

**MEDIUM TERM FINANCIAL PLAN - FINANCIAL LANDSCAPE AND FORECASTS**  
**2025/26 TO 2028/29**

Report of the Director of Finance - Section 151 Officer

**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The purpose of the report is to update the council's 2025/26 to 2028/29 Medium Term Financial Plan (MTFP) forecasts and assumptions as part of setting a robust and resilient budget and financial plan for the council.
- 1.2 The MTFP has been continually updated during the year to retest the underpinning forecasts and assumptions and take account of government announcements including the 2024 Autumn Statement and the Local Government Finance Settlement. This report builds on those updates considering any further national and local changes impacting on the 2025/26 Budget and MTFP. Assuming all the cabinet's change proposals are approved, following the MTFP update the council has a saving requirement of £10.210m in 2025/26 rising to £53.867m in 2028/29. Cabinet is recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2025/26 Revenue Budget.
- 1.3 The council's MTFP continues to be set in the context of significant budget pressures due to inflationary costs and increasing service demand reflecting Stockport resident's and businesses' increased need for support from the council. Local government funding is still not keeping pace with these increasing costs placing significant pressure on the delivery of services. The costs of meeting the growing needs, especially for social care, are rising faster, as evidenced in the in-year deficit forecast. Insufficient funding of local services makes managing the council's budget in the months and years ahead extremely challenging. There is a significant need for government to review and increase the funding of essential local services to cover the rising costs and growing need for support.
- 1.4 The final settlement is the seventh consecutive one-year settlement. Whilst it confirmed £1.3bn of additional funding in recognition of the immediate budget pressures councils are facing, much needed multi-year settlements remain subject to government's Spending Review and planned local government funding reforms completing in spring. The indicated change in national funding distribution to councils set out in the settlement presents a risk to the council's future funding allocations post review and reforms. A consultation on the planned funding reforms has been released and highlights the reforms will *"build on the framework set out in the previous government's abandoned review of relative needs and resources (originally fair funding review)"*. The council welcomes further detail, engagement and consultation as this develops. As this process continues, the MTFP continues to be shaped in an uncertain and unstable environment. Understanding of the council's financial position in the context of this financial landscape is increasingly important to inform decision making and a robust and resilient financial position. Supporting this, the underpinning MTFP assumptions and forecasts will be continually retested to address the uncertainty and the financial risk this presents.

1.5 This report needs to be read in conjunction with reports that have been presented to previous cabinet meetings and those elsewhere on this agenda including:

- **MTFP Update** – retesting of the underpinning MTFP assumptions and forecasts to ensure they are robust and based on the latest available information to inform decision making (presented to the cabinet meeting in September and Corporate, Resource Management & Governance Scrutiny Committee meeting in October);
- **MTFP Cabinet Response:** Responding to our Medium-Term Financial Plan – setting out the cabinet’s response to the MTFP and the saving proposals being considered to support the balancing of the council’s 2025/26 Budget (presented to the cabinet meeting in September and February and Scrutiny Committee meetings in November and January);
- **Stockport Billing Area** – 2025/26 Council Tax Taxbase and Non Domestic Rates Forecast (presented to the cabinet meeting in December);
- **The 2024/25 Quarter 2+ Budget Monitoring Update** - (presented to the cabinet meeting in February);
- **The council’s 2025/26 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy** presented elsewhere on this agenda; and
- **The council’s 2025/26 Capital Strategy and Capital Programme** presented elsewhere on this agenda.

## 2 DEVELOPMENTS DURING THE FINANCIAL YEAR

### 2024/25 Forecast Revenue Outturn Position

- 2.1 As reported in the 2024/25 Quarter 2+ Budget Monitoring Update reported to the cabinet meeting in February, the forecast outturn position for service and corporate budgets is a deficit of £3.724m. The deficit is made up of a projected £10.476m deficit on service budgets offset by a projected £6.752m corporate budgets surplus.
- 2.2 The 2024/25 Quarter 2+ forecast outturn position reflects the continuing financial challenges faced by the council. There is a forecast 4.01% overspend on service budgets than what was planned at the start of the financial year which reflects the increasing cost of providing essential demand-led services such as social care. Officers continue to work on service financial recovery plans to address the in-year budget pressures and bring cost in line with budgets and mitigate the recurrent impact on the council’s medium term financial position. Service financial recovery plans are achieving in-year cost avoidance, which would have adversely impacted the Quarter 2+ forecast. However, growing need for support and inflationary costs result in a challenging in-year financial position despite this work. As well as service recovery plans, corporate measures continue to be in place to ensure robust financial management principles underpin the delivery of efficient and effective services to address the financial position, taking a One Budget approach to the challenge.

### Pandemic Financial Scarring Impact

- 2.3 The pandemic financial scarring budget has been held corporately for several years in the expectation that impacted service costs and income would return to

pre-pandemic levels. It is apparent from budget monitoring that full recovery in some service areas is not going to be achieved in the medium-term period. As part of the MTFP Update presented to cabinet in September, pandemic financial scarring budget has therefore been realigned as appropriate against relevant service and contingency budgets.

### **Section 114 Notice**

- 2.4 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 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 Section 114 of the Local Government Act.
- 2.5 **The council's Director of Finance – Section 151 Officer (Director of Finance) believes the likelihood of having to issue a Section 114 notice in the short-term period remains unlikely but does not understate the financial challenge facing the council and other councils across the country.** It is testament to the hard work of the Members and Officers across the council who have embedded a strong culture of financial management and avoided the need for the council to issue a Section 114 notice despite the significant financial challenges faced to date.
- 2.6 Whilst the Director of Finance is confident that the council can set a robust and balanced 2025/26 Budget and MTFP, the increasing need for support of council services by residents and businesses, and inflationary cost continues to put pressure on service budgets demonstrated by the in-year Quarter 2+ forecast outturn position. This is particularly acute in statutory and heavily inspected services where there is little flexibility to mitigate rising costs, for example increasing pressures on social care budgets due to support needs of vulnerable children and an ageing population, increasing need to support children with special educational needs (SEND) and increases in homelessness presentations and use of temporary accommodation. This position is not specific to Stockport. Whilst we recognise that government have made some steps towards addressing councils funding pressures through the additional £1.3bn of funding confirmed in the final settlement, the insufficiency of national funding of local government to meet the growing need for essential local services remains a concern.
- 2.7 The financial challenge facing the council and the savings requirement in 2025/26 and future years is significant. Addressing the significant financial challenge will rely on the continuing robustness and resilience of the council's financial position underpinned by the council's MTFP and Reserves Policy. The council's Director of Finance also highlights to members the need for challenging decisions to be made about the delivery of services without which the council's longer term financial robustness and resilience will be impacted and the medium-term financial challenge become increasingly difficult to manage and mitigate.

### **MTFP Updates**

- 2.8 MTFP updates have been presented to cabinet during the year to ensure the forecasts and assumptions underpinning the MTFP remain robust and support the setting of a balanced budget for 2025/26. This has included:
- Budget, experience, and performance in 2023/24 and 2024/25 to date;

- Review of the financial scarring impacts of the pandemic over the medium term period releasing and realigning relevant service budgets where it is needed the most;
- Issues, challenges, and financial prospects facing the council in 2024/25, 2025/26 and over the medium term period;
- Government announcements impacting on local government financing;
- A review of additional expenditure pressures linked to national economic forecasts including pressure demands on supplies and deliveries, increased price inflation, pay inflation and interest rates;
- Review of the expenditure and demand pressures relating to all service budgets including Children's and Adults' Social Care and Education services. Spikes in service demand due to the cost of living and inflation is resulting in additional costs. This is particularly evident in Children's and Education services where the number of looked after children and need for family support is increasing. These costs have become evident in 2023/24 and as part of the in-year budget monitoring and likely to have an impact in 2025/26 if not addressed;
- Continuing dialogue with providers of adult care relating to care package fees to understand step change increases to the fees expected by providers in 2025/26. This annual fee setting exercise is being informed by the Cost of Care work, alongside local and national indicators, such as inflation and increases in employer's national insurances; and
- Review of the MTFP forecasts of future Council Tax and Business Rates income considering ongoing financial hardship for households and businesses. This will likely have an impact on the Collection Fund income that can be forecast to be collected over the medium term period.

2.9 The revised MTFP forecasts and assumptions are presented in the MTFP update position shown at Appendix 1.

### **Government 2024 Autumn Statement**

2.10 The government's Autumn Statement was announced to Parliament by the Chancellor of the Exchequer, Rt Hon Rachel Reeves MP on 30 October. Additional £1.3bn of national funding for local government was announced, with £600m to be allocated to support social care service budget pressures and £700m of general grant. In addition, a £1bn funding uplift for Special Educational Needs and Disability (SEND) services, £1.1bn of national funding for the costs associated to the Extended Producer Responsibility and £233m uplift to homelessness funding was announced. A clear intention to distribute this funding to the most deprived areas of the country and to those councils with adult social care responsibility was given by the government in the statement.

2.11 Alongside the above, the confirmation of the 12 month extension of the Household Support Fund in 2025/26 was announced albeit with a reduced amount of national funding to be distributed to councils. The council is waiting for confirmation of its funding allocation for 2025/26.

2.12 Alongside the additional funding announced, an increase to the Employers National Insurance Contributions (NICs) to 15% (from 13.8%) and decrease to the employee threshold at which employers become liable to pay National Insurance to £5,000 (from £9,100) from April 2025 was announced.

2.13 The Chancellor set out intentions for Future Local Government Reforms and commitment to a multi-year settlement to be completed alongside the Spending Review in spring. Government set out their approach to reforms being mission led, technology enabled, and reform driven. Areas of planned reform impacting local government include:

- **Local Government Funding:** simplification of the local funding landscape, reducing the number of grants and consolidating them into a multi-year settlement.
- **Children's Social Care:** fundamental reform of the children's social care system promoting early intervention to help children to stay with their families where possible and fixing the broken care market.
- **SEND:** continue to reform England's SEND provision to improve outcomes and return the system to financial sustainability.
- **Homelessness:** continue to address homelessness to help to prevent rises in the number of families in temporary accommodation and help to prevent rough sleeping.

