

Committee Report Summary Sheet

Report title: Medium-Term Financial Plan - Financial Landscape and Forecasts 2026/27 to 2029/30

Report to

Cabinet Meeting
Council Meeting

Tuesday, 10 February 2026
Thursday, 26 February 2026

Report of

Jonathan Davies Director of Finance – Section 151 officer

1. Summary & Purpose of Report:

- 1.1. The purpose of the report is to update the council's 2026/27 to 2029/30 Medium-Term Financial Plan (MTFP) forecast and assumptions as part of setting a robust and resilient budget and financial plan for the council.
- 1.2. This report has been amended between the Cabinet meeting and Council meeting due to the publication of the final settlement on 9 February. The small change to government grant funding confirmed in the final settlement has been reflected in this report.

2. Summary of Recommendations:

2.1. The Cabinet was recommended to:

- Note the details of the 2026/27 Local Government Finance Settlement;
- Note, and comment upon as appropriate, the financial forecasts and assumptions for 2026/27 to 2029/30;
- Note and approve the indicative budget adjustments since the MTFP Update presented to the Cabinet meeting on 16 September resulting in savings requirement of £14.598m in 2026/27;
- Approve the allocation of £11.436m of the corporate contingency budgets to service budgets as part of the budget setting process;
- Note the Section 151 Officer's recommendation to hold the council's General Fund Balance at its current level £15.183m in 2026/27 aligned to his risk assessment of the budget and the adequacy of reserves and balances to support the council's 2026/27 Budget;

- Note the Section 151 Officer's recommendation to forecast annual increases in Council Tax of 4.99% as an MTFP Planning assumption reflecting government's expectation to achieve Core Spending Power (CSP) increases included in the provisional settlement; and
- Take the necessary steps to propose a final balanced 2026/27 Budget including any proposed Council Tax increase to be recommended for approval at the Council meeting on 26 February 2026.

3. Any Policy Implications:

3.1. Not Applicable.

4. Alternative options considered and rejected

4.1. Not applicable.

5. Finance comments sign off provided by:

5.1. Jonathan Davies, Director of Finance - Section 151 Officer.

6. Legal comments sign off provided by:

6.1. Vicki Bates, Assistant Director - Governance.

7. Is Communications Team oversight needed (is there any risk to reputation for example or likely media coverage):

7.1. Yes.

8. Is any part of the report confidential, - if so, confirm below that it has been agreed and signed off by the Monitoring Officer (Vicki Bates):

8.1. Not applicable.

9. Is this a Key Decision and has it been included on the Cabinet Forward Plan – to be signed off by Monitoring Officer (Vicki Bates):

See link to definition of a Key Decision in the council's constitution
[Article 14 - Decision Making.pdf](#)

Yes

Normal Route

- Item is a Key Decision
- Included in Forward Plan

Urgency Provisions

- General Exception Notice
- Special Urgency Notice

10. Urgent Decision: [Only complete if you have discussed with Democratic Services and they have confirmed it is an Urgent Decision]

This report should be considered as 'urgent business' and the decision exempted from 'call in' for the following reason:-

NOTE: Written consent for the decision to be treated as 'urgent business' must be obtained before the decision is taken.

11. One Stockport One Future – which priorities of One Stockport One Future does the report support: -

- Good jobs and homes
- The Best Place to Grow Up
- Best Health and Care
- Thriving Neighbourhoods / Live Well
- Clean Green Transport
- Fair & Inclusive
- Climate and Nature

12. Supporting documents**(a) Background Papers**

Background papers are defined as those documents relating to the subject matter of the report that disclose any facts or matters on which, in the opinion of the proper officer, the report or an important part of the report is based; or have, in their opinion, been relied on to a material extent in preparing the report.

- (i) 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 change proposals being considered to support the balancing of the council's 2026/27 Budget (presented to the Cabinet meeting in September and February and Scrutiny Committee meetings in November and January);

- **Stockport Billing Area: 2026/27 Council Tax Taxbase and Non-Domestic Rates Forecast** (presented to the Cabinet meeting in December);
- **The 2025/26 Quarter 2+ Budget Monitoring Update:** (presented to the Cabinet meeting in February);
- **The council's 2026/27 Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy:** presented elsewhere on this agenda; and
- **The council's 2026/27 Capital Strategy and Capital Programme:** presented elsewhere on this agenda.

(b) List of Appendices to the report

- (i) Appendix 1 – 2026/27 to 2029/30 Medium-Term Financial Plan.
- (ii) Appendix 2 – 2026/27 to 2029/30 MTFP – Changes to Forecast Savings Requirement.
- (iii) Appendix 3 – MTFP Risk Assessment and Mitigation.
- (iv) Appendix 4 – 2026/27 Provisional Local Government Finance Settlement Consultation.

Contact Officer

Lisa Joy, Strategic Financial Advisor, Tel: 07966372177 or by email on lisa.joy@stockport.gov.uk

Report title: Medium-Term Financial Plan - Financial Landscape and Forecasts 2026/27 to 2029/30

1. Summary and Purpose of Report:

- 1.1. The purpose of the report is to update the council's 2026/27 to 2029/30 Medium-Term Financial Plan (MTFP) forecast 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 2025 Autumn Statement and the Local Government Finance Settlement. This report builds on those updates considering any further national and local changes impacting on the 2026/27 Budget and MTFP. Assuming all the Cabinet's change proposals are approved, following the MTFP update the council has a saving requirement of £14.598m in 2026/27 rising to £68.481m in 2029/30. Cabinet was recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2026/27 Revenue Budget.
- 1.3. The council's MTFP continues to be set in the context of significant and critical budget pressures due to inflationary costs and ever-increasing service demand reflecting Stockport residents' and businesses' need for support from the council. Local government funding is not keeping pace with these increasing costs placing significant pressure on budgets funding the delivery of essential services. This position is not specific to Stockport. Councils across the country continue to warn of financial distress, the need for exceptional financial support from government and the risk of bankruptcy. The Local Government Association's (LGA) analysis indicates councils will face significant and concerning budget gaps over the medium term. Ahead of the government's Spending Review earlier in the year, the LGA forecasted a concerning council funding gap nationally of around £8 billion by 2028/29. Councils are under immense budget pressure adversely impacting financial sustainability and leaving them having to make difficult and challenging decisions about the services they deliver.
- 1.4. The settlement confirms the first multi-year funding settlement in ten years covering the financial years 2026/27 to 2028/29. The settlement included the formal outcome of government's fairer funding review and the resulting significant redistribution of funding across councils nationally. The outcome for the council is extremely disappointing and presents a significantly more challenging outlook over the next three years. The council's core spending power will increase by 7.53% (a £26m increase) by 2028/29 compared to an England average increase of 15.52%. Funding per resident by 2028/29 is £1,206 compared to the England average of £1,424. To put the £26m funding increase by 2028/29 into context, the estimated cost to the council of the expected real living wage increases over the settlement period for example is around £24m alone. While the MTFP continues to be managed collectively through the delivery of efficient and effective services, the settlement will have a significant and critical adverse impact on the council's financial position. The adverse impact on the council's MTFP is £12.4m by 2028/29. This is a significant

challenge and in the context of government assumed Council Tax increases, the continuing need for national policy reform and funding increase sufficient to deliver essential services, does not reflect the fairer funding position expected. Adding to an already challenging financial position is pushing the council closer to needing to ask for exceptional financial support from government.

