet unexpected or emergency expenditure. The Council's broad policy has been to maintain a minimum general balance of 5% of the Net Revenue Budget in line with best practice, however this can be adjusted to reflect where risk is mitigated by other prominent risk reserves, such as the Business Rates, Investment Strategy and Inflation Risk Reserves.

6.7.2 The proposed Net Budget for 2024/25 is £217.8m. It is recommended to increase the General Reserve by £1.0m to £10.5m to be in line with the Council's broad policy of the minimum balance of the General Reserve.

Some of the significant reasoning behind this decision is set out below:-

- In 2023/24 a separate Inflation Risk Reserve was established outside of the General Reserve, to reflect the high level of uncertainty in forecast inflation rates. The Inflation Risk Reserve has been reduced to reflect the fact that

some stability is now expected with levels of inflation reducing. The residual risk of inflation volatility associated with pay and contractual arrangements for National Living Wage has now been transferred back within the General Reserve.

- There has been a significant increase in children’s placements during the year and additional resource has been added to reflect these pressures in the plans for 2024/25. There is an increased risk that children’s placement costs will continue on an upward trajectory, in part caused by the potential increase in numbers of unaccompanied asylum-seeking children.
- There is an impending CQC inspection of adult social care which may identify additional needs which could cause in year pressures.

Advised minimum level of General Reserve	2024/25 £m
Tax & Treasury Management	0.58
Pay & inflation	2.29
Fees and Charges	0.20
Emergency & Disaster Recovery	1.52
Efficiencies	3.60
Demand led budgets	3.00
Other Pressures	1.48
Funding Risk	3.76
<b>TOTAL</b>	<b>16.43</b>
Risk reduction of 36%	-5.93
<b>Advisory level of minimum reserve</b>	<b>10.50</b>

## 6.8 Conclusion and Summary of Reserve Strategy

- 6.8.1 The reserve strategy set out in the previous MTFs was based on providing sufficient resource within the Budget Support Reserve to meet the budget gap in the medium term whilst the Council develops a suitable innovation and change programme to deliver a balanced budget. Furthermore, that there were adequate levels of risk mitigation reserves given the range of uncertainties faced by the Council.
- 6.8.2 The fundamentals of the current reserve strategy remain in place and where the opportunity has arisen to bolster reserves, to be used to smooth the impact of the budget gap, this has been taken. This can be seen in the benefits realised from the renegotiated Business Rates growth pilot sharing agreement and the review of the Business Rate appeals provision, both of which have been directed to reserves to be drawn down to support the 2024/25 budget.
- 6.8.3 The core risk reserves remain in place and at previous levels, these include unknown pressures in future years associated with risk from Business Rates



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

- 6.8.4 With out doubt, there is little headroom for any further substantial release of resources to support the budget gap and at the same time provide sufficient robustness to absorb the major financial risks over the short term. However, as in previous years and in line with good practice a detailed analysis of all reserves and adequacy of balances has been concluded.
- 6.8.5 In summary, the Council's overall budget plans include for a specific application of the Budget Support Reserve in 2024/25 of £5.58m, consisting of :-
- **£2.08m** as previously agreed in February 2023. This was specifically associated to meeting the increases in GM Waste and Transport Levies.
  - An additional **£3.50m** (change since draft) required to balance the remaining budget gap in 2024/25.
- 6.8.6 At the end of 2025/26 the balance on the Budget Support Reserve is estimated to stand at £8.26m after agreed budget support of £5.58m in 2024/25. It also includes a £2.86m contribution from GMCA out of their surplus reserves, a transfer of £1.5m from the Inflation Risk Reserve and a £1m transfer to the General Reserve. This leaves very little room for manoeuvre given the size of the remaining budget gap of approximately £29m over the next two years.

## **7. SCHOOLS FUNDING AND BUDGETS 2024/25**

### **7.1 Background**

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

There are 4 blocks within the DSG :

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

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

7.1.3 Since the Children and Family's Act of 2014 came into effect, the number of pupils supported by the HNB through Education, Health and Care Plans (EHCPs) has grown significantly across the country.

7.1.4 The result is that nationally numbers of EHCPs have grown by nearly 100% in that period, while placement costs are up nationally by over 50% on average. The accumulated effect is an exponential rise in the pressures on councils' HNBS across the country.

7.1.5 In Trafford, we have historically managed to balance our DSG budgets on an annual basis. The Schools Forum and council are proud of this success as this is a minority position given the national pressures on the high needs system over the last 8 years.

7.1.6 In FY 2021/22, the DSG went into deficit for the first time. We are now in the process of stabilising and then recovering this position with low level support from the DfE, who have been able to provide some advice and guidance on helping control the growing HNB deficit through completion of the DSG deficit recovery plan.

7.1.7 There are a further 2 levels of support provided by the DfE : Delivering Better Value (DBV) and Safety Valve (SV). The purpose of these interventions is to establish sustainable High Needs budgets. Local authorities receive additional funding as part of their agreed plan, but this is subject to them making satisfactory progress towards achieving the targets set out in their plans.

7.1.8 The council have had 3 meetings with the DfE and there is a further one planned in February 2024. The DfE do not consider that Trafford's deficit position warrants

further support at this stage, with many councils facing much higher levels of deficit and for a longer period of time. The council does not share this view, given that the size of the deficit is larger than the balance of the council's General Reserve.

7.1.9 A statutory override currently exists which means that the DSG deficit is ring-fenced from other Council earmarked reserves until March 2026. There is a real risk that Trafford will not be able to balance the in-year spend or recover the deficit by 2025/26.

## 7.2 Summary Position 2023/24

7.2.1 The projected overspend on the DSG is £7.146m for 2023/24 which is driven by the pressures on the High Needs Block.

DSG Overall Position P8	2023/24 Budget (£m)	2023/24 Expected Outturn (£m)	Variance (£m)
Schools Block (SB)	204.047	204.047	0
Central School Services Block (CSSB)	1.503	1.438	(0.065)
High Needs Block (HNB)	40.863	48.074	7.211
Early Years Block (EYB)	17.848	17.848	1
<b>Total</b>	<b>264.261</b>	<b>271.407</b>	<b>7.146</b>

Note : includes Academy recoupment amounts and HNB deductions, budget monitoring reports don't include these

7.2.2 The level of central DSG reserve at 1 April 2023 was £1.475m deficit and this is forecast to reach a deficit of £9.97m by the end of this financial year, with £11.35m related to HNB.

DSG Reserve	1 April 2023 £000's	(Cont. to) / Draw down £000's	31 March 2024 Projection £000's
<b>Schools Block</b>	(2,329)	1,356	(973)
<b>Central Schools Services Block</b>	(335)	(65)	(400)
<b>High Needs Block</b>	4,138	7,211	11,349
<b>Early Years Block</b>	1	0	1
<b>TOTAL DSG Reserve (surplus)/deficit</b>	<b>1,475</b>	<b>8,502</b>	<b>9,977</b>

7.2.3 Even though the deficit is ring-fenced, it has an impact on cash flow and the annual cost of servicing the debt/loss of investment income and a figure of £250k has been recognised in the MTFP for 2024/25.

### 7.3 Budget Position 2024/2025

7.3.1 The table below outlines the provisional budgets for 2023/24 and how they have moved from 2024/25.

<b>DSG Allocations</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>	<b>Change (£m)</b>
Schools Block	204.047	215.423	11.376
Central School Services Block	1.503	1.488	(0.015)
High Needs Block	40.863	42.288	1.425
Early Years Block	17.848	30.409	12.561
<b>Total</b>	<b>264.261</b>	<b>289.608</b>	<b>25.347</b>

#### 7.3.2 Schools Block

The increase in funding is £11.376m (5.58%). This is due to :

- £6.744m Mainstream Schools Additional Grant (MSAG) being rolled into the schools NFF;
- an increase in pupil numbers of 82 overall (a reduction of 161 in the primary sector and an increase of 243 in the secondary sector);
- NFF factor values have been increased (on top of the amounts added for the MSAG) by 1.4%; and
- 0.5% increase to the funding floor.

There has been a decrease in the growth fund allocation of £326k, it is now £932k.

#### 7.3.3 Central School Services Block (CSSB)

There are two 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 2024/25 has reduced by £15k.

#### 7.3.4 High Needs Block (HNB)

The allocation for 2024/25 is £42.288m, an increase of 3.49%. This is due to the funding floor being set at 3% increase and pupil numbers in special schools increasing by 60.

The HNB has been the recipient of some of the biggest increases in funding due to the pressures to fund and support the SEND system. In FY 2018/19, the HNB was £26m, and now 5 years later it is £42m, yet still overspending due to the

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

The has been require to prepare a DSG deficit management plan setting out projections of expenditure and actions take to address the pressures. The DSG deficit management plan requires two versions to be calculated : mitigated and unmitigated.