#### **Settlement Policy Statement and 2025/26 Final Local Government Finance Settlement**

2.14 The 2025/26 Final Local Government Finance Settlement was announced via written statement to Parliament by the Secretary of State for Housing, Communities and Local Government Rt Hon Angela Rayner MP on 3 February. The settlement is the seventh consecutive annual settlement and provides no certainty of funding beyond 2025/26. It is recognised that an upcoming government Spending Review and planned reforms in 2026/27 will have a bearing on this.

2.15 The council's Core Spending Power (CSP) shows a 6.5% headline increase in 2025/26, compared to an average increase for England of 6.8%, and for metropolitan borough councils of 9.19%. This increase includes the government's assumption that the council will increase Council Tax by the maximum allowable increase. Assumed council tax income collection makes up about 64% of the council's CSP. It is also noted that when compared to the headline increase confirmed in the provisional settlement (5.8%), the increase is due to the inclusion of the compensatory grant to offset costs of changes to National Insurance. However, the compensatory grant does not reflect an increase in the council's spending power as there are additional related costs not reflected in the CSP calculation (see paragraph 2.17) that offset this funding increase.

2.16 Whilst CSP will increase in 2025/26, the costs of meeting the growing needs of residents, especially for social care, are rising faster, as evidenced by the council's in-year deficit forecast. This is not specific to Stockport, councils across the country continue to face challenging financial circumstances, as highlighted by the Local Government Association:

*'Extra funding for councils next year will help councils meet some but not all of the pressures they face in adult and children's social care, homelessness prevention and support for children and young people with special educational needs and disabilities. Councils of all types will continue to struggle to balance the books next year with many having to increase council tax bills to bring in desperately needed funding but still being forced to make further cuts to services.'*

- 2.17 The announced changes to Employers National Insurance Contributions (NICs) will add more costs. The additional direct NICs costs are estimated to be about £2.382m in 2025/26. While the council will receive compensatory grant to offset this additional cost, the confirmed funding falls short of the full compensation expected by £0.233m. In addition, indirect NICs costs estimated to be about £3.7m for the council in 2025/26 will not be compensated. The indirect costs impact the council's strategic partners who support the provision of local services across the borough. Adjusting the CSP increase for these costs gives a net CSP increase of about 4.54% in 2025/26. As the council is spending 4.01% more in the current financial year than what was planned, the net core spending power increase only just covers the council's current spending levels on services before further cost increases linked to inflation and increasing need for support from residents and businesses are considered.
- 2.18 The final settlement confirmed previous funding announcements of £1.320bn aligned to the Settlement Policy Statement released in November in addition to the redistribution of existing national funding for local government of £230m. The government have sought to direct this funding to areas of budget pressure both generally in terms of the Recovery Grant (£600m) and to social care in terms of the Social Care Grant (£880m) and Children's Services Prevention Grant (£270m). Of concern is the fact that the council is one of only three Metropolitan Borough Councils (outside of London) across the country to get no money from the £600m national funding of the Recovery Grant in 2025/26, the other two being Trafford and Solihull. The way the government has distributed this money to councils shows they are focusing on areas with more deprivation and those with weaker council tax base. Whilst there is clearly a need to recognise deprivation in funding distribution, other cost drivers such as population, demographics – ageing population, child deprivation and polarisation must also be considered.
- 2.19 The council's response to the provisional settlement consultation ahead of the final settlement being announced is included in Appendix 4.
- 2.20 Adjustments to the council's CSP including additional and uplifted funding allocations have been reflected in the MTFP update presented in this report.

### **Council Tax Referendum Limits**

- 2.21 The final settlement confirmed the council can increase Council Tax by up to 4.99% in 2025/26 before triggering a local referendum.
- 2.99% increase on the general element of Council Tax; and
  - 2% increase in the Adult Social Care Precept.

### **Local Government Funding Reforms**

- 2.22 The government have confirmed that there will be a full package of local government funding reforms in 2026/27, and that this will be the start of multi-year settlements. The funding reforms will build on *"the previous government's"* Fair Funding Review, including a reassessment of need and resource through a full baseline reset. The statement is careful to note that government *"will move gradually towards an updated system"* and will consult on *"possible transitional arrangements"*. The statement *"begin[s] the process of redirecting as much funding as possible to the places that need it most"*.
- 2.23 Whilst the council welcomes reforms to local government funding it is important to stress the need for the overall amount of funding for local government is

insufficient and needs to be considered in the government's Spending Review. There is a significant need to review and increase the funding for local government to cover the rising costs and growing needs for essential services before any funding distribution reforms are considered. While the council waits for the government's spending review and planned funding reforms, its MTFP continues to be shaped in an uncertain and unstable environment.

- 2.24 The first consultation on planned reforms ended on the 12 February. The consultation included details and questions on transitional support and asks views on how to dampen changes in funding. For those councils who are likely to be negatively impacted by the planned funding reforms, the design of the transitional support will be crucial. The final settlement clearly indicating government's intention to distribute funding to councils with higher levels of deprivation and less ability to generate income from Council Tax, puts the council's future funding allocations at risk, making the sufficiency of and approach to the transitional support important.

### **Public Health Grant**

- 2.25 Public health grant is outside of the Core Spending Power calculation and is announced separately from the settlement by the Department for Health and Social Care. The Council's funding allocation for 2025/26 is £18.936m an increase of £0.980m compared to the revised 2024/25 funding allocation.

### **Our Strategy for a Resilient and Thriving Council – Change Proposals**

- 2.26 Despite the significant uncertainty, volatility, and risk of the financial landscape the council remains committed to delivering on the ambitions and priorities set out in its Borough Plan and Council Plan, and supporting service transformation to ensure the council has a robust and resilient budget and MTFP. This is more important than ever given the number of councils requesting Exceptional Financial Support from government and issuing Section 114 notices because of the risk of financial failure.
- 2.27 Addressing the financial challenge and balancing the rising cost of delivering services to the people in our communities who need it most, cabinet have developed a series of change proposals. These proposals are framed by the Council Plan priority of ensuring the council has efficient and effective services to address the financial challenges ahead. The change proposals contribute £8.937m to support the balancing of the council's 2025/26 Budget. The saving proposals are included in the cabinet's proposed 2025/26 Revenue Budget following relevant consultation, engagement, and Member scrutiny.

<b>Change Proposals</b>	<b>£000's</b>
Adult Social Care	2,600
Place Management – Waste	2,250
Corporate Core	250
Productivity and Efficiency	3,330
Sales, Fees and Charges	507
<b>Total</b>	<b>8,937</b>

- 2.28 Addressing the medium term financial challenge, the Council will continue to develop its MTFP response shaped by the Borough Plan and the Council Plan whilst recognising the importance of a robust and resilient recurrent budget. Resilient local public services are critical in providing much needed local

leadership as well as support and services for residents and businesses. Officers will continue to work to understand the government's response to the many challenges local government and the wider public sector face to inform this position.

2.29 There is always a risk that the change proposals identified following further work are no longer robust, achievable, or accepted by the council following any necessary consultation. The council can mitigate the impact of this risk as follows:

- Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded that all budget proposals must first be subject to a risk assessment undertaken by the Section 151 Officer. This risk assessment will be completed as part of the budget setting process;
- Using the council's reserves linked to the budget such as the double running investment reserve to phase the implementation of change proposals, providing time for service transformation plans to be embedded; and
- Providing further support from available one-off resources identified.

### **Schools Finance Settlement**

2.30 The impact of the Schools Finance Settlement is set out in a separate report presented to the Children's and Families Scrutiny Committee meeting on 22 January and the Cabinet meeting on 4 February.

### **Housing Revenue Account (HRA) 2025/26 Budget and Rent Levels**

2.31 The proposed 2025/26 HRA Budget and rent levels is presented elsewhere on the agenda having been presented to the Economy, Regeneration and Climate Change Scrutiny Committee meeting on 23 January and the Cabinet meeting on 4 February.

## **3 MEDIUM TERM FINANCIAL PLAN**

3.1 The council's savings requirement presented to the September cabinet meeting is shown below:

**Table 1 – Savings Requirement 2025/26 to 2028/29 as at September**

	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Annual Saving Requirement	24,517	11,910	12,168	13,303
Cumulative Saving Requirement	24,517	36,427	48,595	61,898

3.2 The calculation of the future years' savings requirement is based upon several assumptions relating to identified expenditure pressures. These pressures relate to expected changes in legislation, government policy, economic outlook, and local priorities. The table below and following paragraphs show the changes to the 2025/26 savings requirement since the cabinet meeting on 18 September following retesting of the underpinning MTFP assumptions and forecasts and taking account of government announcements.

3.3 Appendix 2 details all of the changes made to the MTFP forecasts and assumptions since the MTFP savings requirement approved at the Budget



Council meeting in February 2024 to arrive at the council's updated savings requirement.

**Table 2 – Changes to the council's 2025/26 Savings Requirement**

	<b>2025/26 £000</b>
<b>MTFP Savings Requirement @ 18 September 2024</b>	<b>24,517</b>
<b>Favourable MTFP Adjustments</b>	
Price Inflation and Real Living Wage impact	(2,506)
Pay Inflation agreed 2024/25 & Post 2024/25 Pay Inflation Budget Rebase	(100)
MTFP Assumptions and Forecasts Update - GMCA Levy	(69)
Waste Disposal Levy	(412)
Transport Levy	(96)
Business Rates Forecast Update - including Public Health	(1,386)
<b>Adverse Adjustments</b>	
MTFP Assumptions and Forecasts Update - Capital Financing	200
Public Health Increase in Grant 2024/25 Uplift	289
Public Health Increase in Grant 2025/26 Uplift – Held in Contingency	980
Reverse Fortnightly 2024/25 Waste Collection Recovery Saving	400
Extended Rights for Home to School Transport rolled into Revenue Support Grant	63
<b>Core Budget Pressures</b>	
Recurrent Impact of In-Year Budget Pressures	4,254
TLC Vehicle Replacement Depreciation, Highways Reactive and Street Lighting R&M	668
<b>Employers National Insurance Contributions (NICs) Costs</b>	
Employers NICs Direct Costs	2,382
Employers NICs Indirect costs	3,675
<b>2024 Autumn Statement and Final Settlement</b>	
Social Care Funding	(4,210)
Employers NICs Compensatory Grant	(2,149)
Children's Social Care Prevention Grant	(883)
New Homes Bonus	(865)
Homelessness Prevention Grant Uplift	(524)
<b>Favourable One-Off Resources</b>	
2024/25 Collection Fund Surplus	(412)
Extended Producer Responsibility (pEPR)	(2,501)
GMCA pEPR Funding Return - Subject to GMCA Budget Setting	(2,168)
<b>MTFP Savings Requirement Before Change Proposals</b>	<b>19,147</b>
Cabinet Proposed Change Proposals (subject to approval)	(8,937)
<b>MTFP Savings Requirement</b>	<b>10,210</b>

- 3.4 **Price Inflation and Real Living Wage (RLW) Impact** – the MTFP identifies the budget required to meet the costs of inflationary pressures on specific service budgets across the medium term period. The current assumed RLW inflation rate held is 5% reduced from 8.33% after the announcement in October that the RLW hourly rate would increase in 2025/26 by 60p to £12.60 per hour. This balances the need to mitigate the risk of increasing supplier/contract costs with the affordability of holding a contingency for RLW inflation.