- 1.5. Addressing the significant financial challenge will rely on the continuing robustness and resilience of the council's financial position underpinned by strong financial management. However, the council's Section 151 Officer also highlights that the extent of the budget pressures faced cannot be mitigated indefinitely through this alone. National policy reform such as the schools white paper, children social care reform and adult social care reform is needed to address the areas of local service budget pressure across the country. Alongside this the council will also need to consider how it continues to deliver local services. This will require members to make difficult and challenging decisions in the years ahead, in terms of what the council delivers and how it delivers, to ensure a robust and resilient financial position. Without this combination of a national and local approach the council's longer term financial robustness and resilience will be impacted. This is recognised by the LGA, commenting that:

“All councils need to be protected from real-terms cuts next year and have adequate funding to fully meet spiralling cost and demand pressures. Alongside a significant boost in resources, it is critical that government works with councils to reform key services, such as SEND and adult social care, and undertakes a cross-party review of options to improve the wider local government finance system”.

- 1.6. Alongside many other councils, the council's medium-term financial challenge, worsened by the outcome of the settlement, has reached a critical level and will become increasingly difficult to manage and mitigate.
- 1.7. The MTFP presented in this report extends to 2029/30 to present current year plus four years to provide transparency on the council's medium term financial forecasts to inform decision making. Members are asked to note that the council's internal MTFP modelling does not extend beyond this period. Recognising forecast risk and the likelihood of continual change to the underpinning MTFP assumptions and forecasts beyond 2029/30, later years have not been presented in this report. The update of the MTFP will continue to be iterative with underpinning assumptions and forecasts retested throughout 2026/27. Officers will continue to review and update the MTFP as further information is made available. The resulting MTFP updates will be reported to Cabinet and Scrutiny.
- 1.8. 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 change

proposals being considered to support the balancing of the council's 2026/27 Budget (presented to the Cabinet meeting in September and February and Scrutiny Committee meetings in November and January);

- **Stockport Billing Area: 2026/27 Council Tax Taxbase and Non-Domestic Rates Forecast** (presented to the Cabinet meeting in December);
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- **The council's 2026/27 Capital Strategy and Capital Programme:** presented elsewhere on this agenda.

2. Developments During the Financial Year:

2025/26 Forecast Revenue Outturn Position

- 2.1. As reported in the 2025/26 Quarter 2+ Budget Monitoring Update reported to the Cabinet meeting in February, the forecast outturn position for the council's revenue budget is a deficit of £7.653m. The deficit is made up of a projected £11.490m deficit on service cash limit budgets, offset by a projected £3.217m surplus on non-cash corporate budgets and a £0.620m surplus on general financing.
- 2.2. The 2025/26 Quarter 2+ forecast outturn position reflects the continuing financial challenges faced by the council. A forecast 3.95% overspend on service budgets compared to planned service spend at the start of the financial year reflects the increasing need for support, complexity of that support need, and inflationary costs. While the One Council One Budget approach to addressing the in-year position, through budget recovery, spend control and cost avoidance work, will continue during the remainder of the financial year, balancing the in-year position at year end will require the use of available one-off resources and reserves.
- 2.3. Increasing costs of supporting children with special education needs (high-needs) continues to put pressure on councils Dedicated Schools Grant (DSG) positions across the country. Local Government Association (LGA) analysis estimates a national high-need DSG deficit of around £3.9 billion by 2026/27. The council's cumulative deficit is forecast to be around £67m by the end of the financial year. While councils await a permanent solution to the historic underfunding of this important education spend, a government directed statutory override is in place. This allows councils to hold their historic deficits on their balance sheet unrealised. This does however have a significant impact on councils' general fund budget because of the cash flow borrowing costs to fund the unfunded education spend. For the council this equates to around £2.3m borrowing cost in 2025/26 and is part of the in-year deficit outturn forecast reported. It is expected that government will support a write off of the historic overspends when the statutory override ends in March 2028.
- 2.4. Detail of the government's first phase of support to councils was released in the final settlement (see paragraph 2.31).

MTFP Updates

2.5. 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 2026/27. This has included:

- Budget, experience, and performance in 2024/25 and 2025/26 to date;
- Issues, challenges, and financial prospects facing the council in 2025/26, 2026/27 and over the medium-term period;
- Government announcements impacting on local government financing, including, Fairer Funding Review and consultation, Policy Statement, Autumn Budget, Local Government Finance Settlement and the consultation response to the settlement;
- 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, Education services and Homelessness. Increases in service demand due to the increased cost of living and inflation is resulting in continuing 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 still increasing. These costs became evident in 2023/24, 2024/25 and as part of the in-year budget monitoring and likely to have an impact in 2026/27 if not addressed. The budget pressure is also evident in Adult Social care with increased need for support and high demand for services including cost pressures on transition costs from children's services including complex younger adults;
- Continuing work with Adult Social Care (ASC) providers aligned to care fees. This forms part of the annual fee setting exercise for ASC care fees, which reviews the council's cost of care financial modelling for a range of care services, considering the impact of living wage increases and inflation alongside ensuring best value for externally commissioned services; 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.

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

Spending Review and Fairer Funding Review Consultation

2.7. Government concluded its Spending Review on the 11 June, setting out strategic plans for public spending and key reforms. Detail included in the Spending Review was high level and for council funding subject to further consultation on proposed funding reforms. It confirmed the government's commitment to a multi-year funding settlement for councils starting in 2026/27 and reforms to funding allocations based on an updated assessment of each councils' needs.