The mitigated forecast is after accounting for the cost reduction and/or invest to save measures in place. The unmitigated forecast is prior to accounting for any cost reduction and/or invest to save measures in place; a 'do nothing' forecast and assumes numbers and costs will continue to rise at current levels.

The tables below set out both positions.

#### Unmitigated HNB position

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
HNB Grant	42.29	43.56	44.86
Projected spend	52.64	57.96	64.28
In-year deficit	10.35	14.40	19.42
<b>Cumulative deficit</b>	<b>21.70</b>	<b>36.10</b>	<b>55.52</b>

#### Mitigated HNB position

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
HNB Grant	42.29	43.56	44.86
Projected spend	51.23	54.18	58.56
In-year deficit	8.94	10.62	13.70
<b>Cumulative deficit</b>	<b>20.29</b>	<b>30.91</b>	<b>44.61</b>

**Assumptions of growth in HNB funding are as follows :**

Assumptions	2024/25	2025/26	2026/27
HNB funding growth	3%	3%	3%

Assumptions of growth and costs of Education Health Care Plans (EHCPs), Non Maintained Special Schools (NMSS) or Independent Schools and in borough Special Schools are shown in the table below.

Assumptions	2024/25		2025/26		2026/27	
	mitigated	unmitigated	mitigated	unmitigated	mitigated	unmitigated
EHCP growth	18%	18%	4%	18%	4%	18%
EHCP costs	7%	7%	3%	7%	3%	7%

NMSS/ Independent Schools growth	8%	10%	5%	10%	5%	10%
NMSS/ Independent Schools cost	5%	5%	5%	5%	5%	5%
Special Schools top- up costs	3%	3%	3%	3%	3%	3%

The mitigations that have been identified are as follows :

- **Stronger more consistent mainstream offer** – develop support in schools through the Local Authority SEND Inclusion Service which is made up of Educational Psychology Service (EPS), SEN Advisory Service (SENAS) and Sensory Impairment Support Service (TSISS).
- **Building confidence in local provision** - prioritising inclusive practice in Trafford to reduce the demand for EHC Plans and build parental confidence through the development of high quality training, self-evaluation materials and an evidence-based design process.
- **Improve commissioning arrangements** – review the effectiveness of existing LA commissioned contracts, develop a SEND Commissioning strategy that is overseen through a joint commissioning steering group, ensure strong connectivity with the integrated care board.
- **Stopping flow and ceasing plans** – rolling out the Graduated Approach to SEND across EY settings and schools aimed at the early identification of children’s needs and delivery of appropriate support to manage demand for EHCPs.
- **Staffing** - Ensure the staffing structure for SEND casework is appropriate
- **Robust sufficiency & placement planning** through the use of the High Needs Capital Provision allocation to provide places in both primary and secondary settings in the future.

A report was presented to School Funding Forum in November 2023 which provides more detail on the above mitigations.

Trafford is a member of the F40, the education funding campaign group that represents 42 of the lowest funded LAs for education across England. Like the majority of local authorities across the country, F40 members are increasingly concerned about the deepening SEND crisis, with the current need and expectation outstripping the available capacity and funding.

The resources and funding available for children with special educational needs are coming under huge strain as demand for support continues to increase. The impact on children, families, schools and local authorities is enormous, and is resulting in growing deficit SEND budgets. It is estimated that the cumulative SEND deficit across England will be around £3.6bn by April 2025.

A recent debate in the House of Commons on SEND provision and funding aimed to stress the need for greater education and SEND funding, alongside more resources, training and a cohesive strategy that places early intervention at the heart of SEND support.

F40 believes there needs to be an additional £4.6bn SEND funding available each year, along with fairer funding and a cohesive strategy, in order to address the crisis.

The number of children with SEND, and the complexity of need continues to rise. This, along with more young people accessing support for longer (19-25), without sufficient funding, is putting greater pressure on the system. Funding is currently based on historic need which is very different to requirements today.

Trafford is also part of the North West SEND Change Programme Partnership (CPP), along with Manchester, Rochdale and Oldham. The SEND and Alternative Provision improvement plan aims to improve outcomes for children and young people, improve experiences for families and deliver financial stability. It is hoped that as a result of being part of this programme, additional funding and resources will be available to assist with some of the mitigations above. The funding allocation agreed for 2024/25 is £821k and a spending plan for this is currently being prepared.

### **High Needs Capital Provision Allocation (HNCPA)**

To support the achievement of the duty to secure sufficient places that meet the needs of children and young people with SEND, the Council received capital allocations of £1.677m in 2021/22, £4.729m in 2022/23 and £3.680m in 2023/24. The funding is being invested in a number of capital schemes to increase the number of places in Trafford special schools, as well as in small specialist classes (SSC) in primary and resourced provision (RP) in secondary, places which help most pupils with complex SEN to have their needs met within a mainstream school.

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

The increase in the EYB is due to the introduction of a new national formula covering both the existing 2 year old entitlement for disadvantaged children and new working parent entitlements.

#### **7.3.6 Funding Formula**

The outline of 2024/25 Funding Formula recommended by the School Funding Forum is shown in Annex Y

#### **7.3.6 Summary**

The position relating to the DSG deficit is an increasing concern with future projections of spend significantly outstripping the level of DSG grant available. Trafford is not alone with their DSG deficit position with many authorities facing significantly higher deficits.

The statutory override which requires the DSG deficit to be ringfenced outside of the council general fund is due to expire in March 2026. The accumulated DSG deficit at year end will be greater than the council's total General Reserve and if the deficit continues to grow in line with forecasts the council will become technically insolvent.



## 8. COUNCIL TAX REQUIREMENT AND STATUTORY CALCULATIONS

### 8.1 Budget Requirement

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

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

8.1.2 If the proposals in this budget report are agreed, the calculation for the 2024/25 Council Tax Requirement will be as follows:

<b>Calculation of Council Tax Requirement &amp; Relevant Basic Amount of Council Tax 2024/25</b>	<b>£</b>
<b>Service Budget</b>	
<b>Gross Expenditure</b>	
Service expenditure	598,272,616
<b>Gross Income</b>	
Fees, charges and specific grants	(380,440,156)
<b>Service Area Net Budget</b>	<b>217,832,460</b>
<b>Financing Budget</b>	
Retained Business Rates Baseline	(60,278,084)
Business Rates Growth, Other Items, Prior Year Movements	(23,747,708)
Other Council Tax Items, Prior Year Movements	(1,118,108)
Application of Budget Support Reserve	(5,580,000)
<b>Financing Net Budget</b>	<b>(90,723,900)</b>
<b>Council Tax Requirement</b>	<b>127,108,560</b>
<b>Council Tax Base in Band D's</b>	<b>79,362</b>
<b>Relevant Basic Amount of Council Tax</b>	<b>£1,601.63</b>

8.1.3 The Director of Finance and Systems in accordance with his delegated powers approved the 2024/25 Trafford Council Tax Base (number of equivalent Band D properties in the borough) on 4 January 2024 at 79,362, which is an increase of 898 Band D equivalents on 2023/24. The 2024/25 Council Tax Base for each of the four Parish Councils was also approved as: Partington 1,915, Dunham Massey 234, Warburton 167 and Carrington 148.

## 8.2 Council Tax Increases

8.2.1 The Localism Act 2011 abolished Council Tax capping and replaced it with a requirement to hold a Council Tax Referendum if an authority wishes to increase its “relevant basic amount of Council Tax” by an amount equal to or exceeding a level set out by the Government annually. For 2024/25 a figure of 5% has been set, which is a combination of the core principle of 3% and the ‘adult social care precept’ of 2%.

8.2.2 As highlighted elsewhere in this report, it is proposed to raise the level of council tax in 2024/25 by 4.99%:

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

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

	2023/24	2024/25
Council Tax Base	78,464	79,362
Council Tax Requirement with Levies (£)	119,697,617	127,108,560
Basic Amount of Council Tax (£) (excluding Social Care Precept)	1,324.18	1,369.79
Social Care Precept	201.33	231.84
Relevant Basic Amount of Council Tax	1,525.51	1,601.63
<b>% increase in Relevant Basic Amount of Council Tax</b>	<b>4.99%</b>	<b>4.99%</b>

8.2.4 It is proposed to increase the ‘relevant basic amount’ of Council Tax by 4.99%, which is within the 5% figure set by Government in 2024/25 for social care authorities. As this remains in line with Government policy it would therefore not be deemed ‘excessive’ and as a result there is no requirement to hold a Referendum.

8.2.5 Of the two major precepting bodies, the Mayoral Police & Crime Commissioner is recommending a £13.00 increase in their Band D precept and the Mayoral General Precept (including Fire Services) is proposing a £5.00 increase in their Band D precept.