- 3.5 **Pay Inflation** – the MTFP included budget contingency to fund pay inflation increase of 4% in 2024/25. An agreement was reached between employers and Trade Unions on the 2024/25 pay inflation in October resulting in an average increase of 3.5%. The unallocated contingency balance (difference between 4% cost and 3.5% cost) has been released.
- 3.6 **MTFP Assumptions and Forecast Updates Favourable** – recurrent budget reductions have been identified as part of 2025/26 budget setting relating to a reduction to GMCA Levy over a 4 year period and rebase of inflation and fees.
- 3.7 **Waste and Transport Levies** – GMCA sets the levies chargeable to the council for Waste Disposal and Transport. These levies are impacted by population changes, council tax taxbase changes, estimated waste disposal tonnages and inflation and need to be compared to the assumptions already made in the MTFP. As part of the 2025/26 GMCA budget setting process the council has received notification of the 2025/26 levies as follows:
- A 2.7% increase on the council's Waste Disposal Levy in 2025/26; and
  - A 2.54% increase on the council's Transport Levy in 2025/26.

This results in a net decrease of £0.508m on previous forecasts and assumptions. Members are asked to note that the GMCA budget setting process is completed in consultation with the Greater Manchester Authority Leaders providing further scrutiny.

- 3.8 **Business Rates** – The council's Settlement Funding Assessment is made up of three funding elements:
- The Revenue Support Grant;
  - The Baseline Funding Level - the government's assessment of what a council needs in terms of retained business rates to deliver local services; and
  - The tariff adjustment – the government's adjustment to the council's retained business rates above assessed needs that is used to fund required equalisation/top-up funding to other councils.

The council's Settlement Funding Assessment is key to the business rates income forecasts aligned to the council's 100% business rates retention. Business rates income forecasts have been updated to reflect the decision to roll various grants into the council's settlement funding assessment in 2025/26 impacting on the funding baselines and tariff. Business rates forecasts have been updated to align to the NNDR1 (Business Rates Budget) return to government at the end of January.

- 3.9 **MTFP Assumptions and Forecast Updates Adverse** – Capital financing updated to reflect increased borrowing costs.
- 3.10 **Public Health Cash-Limit Budget** – there has been a funding uplift in year of £0.289m for the cost associated with Agenda for Change pay increases. The uplift has increased the baseline funding allocation to £17.956m and has been reflected recurrently in the MTFP. As this funding forms part of the council's 100% Business Rates Retention Pilot, Officers have reflected the increase in funding in

the business rates forecasts with a corresponding adjustment to the Public Health service budget.

- 3.11 Confirmed baseline funding allocation increase of £0.980m to £18.936m in 2025/26. This funding forms part of the Council's 100% Business Rates Retention and is reflected the business rates forecasts. A corresponding amount will be held in corporate contingency subject to the councils grant maximisation process. This will consider options for use of the funding increase to fund 2025/26 NHS pay award relating to commissioned services with the NHS, achievement of savings, support the strengthening of the Public Health service budget on a recurrent basis by funding costs that would otherwise be funded by use of the Public Health reserve.
- 3.12 **Reversal of the Fortnightly 2024/25 Waste Collection Recovery Savings** – as waste collection service changes have been proposed in the 2025/26 savings, the proposals relating to 2024/25 service changes will not be implemented.
- 3.13 **Extended Rights for Home to School Transport** – This grant has been rolled into the Revenue Support Grant this adjustment is to enable an income budget reduction on the service budget.
- 3.14 **Recurrent Impact of In-Year Budget Pressures** – the MTFP update includes £4.254m increase in the service budget in recognition of the recurrent impact of the significant budgetary pressures being realised in-year. The main cost increase is in the Education, Children and Families Portfolio, which is not specific to Stockport. Nationally there is significant budgetary pressures on Education and Children's Social Care services due to increasing numbers of children looked after, care leavers who cannot secure tenancies and move out of their funded semi-independent placement and increasing number of Special Educational Needs children requiring support. The provider market which supports the council to meet its statutory requirements in these service areas is challenged with limited capacity and increasing complexity of need increasing costs. The investment supports the Portfolio to address these challenges in 2025/26 with a robust budget in place. In addition, this investment recognises related in-year budget pressures within Legal services and the council's ability to generate income from its corporate estate in the current market.
- 3.15 **TLC Vehicle Replacement Depreciation, Highways Reactive and Street Lighting R&M** – several recurrent budget pressures have been identified as part of 2025/26 budget setting process with TLC relating to increased depreciation costs on new vehicles and service demand due to increased targets and testing of the Street Lighting columns after the roll out of LED Street Lighting.
- 3.16 **Employers National Insurance Contribution (NICs) Direct Costs** – the councils estimated direct cost of additional NICs is circa £2.382m. Contingency budget has been set aside and will be allocated to relevant service budgets in Quarter 1 of 2025/26. The cost is partly offset by the compensatory grant confirmed in the final settlement.
- 3.17 **Employers National Insurance Indirect Costs** – compensatory funding will only be for the direct costs affecting council staff. Indirect costs of third parties i.e. the council's strategic partners will not be compensated. Contingency budget has been set aside to support the funding of these costs as they are realised.

- 3.18 **Social Care Grant** – relating to the council's funding allocation from the £880m national funding confirmed in the final settlement. The council will receive a further £4.210m of funding in 2025/26 to support budgetary pressures relating to the provision of social care services. It is assumed the additional funding will be built into the council's funding baseline for social care thus the funding increase has been recognised recurrently in the MTFP.
- 3.19 **Employers National Insurance Contributions (NICs) Compensatory Grant** - the council's 2025/26 funding allocation was confirmed as £2.149m in the final settlement, this compares to a cost of circa £2.382m and falls short of the full compensation expected by £0.233m.
- 3.20 **Children's Social Care Prevention Grant** – national funding for the new Prevention Grant totalled £270m with the council receiving a funding allocation of £0.883m in 2025/26. The MTFP assumes that the funding allocation will continue recurrently.
- 3.21 **New Homes Bonus (NHB)** – NHB will be continued into 2025/26 but cease in 2026/27. Based on the council's CTB1 return in October, the council will receive a NHB grant allocation of £0.865m in 2025/26. This will be the final year of NHB in its current format and councils will be consulted on proposals for reforming and reprioritising NHB national funding of c£290m.
- 3.22 **Homelessness Prevention Grant Uplift** – a funding uplift of £0.524m will be allocated in 2025/26 giving a total funding allocation of £1.614m. The uplift will be used to offset the £0.800m service budget increase included in the September MTFP update to support the homelessness and temporary accommodation budget pressure. Until the uplift is confirmed recurrently this has only been applied on a one-off basis in 2025/26.
- 3.23 **2024/25 Collection Fund Declared** – the council's share of overall forecast Collection Fund outturn for 2024/25 is a net surplus of £0.535m. This is made up of a forecast council tax deficit of £0.447m offset by a forecast business rates surplus of £0.982m. £0.412m of the net surplus is to be released to the council's General Fund to support the council's 2025/26 Budget. The balance of £0.123m is paid to the Greater Manchester Combined Authority (GMCA) as part of the agreed 100% Business Rates retention benefit share.
- 3.24 **Extended Producer Responsibility (pEPR)** – pEPR is a new government packaging legislation that will require businesses to be responsible for the packaging they produce. The cost of waste collection and disposal for this packaging incurred by councils will be funded by an pEPR funding allocation. The council's confirmed funding allocation in 2025/26 is £2.501m. There is a significant amount uncertainty about this funding beyond 2025/26. Despite not having complete data on the related costs being incurred by councils, government have guaranteed the funding allocations in 2025/26. This funding guarantee only applies in 2025/26, and it is expected that government will review funding allocations in future years to more closely align to actual related waste collection and disposal costs linked to producer packaging. It is expected that producers' behaviour change will reduce the costs and therefore the funding received by councils in future years – similar to producers' response to the sugar tax. Finally impacts on the waste disposal levy in future years and the introduction of a new waste disposal emissions tax also need to be considered.

### 3.25 Greater Manchester Combined Authority (GMCA) pEPR Funding

**Distribution** – as above GMCA have received a funding allocation of £22.673m. Subject to GMCA Budget setting, GMCA propose distributing £17.673m to nine of the Greater Manchester councils with £5m held in GMCA reserves to fund future waste disposal costs linked to an emissions tax to be introduced. The council's share is £2.168m.

### Allocation of Corporate Contingency Budgets

3.26 The impact of increasing demand, demographics and inflationary costs continues to create budgetary pressures particularly in relation to the provision of social care services. To ensure the council's 2025/26 Budget and MTFP is set on a robust and resilient basis these identified pressures need to be addressed on a permanent basis. It is therefore recommended that £26.119m of corporate contingency budgets are earmarked and allocated to service and corporate budgets as part of the 2025/26 budget setting process and in-year budget monitoring; £7.779m to be allocated from 1 April, £18.340m to be held in Corporate Contingencies and allocated as costs are incurred during the financial year.