2.8. Government launched the Fair Funding Review 2.0 consultation on 20 June, concluding on 15 August. The consultation set out proposals for a new funding formula to be implemented from 2026/27, aiming to reform the Local Government Finance Settlement. Within the consultation, government set out its commitment to

ensuring council funding is targeted to those who need it most to support local priorities, setting out detail of its proposals for a new need and resources assessment. The consultation also included detail on government's commitment to simplify the grant funding landscape including proposals for four new consolidated grants.

- 2.9. Further detail on the Spending Review and the Fairer Funding Review consultation including the council's consultation response was included in the MTFP update report presented to Cabinet in September.

Local Government Pension Scheme (LGPS)

- 2.10. On 13 October 2025 Alison McGovern MP, Minister of State for Local Government and Homelessness, issued a written statement to parliament for the proposal to restore LGPS access for councillors and mayors. The final consultation outcome is expected to be confirmed shortly. The change would allow Stockport councillors and mayor to join the Greater Manchester Pension Fund (GMPF), a funded defined-benefit scheme requiring both employee and employer contributions. For the council, this will result in an additional employer pension contribution cost for councillors who opt to join the pension scheme. Indication is the additional costs will not be accompanied by new burdens funding, meaning the cost will fall entirely to the council to fund from existing budget. The estimated cost is around £0.160m if all sixty-three councillors opted into the scheme. Officers will keep this under review as part of future MTFP updates.

Government 2025 Autumn Statement

- 2.11. The government's Autumn Statement was announced to Parliament by the Chancellor of the Exchequer, Rt Hon Rachel Reeves MP on 26 November. There was an unusually large number of announcements affecting local government. However few will increase council funding in the short term, there are likely to be significant new burdens costs particularly relating to changes in Council Tax, Business Rates and welfare benefits.

- 2.12. Areas impacting local government include:

- **Council Tax – High Value Council Tax Surcharge (HVCTS):** From April 2028, a surcharge will apply to properties over £2m, ranging from £2,500 to £7,500 annually. Councils will collect HVCTS on behalf of government. Details on how funds will flow to Government and whether this represents new resources for councils remains unclear. Councils will receive compensation for administrative costs under a new burdens assessment.
- **Business Rates Multipliers and Reliefs:** Introduction of permanent lower rates for the Retail, Hospitality and Leisure (RHL) businesses replacing RHL relief provided previously. Each will be set 5p below their equivalent standard national multiplier. This will provide greater certainty for eligible businesses. For 2026/27 Small RHL multiplier of 38.2p and Standard RHL multiplier of 43p was confirmed. A higher rates multiplier for large properties with a rateable value above £0.500m (e.g. large warehouses and logistics hubs) was also confirmed. This will fund the lower RHL multipliers and reliefs for smaller businesses. This will be set 2.8p more than the national standard multiplier. High value multiplier of 50.8p was confirmed. Several reliefs to support businesses with the impact of

the Business Rates revaluation from April 2026 and to support priority industries such as Electric Vehicle Infrastructure were announced.

- **SEND System Reform and Dedicated Schools Grant (DSG) Statutory Override:** Government will set out substantial plans for reform of special educational needs provision early in 2026 to deliver a sustainable system which first and foremost supports children and families effectively. Future funding implications will be managed by government, such that councils will not be expected to fund future special educational needs costs from general funds once the statutory override ends at the end of 2027/28.
- **Visitor Levy (Tourist Tax):** Mayors will gain powers to introduce an overnight accommodation levy, with revenues reinvested locally to support growth and the visitor economy. A consultation will determine design of the visitor levy, rate-setting flexibility, and any national limits.
- **Transport/Highways:** By 2029/30, government will commit to over £2 billion of annual funding for councils to repair, renew and fix potholes on their roads. No detail has been provided on how funding will be allocated to councils.

Business Rates Reset

- 2.13. Following government consultation in spring and linked to the fairer funding review, councils Business Rates baselines have been reset. This is the first reset of councils' baselines since the introduction of the current Business Rates retention system in 2013. Resetting the baselines means around £1.5 billion of Business Rates growth nationally has been redistributed to councils based on their updated relative needs assessment calculated in the fairer funding review.
- 2.14. The reset impacts on the 100% Business Rates retention benefit received by the Greater Manchester councils. The benefit was derived from the 100% retention of Business Rates growth above baselines. As the baselines have been reset equalising historic growth across councils nationally, any 100% retention benefit from 2026/27 will only come from new growth post reset and is unlikely to reach the same levels before the next Business Rates reset.
- 2.15. Resetting the Business Rates baselines is complex, and combined with new Business Rates multipliers, a revaluation of businesses rateable values and the fairer funding review has made forecasting expected Business Rates income extremely difficult. The final settlement confirmed the council's 2026/27 Business Rates baseline and associated top-up grant to achieve its needs assessed baseline funding settlement calculated by the fairer funding review. Business Rates income forecasts have been updated in the MTFP to reflect the reset.

Fairer Funding Review

- 2.16. A review of Local Government funding was long overdue, the last review being completed and implemented in 2013. Since the consultation in spring councils were left to model the impact from high level modelling and incomplete detail provided. Given the scale and complexity of changes and the impact of funding redistribution, the lack of transparency and exemplification from government has been extremely difficult. The council, alongside councils across the country, have had to rely on technical experts and their modelled assumptions of what the proposals mean to help understand the impact. It was disappointing that this clarification was not provided until the delayed Policy Statement and Provisional Settlement were released in late November and December respectively, leaving little time to understand the impact

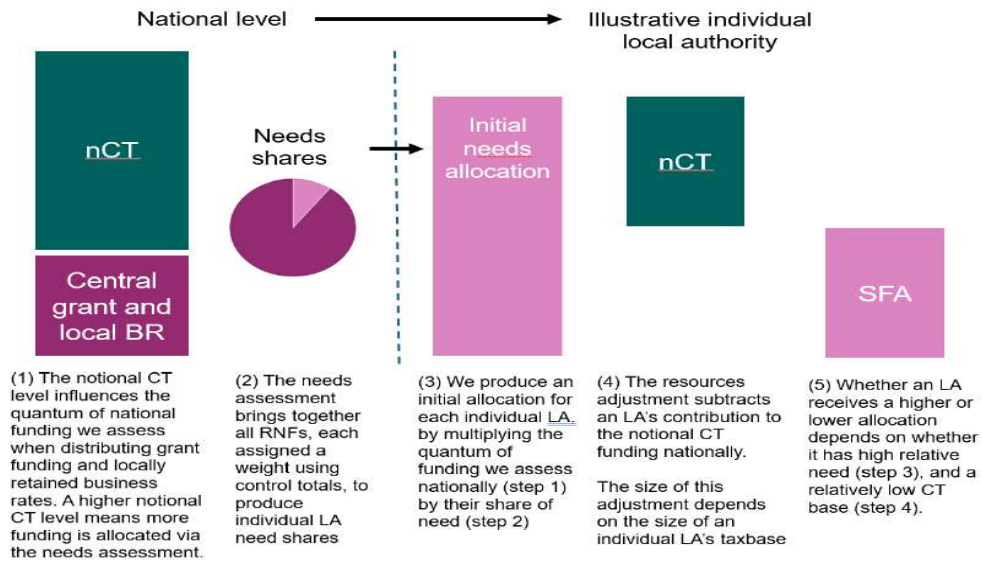
and respond to the provisional settlement consultation ahead of the final settlement being confirmed.