8.2.6 Partington Town Council, at its meeting on 15 January 2024, elected to set the level of Band D Council Tax at £65.05 in 2024/25. This is an increase of £13.01, 25%, on the 2023/24 figure of £52.04. Carrington Parish Council passed a resolution on 14 December 2023 to keep the Band D Council Tax at £30.00 in 2024/25, the same as in 2023/24. Warburton Parish Council at its meeting on 19 December 2023, elected to set a Band D Council Tax of £50.00 in 2024/25, the same as in 2023/24. Dunham Massey Parish Council is not setting a Precept in 2024/25.

### 8.3 Council Tax Levels and Bandings

8.3.1 The overall Precepts and Council Tax levels for 2024/25 for Trafford properties are as follows:

<b>Council Tax per Precepting Body</b>	<b>Precept Amount £</b>	<b>Council Tax per Band D Property £</b>	<b>Council Tax Level Increase</b>
Trafford Services (inclusive of 'Adult Social Care Precept')	127,108,560	1,601.63	4.99%
Mayoral Police and Crime Commissioner (see note)	20,340,481	256.30	£13.00/ 5.34%
Mayoral General Precept (including Fire Services) (see note)	8,963,938	112.95	£5.00/ 4.63%
<b>Total (excluding Parishes)</b>		<b>1,970.88</b>	<b>5.02%</b>
Partington Precept	124,571	65.05	25.00%
<b>Total for Partington</b>		<b>2,035.93</b>	<b>5.55%</b>
Carrington Precept	4,440	30.00	0.00%
<b>Total for Carrington</b>		<b>2,000.88</b>	<b>4.94%</b>
Warburton Precept	8,350	50.00	0.00%
<b>Total for Warburton</b>		<b>2,020.88</b>	<b>4.88%</b>

8.3.2 Note: The Council Tax figures for the Mayoral Police and Crime Commissioner and Mayoral General Precept (including Fire Services) included above are recommended amounts and are subject to formal approval on 30 January 2024 and 9 February 2024 respectively.

8.3.3 The council tax for 2024/25, 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	1,313.90	1,357.27	1,333.90	1,347.23
B	Over £40,000 and up to £52,000	1,532.90	1,583.49	1,556.23	1,571.79
C	Over £52,000 and up to £68,000	1,751.87	1,809.69	1,778.54	1,796.31
D	Over £68,000 and up to £88,000	1,970.88	2,035.93	2,000.88	2,020.88
E	Over £88,000 and up to £120,000	2,408.84	2,488.35	2,445.51	2,469.95
F	Over £120,000 and up to £160,000	2,846.82	2,940.78	2,890.15	2,919.04
G	Over £160,000 and up to £320,000	3,284.78	3,393.20	3,334.78	3,368.11
H	Over £320,000	3,941.75	4,071.85	4,001.75	4,041.75

## BASE BUDGET ASSUMPTIONS

Base Budget Assumptions	2024/25 £m/%	2025/26 £m/%	2026/27 £m/%
<b>Service Expenditure</b>			
Pay: Inflation – 2023/24 catch up	5.87%	n/a	n/a
Pay: Inflation	4.00%	2.00%	2.00%
Pay award cost	£3.05m	£1.59m	£1.64m
Pay: Pension Inflation	0.0%	0.0%	0.0%
	£0.00m	£0.00m	£0.00m
Pay: Living Wage/ FPFC/Real Living Wage	£6.77m	£1.64m	£1.88m
General Inflation: Prices	3% to 7%	2.0%	2.0%
	£0.28m	£0.09m	£0.10m
Contractual Obligations: Inflation Specific	£3.70m	£2.41m	£2.47m
Energy Inflation	-£1.60m	-£0.80m	£0.00m
Levies: Waste (GMWDA) % Levy Increase/ (Decrease)	2.3%	4.5%	4.3%
Levies: Transport % Levy Increase/ (Decrease)	3% + 1% non-recurrent	3%	3%
Demographics: Children	£1.00m	£1.00m	£1.00m
Adults	£1.24m	£1.50m	£1.50m
<b>Treasury Management</b>			
Investment Rates	5.16%	3.93%	3.12%
Debt Rates (new debt)	4.50%	4.23%	4.12%
<b>Funding</b>			
Council Tax rate increase (Adult Social Care)	2.00%	1.00%	1.00%
Council Tax rate increase (Relevant Basic Amount)	2.99%	1.99%	1.99%
Property Growth - Taxbase increase	1.00%	1.00%	1.00%

**Budget Movements & Proposals: Draft Budget Oct 23 to Final Feb 24**

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>Total £000</b>
<b>REVISED BUDGET GAP AT DRAFT (Oct 23)</b>	<b>6,408</b>	<b>12,751</b>	<b>10,642</b>	<b>29,801</b>
Movements Since Draft affecting the Gross Gap				
Increase in assumptions on inflation remaining higher (contracts)	251	162	217	630
Energy budget assumptions	0	0	0	0
Waste Levy assumptions	(1,207)	(104)	726	(585)
Budget Realignment Market Sustainability	(43)	0	0	(43)
Increase pay award assumptions for 24/25 (to 4%)	833	15	16	864
National Living Wage / Real Living Wage	0	0	0	0
Housing benefit pressure P8	400	0	0	400
Planning fee income pressure P8	230	0	0	230
Strategic Investment Programme	0	0	1,000	1,000
Treasury Management Impact of DSG Deficit on cashflow	250	0	0	250
Indexation of Better Care Fund Grant (23/24)	0	314	0	314
Continuation of Market Sustainability Grant	(12)	(808)	0	(820)
Transport levy	(135)	(5)	512	372
Social Care Grant 24-25 (adj following policy statement and final settlement)	(2,298)	0	0	(2,298)
New Homes Bonus 24-25 (adj following policy statement)	391	0	0	391
Services grant 24-25 (adj following policy statement)	1,241	0	0	1,241
Legal fees (increase in caseload)	200	0	0	200
Public Health Expenditure reflecting increase in Grant	179	0	0	179
Other Budget Assumptions	(221)	(253)	146	(328)
<b>CHANGES TO BUDGET ASSUMPTIONS</b>	<b>59</b>	<b>(679)</b>	<b>3,317</b>	<b>2,697</b>
Change in assumptions on Council Tax Base	(408)	(25)	(20)	(453)
Release of Actual Council Tax Surplus Above Est 22 23	(118)	118	0	0
Levy Account Surplus (redistribution of national account Surplus)	(305)	305	0	0
Meet one off Transport Levy increase 24/258 from Bud Support	0	0	0	0

Bring forward Council Tax Premiums (Long Term Empty Properties) from April 24	(314)	305	1	(8)
Public Health Grant Funding	(179)	0	0	(179)
Realigning business rates budget	(18)	18	0	0
Push back of business rates reset and increase in no-detriment to 75%	0	(622)	(704)	(1,326)
Push back of Fairer Funding Review	0	(500)	0	(500)
Change in assumptions on Core Business Rates Provisional Settlement	(1,000)	0	1,000	0
<b>CHANGES TO FUNDING (NON POLICY CHOICE)</b>	<b>(2,342)</b>	<b>(401)</b>	<b>277</b>	<b>(2,466)</b>

<b>MOVEMENTS &amp; PROPOSALS</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>Total £000</b>
<b>CHANGES IN MEETING THE GAP</b>				
<b>CHANGES TO SAVINGS AND INCOME PROPOSALS</b>	<b>(621)</b>	<b>211</b>	<b>(18)</b>	<b>(428)</b>
Adjustment re Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	0	(2,076)	0	(2,076)
Contribution from Budget Support Reserve	(3,504)	0	0	(3,504)
Reinstatement of Prior Year Budget Gap funded from Budget Support Reserve	0	6,580	0	6,580
<b>TOTAL CHANGES TO POLICY CHOICE FUNDING</b>	<b>(3,504)</b>	<b>3,504</b>	<b>0</b>	<b>0</b>
<b>REVISED BUDGET GAP (FEB 24)</b>	<b>0</b>	<b>15,386</b>	<b>14,218</b>	<b>29,604</b>