3.27 The table below shows the proposed allocation:

**Table 3 – Proposed Allocation of Corporate Contingencies**

	<b>Social Care incl Education £000</b>	<b>Other* £000</b>	<b>Total £000</b>
<b>Amounts Allocated at Budget Setting:</b>			
Corporate Contingency Inflation - Price	5,646	133	<b>5,779</b>
Corporate Contingency - Demand Pressures	2,000	0	<b>2,000</b>
<b>Amounts Allocated at Budget Setting</b>	<b>7,646</b>	<b>133</b>	<b>7,779</b>
<b>Amounts Held at Budget Setting:</b>			
Corporate Contingency Inflation - Pay	2,253	1,986	<b>4,239</b>
Corporate Contingency – Pension Auto Enrolment	25	25	<b>50</b>
Corporate Contingency Inflation – Price	5,008	*3,918	<b>8,926</b>
Employers NI Direct Costs**	1,244	1,138	<b>2,382</b>
Public Health 2025/26 Uplift***	980	0	<b>980</b>
Leisure Management Fee Contingency	0	1,313	<b>1,313</b>
Apprenticeship Levy	0	450	<b>450</b>
<b>Amounts Held at Budget Setting</b>	<b>9,510</b>	<b>8,830</b>	<b>18,340</b>
<b>Total</b>	<b>17,156</b>	<b>8,963</b>	<b>26,119</b>

\* Mainly relates to Place and CSS Directorate contracts which will be held in corporate contingencies and allocated during the financial year as costs are incurred.

\*\*Employer's NICs Direct Costs will be allocated at quarter 1 of 2025/26.

\*\*\* Public Health Grant 2025/26 Uplift to be allocated in year after submission of the Grant maximisation request form.

3.28 It is normal and prudent practice to hold contingency budgets corporately and allocate to services as costs are incurred during the financial year to ensure the council's budget and MTFP is set on a robust basis. For example, the pay inflation contingency will be released to the service budgets during the financial year following agreement of the 2025/26 pay award between employers and Trade Unions.

### Updated 2025/26 to 2028/29 MTFP Forecasts

- 3.29 Taking all the above into account, the council has a saving requirement of £10.210m in 2025/26 rising to £53.867m in 2028/29.

**Table 4 – 2025/26 Budget Position as at 4 February 2025**

	2025/26 £000
<b><u>Resources</u></b>	
Council Tax Income	167,260
Adult Social Care Precept	29,173
Business Rates Income	89,972
Business Rates Tariff	(20,724)
Business Rates Section 31 Grants	28,692
Business Rates Green Plant and Machinery Compensation	124
New Homes Bonus Grant	865
Better Care Fund	6,619
Social Care Grant	28,668
Market Sustainability and Improvement Fund	5,614
Children's Services Preventative Grant	883
Employers NICs Compensatory Grant	2,149
Extended Producer Responsibility (pEPR)	2,501
GMCA Extended Producer Responsibility (pEPR) Return	2,168
Collection Fund 2024/25 Outturn Declared	412
One-Off Collection Fund 2023/24 Outturn above Declared	1,392
	<b>345,768</b>
<b><u>Expenditure</u></b>	
Service Budgets	276,083
Pay Inflation	4,239
Pensions - Superannuation and Auto Enrolment	50
Inflation - Price, Energy, Real Living Wage & Supplier Impact	8,926
Employers NICs Direct Cost	2,382
Public Health Grant 2025/26 Uplift	980
Apprenticeship Levy	450
Leisure Management Fee Contingency	1,313
Corporate Core Budgets	61,555
	<b>355,978</b>
<b>Savings Requirement – Total Expenditure less Total Resources</b>	<b>10,210</b>

- 3.30 Members are reminded that the MTFP forecasts presented are based on the best information available at the time of writing this report. The updated 2025/26 to 2028/29 MTFP is shown in Appendix 1.
- 3.31 A forecasting risk remains due to the uncertainty of council level funding allocations beyond 2025/26, notably the government's Spending Review, planned local government funding reforms and change in funding distribution methodology to support the most deprived, low council tax taxbase councils. MTFP assumptions and forecasts beyond 2025/26 are based on the prior experience in relation to funding allocation methodologies. This uncertainty makes medium term financial planning difficult. Furthermore, given the uncertainty in relation to future years funding the MTFP assumes funding from 2025/26 onwards will continue on a cash flat basis.

### **Council Tax**

- 3.32 The MTFP position presented above assumes a 0% increase in the general element of Council Tax and Adult Social Care Precept in 2025/26 and future years. As confirmed in final settlement the council can increase Council Tax by up to 4.99% (2.99% General, 2% Adult Social Care Precept) before triggering a local referendum.
- 3.33 The table below provides an illustration of the additional Council Tax and Adult Social Care Precept income generated at different levels of increase. The favourable adjustment this has on the council's revised 2025/26 savings requirement is also shown.

**Table 5 – Illustration of Council Tax Increase**

	<b>2025/26 Total Income £000</b>	<b>2025/26 Savings Requirement £000</b>
<b>Council Tax Off Adult Social Care Precept Off</b>	<b>0</b>	<b>10,210</b>
Adult Social Care Precept - 2%	3,929	6,281
Council Tax 1% Adult Social Care Precept - 2%	5,893	4,317
Council Tax 2% Adult Social Care Precept - 2%	7,858	2,352
Council Tax 2.99% Adult Social Care Precept - 2%	9,802	408

- 3.34 In proposing a council tax increase, Members are reminded that government assumes councils will increase council tax by the full allowable increase each year in its calculation of Core Spending Power and national funding allocations. Thus, any increase below the allowable 4.99% will represent income forgone and be below government expectation in terms of their calculation of the council's Core Spending Power.

### **2025/26 Mayoral Precepts**

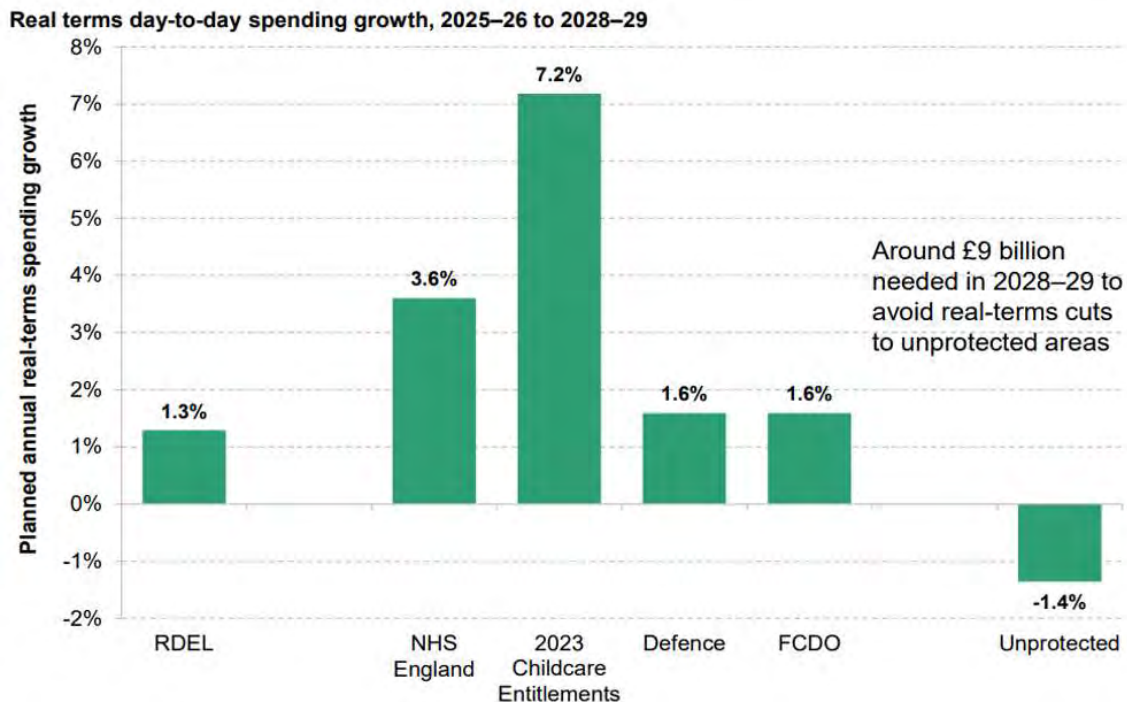
- 3.35 Whilst the decision on Mayoral Precepts do not directly impact on the council's MTFP, the level of increase in terms of the impact on the council's own council tax increase and the Stockport Council Tax Taxpayers will need to be considered. The Mayoral Police and Crime Commissioner Precept referendum limit is set at a maximum £14 increase in 2025/26. The Mayoral General (including Fire) Precept does not have a referendum limit set by government.
- 3.36 Both Mayoral Precepts for Band D dwellings were approved at the GMCA Budget meeting on 7 February as follows:
- Mayoral Police and Crime Commissioner Precept - £14
  - Mayoral General (including Fire Services) Precept - £16

## **4 RISK ASSESSMENT**

- 4.1 The council's financial position over the medium term is increasingly challenging. Insufficient funding for local government, makes the robustness and resilience of the council's MTFP in the months and years ahead as important as ever. The underpinning MTFP forecasts and assumptions are cautious about the impact of the government's Spending Review, planned local government funding reforms and indicated change to funding distribution methodology. Caution from



commentators about the government's future fiscal forecasts and departmental funding commitments which suggest an adverse funding position in future years presents significant financial risk as illustrated by the Institute of Fiscal Studies who forecast a 1.4% real terms reduction in funding for unprotected government departments by 2028/29 which includes local government. Whilst we wait for greater certainty about future finance settlement from government, the council's financial position must continue to be robust and resilient on a recurrent basis to mitigate the financial risk this uncertainty presents.



- 4.2 Careful management and identification of these risks is essential, and as already highlighted, updates to the MTFP forecasts and assumptions will need to be continual. Details of the risks inherent within the MTFP forecasts and assumptions and how these will be mitigated are set out in Appendix 3.

### **Risk Assessment of Budget Proposals**

- 4.3 Under Section 25 of the Local Government Act 2003, the Director of Finance is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. Members are reminded that all budget proposals must first be subject to a risk assessment undertaken by the Director of Finance.

## **5 MITIGATING THE RISKS**

### **General Fund Balance**

- 5.1 Based on the Director of Finance's risk assessment it is recommended that the council's General Fund Balance is held at the same level as set in 2024/25, £15.183m. The risk assessment is presented in the proposed 2025/26 Cabinet Revenue Budget report presented elsewhere on this agenda.