2.17. In terms of the funding distribution mechanism, the fairer funding review outcome confirms the following:

- Assessing relative needs of services via service-specific formulae. There are nine formulae proposed – adult social care (younger and older adults), children’s social care, foundation formula (upper and lower tier), fire and rescue, highways maintenance, home-to-school transport and temporary accommodation.
- Assessing relative differences in cost of providing the same unit of service through area cost adjustments. These adjustments measure differences between ‘labour’ costs (e.g., wage differences, travel times) and ‘rates’ costs (e.g., premises costs and remoteness separation from larger concentrations of service users).
- Assessing relative ability to raise resources locally, through a council tax adjustment which would reduce the allocated share of funding through the relative needs calculation. The main building blocks are a resources deduction reflecting a level of notional council tax. The Government has used the national average Band D rate of £2,060.
- A three-year phased transition period for councils impacted by a reduced settlement.
- Grant Funding consolidation bringing together several significant standalone grants to be allocated through the settlement process.
- Temporary increase the Business Rates safety net threshold from the current 92.5% before gradually reducing back to this standard rate.
- Sales, fees and charges reform review.

2.18. Baseline Funding Levels calculated on a needs assessment is, in principle, the correct approach to achieving fairer funding. However, it is disappointing that changes to some variables used to calculate need and proposed funding allocations were not explained and consulted on in spring. This lacks transparency, fairness and understanding of how formulas have been changed to redistribute funding across the country. For example, the change of housing cost assessment within the foundation formula and children’s formula, the use of 2022 population data rather than up to date 2024 mid-year data and the continuation of the recovery grant outside of the settlement funding assessment. These factors and changes have had a significant impact on the redistribution of funding across councils without consultation and opportunity for the council to set out its position on proposals and impact.

2.19. The council’s overall relative needs assessment post review is around 0.437%; the council receives this proportion of national funding allocated based on its assessed need. This compares to an overall relative needs assessment of around 0.5% pre fairer funding review. The full equalisation of Council Tax (the council’s assessed ability to raise Council Tax) is taken from the initial needs funding allocation to calculate the council’s settlement funding assessment (SFA) representing the government grant funding it will receive over the settlement.



2.20. Compared to receiving the 2025/26 SFA amount over the next three years (cash flat SFA), the council will receive a total reduction in SFA of £22.546m based on its updated relative needs assessment. The reduction in government grant funding is in the main driven by updated deprivation data using the 2025 IMD and Council Tax equalisation, reflecting Stockport is relatively less deprived than other areas and has a healthy Council Tax Taxbase. It is important to highlight though, while there is clearly a need to recognise deprivation in funding distribution, using an average deprivation score does not reflect local challenges and need for support. In Stockport for example, there are four of the most deprived areas in the country, with around 6,500 residents living in these areas and one of them, Lancashire Hill, being the most deprived area in Greater Manchester.

Table 1: Settlement Funding Assessment Reduction

	2025/26 SFA £000	SFA Post FFR £000	Reduction
2026/27	133,734	131,812	(1,922)
2027/28	133,734	126,171	(7,563)
2028/29	133,734	120,673	(13,061)
			(22,546)

2.21. The table below shows the impact of the fairer funding review on the MTFP forecasts including the changes to SFA, transitional funding, Business Rates income and new consolidated grants. Transitional funding arrangements included in the review to move councils to their new baseline funding level over the next three financial years does mitigate the impact in 2026/27. However, by 2028/29 the adverse impact on forecasts is £12.4m, adding to an already challenging financial position.

Table 2: Fairer Funding Review Impact

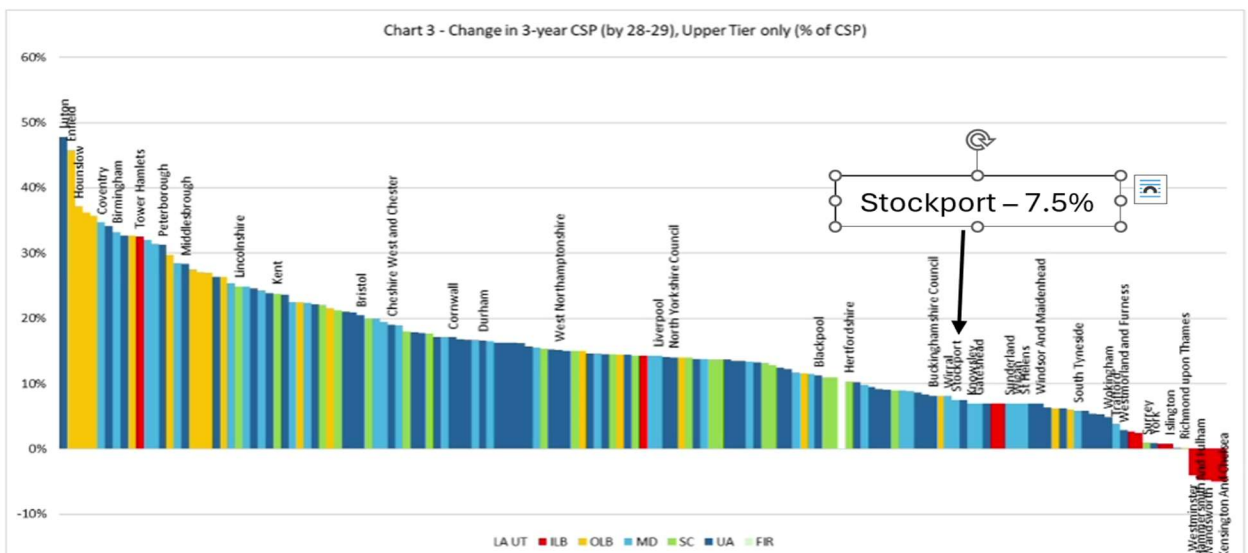
	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Net Fairer Funding Adjustment – +ve Adverse/-ve Favourable	(1,615)	5,543	12,395	12,395