## Income &amp; Savings Proposals 2024/2025

Saving Title	Service Area	Description of saving	2024/25 £000
<b>Children Placements</b>	Children's	Continuation of demand management approaches and review of placements for looked after children	(500)
<b>Children's Services – Investing in our Children – Family Help Savings Proposal</b>	Children's	Continuation of the service redesign	(50)
<b>Re-shaping of Directorate Management Team</b>	Children's	Review of Directorate Management Team structure	(104)
<b>Youth Engagement Service/Youth Justice</b>	Children's	Complete a review of the service as part of the service re-design programme	(97)
<b>Sub-Total Children's</b>			<b>(751)</b>
<b>Weight Management</b>	Adults	Reduce the prevalence of community obesity and thereby reduce long-term health conditions that result and the support required.	(28)
<b>Bad debt provision - Adults Social Care</b>	Adults	Review level of contribution to bad debt provision	(50)
<b>Reduction in demographic growth budget</b>	Adults	Reduction in demographic growth budget	(200)
<b>Living Your Best Life</b>	Adults	Transformation of services for people with a learning disability and people with Autism with strengthened links to transitions.	(300)
<b>Improving Lives Everyday</b>	Adults	Review of low cost care packages	(250)
<b>Reablement Review</b>	Adults	Review of externally commissioned reablement services.	(600)
<b>Sub-Total Adults</b>			<b>(1,428)</b>



<b>Strategic Investment Income</b>	Place	Investment Programme - Recycling of receipts to maintain net income at achievable levels	(370)
<b>Review of operational and strategic estates</b>	Place	Efficiency review of operational estate and lease/rent reviews to ensure full cost recovery across the Council's estate	(390)
<b>Sale Water Park</b>	Place	Review service provision and cost recovery	(10)
<b>Investment Income</b>	Place	Dividend income from LLP with Bruntwood (Lumina)	(450)
<b>Waste Reserves</b>	Place	Review of Waste reserves	(500)
<b>Amey 7 year review</b>	Place	Income generated through contract changes following the Amey 7 year review	(100)
<b>Sub-Total Place</b>			<b>(1,820)</b>
<b>Traded Services - Star</b>	Finance & Systems	Traded Services income - increase in contributions to offset pay and cost inflation.	(50)
<b>Sub-Total Finance &amp; Systems</b>			<b>(50)</b>
<b>Traded Services -Catering &amp; Cleaning</b>	Strategy & Resources	Review Traded Services income - increase in charges to offset pay and cost inflation.	(498)
<b>Review of Sale Waterside Arts Centre</b>	Strategy & Resources	Improve effective use of asset and business development	(75)
<b>Review Music Service</b>	Strategy & Resources	Continue to remove the remaining Corporate overhead subsidy and continue with expansion of offer with a view to broadening reach	(187)
<b>Sub-Total Strategy and Resources</b>			<b>(760)</b>
<b>Smart Working</b>	All	To be achieved by a combination of measures associated with smart working	(400)
<b>Release of Treasury Smoothing Reserve</b>	All	Release of Treasury Smoothing Reserve	(500)

Reduction in central contingency	All	Reduction in central contingency	(500)
<b>Sub-Total Council Wide and Cross Directorate</b>			<b>(1,400)</b>
<b>TOTAL SAVINGS AND INCOME PROPOSALS</b>			<b>(6,209)</b>

	CHILDREN £000's	ADULTS & WELLBEING £000's	PLACE £000's	LEGAL AND GOV £000's	FINANCE & SYSTEMS £000's	STRATEGY & RESOURCES £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>NET BUDGET Brought Forward</b>	<b>49,056</b>	<b>74,229</b>	<b>38,320</b>	<b>3,575</b>	<b>9,672</b>	<b>10,640</b>	<b>24,314</b>		<b>209,806</b>
<u>Budget Pressures:</u>									
Pay	739	435	354	111	376	736	1,536		<b>4,287</b>
National Living Wage/ Fair Price for Care	26	4,833	0	0	0	0	0		<b>4,859</b>
General Inflation	31	11	41	2	29	64	106		<b>284</b>
Contractual Inflation & Obligations	1,414	892	(123)	36	144	203	0		<b>2,566</b>
Levies	0	0	356	0	0	0	41		<b>397</b>
Demographics/ Care Costs	3,200	3,454	0	0	0	0	0		<b>6,654</b>
Grants, Legislative & Service Transfers	(47)	(9,943)	0	0	0	47	1,632		<b>(8,311)</b>
Loss of Income	0	0	60	0	0	0	0		<b>60</b>
Treasury Management	0	0	0	0	0	0	(136)		<b>(136)</b>
Strategic Investment Programme	0	0	870	0	0	0	0		<b>870</b>
Other	2,168	415	(159)	323	165	(33)	(173)		<b>2,706</b>
<b>Total Budget Pressures</b>	<b>7,531</b>	<b>97</b>	<b>1,399</b>	<b>472</b>	<b>714</b>	<b>1,017</b>	<b>3,006</b>		<b>14,236</b>
<u>Budget Savings</u>									
Income Generation	0	0	0	0	(50)	(498)	0		<b>(548)</b>
Savings Proposals Efficiencies & Policy Choice	(751)	(1,428)	(1,820)	0	0	(262)	(1,400)		<b>(5,661)</b>
<b>Total Approved Budget Proposals</b>	<b>(751)</b>	<b>(1,428)</b>	<b>(1,820)</b>	<b>0</b>	<b>(50)</b>	<b>(760)</b>	<b>(1,400)</b>		<b>(6,209)</b>
<b>PROPOSED NET BUDGET</b>	<b>55,836</b>	<b>72,898</b>	<b>37,899</b>	<b>4,047</b>	<b>10,336</b>	<b>10,897</b>	<b>25,920</b>		<b>217,833</b>

	CHILDREN £000's	ADULTS & WELLBEING £000's	PLACE £000's	LEGAL AND GOV £000's	FINANCE & SYSTEMS £000's	STRATEGY & RESOURCES £000's	COUNCIL- WIDE £000's	FUNDING & RESERVES £000's	TOTAL £000's
<b>Funding:</b>									
Council Tax								(121,068)	<b>(121,068)</b>
Council Tax - 2.99% General Increase								(3,620)	<b>(3,620)</b>
Council Tax - 2% Adult Social Care Increase								(2,421)	<b>(2,421)</b>
Council Tax 23/24 Estimated Surplus								(775)	<b>(775)</b>
Council Tax use of smoothing reserve								(118)	<b>(118)</b>
Contribution from Council Tax Risk Reserve								(225)	<b>(225)</b>
<b>Total Council Tax Funding</b>								<b>(128,227)</b>	<b>(128,227)</b>
Business Rates: Local Share								(159,358)	<b>(159,358)</b>
Business Rates: Tariff Payment								99,080	<b>99,080</b>
Business Rates: Growth Assumptions, S31 Grants, GM Pilot								(18,471)	<b>(18,471)</b>
Business Rates 23/24 Estimated Surplus								(1,252)	<b>(1,252)</b>
COVID Rates diff est./act. and Gov Grant Support Smoothing Reserve								(4,025)	<b>(4,025)</b>
<b>Total Business Rates Funding</b>								<b>(84,026)</b>	<b>(84,026)</b>
<b>PROPOSED FUNDING</b>								<b>(212,253)</b>	<b>(212,253)</b>
<u>Additional Use of Reserves:</u>									
Budget Support Reserve								(5,580)	<b>(5,580)</b>
<b>FUNDING FROM RESERVES</b>								<b>(5,580)</b>	<b>(5,580)</b>
<b>BUDGET GAP</b>									<b>0</b>

## Main Reserves Final Budget Stage Review

The rationale for holding each reserve, an analysis of their balance, proposed commitments against each reserve is shown in detail in Annex F.

A balance of earmarked reserves of £73.98m was brought forward at 1<sup>st</sup> April 2023, the following observations relating to the main reserves should be noted:

### MTFP Budget Support Reserve

- **Budget Support Reserve** - This reserve had a brought forward balance of £13.51m at 1<sup>st</sup> April 2023 of which £7.40m is committed to support the 2023/24 budget and a further £5.58m in 2024/25 (of which £2.1m was previously agreed Feb 23).

Commitments to the reserve include the following:-

- A contribution from revenue budget provision of **£0.5m** in each year until 2025/26, which was established to replenish reserves used to support pressures during the pandemic. **No change from draft.**
- An increase of **£5.46m** from GMCA relating to a release of their surplus reserves as previously reported. This will be held in this reserve and released over 2023/24 and 2024/25 as previously agreed largely to meet the annual increase costs of both the Waste and Transport Levies. GMCA announced a further release of £30m of their surplus reserves of which Trafford's share is £2.86m. **£2.86m increase from at draft.**
- A transfer of **£0.5m** relating to a review of other earmarked reserves to support the Finance and Change Programme (see below). **No change from draft.**
- A review of all earmarked reserves has been completed and identified spare capacity of **£0.46m** which has been transferred to this reserve.
- The current in-year budget monitoring position as at period 8 is a projected **underspend of £0.59m**, this will be transferred to this reserve at year end.
- The Inflation Risk Reserve will stand at £3.6m assuming a drawdown of £0.95m will be required to meet the inflationary pressures in 2023/24. Given the overall positive direction of travel regarding interest rates, a figure of **£1.5m** has been transferred from this reserve to the Budget Support Reserve. £1m reduction in transfer **from draft.**

Commitments from this reserve include the following: -

- The budget plans include support of **£7.40m** in 2023/24 and **£5.58m** in 2024/25 (of which £2.1m was previously agreed in February 23). **£3.50m increase from draft.**
- Finance and Change - A figure of **£0.5m** will be utilised to bring capacity and skills specifically to support the development of the business cases surrounding the demand management and savings in Children's placements and home to school transport. **No changes from at draft.**
- **Transformation Programme** - £0.76m remains from £1.5m budget. **£0.76m increase from draft.**
- **£1.0m** transferred to General Reserve to ensure the General Reserve is robust and is aligned with the reserve policy that the General Reserve must be broadly 5% of the Council's Net Expenditure.