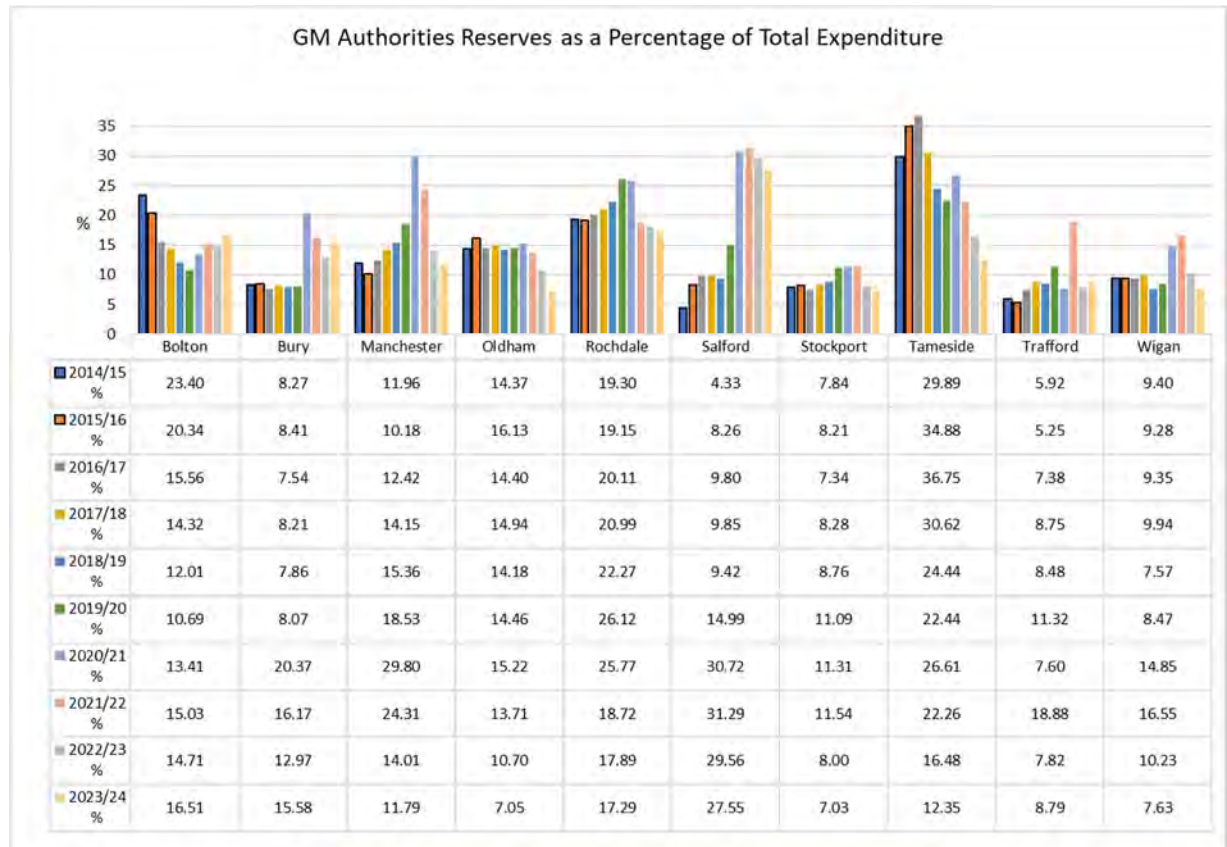
### **Reserves Policy**

- 5.2 Reserves play an essential role in the robust financial management of the council over the medium term. Whilst reserves do not provide a permanent source of



funding, they provide the council with short-term budget resilience to mitigate the impact of unexpected financial pressures and funding changes. They also support the delivery of transformational change to support the delivery of budget efficiencies and delivery of the council's ambitions and priorities.

- 5.3 Whilst councils continue to be encouraged by government to use reserves to fund pressures and balance their budgets, it is important to recognise that significant use of reserves will impact on the council's financial robustness and resilience. As set out in the Reserves Policy, as at 31 March 2024 the council had circa £87m of earmarked unallocated resources held in reserves. In general, these resources are earmarked to support the council's budget resilience, investments and comply with accounting requirements. This equates to circa 7% of the council's total expenditure (revenue and capital).



- 5.4 The Office for Local Government (OfLOG) local authority Data Explorer also highlights that the council's earmarked reserves (per the 2023/24 published Revenue Outturn) are within the median range when compared to its CIPFA statistical neighbouring councils and all English councils. However, significant accelerated use of reserves to fund budget pressures and balance budgets will adversely impact on this position and expose the council to a resilience risk in terms of ability to invest and absorb financial shocks. The council is not an outlier in the amount of reserves held and against some comparators holds less than other similar sized council's.



Indicator (click for source data)	Financial year	Stockport	Median of Stockport's similar local authorities <sup>1</sup>	England median (Unitary, Metropolitan and London Boroughs)
<a href="#">Non-ringfenced reserves as percentage of net revenue expenditure <sup>i</sup></a>	2023-24	33.3%	33.1%	39.9%
<a href="#">Non-ringfenced reserves as percentage of service spend <sup>i</sup></a>	2023-24	31.7%	27.2%	30.8%

- 5.5 The cabinet approved the 2024/25 Reserves Policy at its meeting on 18 September and sets out the priority areas linked to the council's corporate and strategic objectives for which it was recommended reserves should be held. The need to use reserves to mitigate financial risk is recognised in the council's Reserves Policy. Increasing demand for services and inflationary costs requires the underpinning of the MTFP with the use of identified earmarked reserves. It is recognised that if needed resources held in earmarked reserves could be uncommitted to meet any funding gap over the medium term period. However, this needs to be managed over the medium term to ensure a managed approach to the use of reserves and the impact this has on the council's continuing financial robustness and resilience.

## 6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 6.1 The financial implications are outlined in the body of this report.

## 7 LEGAL CONSIDERATIONS

- 7.1 The Monitoring Officer has reviewed the report and confirms that all the proposals are appropriate from a legal and statutory perspective.

## 8 HUMAN RESOURCES IMPACT

- 8.1 The Head of HR and Organisational Development has reviewed the report and confirms that all the proposals are appropriate from a Human Resources perspective.

## **9 EQUALITIES IMPACT**

- 9.1 In developing the change proposals (subject to approval) included within the MTFP, Equality Impact Assessments (EqIAs) have been undertaken by Officers. These EqIAs have considered the impacts on those with protected characteristics alongside other groups that experience discrimination and have also detailed mitigating actions taken to lessen any negative impact upon these groups. They have also considered the cumulative impact of multiple proposals against any specific groups. EqIAs accompanied the final change proposals presented to January Scrutiny Committee meetings and Cabinet for approval elsewhere on this agenda.

## **10 ENVIRONMENTAL IMPACT**

- 10.1 As part of the council's commitment to tackling climate change and our journey to become carbon neutral, in developing the change proposals (subject to approval) included in the MTFP, Officers have considered and understood the environmental impacts. Environmental Impact Assessments (EIAs) completed have identified any likely environmental impacts and consequences across the borough as a result of the proposals and have suggested how negative impacts may be reversed or mitigated. EIAs have been completed and accompanied the final change proposals presented to January Scrutiny Committee meetings and Cabinet for approval.

## **11 CONCLUSIONS**

- 11.1 Despite the robust and resilient financial management of the council, the financial position over the medium term is increasingly challenging with increasing service costs due to price inflation and demand for services particularly for those supporting vulnerable residents. Insufficient funding for local government makes managing finances in the months and years ahead extremely challenging. The uncertainty of government's Spending Review and planned reforms of local government funding add to this. There is an increasing and significant need for the overall amount of funding for local government to be reviewed and increased to address increasing cost and demand for essential services. This is evidenced in the in-year deficit outturn forecast presented above in terms of a £10.476m service deficit. Whilst the council remains confident about setting a robust and resilient budget for 2025/26, the savings requirement in 2026/27 and future years remains significant.
- 11.2 Following the MTFP Update adjusting the underpinning forecasts and assumptions set out in this report, the council has a £10.210m saving requirement in 2025/26.
- 11.3 Cabinet was recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2025/26 Cabinet Revenue Budget. Members are reminded that when considering the presentation of a balanced budget it is recognised that ideally permanent spending reductions or permanent resource increases are considered in the first instance. If one-off resources are applied to support the MTFP this will only temporarily reduce the council's savings requirement in future years.

## **12 RECOMMENDATIONS**

### **12.1 The Cabinet was recommended to:**

- Note the details of the 2025/26 Local Government Finance Settlement;
- Note, and comment upon as appropriate, the financial forecasts and assumptions for 2025/26 to 2028/29;
- Note and approve the indicative budget adjustments since the MTFP Update presented to the cabinet meeting on 18 September resulting in savings requirement of £10.210m in 2025/26;
- Approve the allocation of £7.779m of the corporate contingency budgets to service budgets as part of the budget setting process;
- Note the Director of Finance – Section 151 Officer's recommendation to hold the council's General Fund Balance at its current level £15.183m in 2025/26 aligned to his risk assessment of the budget and the adequacy of reserves and balances to support the council's 2025/26 Budget; and
- Take the necessary steps to propose a final balanced 2025/26 Budget including any proposed Council Tax increase to be recommended for approval at the Council meeting on 27 February 2025.