Settlement Policy Statement and 2026/27 Final Local Government Finance Settlement

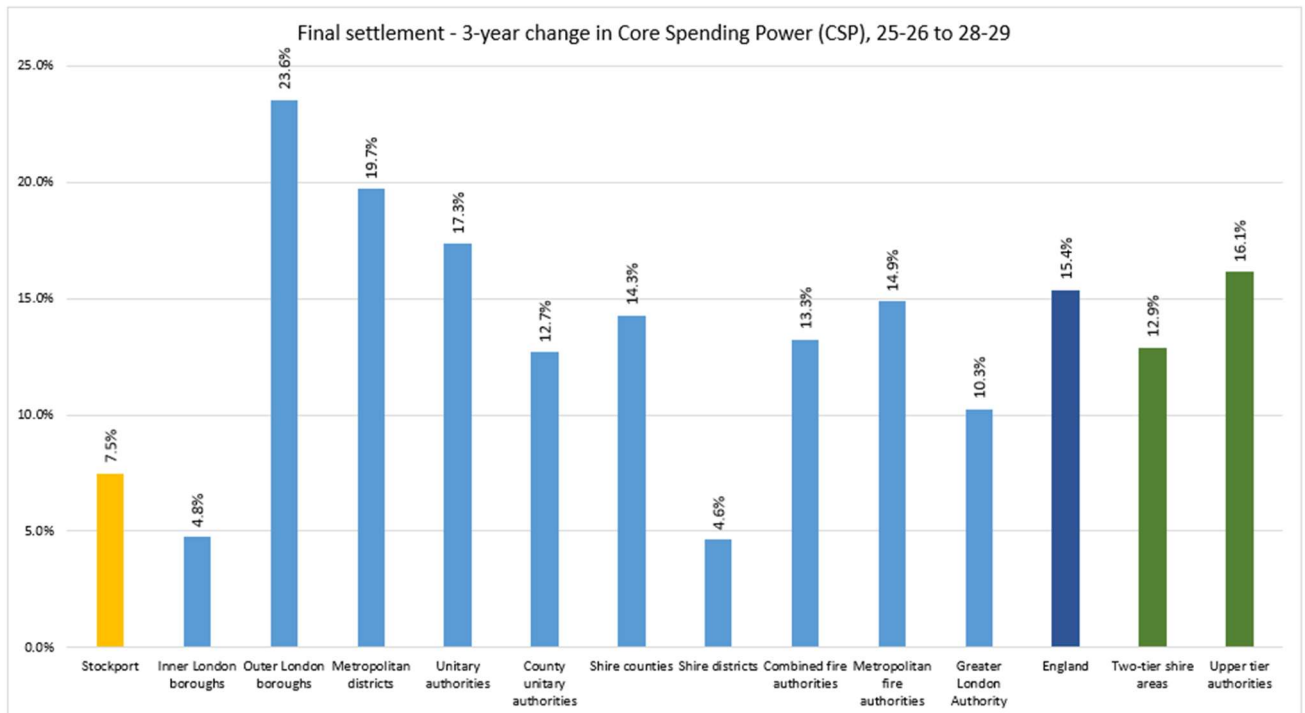
2.22. The 2026/27 Final Local Government Finance Settlement was announced via written statement to Parliament by the Minister of State for Local Government and Homelessness MP Alison McGovern on 9 February. The 2026/27 settlement introduces a three-year funding framework, marking a shift from previous annual settlements and included the formal outcome of the government’s fairer funding review and redistribution of funding across councils nationally.

2.23. While the multi-year settlement is welcomed, providing funding certainty for the next three financial years (albeit subject to annual settlements process in year 2 and year 3), the proposed funding outcome for the council is extremely disappointing. The provisional settlement significantly worsens an already challenging medium term financial position. The council’s Core Spending Power (CSP) shows a 7.53% increase (£26m increase) by 2028/29, compared to an average increase for England of 15.52%, and for metropolitan borough councils an average increase of 19.8%. The council’s increase is significantly less than other councils facing the same service demand and budget challenges. The council’s CSP increase in 2026/27 is 3.03% compared to a current overspend on service budgets of 3.95%. The proposed increase does not fully cover current spending levels before further cost increases linked to inflation and increasing need for support from residents and businesses are considered.

2.24. The range of increases in CSP across the country and within authority class is vast. Illustrated below, some metropolitan boroughs (light blue bars) receive around a 35% increase in CSP with others seeing significantly lower increases and for some reductions by 2028/29. This reflects the significant national funding redistribution following the fairer funding review.



*Based on the provisional settlement.