This will give an estimated balance at the end of 2024/25 of £8.26m.

### Smoothing and Business Risk

- **Business Rate Risk Reserve** - This reserve represents the biggest reserve under the category of Smoothing and Business Risk at £5.44m at 1<sup>st</sup> April 2023. The reserve is also used to smooth the estimated benefits from our review of business rates appeals in 2022/23 which will be used to support our budget plans in 2024/25 and 2025/26 as set out in previous reports. The balance will increase by £5.03m in 2023/24 when the appeals provision is released and reduce by £3.03m and £2m in 2024/25 and 2025/26 to support the budget. The reserve will also hold the benefits from a one off tariff adjustment released as part of the provisional local government finance settlement for 2024 at £2.0m; this will be released at £1.0m in each year 2024/25 and 2025/26 to support our budget. The reserve will also be used to smooth the timing differences in pressures caused by delays in major refurbishments at the Trafford Centre.

The Council has a budget from Business Rates income of approximately £84m and due to the complexities in the system such as the uncertainty surrounding the wider economic downturn along with the forthcoming business rate reset, the importance of maintaining a suitable balance in this reserve cannot be underestimated. The underlying balance of £5.0m will be used to mitigate against these significant risks.

- **Inflation Risk Reserve** – This reserve was created to help mitigate against some of the pressures caused by the high and volatile levels of inflation. There was a balance of £4.5m on 1<sup>st</sup> April 2023 and it is anticipated that £0.95m will be needed in 2023/24 to largely absorb the additional cost of the local government pay award.

Although inflation is dropping, it is not doing so at the rate the Bank of England had previously forecast and a level of risk remains when budget planning. To put this in context, a 1% variance in the pay award assumptions would add a further pressure of £1.0m.

The balance on this reserve must also be considered alongside the Budget Support Reserve and the wider risk associated with balancing the remaining budget gap. With this in mind a balance of £1.5m has been transferred to the Budget Support Reserve, leaving an estimated balance of £2.05m at year end.

- **Interest Rate Smoothing Reserve** – This reserve is used to smooth the financial impact of fluctuations in interest rates relating to investments and borrowing and movements in surplus cash balances over the medium term. The rapid increases in the interest rates over the last 18 months has made budget forecasting extremely challenging. The reserve has been bolstered during the year by £1.5m due to the favourable benefits of increased interest rates on investments. This bolstering will be used to smooth the uncertainty surrounding increased borrowing costs. A balance of £1.5m has been transferred to the Asset Investment Strategy Risk Reserve in recognition of the increased risk that high interest rates will have on borrowing costs in that area.

### Strategic Priority

- **Asset Investment Strategy Risk Reserve** - this reserve is the largest reserve within the category of Strategic Priority and stood at £5.0m at 1<sup>st</sup> April 2023. 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 year due to the impact of delays in developer loans being drawn down and shortfalls in rental income. During 2023/24 there will be an £800k contribution to the reserve as reported at Period 8 monitor and a £1.5m transfer from Interest Rate Risk Reserve to replenish the above uses of the reserve. It is crucial to top up the reserve given the current economic uncertainty. This reserve will remain a critical tool in managing the ongoing risks associated with the programme. **Balances have been updated since draft to reflect estimated movements on this reserve.**
- **Leisure Centre Risk Reserve** – this reserve was established to manage the expected shortfall in income during the building refurbishment programme. Its use was extended during the pandemic to smooth the support required as a result of the impact on trading income. There remains a high degree of uncertainty on the ongoing trading and the impact of the building redevelopment programme, and the reserve will continue to play a critical role in managing these risks. **Balances have been updated since draft to reflect estimated movements on this reserve.**

### Corporate Reserves

- **General Reserve** – The level of General Reserve incorporates risk assumptions on pay/inflation, emergency and disaster recovery scenarios, increases in demand led budgets, savings target not being met and business rates/council tax shortfalls. It is highly unlikely that the events would occur simultaneously, and the figure is calculated on a prudent basis. The minimum agreed as part of the risk and resilience exercise when preparing the current budget is for the General Reserve to be broadly 5% of the Net

Revenue Budget. Therefore, the budget plans include transferring £1.0m from the Budget Support Reserve to the General Reserve to increase the balance to £10.5m. **£1m increase since draft.**

### **Service Area Priority Reserves**

- **Service Area Priority Reserves various** - This category of reserves holds service area reserves which have largely built up from prior years underspends, including unspent grants. Most elements are contractually committed, however all commitments have been thoroughly challenged as part of the annual review and a balance of £456k has been transferred to the Budget Support Reserve to provide further resilience in managing the budget gap over the next two years.

### **COVID-19 Various**

- **The COVID-19 Reserves** mainly relate to compensation grants received from the Government making good the shortfall in Business Rates and Council Tax income as a result of the Government's various rate and council tax relief schemes. These reserves are fully used to compensate the Collection Fund for the accumulated shortfall and cannot be used for any other purposes. All balances will be fully utilised at the end of this financial year. **No change since draft.**



## Details of Reserves by Category

## Annex F

CATEGORY	RESERVE NAME	BALANCE AT 31 MARCH 2023	EST BALANCE AT 31 MARCH 2024 £000	EST BALANCE AT 31 MARCH 2025 £000	EST BALANCE AT 31 MARCH 2026 £000	Narrative
MTFP Budget Support Reserve	MTFP Budget Support Reserve	(13,509)	(10,478)	(8,259)	(8,759)	<p><b>23/24 Transfers to/(from) Other Reserves</b> £1m to General reserve, £(0.46)m reserves review, £(0.5)m from earmarked reserves to support Finance &amp; Change Programme and £(1.5)m Inflation Risk Reserve</p> <p><b>23/24 Commitments (to)/from reserve</b> £7.40m Budget Support £(0.5)m per annum previously identified to replenish MAG dividend reserve £(2.59)m Distribution of GMCA Waste Reserves £(0.59)m Period 8 23/24 monitor forecast £0.76m Finance &amp; Change Prog</p> <p><b>24/25 Commitments (to)/from reserve</b> £(0.5)m per annum previously identified to replenish MAG dividend reserve £(2.86)m Distribution of GMCA Waste Reserves £3.50mbudget support 24/25 £2.08m budget support 24/25 (agreed Feb 23)</p>
<b>Sub-Total Budget Resilience</b>		<b>(13,509)</b>	<b>(10,478)</b>	<b>(8,259)</b>	<b>(8,759)</b>	
Smoothing and Business Risk	Business Rate Risk Reserve	(5,445)	(13,183)	(7,999)	(4,999)	Timing differences of release of business rates over three years of the MTFP. Remaining balance deemed minimum balance to meet underlying business rate volatility.
Smoothing and Business Risk	Insurance Reserve	(1,700)	(1,700)	(1,700)	(1,700)	Sufficient to cover three excess property claims (£250k per claim) plus a further £0.500m to cover historic claims relating to MMI and a balance held to cover potential emerging insurance risks.