### **BACKGROUND PAPERS**

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Lisa Joy on Tel: 07966372177, or by email on [lisa.joy@stockport.gov.uk](mailto:lisa.joy@stockport.gov.uk)

## Appendix 1 – 2025/26 to 2028/29 Medium Term Financial Plan

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
<b><u>Resources</u></b>				
Council Tax Income	167,260	167,925	168,757	169,589
Adult Social Care Precept	29,173	29,289	29,434	29,579
Business Rates Income	89,972	95,464	98,059	99,333
Business Rates Tariff	(20,724)	(21,155)	(21,590)	(22,029)
Business Rates Section 31 Grants	28,692	25,465	25,032	25,927
Business Rates Green Plant and Machinery Compensation	124	0	0	0
New Homes Bonus Grant	865	0	0	0
Better Care Fund	6,619	6,619	6,619	6,619
Social Care Grant	28,668	28,668	28,668	28,668
Market Sustainability and Improvement Fund	5,614	5,614	5,614	5,614
Children's Services Preventative Grant	883	883	883	883
Employers NICs Compensatory Grant	2,149	2,149	2,149	2,149
Extended Producer Responsibility (pEPR)	2,501	0	0	0
GMCA Extended Producer Responsibility (pEPR) Return	2,168	0	0	0
One-Off Collection Fund 2024/25 Outturn Declared	412	0	0	0
One-Off Collection Fund 2023/24 Outturn Above Declared	1,392	0	0	0
	<b>345,768</b>	<b>340,921</b>	<b>343,625</b>	<b>346,332</b>
<b><u>Expenditure</u></b>				
Service Budgets	276,083	276,414	276,073	274,974
Pay Inflation	4,239	7,013	9,841	12,727
Pensions – Superannuation and Auto Enrolment	50	(146)	44	234
Inflation – Price, Energy, Real Living Wage & Supplier Impact	8,926	17,425	26,545	35,706
Employers NICs Direct Costs	2,382	2,382	2,382	2,382
Public Health Grant 2025/26 Uplift	980	980	980	980
Demand Pressures/Increased Need for Support*	0	2,000	4,000	6,000
Apprenticeship Levy	450	459	468	477
Leisure Management Fee Contingency	1,313	1,013	0	0
Corporate Core, Levies and Borrowing Costs	61,555	64,167	65,330	66,719
	<b>355,978</b>	<b>371,707</b>	<b>385,663</b>	<b>400,199</b>
<b>Cumulative Savings Requirement – Total Expenditure Less Total Resources</b>	<b>10,210</b>	<b>30,786</b>	<b>42,038</b>	<b>53,867</b>

\* Demand contingency allocated in full to service budgets in 2025/26.

## Appendix 1 (continued) – 2025/26 to 2028/29 Medium Term Financial Plan Underlying Assumptions

Assumptions	2025/26	2026/27	2027/28	2028/29
SMBC Council Tax General Increase	0.00%	0.00%	0.00%	0.00%
SMBC Council Tax Adult Social Care Precept Increase	0.00%	0.00%	0.00%	0.00%
Pay Award	3.00%	2.00%	2.00%	2.00%
Price Inflation (unless specific contract rate)	3.00%	2.00%	2.00%	2.00%
Real Living Wage	5.00%	6.35%	5.97%	5.63%
Business Rates Multiplier Increase Standard	1.67%	2.00%	2.00%	2.00%
Employer's Pension Contribution	18.70%	18.70%	18.70%	18.70%
GMCA Waste Disposal Levy	2.68%	7.58%	3.77%	2.50%
GMCA Transport Levy	2.54%	3.00%	3.00%	3.00%
GMCA Statutory Charge	2.54%	3.00%	3.00%	3.00%

MTFP Best & Worst-Case Scenarios Minus = Saving Plus = Cost		2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
<b>Pay Awards</b>	<b>Base</b>	<b>4,239</b>	<b>2,774</b>	<b>2,828</b>	<b>2,886</b>
	Best 0%pa	0	0	0	0
	<i>Impact on Illustrative Case</i>	<i>(4,239)</i>	<i>(2,774)</i>	<i>(2,828)</i>	<i>(2,886)</i>
	Worst 2%pa	7,065	2,774	2,828	2,886
	<i>Impact on Illustrative Case</i>	<i>2,826</i>	<i>2,774</i>	<i>2,828</i>	<i>2,886</i>
<b>Price Inflation</b>	<b>Base</b>	<b>13,705</b>	<b>9,198</b>	<b>9,120</b>	<b>9,158</b>
	Best 75%	10,279	6,899	6,840	6,868
	<i>Impact on Illustrative Case</i>	<i>(3,426)</i>	<i>(2,299)</i>	<i>(2,880)</i>	<i>(2,290)</i>
	Worst 125%	17,131	11,497	11,400	11,448
	<i>Impact on Illustrative Case</i>	<i>3,426</i>	<i>2,299</i>	<i>2,280</i>	<i>2,990</i>
<b>Demand Pressures</b>	<b>Base</b>	<b>2,000</b>	<b>4,000</b>	<b>6,000</b>	<b>8,000</b>
	Best	1,500	3,500	5,500	7,500
	<i>Cum. Impact on Illustrative Case</i>	<i>(500)</i>	<i>(1,000)</i>	<i>(1,500)</i>	<i>(2,000)</i>
	Worst	2,500	4,500	6,500	8,500
	<i>Cum. Impact on Illustrative Case</i>	<i>500</i>	<i>1,000</i>	<i>1,500</i>	<i>2,000</i>

## Appendix 2 – 2025/26 to 2028/29 MTFP – Changes to Forecast Savings Requirement

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
<b>Savings Requirement Approved on 22 February 2024</b>	<b>26,438</b>	<b>36,656</b>	<b>48,895</b>	<b>62,128</b>
<b>MTFP Forecasts and Assumption Changes Favourable</b>				
Price Inflation – including Real Living Wage (RLW) & Energy	(3,970)	(3,993)	(3,987)	(4,000)
Pay Inflation Agreed 2024/25 & Post 2024/25 Pay Inflation Budget Rebase	(100)	147	402	664
MTFP Assumptions and Forecasts Update – GMCA Levy	(69)	(138)	(207)	(276)
Waste Levy (2.7% from 4.6%)	(412)	447	495	230
Transport Levy (2.54% from 3%)	(96)	(99)	(102)	(105)
Business Rates Forecast Update – including Public Health	(1,387)	(1,632)	(1,803)	(1,847)
Social Care Grant ringfenced for Children's - Recurrent	(2,673)	(2,673)	(2,673)	(2,673)
<b>MTFP Forecast and Assumptions Changes Adverse</b>				
Council Tax - New homes Growth	0	195	195	195
Assumptions and Forecasts Update – Capital Financing	200	450	455	455
Public Health Increase in Grant 2024/25 Uplift	289	289	289	289
Public Health Increase in Grant 2025/26 Uplift – Held in Contingency	980	980	980	980
Reversal Fortnightly 2024/25 Waste Collection Recovery Savings	400	400	400	400
Extended Rights for Home to School Transport Rolled into Revenue Support Grant	63	63	63	63
<b>Covid-19 Financial Scarring Impacts</b>				
Covid-19 Financial Scarring Forecast Adjustments	(790)	(712)	(868)	(875)
<b>Core Budget Pressures</b>				
Children's and Education - Recurrent Impact of In-Year Budget Pressures	7,630	9,040	8,238	7,073
Legal and Estates - Recurrent Impact of In-Year Budget Pressures	803	600	500	400
TLC Vehicle Replacement Depreciation, Highways Reactive and Street Lighting R&M	888	888	888	888
<b>Employers National Insurance Contributions (NICs) Costs</b>				
Employers NICs Direct Costs	2,382	2,382	2,382	2,382
Employers NICs Indirect Costs	3,675	3,675	3,675	3,675
<b>2024 Autumn Statement and Final Settlement</b>				
Social Care Funding	(4,210)	(4,210)	(4,210)	(4,210)
Employers NI Compensatory Grant	(2,149)	(2,149)	(2,149)	(2,149)
Children's Social Care Prevention Grant	(883)	(883)	(883)	(883)
New Homes Bonus	(865)	0	0	0
Homelessness Prevention Grant Uplift	(524)	0	0	0
<b>Cabinet Change Proposals</b>				
Change Proposals 2025/26 (subject to approval)	(8,937)	(8,937)	(8,937)	(8,937)
<b>One Off Resources</b>				
Collection Fund 2023/24 Outturn above Declared	(1,392)	0	0	0
2024/25 Collection Fund Surplus*	(412)	0	0	0
Extended Producer Responsibility (pEPR)	(2,501)	0	0	0
GMCA pEPR Funding Return (subject to GMCA Budget Setting)	(2,168)	0	0	0
<b>Revised Savings Requirement</b>	<b>10,210</b>	<b>30,786</b>	<b>42,038</b>	<b>53,867</b>



## Appendix 3 – MTFP Risk Assessment and Mitigation

Risk Identified	Risk	Risk Mitigation
Business Rates Localisation	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.	<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>
Business Rates Retention	Through the announced GM trailblazer deal last year, the government has committed to further fiscal devolution through allowing GMCA's constituent for local authorities to retain 100% of their business rates for the next 10 years. The MTFP was rebased last year to reflect the retention basis.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to government reforms</li> <li>- Monitoring of government announcements</li> <li>- Business Rates modelling</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Business Rates Reforms, Revaluations and Business Rates Baseline Resets	The delay to the government's planned reforms and priority to reform the Businesses Rates tax to make it a viable tax to support businesses may impact on the council's reliance on Business Rates as a source of income. In addition, future Business Rates revaluation and Baseline Resets could have a potential adverse impact on the amount of income the council can collect from Business Rates going forward. As part of the 2024/25 reserves policy a new reserve has been established to mitigate the Business Rates Reset which is now expected after 2025/26. This will continue to be monitored at each reserves policy review as more information is received.	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to government reforms</li> <li>- Monitoring of government announcements</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Care Market – Financial Sustainability and Appropriate and Required Care Provision	A need to ensure that the care market is financially sustainable and able to continue to provide appropriate, quality care that represents value for money and meets individuals' social care needs.	<ul style="list-style-type: none"> <li>- In year monitoring and forecasting of the costs of care services</li> <li>- Continued business partner working with social care commissioners and engagement with external providers on fee setting.</li> </ul>



Risk Identified	Risk	Risk Mitigation
		<ul style="list-style-type: none"> <li>- Potential for further government support funding for social care services</li> <li>- Reserves Policy</li> </ul>
Capital Financing Costs	<p>A number of factors could adversely impact on the capital financing cost forecasts within the MTFP. These include future interest rate increases (likely in the medium term to address increasing inflation rates), availability of cash on a short-term basis at low interest rates and/or a significant unplanned reduction in the level of the council's internal balances.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of interest rates by Treasury Management Team</li> <li>- Updates from Treasury Management advisors (Link Asset Services)</li> <li>- MTFP Summer Review</li> <li>- Flexibility built into the capital financing budgets to respond to interest rate increases and new long-term borrowing</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</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 Council Tax and Business Rates Taxbase report to cabinet. A deficit position on the Collection Fund will need to be funded by the council in the preceding financial year. The Collection Fund position can be adversely impacted by changes during the year due to declining collection rates, increases in council tax support and increasing Business Rates reliefs</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>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Council Tax Taxbase	<p>The MTFP includes forecasts of future council tax Taxbase growth.</p>	<ul style="list-style-type: none"> <li>- In year monitoring of the Collection Fund</li> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>
Demand, Price, and Demographic Led Services	<p>Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care could result in increases in the MTFP forecast expenditure pressures. Work is being completed to transform services to manage and reduce this demand this is part of the council's change proposals. The change proposals are expected to reduce service demand and the demand contingency budget</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- Future demand modelling</li> <li>- Demand contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>