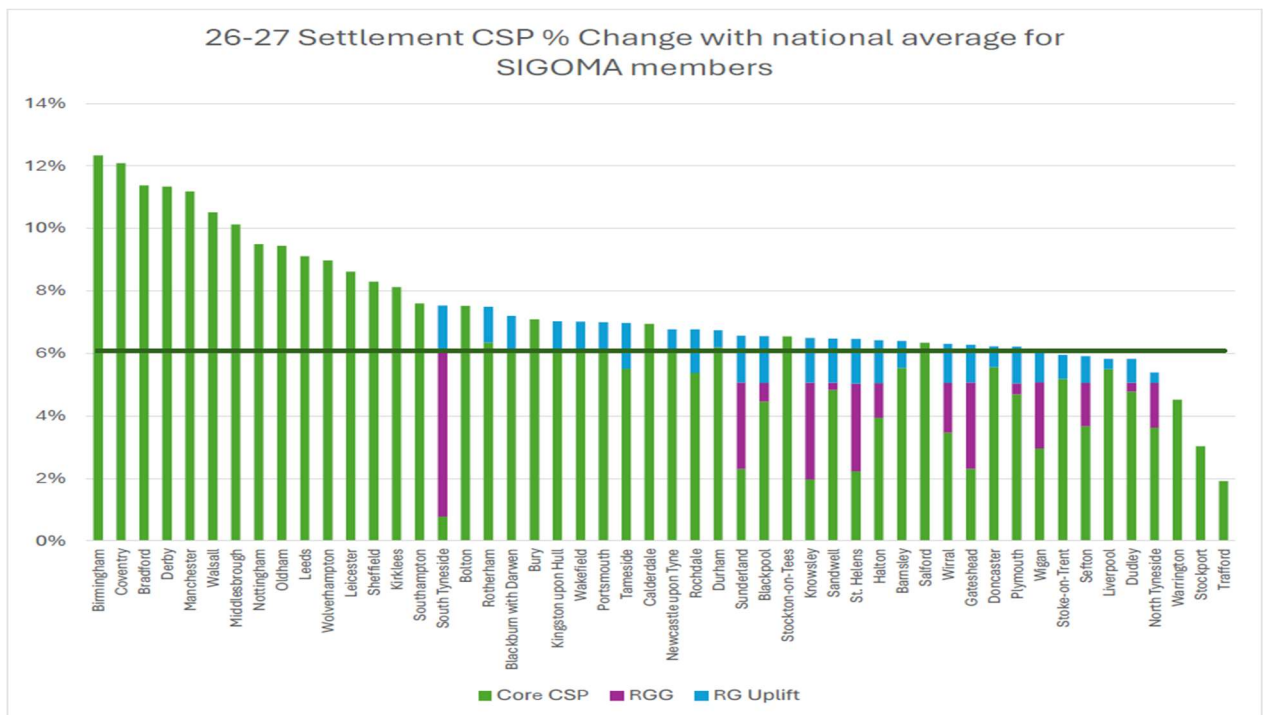
**Based on the final settlement.*

- 2.25. An important factor of the CSP increases is they are being driven and underpinned by government's assumption that the councils will increase Council Tax by the maximum allowable increase (4.99%) each year of the settlement. The council's increase assumes it will raise additional Council Tax income of around £39m by 2028/29, meaning 66% of the council's CSP by 2028/29 will be funded by Council Tax rather than government grant funding. This also means around £13m of the assumed Council Tax income increase is offsetting the reduction in government grant funding over the settlement rather than being directed to fund local services. The annual taxbase growth and assumed 100% collection rate is also out of sync with local MTFP assumptions.
- 2.26. The provisional settlement confirmed the continuation of the Recovery Grant. A total of £1.8bn (£600m in each year of the settlement) of national funding has been set aside to fund the recovery grant over the settlement. The council is one of three metropolitan borough councils (outside London) that didn't receive recovery grant in 2025/26. This means the council will not receive Recovery Grant over the settlement. It was expected that the £600m of national funding of the Recovery Grant in 2025/26 would be allocated based on the updated needs assessment in 2026/27 rather than continuing to allocate on the same basis. Government's decision to continue the Recovery Grant means the council is losing out on £7.8m of funding had the £600m national funding been allocated to all councils on assessed need. The continuation of the Recovery Grant was not included in fairer funding review consultation in spring, giving the council no opportunity to set out an informed position on why its continuation is not justified.
- 2.27. The provisional settlement also confirmed the inclusion of a Recovery Grant Guarantee for councils receiving Recovery Grant. Not being a Recovery Grant council means the council will not be covered by the associated funding increase protection guarantee; funding increase guarantee of 5% 2026/27, 6% 2027/28 and

7% 2028/29. This means the council is missing out on £10m of funding increase protection over the settlement.

2.28. The final settlement confirmed a further £440m uplift to the national funding of the Recovery Grant over the settlement. This increases the total national funding of recovery grant to £2.240 billion over the settlement. The uplift will be allocated to Recovery Grant councils who's provisional CSP increase by 2028/29 was less than 17% (a funding cap of £10m is applied to those councils with a provisional CSP increase by 2028/29 of between 14% and 17%). Had the £440m been allocated based on assessed need, the council would have received a funding allocation of £1.9m.

2.29. The chart below is an illustration of how the recovery grant guarantee funding (purple bars) and the recovery grant uplift (blue bars) increases the CSP of Special Interest Group of Municipal Authorities (SIGOMA) members receiving the recovery grant to achieve the 5% funding increase guarantee in 2026/27. Notably Stockport, Trafford and Warrington (Unitary Authority) are the three SIGMOA member councils that don't benefit.



2.30. Four new consolidated grants which have been created, confirmed in the settlement, to simplify grant funding from a range of different government departments and sources. Adjustments have been made to the MTFP to reflect the four new consolidated grants being:

- **Homelessness and Rough Sleeping Grant** – this includes the homelessness prevention grant, rough sleeping prevention and recovery grant and the domestic abuse and safe accommodation grant.
- **Public Health Grant** – this includes the core public health grant. In addition, specific preventative grants such as the drug and alcohol treatment and recovery grant and the smoking cessation grant are included.

- **Crisis and Resilience Grant** – this replaces the housing support fund grant and includes funding for discretionary housing payments.
- **Children, Families and Youth Grant** – this includes the children’s social care prevention grant, families first partnership programme funding, the holiday activity fund and post-16 pupil premium grant.

2.31. **Dedicated Schools Grant (DSG) deficit balances** – the final settlement confirmed the first stage of government support for councils with significant Dedicated Schools Grant (DSG) deficits linked to special educational needs (SEND). A statutory override, which ends in March 2028, currently allows councils to carry these accumulated deficits on their balance sheets. Government has now confirmed that a new High Needs Stability Grant will be issued in autumn 2026 to write off 90% of councils’ accumulated DSG deficits as at the end of 2025/26. Access to this support will depend on government review and local SEND reform and recovery plans. By the end of 2025/26, the council’s accumulated deficit is forecast to be around £67m, with an estimated £60.3m expected to be written off. However, clarification is still required from government regarding how councils are expected to fund the remaining 10%, around £6.7m for this council, once the statutory override ends. The council has had to undertake additional borrowing to release revenue funding to cover the deficit. The write-off will allow this borrowing to be repaid, reducing borrowing costs, estimated at around £2.3m in 2025/26, and mitigating the reliance on reserves to meet these costs.

2.32. The council’s response to the provisional settlement consultation ahead of the final settlement being announced is included in Appendix 4.

2.33. Adjustments to the council’s CSP including additional and uplifted funding allocations have been reflected in the MTFP update presented in this report.

Exceptional Financial Support and Section 114 Notice

2.34. 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. Prior to this councils can seek Exceptional Financial Support (EFS) from government through borrowing allowances to fund day to day spend (an overdraft facility) and/or additional Council Tax increase flexibilities. The support offered by government is short term in nature and not sustainable long-term support.

2.35. **The council’s Section 151 Officer believes the likelihood of having to issue a Section 114 notice in the short-term period remains unlikely but does not understate the significant and critical financial challenge facing the council.** 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. It is important that both officers and members continue to work collaboratively to navigate the significant financial challenge ahead.