Smoothing and Business Risk	Earmark Gen - Employment Rationalisation	(800)	(400)	(200)	0	Established to cover costs of VS/VR scheme. A balance of £800k for future potential restructuring costs and £200k draw down assumed per annum. <b>Review of reserves has identified spare capacity of £200k which has been transferred to Budget Support Reserve.</b>
Smoothing and Business Risk	Housing Benefit Overpayment Reserve	(900)	(410)	(410)	(410)	Reserve to reflect risk of budget pressures due to market conditions and volatility in forecasting Housing Benefit budget. £490k est draw down due to P8 24/25 monitor forecast overspend. The uncertainty on the Housing Benefit budget is expected to continue and £400k is the minimum recommended balance.
Smoothing and Business Risk	Timperley Sports Club Synthetic Pitch	(123)	(138)	0	0	This will be used towards replacing synthetic pitches across the Borough
Smoothing and Business Risk	Earmark Gen - Local Search Litigation Costs Settlement	(65)	(65)	(65)	(65)	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	(1)	(1)	(1)	(1)	Replacement of mayoral vehicle.
Smoothing and Business Risk	Smoothing - Waste Levy	(1,484)	(1,764)	(984)	(484)	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	0	0	The reserve was held as 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. <b>Review of reserves has identified spare capacity of £120k which has been transferred to Budget Support Reserve.</b>
Smoothing and Business Risk	Smoothing - Elections	(105)	0	(1)	(257)	To smooth the elections budget across the 4 year Municipal cycle.
Smoothing and Business Risk	Smoothing - Interest Rate	(3,107)	(3,094)	(1,594)	(1,594)	Balance sufficient to meet potential short term volatility in the financial markets. P8 23/24 monitor estimates £1.49m contribution to the reserve/ <b>£1.5m will be transferred to Strategic Investment Reserve as a result of risk associated with town centre redevelopment.</b>
Smoothing and Business Risk	Exchequer Services Reserve	(815)	(256)	(43)	0	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	(231)	(55)	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	(1,319)	(1,439)	(1,559)	(1,679)	Reserve used to hold the final bullet payment relating to the programme. Not Available for any other purpose.
Smoothing and Business Risk	Admin Building Cyclical Maintenance Reserve	(724)	(306)	(65)	0	To provide a reserve sufficient to cover major lifecycle maintenance and unexpected costs associated with the maintenance and repair of all major administrative sites. <b>Review of reserves has identified spare capacity of £100k which has been transferred to Budget Support Reserve.</b>
Smoothing and Business Risk	Council Tax Risk Reserve	(500)	(500)	(275)	(275)	Reserve to manage risk of shortfall in Council Tax Income due to uncertainty in take up of LCTSS/Hardship lower collection rates due to economic uncertainty. £225k draw down to support 24/25 budget.
Smoothing and Business Risk	Inflation Risk Reserve	(4,500)	(2,050)	(1,050)	(2,050)	Reserve to manage increased risk associated with inflation rate volatility. £0.7m draw down for pay award 23/24 £0.2m draw down for foster payments 23/24  <b>A reduction in inflation rate volatility has allowed £1.5m to be transferred to Budget Support Reserve.</b>
<b>Sub-Total Smoothing and Business Risk</b>		<b>(21,939)</b>	<b>(25,361)</b>	<b>(15,946)</b>	<b>(13,514)</b>	
Strategic Priority	Transformation Fund Match Funding Reserve	(1,587)	(862)	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 Trafford NHS (previously CCG) for their share of programme costs.
Strategic Priority	Strategic Investment Programme Risk Reserve	(5,005)	(5,118)	(4,518)	(3,783)	Reserve established as a contingency for potential loss of income, additional cost due to delays in investment property fund. Reserve has been used/contributions adjusted during the year in order to manage variations in the programme. Balance is considered minimum necessary to manage the underlying risks.  <b>£1.5m transferred from Interest Rate Risk Reserve to manage risk of town centre redevelopment.</b>
Strategic Priority	Leisure Centres Risk Reserve	(2,358)	(2,338)	(1,800)	(1,000)	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 is included in Place Directorate to manage these

						pressures. The reserve will be used to smooth net expenditure over the programme.
Strategic Priority	Childrens Action Fund Reserve	(44)	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 23/24.
Strategic Priority	Bus Reform	(1,500)	(1,500)	0	0	Reserve established to hold Traffords share of redistributed GM reserves. Will be released for GM Bus Reform.
Strategic Priority	Major Projects Reserve Abortive costs and DSG Academy Trans	(275)	(275)	(275)	(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>(10,769)</b>	<b>(10,093)</b>	<b>(6,593)</b>	<b>(5,058)</b>	
Corporate	NDR Deficit Reserve	(613)	(324)	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	(272)	(137)	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	(55)	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	Council Tax Smoothing Reserve	(940)	0	0	0	Reserve established to hold Trafford's contribution towards Council Tax over distribution. Final release in 23/24.
Corporate	General Reserve	(9,500)	(10,500)	(10,500)	(10,500)	This is the reserve that the Council is required to hold to protect against in year financial shocks. <b>Transfer from Budget Support Reserve of £1m</b> to increase the balance to £10.5m as part of Robustness Review at Final budget stage.
<b>Sub-Total Corporate</b>		<b>(11,380)</b>	<b>(10,961)</b>	<b>(10,500)</b>	<b>(10,500)</b>	
Service Area Priority	Earmark Gen - ICT Development	(1,358)	(1,041)	(336)	(306)	Reserve established to ensure there are funds available for the replacement of equipment such as ICT and to smooth out maintenance costs as a result of the Digital Investment programme.
Service Area Priority	Economic Development	(1,694)	(950)	(61)	0	Reserve set aside specifically for economic development related projects. Review of reserves has identified spare capacity of £82k which has been transferred to Budget Support Reserve.

Service Area Priority	Earmark Gen - Libraries and Customer Services Reserve	(11)	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)	0	0	0	Carry forward of prior year spend due to slippage on projects - committed on schemes.
Service Area Priority	Earmark Gen - Community Safety	(358)	(136)	0	0	Investment in Community Safety initiatives related to unspent grant from prior years.
Service Area Priority	Earmark Gen - Modernisation	(71)	(71)	(71)	(71)	Hold rolling balance of Modernisation Team budget underspend for future commitment
Service Area Priority	One Trafford Partnership Reserve	(1,961)	(582)	(208)	(208)	Established to hold contractor penalty payments to be invested in one-off Partnership schemes. Spare capacity of £9k transferred to Budget Support Reserve.
Service Area Priority	Sports Partnership Reserve	(56)	(25)	0	0	Ring-fenced funding from Sports Partnership to be used on specific projects
Service Area Priority	Earmarked Service C/fwd Place	(1,103)	(401)	0	0	Service Carry Forward Place. Spare capacity of £129k transferred to Budget Support Reserve.
Service Area Priority	Earmarked Service C/fwd L & G	(25)	0	0	0	Service Carry Forward Governance and Community Services
Service Area Priority	Earmarked Service C/fwd F & S	(2,744)	(2,315)	(2,269)	(660)	Service Carry Forward Finance and Systems. Spare capacity of £100k transferred to Budget Support Reserve.
Service Area Priority	Earmarked Service C/fwd S & R	(850)	(153)	(6)	0	Service Carry Forward Strategy & Resources. Spare capacity of £14k transferred to Budget Support Reserve.
Service Area Priority	Earmarked Service C/fwd Children	(239)	0	0	0	Service Carry Forward Childrens
Service Area Priority	Earmarked Service C/fwd Adults	(3,604)	(2,404)	(1,404)	(705)	Service Carry Forward Adults. Spare capacity of £200k transferred to Budget Support Reserve.
Service Area Priority	Adults Discharge to Assess Adults	(1,991)	(1,091)	(591)	(91)	Discharge to Assess. Reserve will be drawn down to deliver DTA plans in health partners.
Service Area Priority	Traded Services Reserve	(312)	(51)	(51)	(51)	Service Carry Forward Traded Services.
<b>Sub-Total Service Area Priority</b>		<b>(16,381)</b>	<b>(9,220)</b>	<b>(4,997)</b>	<b>(2,092)</b>	
<b>SUB-TOTAL Earmarked Reserves (exc Covid)</b>		<b>(73,978)</b>	<b>(66,113)</b>	<b>(47,295)</b>	<b>(39,923)</b>	
COVID-19	Council Tax Compensation Grant Covid (75%)	(252)	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%)	(1,330)	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)	9,990	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>8,408</b>	<b>0</b>	<b>0</b>	<b>0</b>	
Capital Related Reserves		(22,457)	(7,014)	(500)	0	
School Related Reserves		(13,089)	(13,107)	(13,107)	(13,107)	
<b>SUB-TOTAL</b>		<b>(35,546)</b>	<b>(20,121)</b>	<b>(13,607)</b>	<b>(13,107)</b>	
<b>Total Reserves</b>		<b>(101,116)</b>	<b>(86,234)</b>	<b>(60,902)</b>	<b>(52,030)</b>	