Risk Identified	Risk	Risk Mitigation
	in the MTFP. If these service changes are not successful in reducing demand, costs will continue to be incurred without the ability to use contingency budget to fund them.	- Transformation Programme
Childrens Demand	Continuing and increased demand and complexity in Children's services mainly in Child Looked After (CLA). A recovery plan has been put in place including the development of a joint commissioning and funding panel with Health partners to try and address and reduce the demand which includes short-, medium-, and long-term proposals and will be reviewed and assessed over the medium term and will be factored into future iterations of the MTFP.	In year budget monitoring - Changes to service operating models - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme - Children's services recovery plan
Education	The council depends on a significant proportion of this funding to provide education services as part of its education/schools services. If the Dedicated Schools' Grant (DSG) cannot be retained to fund these, going forward additional service budget pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children's requirements within the borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.	- DSG Review Group working to address long term budget sustainability of the DSG - Reserves Policy - Identified available one-off resources
Devolution	The Greater Manchester devolution process continues to progress. Devolution plans, such as Health and Social Care integration, could impact on MTFP forecasts if the government considers this as an opportunity to deliver further savings at a national level.	- Monitoring of government Policy - Discussion with colleagues across Greater Manchester - MTFP Summer Review - MTFP updates - Reserves Policy - Identified available one-off resources
Funding Reforms (originally Fair Funding Review)	The reforms will "build on the framework set out in the previous government's abandoned review of Relative Needs and Resources (originally Fair Funding Review)". Ministers will want to present their proposals, as far as possible, as a continuation of the changes that were developed by the previous government. The main building blocks for the new funding formula have already been developed	- Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to government reforms - Reserves Policy - Identified available one

Risk Identified	Risk	Risk Mitigation
	<p>But government will want to increase the funding gains for authorities with higher levels of deprivation, as we have seen in the provisional settlement.</p> <p>Whilst there is clearly a need to recognise deprivation in funding distribution, other factors such as population, child deprivation and polarisation must also be considered.</p> <p>Stockport is the eighth most polarised borough in the country in terms of areas of deprivation which can mean up to 11 years difference in life expectancy for residents. Using an average deprivation score calculated in 2019 in the funding distribution does not reflect this polarisation for example.</p> <p>Future year MTFP assumptions and forecasts are based on the prior experience in relation to funding allocation methodologies etc. This uncertainty makes medium term financial planning difficult. Furthermore, given the uncertainty in relation to future years funding the MTFP assume funding from 2025/26 onwards will continue on a cash flat basis, and therefore presents a risk to the council's MTFP if the funding forecasts do not crystallise. An optimism bias has been included in the forecast calculations.</p>	
Financial Robustness and Resilience	Adverse impact on the council's ongoing financial resilience and robustness will impact on its ability to deliver the transformational change needed to meet the financial challenges over the medium-term period.	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Budget setting</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy</li> <li>- Internal Audit</li> </ul>
Government's Comprehensive Spending Review and Local Government Finance Settlement	Announcements linked to the government's Spending Review and subsequent Local Government Finance Settlement will impact on the council's resource base over the medium-term period. We have received a one year settlement for 2025/26 and there will be changes focusing on areas of priority. It is disappointing that it falls short of the full multi-year settlement needed. The Government's multi-year settlement spending review is expected to be completed by spring 2025 and commitment to a multi-year settlement covering 2026/27 to 2028/29 will be welcome to make medium term planning a	<ul style="list-style-type: none"> <li>- Update from financial advisory services (SIGOMA and Pixel Financial Management) government reforms</li> <li>- Reserves Policy</li> <li>- Available one-off resources</li> </ul>

Risk Identified	Risk	Risk Mitigation
	<p>little easier. However, up until this time it will continue to make medium term financial planning difficult.</p> <p>It is also noted that the Government's change in funding methodology to support the most deprived councils has resulted in the council receiving less funding than would normally have expected. The change in approach presents a funding risk to the Council heading into the government's Spending Review and planned reforms in 2026/27.</p>	
Integrated Care System	<p>NHS Greater Manchester (NHS GM) has significant recurrent financial pressures aligned to commissioning health care provision in the region. Savings proposals from NHS GM may have cost implications for Social Care in the council.</p>	<ul style="list-style-type: none"> <li>- Links to relevant Officers across the council involved in the Integrated Care System (ICS).</li> <li>- Links into GM and GMCA colleagues involved in the ICS in their localities.</li> <li>- Links into Health colleagues.</li> <li>- Establishment of a shadow locality Board, Executive Group, and relevant sub-groups to oversee the development of the locality arrangements in Stockport.</li> </ul>
Levies	<p>Future years' waste and transport levies have yet to be formally agreed 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> </ul>
Real and National Living Wage	<p>The obligation for the council to meet the increasing costs as a result of the Real and 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 Real and National Living Wage increases on its own workforce and potential costs of this and ensuring existing spinal pay point differentials between different pay grades are maintained. Future reviews of the MTFP will continue to consider the impacts of this and any changes required to the MTFP forecasts as a result.</p>	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- Changes to service operating models</li> <li>- National Living Wage contingency budget</li> <li>- Real Living Wage Contingency budget</li> <li>- MTFP Summer Review</li> <li>- Reserves Policy - Budget Resilience Reserves</li> </ul>

Risk Identified	Risk	Risk Mitigation
Corporate Budget Surpluses	Deficits against service budgets are currently offset by surpluses against corporate budgets. Corporate budgets have been reduced in previous years MTFP Updates which means the ability to support the service budget pressures using corporate surpluses will diminish going forward.	<ul style="list-style-type: none"> <li>- Identification of service budget expenditure pressures as part of MTFP Summer Review and annual budget setting process</li> <li>- Allocation of contingency budgets as part of the budget setting process</li> </ul>
Pay Award	<p>The council has forecast for an annual 3% pay inflation increase in the MTFP for 2025/26 and 2% in 2026/27. If a similar deal to 2024/25 was agreed this would be slightly more than we are currently assuming. Negotiations between Trade Unions and employers will be ongoing and would be expected to conclude in the financial year;</p> <p>Any further update will need to be factored into the next iteration of the MTFP.</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>- Identified available one-off resources</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 further, if for example inflation rates increase more over the medium-term period.</p> <p>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 and the cost-of-living crisis.</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>- Identified available one-off resources</li> </ul>
Reserves	Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified. This is particularly important to mitigate and smooth the financial impact of significant budget pressures due to inflationary costs and increasing service demand. A recognition of the opportunity cost of using too much of the resources held in reserves over a sustained period on the financial robustness and resilience of the council, and the impact on its ambitions and priorities going forward.	<ul style="list-style-type: none"> <li>- Reserves Policy</li> <li>- Identified available one-off resources</li> </ul>

Risk Identified	Risk	Risk Mitigation
Transformation Programme	The council's Transformation Programme is key to the delivery of the council's MTFP and ensuring its financial sustainability over the medium-term period. Successful delivery of the service transformation needed will aim to address rising service demand, achieve value for money and deliver outcomes. In addition, there is a risk the council does not have the required workforce capacity and/or skills to deliver on its service transformation ambitions and priorities.	<ul style="list-style-type: none"> <li>- In year budget monitoring</li> <li>- MTFP Summer Review</li> <li>- MTFP Updates</li> <li>- Reserves Policy – Invest to Save and Double Running Reserve</li> </ul>

## Appendix 4

### 2025/26 Provisional Local Government Finance Settlement Consultation

#### Stockport Metropolitan Borough Council Response

##### **Question 1 - Do you agree with the government's proposals for the Settlement Funding Assessment, including payment of Revenue Support grant and the basis of calculation of tariffs and top ups, in 2025-26?**

The Council welcomes confirmation of the inflationary increase to the Settlement Funding Assessment in 2025/26. However, whilst an increase of 1.67% has been applied the rate of inflation for the 12 months to November 2024 CPI was 2.6%. The Council strongly contends and can demonstrate that the inflationary pressures faced are higher than the CPI measure in September and November, such as the important and welcome Living and Minimum Wage increases, increasing cost and demand for children and adult social care, IT/system licencing costs etc.

The £1.3bn of national funding confirmed in the settlement is welcomed in addition to the redistribution of existing national funding of £230m. Directing this funding to areas of significant cost pressure both generally (Recovery Grant) and social care is helpful. Whilst (including assumed council tax increases) this provides a headline 5.89% increase in the Council's Core Spending Power (CSP) in 2025/26, it is lower than the England average increase of 6% and the Metropolitan Borough Council average increase of 8.37%. Out of the £1.3bn extra national funding, Stockport received £5.025m (0.39% of the additional national funding confirmed in the settlement). Normally, the Council expects to receive at least 0.5% of national funding.

The cost of meeting the inflation and increasing needs of residents is growing at a faster rate and continues not to be fully recognised within the settlement. The headline CSP increase does not take account of the additional cost of other Government announcements, which add to this growing cost position, notably changes to National Insurance Employer Contributions (NICs) announced in Government's 2024 Autumn Budget. The Council estimates an additional cost of indirect NICs of circa £3.7m in 2025/26. Netting this cost off the additional funding results in an increase in CSP of circa 4.6% in 2025/26 for example. The Council's in-year deficit forecast highlights a £10.4m overspend against service budgets, which is 4.01% more spend in the year than what was planned. This means the net core spending power increase in 2025/26 only just covers current spending levels before further cost increases linked to inflation and increasing need for support from residents and businesses are considered.

The Council expects to be fully compensated for the direct NICs costs and expects confirmation of this in the final settlement.