2.36. While the Section 151 Officer is confident that the council can set a robust and balanced 2026/27 Budget, continuing to manage and mitigate the budget pressures is increasingly difficult evidenced by the Quarter 2+ forecast outturn position. These

budget pressures are 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. While budget recovery through prevention and intervention work is avoiding costs, the ever-increasing need for support from residents and businesses adds further costs. This position is not specific to Stockport. Councils across the country are facing the same budget pressures with increasing numbers warning of financial distress, the need for EFS and the risk of bankruptcy.

2.37. The outcome of the fairer funding review and funding confirmed in the settlement is extremely disappointing. The financial risk that the council is exposed to over the medium term is significant and critical. The council must find ways to control costs through continued efficient and effective service delivery while seeking additional funding either from government or Council Tax (as government has assumed). While the council wishes to avoid EFS which isn't a sustainable form of support, the adverse impact of the settlement is pushing the council closer to having to ask government for this. The LGA have also highlighted this risk for councils:

“We (LGA) remain concerned by the number of councils having to use unsustainable emergency bailouts which are a clear warning sign about the financial pressures facing local government. Unless sustainable solutions are found to the severe financial challenges facing local government, we anticipate more councils may need Exceptional Financial Support (EFS) in the future.”

2.38. Addressing the significant financial challenge over the medium term will rely on the continuing robustness and resilience of the council's financial position underpinned by strong financial management. However, the council's Section 151 Officer also highlights that the extent of the budget pressures faced cannot be mitigated indefinitely through this alone. National policy reform such as the school white paper, children social care reform and adult social care reform is needed to address the areas of local service budget pressure across the country. Alongside this the council will also need to consider how it continues to deliver local services. This will require members to make challenging decisions and choices about the desperately needed services the council continues to provide and how it provides them. Without this combination of a national and local approach the council's longer term financial robustness and resilience will be impacted, and the medium-term financial challenge will become increasingly difficult to manage and mitigate.

Our Strategy for a Resilient and Thriving Council – Change Proposals

2.39. The council remains committed to delivering on the ambitions and priorities set out in its Borough Plan and Council Plan, and supporting service transformation needed to do this in the challenging financial landscape. Insufficiency of funding for the provision of local services is stark. Increasing need for support, and complexity of that support need, from local services have pushed council finances to a critical level. Ahead of the government's spending review the LGA's analysis indicated that councils face a concerning funding gap of £8 billion by 2028/29.

2.40. Addressing the challenging financial and demand-related pressures to ensure the council has a resilient and robust budget is key. The ongoing priority is to identify

opportunities that maintain a collective commitment to delivering efficient and effective, outcomes-focused services. Cabinet has developed a series of change proposals to do this. The change proposals contribute £8.037m to support the balancing of the council's 2026/27 Budget. The saving proposals are included in the Cabinet's proposed 2026/27 Revenue Budget following relevant consultation, engagement, and Member scrutiny.

Table 3: Cabinet Change Proposals

Change Proposals	£000
Proposal -Town Centre Parking	500
Proposal - SEN Transport post 16 - Value for Money Routes	750
Proposal - Going Further on Corporate Core Productivity and Efficiency	250
	6,537
Total	8,037

2.41. It is recognised that achieving productivity and efficiency savings will mean challenging and difficult decisions will need to be made about service operating models in terms of the services delivered and how they are delivered. Inevitably this will have an impact on services. While attempts to mitigate impact through transformation, automation and new ways of working will be important part of this, the council will have to consider doing less or stop doing in some service areas to achieve the savings needed.

2.42. 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

2.43. 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 28 January and the Cabinet meeting on 10 February.

Housing Revenue Account (HRA) Budget and Rent Levels

2.44. The proposed 2026/27 HRA Budget and rent levels is presented elsewhere on this agenda having been presented to the Housing, Economy and Environment Scrutiny Committee meeting on 29 January and the Cabinet (Housing) Committee meeting on 11 February.

3. Medium-Term Financial Plan:

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

Table 4: Saving Requirement 2026/27 to 2029/30 as at September

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Annual Saving Requirement	19,162	16,812	13,275	13,973
Cumulative Saving Requirement	19,162	35,974	49,249	63,222

- 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. Members are reminded that as part of the iterative approach to updating the MTFP during the financial year, adjustments to assumptions and forecast were approved by Cabinet in September. The table below and following paragraphs show the changes to the 2026/27 savings requirement since the September Cabinet meeting following retesting of the underpinning MTFP assumptions and forecasts and taking account of government announcements.
- 3.3. Appendix 2 details the total changes made to the MTFP forecasts and assumptions since the MTFP savings requirement was approved at the Budget Council meeting in February 2025.

Table 5: Changes to the council's 2026/27 Saving Requirement

	2026/27 £000
MTFP Savings Requirement @ 16 September 2025	19,162
Favourable MTFP Adjustments	
Pay Inflation Rebase	(423)
Employer Pension Contributions	(2,321)
Waste Disposal Levy	(976)
Transport Levy	(344)
GMCA Levy	(138)
Budget Adjustments	(1,267)
Extended Producer Responsibility (pEPR)	(1,655)
GMCA pEPR Funding Return - Subject to GMCA Budget Setting	(853)
GMCA Business Rates Reset Share - Subject to GMCA Budget Setting	(406)
Adverse Adjustments	
Price Inflation and Real Living Wage Rebase	855
Council Tax Taxbase Adjustment	76
Core Budget Pressures	
Recurrent Impact of In-Year Budget Pressures Children's and Education	7,856
Recurrent Impact of In-Year Budget Pressures Adult Social Care	2,050
Recurrent Impact of In-Year Budget Pressures Place	1,923
Provisional Local Government Finance Settlement	
Fairer Funding Review Adjustment	(1,614)
Reserves	
Appropriation to Reserves – Workforce Investment/Change Reserve	710
MTFP Savings Requirement Before Change Proposals	22,635
Cabinet Proposed Change Proposals - Subject to Approval	(8,037)
MTFP Savings Requirement	14,598

Favourable MTFP Assumptions and Forecast Updates

- 3.4. **Pay Inflation Rebase** – the MTFP includes a budget contingency to fund inflationary increases in pay over the medium term. Following service budget adjustments in 2025/26, a rebasing of those budgets has resulted in a favourable adjustment to the pay inflation contingency budget needed.
- 3.5. **Employers Pension Contribution** – the outcome of the triennial valuation of the Local Government Pension Scheme (LGPS) is a 3.7% reduction in the council's employer pension contributions to 15% (from 18.7%). It is noted that 1% of this reduction (£1.015m) was assumed in the September MTFP update to Cabinet. The reduction is part of a longer-term approach by the pension fund to stabilise employer contribution rates over a longer period to provide certainty, ensuring long-term solvency of the fund to meet its fiduciary duty and supporting its employers with the budget pressures they are facing.
- 3.6. **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 2026/27 GMCA budget setting process the council has received notification of the 2026/27 levies as follows:

- A 3.18% increase on the council's Waste Disposal Levy in 2026/27; and
- A 1.4% increase on the council's Transport Levy in 2026/27.