## 2024/25 Objective (Service) Budget Analysis

## Annex G

DIRECTORATE	SERVICE EXPENDITURE ANALYSIS	Net Budget 2023/24 (£'000)	Proposed Net Budget 2024/25 (£'000)	Movement
Children's Service	Children with Complex and Additional Needs	1,199	1,285	86
Children's Service	Commissioning	1,183	1,229	46
Children's Service	Children's Social Services	33,519	38,108	4,589
Children's Service	Education and Early Years' Service	9,222	11,206	1,984
Children's Service	Early Help Delivery Model	2,782	2,884	102
Children's Service	First Response	698	719	21
Children's Service	Youth Offending Service	453	406	(47)
Children's Service	DSG	(45)	0	45
<b>Children's Service</b>	<b>Sub-Total</b>	<b>49,011</b>	<b>55,837</b>	<b>6,826</b>
Adults & Wellbeing Service	Client Costs	77,029	81,585	4,556
Adults & Wellbeing Service	BCF and Other Grants	(33,007)	(40,658)	(7,651)
Adults & Wellbeing Service	Assistive Equipment and Technology	1,216	1,254	38
Adults & Wellbeing Service	Social Care Activities - Care Management	13,434	14,817	1,383
Adults & Wellbeing Service	Commissioning and service delivery	2,282	2,373	91
Adults & Wellbeing Service	Public Health	13,374	13,527	153
<b>Adults &amp; Wellbeing Service (incl. Public Health)</b>	<b>Sub-Total</b>	<b>74,328</b>	<b>72,898</b>	<b>(1,430)</b>
Place - Environmental, Technical & Property Services	One Trafford Partnership	20,338	20,393	55

Place - Environmental, Technical & Property Services	Street Lighting Energy	2,944	1,948	(996)
Place - Environmental, Technical & Property Services	Media Advertising	(809)	(807)	2
Place - Environmental, Technical & Property Services	Waste Disposal Levy	16,198	15,774	(424)
Place - Environmental, Technical & Property Services	Strategic Management	1,761	1,884	123
Place - Environmental, Technical & Property Services	Property Investment Fund	(5,677)	(5,599)	78
Place - Environmental, Technical & Property Services	Sport and Leisure	932	945	13
Place - Economic Growth & Planning	Economic Growth & Planning	2,766	3,297	531
Place - Economic Growth & Planning	Public Protection & Enforcement	754	875	121
Place - Economic Growth & Planning	Parking Services	(1,613)	(1,517)	96
Place - Economic Growth & Planning	Strategic Support Services	707	741	34
<b>Place</b>	<b>Sub-Total</b>	<b>38,301</b>	<b>37,934</b>	<b>(367)</b>
Legal and Governance	Legal & Democratic Services	3,575	4,047	472
Legal and Governance	Access Trafford	3,358	0	(3,358)
Legal and Governance	Arts and Culture	795	0	(795)
<b>Legal and Governance</b>	<b>Sub-Total</b>	<b>7,728</b>	<b>4,047</b>	<b>(3,681)</b>
Finance and Systems	Finance Services	6,017	6,296	279
Finance and Systems	ICT Services	3,904	4,289	385
Finance and Systems	Directorate Wide Efficiency -F&S	(249)	(249)	0
<b>Finance and Systems</b>	<b>Sub-Total</b>	<b>9,672</b>	<b>10,336</b>	<b>664</b>
Strategy and Resources	Human Resources	3,175	3,204	29
Strategy and Resources	Access Trafford	0	3,471	3,471
Strategy and Resources	Arts and Culture	0	787	787
Strategy and Resources	Communications	296	407	111
Strategy and Resources	Executive	383	394	11



Strategy and Resources	School Crossing Patrols	529	551	22
Strategy and Resources	Bereavement Services	(469)	(415)	54
Strategy and Resources	Catering & Cleaning Traded Services	908	816	(92)
Strategy and Resources	Music Service	382	348	(34)
Strategy and Resources	Business Intelligence	1,638	1,714	76
Strategy and Resources	Directorate Wide Efficiency - People	(389)	(414)	(25)
<b>Strategy and Resources</b>	<b>Sub-Total</b>	<b>6,453</b>	<b>10,863</b>	<b>4,410</b>
<b>TOTAL SERVICE BUDGETS</b>		<b>185,493</b>	<b>191,915</b>	<b>6,422</b>
				0
Council Wide Service	Transport Levy	16,698	16,733	35
Council Wide Service	Flood Defence	152	158	6
Council Wide Service	Coroners & Mortuary	728	728	0
Council Wide Service	AGMA/ Other	508	470	(38)
Council Wide Service	Contingencies, Provisions and Corporate savings	1,886	2,010	124
Council Wide Service	Interest Receivable (incl. Airport Dividend)	2,525	1,889	(636)
Council Wide Service	Loan Debt (principal and interest)	0	0	0
Council Wide Service	Insurance	880	975	95
Council Wide Service	Members Expenses	1,069	1,144	75
Council Wide Service	Other Centrally held budgets	2,614	2,925	311
Council Wide Service	Central Grants	(2,747)	(1,115)	1,632
<b>COUNCIL-WIDE BUDGETS</b>		<b>24,313</b>	<b>25,917</b>	<b>1,604</b>
<b>PROPOSED NET BUDGET</b>		<b>209,806</b>	<b>217,832</b>	<b>8,026</b>

## Annex H – MTFP Risk Assessment

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

Fair Funding Formula	<p>The MTFP assumes that the Fair Funding Review will have a small benefit to the Council. Whilst transitional arrangements are expected when the new funding formula is implemented, it is still not clear what impact this will have on the Council's assessed relative 'need to spend' and its baseline funding levels</p>	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to Government reforms</li> <li>- Reserves Policy</li> </ul>
Business Rates	<p>The localisation of Business Rates continues to expose a significant proportion of Council resources to additional risks. These include the extent to which the Business Rates Taxbase will grow or decline relative to future Government baseline funding level assessments and the extent to which it is necessary to provide for losses on rateable value appeals impacting on the amount of Business Rates income available to support the Council's budget.</p> <p>The MTFP assumes a business rate reset in 2026/27 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> <p>The GM Trailblazer deal is yet a further area to take into consideration which will include separate arrangements relating to reset and sharing of benefits across the regional partners.</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</li> <li>- GMCA sharing agreement</li> </ul>
Care Market – Financial Sustainability and Appropriate and Required Care Provision	<p>A need to ensure that the care market is financially sustainable and able to continue to provide appropriate and required care provision will result in additional costs.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the costs of care services</li> <li>- engagement with market suppliers to understand market pressures through a consultation process.</li> </ul>

	Risk has been recognised by the Government with additional resource being redirected to Market Stabilisation and Fair Cost of Care.	<ul style="list-style-type: none"> <li>- Further Government support funding for social care services. Impact analysis of Social Care White Paper.</li> <li>- Reserves Policy</li> </ul>
Capital Financing Costs	A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases, revisions to the Prudential Code, availability of cash on a short term basis at low interest rates and/or a significant unplanned reduction in the level of the Council's internal balances.	<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 current financial year.</p> <p>The forecast outturn positions are subject to change during the year due to volatility in collection rates, changes in Council Tax support and Business Rates Reliefs particularly in relation to financial downturn.</p>	<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 in extreme cases to spread the impact across multiple years and additional grants.</li> <li>- Reserves Policy</li> </ul>

Council Tax Taxbase	Future changes to the Council Tax Taxbase will impact on the MTFP forecasts in relation to Council Tax income.	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Macro Economic Factors (COVID19 Pandemic, Conflict/War, Economic downturn)	<p>The MTFP assumes long term impact in of loss of Airport dividend following the pandemic until 2028. Permanent loss is now built into the plan.</p> <p>The pandemic and economic downturn has exacerbated the uncertainty, volatility and risk in the financial landscape making medium term financial planning increasingly difficult. Future variants pose a risk to financial planning and forecasting.</p>	<ul style="list-style-type: none"> <li>- Continuing monitoring of the financial impact of macro events through the monthly budget monitoring</li> <li>- Assume further impact of any restrictions will receive some level of Government support (energy rebate, Council Tax Hardship).</li> <li>- Reserves Policy</li> <li>- Contingency items within revenue budget</li> </ul>
Demand, Price and Demographic Led Services Hospital Discharge Programme	<p>Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures.</p> <p>Work is progressing on new Children Social Care operating model which are expected to reduce service demand. If these service transformation projects are not successful in reducing demand costs will continue to be incurred without the ability to use contingency budget to fund them. In addition, the long term impact of COVID19 could increase the demand for some services i.e. mental health services. Further pressures may be felt under the hospital discharge programme, the costs of which have been met from NHS budgets during the pandemic. Government resource has been released to support this programme.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Lobby Government to highlight significant risk of low resource</li> <li>- Speedy negotiation with NHS/ICS relating to sharing model.</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> </ul>