Recognising the Government Spending Review and reforms to Local Government funding as part of this, the Council asks the Government to do more to address the budget pressures and find a sustainable multi-year funding model which doesn't add further burden to Council Tax Taxpayers. Circa 64% of the Council's Core Spending Power (CSP) in 2025/26 is from council tax income collection assumed by Government. Significant increases in cost and demand for essential local services cannot continue to be funded by Council Tax, a regressive form of taxation.



The Council welcomes the consultation on funding reforms to determine funding distribution in future years and looks forward to seeing further detail, consultation and engagement as this develops. However, there is an increasing and significant need for the overall amount of funding for Local Government to be reviewed and increased in the first instance to address increasing cost and demand for essential services before any funding distribution reforms are considered.

**Question 2 - Do you agree with the government's proposals to consolidate grants into the local government finance settlement in 2025-26?**

The Council is supportive of a simplified approach to Local Government funding via a simplified grants system and the roll in of further grants in future settlements.

**Question 3 - Do you agree with the proposed package of council tax referendum principles for 2025-26?**

Generally, the Council is supportive of the proposed 2025/26 Council Tax referendum principles. This does give the Council flexibility to raise funding through council tax increases.

However, the Council continues to be unhappy with the Government's response to funding services via local taxation. There continues to be a shift of the burden of funding Council services to local Council Tax Taxpayers. Circa 64% of the Council Core Spending Power (CSP) in 2025/26 is from council tax income collection assumed by Government. Relying on Council Tax to fund local services puts more burden on local taxpayers. The impact increases have on residents who are already struggling with the rise in the cost of living is always considered alongside the need for a robust and resilient medium term financial position. This continues to present a challenge for the Council to balance the impact of council tax increases on residents with the need for a robust and resilient medium term financial position. Not increasing Council Tax means forgoing income Government expect the Council to collect to fund local services and adjusts funding distribution on this basis. However, significant increase in cost and demand for services cannot continue to be funded by Council Tax, a regressive form of taxation.

Supporting the need for greater certainty for the funding of social care services to Stockport's most vulnerable residents, the Council asks Government to confirm the continuation of the Adult Social Care Precept increase beyond 2025/26 in their Spending Review.

**Question 4 - Do you agree with the government's proposals to introduce the Recovery Grant for 2025-26?**

The Council welcomes the additional £600m of national funding for the Recovery Grant confirmed in the settlement. The recognition of the cost pressures faced by councils which this funding goes part way to address is important. However, the funding distribution methodology used is a concern to the Council both for 2025/26 and for Government's planned funding reforms. Stockport is one of three Metropolitan Borough Councils (outside London) across the country to receive no Recovery Grant in 2025/26.

There are two flaws in the funding distribution methodology used:



- The funding cut off is arbitrary. Whilst it is reasonable to take an assessment of need and taxbase strength into account when allocating grant, it is unfair that those only just below the threshold get no funding. The Council's share of all councils' needs is 0.50%, and its share of all councils' taxbase 0.51%. Despite the marginal difference between Stockport's calculated need and taxbase strength (0.01%), this results in the Council receiving no funding from £600m of national funding. The Council asks Government to consider tapering funding allocation to address this cliff edge if this and future funding distribution methodology.
- Using 2019 IMD deprivation score as the measure of "needs" is too narrow. Whilst there is clearly a need to recognise deprivation in funding distribution, other factors such as population, demographics – ageing population, child deprivation and polarisation must also be considered. Stockport is the eighth most polarised borough in the country in terms of areas of deprivation which can mean up to 11 years difference in life expectancy for residents. Using an average deprivation score calculated in 2019 in the funding distribution does not reflect this polarisation for example. Deprived areas of the borough are being penalised in terms of Government not recognising the need of these areas in their funding distribution methodology.

The Council expects that the £600m national funding will continue in the Local Government funding baseline in future years settlement and funding distribution to be considered as part of the Government's Spending Review and planned funding reforms. Noting the intention for Government to distribute funding to councils with high levels of need in the future, the Council would welcome detail on how Government intend to assess need fairly for all councils in the funding distribution and how any councils adversely impacted will be supported to transition to new funding arrangements following planned reforms.

**Question 5 - Do you agree with the government's proposals on funding for social care as part of the local government finance settlement in 2025-26?**

The Council welcomes the additional £880m of national funding for social care in 2025/26. Previous year's additional funding and the increase in 2025/26 of £4.2m goes some way to address cost pressures, social care funding will still not be sufficient to address the significant costs increases because of inflation, demand and demographic trends. Whilst the 6.7% increase to the National Minimum Wage in 2025/26 is welcome, this and the additional cost of NICs change on social care providers will increase the cost to councils in terms of social care provider fee increases needed to ensure a sustainable social care provider market. The Council is already receiving requests from providers of circa 8% increases in their fees in 2025/26 for example. These costs will more than absorb the Council's £4.2m additional funding.

The Council's ability to raise income through an Adult Social Care Precept to support social care services is embedded in the funding distribution methodology for social care funding distribution and thus not increasing the Adult Social Care Precept means the Council forgoes funding that is needed to support significant budget pressures in this service area. As outlined in response to question 3, the Council is unhappy with

the Government's response to funding services via local taxation – Council Tax. Services provided to vulnerable adults living in Stockport, are statutory and heavily inspected. This leaves little discretion for the Council to reduce costs and where it does the impact on Stockport's most vulnerable residents must be considered. This leads to a perverse scenario where cost reductions must inevitably be identified from the non-statutory preventative services; it is these services which are provided to reduce costs and demand. Whilst the Council attempts to avoid this scenario, recognising the importance of the non-statutory preventative services, it is becoming increasingly difficult to do so whilst addressing the significant budget pressures faced.

Greater certainty is needed about the future of this funding linked to rising costs and demand for services as well as delayed reforms. The Council asks Government to determine how a more sustainable and longer term funding model for social care services (Adults and Children's) can be achieved.

**Question 6 - Do you agree with the government's proposal to allocate £250 million in a new Children's Social Care Prevention Grant to invest in family help?**

The Council welcomes the additional £250m national funding for Children's Social Care Prevention. Whilst the funding goes some way to address cost pressures, it is not sufficient to address the significant costs increases because of inflation and increasing need for support. Services provided to vulnerable children living in Stockport, are statutory and heavily inspected. This leaves little discretion for the Council to reduce costs and where it does the impact on Stockport's most vulnerable residents must be considered. This leads to a perverse scenario where cost reductions must inevitably be identified from the non-statutory preventative services; it is these services which are provided to reduce costs and demand. Whilst the Council attempts to avoid this scenario, recognising the importance of the non-statutory preventative services, it is becoming increasingly difficult to do so whilst addressing the significant budget pressures faced.

£75m of the funding has been equalised based on councils' ability to raise Council Tax, embedding assumed council tax increases in the funding distribution methodology. Not increasing Council Tax means the Council forgoes funding that is needed to support significant budget pressures in this service area. As outlined in response to question 3, the council is unhappy with the government's response to funding services via local taxation – Council Tax.

**Question 7 - Do you agree with the government's proposals for New Homes Bonus in 2025-26?**

The Council welcomes a further New Homes Bonus (NHB) funding distribution in 2025/26. A consultation on the future of NHB was issued by Government 4 years ago.

The certainty that national funding of circa £290m will be reprioritised for Local Government funding as part of the Government's Spending Review ahead of the 2026/27 settlement is welcomed. The Council asks that funding made available from the cease of New Homes Bonus in future years to be redistributed to councils via the Settlement Funding Assessment.

**Question 8 - Do you agree with the government's proposals to repurpose grants in order to target funding where it is needed most in 2025-26?**

The Council welcomes the repurposing of existing grants to provide funding for areas of significant cost pressure in 2025/26.

**Question 9 - Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please identify which protected characteristic you believe will be impacted by the proposals and provide evidence to support your comments.**

The way the Government has distributed funding to councils in the settlement shows a focus on need determined by deprivation score. Whilst there is clearly a need to recognise deprivation in funding distribution, this definition of need is too narrow and other factors such as population, demographics – ageing population, child deprivation and polarisation must also be considered. Stockport is the eighth most polarised borough in the country in terms of areas of deprivation which can mean up to 11 years difference in life expectancy for residents. Using an average deprivation score calculated in 2019 in the funding distribution does not reflect this polarisation for example. Deprived areas of the borough are being penalised in terms of Government not recognising the need of these areas in their funding distribution methodology.

**Question 10 - Do you agree with the government's proposal to not extend the IFRS 9 statutory override beyond its current end date of 31 March 2025? Please specify the financial impact, if any, on your council and any implications with respect to financial sustainability.**

The Council doesn't agree with the proposal to not extend the IFRS 9 statutory override beyond 31 March 2025.

*Other – may need to add to question 1 response if no space provided for this on the online response form.*

**Green Plant and Machinery Funding**

The Council asks Government to provide confirmation of the 2025/26 Green Plant and Machinery funding (announced in the 2024/25 settlement) in the final settlement.

**DSG & SEND**

Stockport receives circa £1,100 per pupil for special educational needs. This is amongst the lowest levels nationally. If Stockport received the same amount as the best-funded council, the borough would receive around £85m more a year for Special Educational Needs. If Stockport received the same funding level as close neighbours in the North West, the borough would receive between £6m and £21m more every year for Special Educational Needs.

The £1bn extra funding announced in the Government's 2024 Autumn Budget is welcomed. However, the Council is disappointed that the extra funding has been allocated based on the existing funding distribution methodology. Using this methodology has increased funding for Stockport by circa £4m compared to an in-year

deficit of circa £18m. Doing this continues to exacerbate existing funding unfairness and does not address the significant deficit in our funding.

This unfairness is compounded by the impact of the wider schools funding settlement. Stockport receives around £7,800 total funding per pupil, inclusive of schools and high-needs funding. This is, once again, amongst the lowest nationally. If Stockport were funded the same amount as the best-funded council, schools in the borough would get £190m more a year. If Stockport received the same amount as close neighbours, schools in the borough would get £50m more a year.

The Council asks Government to address DSG and specifically SEND funding as a priority as part of the Spending Review and planned funding reforms. Whilst it does this, the Council asks that the existing statutory override for accounting for councils cumulative DSG deficits is extended beyond March 2026.