Education	<p>The Council depends on a significant proportion of DSG funding to provide education services as part of its education/schools services. If DSG cannot be retained to fund these going forward additional cash limit pressures could occur.</p> <p>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. Officers continue to work with the DfE to address this national issue.</p>	<ul style="list-style-type: none"> <li>- DSG Review Group working to address long term budget sustainability of the DSG</li> <li>- Reserves Policy</li> </ul>
Levies	<p>Delays in announcements of future years' waste and transport levies by the GMCA which could impact on the MTFP forecasts. The future waste levy increase will be dependent on the delivery of the alternative delivery model. It is expected that this will lead to stability in the future waste levy increases.</p>	<ul style="list-style-type: none"> <li>- Discussions with GMCA colleagues throughout the year to understand position on levies</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> </ul>
National Living Wage	<p>The obligation for the Council to meet the increasing costs as a result of the National Living Wage to support the Care market continues to increase MTFP forecast expenditure pressure. Furthermore, the Council also needs to consider the implication of the National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result</p> <p>Annual increases in NLW are not matched by Government resource risks destabilising the care market.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy</li> <li>- budget Resilience Reserves</li> <li>- engage in lobbying and government consultation for matching resources to meet increases in NLW.</li> </ul>

Pay Award	<p>Volatility in inflation rates makes forecasting difficult. Pay Award for last two years has been higher than forecast due to escalating levels of inflation.</p> <p>Future years pay award assumed at 3% with 1% held in contingency however risks of volatility in rate changes makes forecasting difficult.</p>	<ul style="list-style-type: none"> <li>- monitoring of pay award negotiations</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>
Price Inflation	<p>Whilst estimates have been made in the MTFP, forecasts of specific inflation cost pressures remain uncertain and could adversely impact the MTFP.</p> <p>Inflation rates are volatile and difficult to forecast. Furthermore, the complexity of service users' needs and the availability of service provision in the market (particularly in relation to Children's and Adult Social Care services) is resulting in price increases in excess of inflation.</p>	<ul style="list-style-type: none"> <li>- monitoring of inflation rates</li> <li>- MTFP Summer Review</li> <li>- MTFP updates</li> <li>- Reserves Policy</li> <li>- contingency budgets</li> </ul>
Statutory Inspection impact	<p>The Care Quality Commission (CQC) has a mandate to independently review and assess the quality of care provided by Local Authorities. An inspection (due in 2024) , the outcome of such reviews is uncertain and with that the extent of any actions, and therefore resources, that may be necessary in response to the review.</p>	<ul style="list-style-type: none"> <li>- contingency budgets</li> <li>- MTFP review post inspection</li> <li>-Reserves Policy</li> </ul>
Reserves	<p>Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified.</p>	<ul style="list-style-type: none"> <li>- Reserves Policy</li> </ul>

**OUTLINE OF 2024/25 FUNDING FORMULA RECOMMENDED BY SCHOOL FUNDING FORUM**

	Description	Amount per pupil		Pupil Units		Sub Total	Total
-	Primary (Years R-6)	£3,582.20		21,071.00		£75,480,536	
	Key Stage 3 (Years 7-9)	£5,050.47		10,441.00		£52,731,957	<b>£166,612,453</b>
	Key Stage 4 (Years 10-11)	£5,693.10		6,745.00		£38,399,960	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
Deprivation	FSM	£492.78	£492.78	3,459.00	2,741.00	£3,055,236	<b>£14,667,012</b>
	FSM6	£824.65	£1,206.80	3,516.00	3,004.00	£6,524,697	
	IDACI Band F	£236.33	£341.93	1,701.90	1,390.33	£877,606	
	IDACI Band E	£286.62	£452.55	1,469.36	1,218.44	£972,553	
	IDACI Band D	£447.52	£633.57	1,206.65	833.94	£1,068,358	
	IDACI Band C	£487.75	£693.91	653.29	641.35	£763,678	
	IDACI Band B	£517.92	£744.20	766.98	745.57	£952,088	
	IDACI Band A	£683.86	£950.36	296.27	263.26	£452,797	
		Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR		
English as an additional Language	EAL 3	£593.35	£1,593.99	3,550.60	840.18	£3,445,994	<b>£3,893,100</b>
Mobility		965.44	1387.82	342.55	83.87	£447,106	
		Amount per pupil		Eligible proportion of primary and secondary NOR respectively			
Prior attainment	Low Attainment % new EFSP	£1,176.63		5,250.59		£6,178,007	<b>£10,309,487</b>
	Secondary pupils not achieving (KS2 level 4 English or Maths)	£1,785.06		2,314.48		£4,131,479	
Lump Sum per school						£135,162.05	<b>£11,083,288</b>
Additional lump sum for amalgamated school							<b>£94,613</b>
Split Sites							<b>£135,061</b>
Sparsity							<b>£3,895</b>
Rates							<b>£1,796,693</b>
Additional funding under the minimum funding level (primary £4,610 secondary £5,995)							<b>£4,402,848</b>
<b>Total Funding for Schools Block Formula (excluding MFG Funding Total)</b>							<b>£212,998,451</b>
Minimum Funding Guarantee (MFG is set at 0%)							<b>£1,523,570</b>
<b>Total Funding For Schools Block Formula</b>							<b>£214,522,020</b>
less de-delegation							<b>-£445,051</b>
less Education functions							<b>0</b>
<b>Total Funding For Schools Block Formula less de-delegation</b>							<b>£214,076,969</b>



Formal Council Tax Resolution

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

1. It be noted that on 4th January 2024 the Council calculated
  - (a) the Council Tax Base 2024/25 for the whole Council area as 79,362 [Item T in the formula in Section 31B(3) of the Local Government Finance Act 1992, as amended (the "Act")] and;
  - (b) 1,915 for dwellings in the Parish of **Partington**;
  - (c) 148 for dwellings in the Parish of **Carrington**;
  - (d) 167 for dwellings in the Parish of **Warburton**;

to which Parish Precepts relate.

**It is recommended : -**

2. That the Council approve the Council Tax Requirement for the Council's own purposes for 2023/24 (excluding Parish precepts) as £127,108,560.
3. That the Council agrees the calculation of the Aggregate Amounts for the year 2024/25 in accordance with Sections 31 to 36 of the Act:
  - (a) £608,277,734 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) £481,031,813 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £127,245,921 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) £1,603.36 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) £137,361 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
  - (f) £1,601.63 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) £1,666.68 **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) £1,631.63

**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) £1,651.63

**Parish of Warburton**

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

4. The council tax set by Trafford Council includes a 2.0% increase to be spent exclusively on supporting the delivery of adult social care services.
5. That it be noted that for the year 2024/25 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 2024/25 for each part of its area and for each of the categories of dwellings.

**Valuation Bands**

<b>Council Tax Schedule 2024/25</b>	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
<b>Trafford Council (including Adult Social Care Precept)</b>	1,067.74	1,245.71	1,423.65	1,601.63	1,957.54	2,313.46	2,669.37	3,203.25
<b>Mayoral Police and Crime Commissioner Precept</b>	170.86	199.34	227.82	256.30	313.25	370.21	427.16	512.60
<b>Mayoral General Precept (including Fire Services)</b>	75.30	87.85	100.40	112.95	138.05	163.15	188.25	225.90
<b>Sub total</b>	1,313.90	1,532.90	1,751.87	1,970.88	2,408.84	2,846.82	3,284.78	3,941.76

<b>Partington</b>								
Parish only	43.37	50.59	57.82	65.05	79.51	93.96	108.42	130.10
Parish & District only	1,111.11	1,296.30	1,481.47	1,666.68	2,037.05	2,407.42	2,777.79	3,333.35
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,357.27</b>	<b>1,583.49</b>	<b>1,809.69</b>	<b>2,035.93</b>	<b>2,488.35</b>	<b>2,940.78</b>	<b>3,393.20</b>	<b>4,071.86</b>

<b>Carrington</b>								
Parish only	20.00	23.33	26.67	30.00	36.67	43.33	50.00	60.00
Parish & District only	1,087.74	1,269.04	1,450.32	1,631.63	1,994.21	2,356.79	2,719.37	3,263.25
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,333.90</b>	<b>1,556.23</b>	<b>1,778.54</b>	<b>2,000.88</b>	<b>2,445.51</b>	<b>2,890.15</b>	<b>3,334.78</b>	<b>4,001.76</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	1,101.07	1,284.60	1,468.09	1,651.63	2,018.65	2,385.68	2,752.70	3,303.25
<b>Aggregate of Council Tax requirements (incl. – Mayoral Precepts)</b>	<b>1,347.23</b>	<b>1,571.79</b>	<b>1,796.31</b>	<b>2,020.88</b>	<b>2,469.95</b>	<b>2,919.04</b>	<b>3,368.11</b>	<b>4,041.76</b>

### PARISH COUNCIL PRECEPTS

Parish/Town Council	2023/24			2024/25			C Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
Partington	1,745	90,810	52.04	1,915	124,571	65.05	25.0%
Carrington	148	4,440	30.00	148	4,440	30.00	0.0%
Warburton	170	8,500	50.00	167	8,350	50.00	0.0%
<b>TOTAL</b>	<b>2,063</b>	<b>103,750</b>		<b>2,230</b>	<b>137,361</b>		