This results in a favourable adjustment of £1.320m compared to previous forecasts based on expected levy increases notified by GMCA. Members are asked to note that the GMCA budget setting process is completed in consultation with the Greater Manchester Authority Leaders providing further scrutiny on the levy increases expected.

- 3.7. **GMCA Levy** – annual reductions to the GMCA Levy over a four-year period were confirmed by GMCA in 2025/26. As part of their 2026/27 budget setting process, GMCA confirmed they can accelerate the phasing of the reduction over two years, 2026/27 being year two. The saving to the council of £0.138m reflects the expected year three and four reductions being brought forward to year two.
- 3.8. **Budget Adjustments** – several budget adjustments have been made reflecting work and decisions in response to balancing the 2026/27 Budget and MTFP:
- Corporate Estate – budget adjustment reflecting additional rental income from 2026/27.
 - Leadership and Management Structures – budget adjustment reflecting a review of leadership and management structures and spans of control.
 - Education Incentivised Personal Budgets – following consultation the council will take an approach to exploring and incentivising the use of personal budgets for children who need support getting to school. The service will explore opportunities for the use of personal budgets with families that provide the best outcome for children through alternative arrangements. This may include support for flexible working requests, paid for childcare, driving lessons, car lease hire, specialised before and after school care for example. It is expected that this approach will reduce the current home to school transport service cost by £0.667m while ensuring children who need support are still able to get to school and are prepared for adulthood.
- 3.9. **Extended Producer Responsibility (pEPR)** – government packaging legislation requires producers to be responsible for the packaging they produce. The cost of waste collection and disposal for this packaging incurred by councils is funded by a funding allocation from the pEPR levy on the producers collected nationally. Department for Environment, Food and Rural Affairs (DEFRA) have confirmed anticipated 2026/27 funding allocation of £2.906m for the council - £1.251m was included in the September MTFP update. pEPR council funding allocations are being reviewed by DEFRA to better reflect actual waste collection and disposal costs linked to producer packaging. Additionally, changes in producer behaviour like the response seen following the introduction of the sugar tax may reduce packaging volumes and, consequently, council funding. Clarity of future years funding allocations beyond 2026/27 mean the council can prudently forecast pEPR funding in future years. The MTFP assumes a 10% reduction to the funding allocation beyond 2026/27 reflecting the expected DEFRA review and producer behaviour change.
- 3.10. **Greater Manchester Combined Authority (GMCA) pEPR Funding Allocation** – as above GMCA have received a funding allocation of £21.302m. GMCA propose

allocating £16.3m of this to nine of the Greater Manchester councils with £5m held in GMCA reserves to fund future waste disposal costs linked to the waste disposal emissions tax expected to be introduced from January 2028. Subject to GMCA Budget Setting the council's share of the GMCA pEPR is £1.937m - £1.084m was included in the September MTFP update.

- 3.11. **Greater Manchester Combined Authority (GMCA) Business Rates Reset** – Following the national reset of Business Rates as part of the fairer funding review, GMCA will receive an annual funding allocation of £23m. Subject to GMCA budget setting, it is proposed that £5m is returned to the Greater Manchester councils annually. The council's share is £0.406m.

Adverse MTFP Assumptions and Forecast Updates

- 3.12. **Price Inflation and Real Living Wage (RLW) Rebase** – the MTFP identifies the budget required to meet the costs of inflationary pressures on specific service budgets over the medium term. Forecasts have been rebased to reflect in-year budget adjustments. The RLW inflation rate held is 6.75% increased from 6.15% after the announcement in October that the RLW hourly rate would increase in 2026/27 by 85p to £13.45 per hour. This adjustment also includes rebasing of relevant fees to reflect changes in price inflation assumptions and service uptake.

- 3.13. **Council Tax Taxbase Adjustment** – monitoring of in-year Council Tax collection has highlighted increases to occupier-based exemptions being awarded to eligible residents/households resulting in Council Tax not being chargeable. For example, severely mentally impaired (SMI) exemption. This is a national trend showing a steady increase in exemption applications and backdated Council Tax refunds. A downward adjustment to the Council Tax Taxbase has been made to recognise the reduction in chargeable dwellings because of the increase in occupier-based exemptions.

Core Budget Pressures

- 3.14. **Recurrent Impact of In-Year Budget Pressures - Children and Education** – the MTFP update includes £7.856m increase in the service budget in recognition of the recurrent impact of the significant budgetary pressures being realised in-year. Nationally there are significant budgetary pressures on Children's Social Care and Education services due to increasing numbers of children in care (CIC), care leavers who cannot secure tenancies and move out of their funded semi-independent placements and an 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. Stockport has seen an increase in its CIC number since the pandemic which is a trend also felt nationally. The number of CIC in June 2025 was 508, a 13% increase since June 2022. The cost of social care placements has also been increasing reflecting an increase in complexity of need. External placements (EP) (placements run by external providers both in Stockport and in other areas) which are the highest cost, have risen as a percentage of overall CIC service costs. In June 2022 EPs were 26% of the CIC service costs. In June 2025 EPs were 29% of the CIC service costs.

- 3.15. In May, the council's Children's Services were inspected by Ofsted resulting in a downgrading of the previously received rating of 'good'. Whilst the inspection

highlighted good work in areas of the service particularly in relation to care leavers, key areas for improvement were identified and immediate steps have been taken to address these. A reduced Ofsted ILACS grading is well understood to result in increased costs. Work to recover the budget through cost control, early help and prevention, all-age commissioning and demand management is continuing with a focus on the recommendations and areas for improvement set out in the Ofsted report including the recruitment of additional social worker and social work permanence teams. The focus of work over the medium term will be to reduce placement numbers by around one hundred by 2028/29 through early help and prevention, and permanence planning of placements to support the MTFP.

- 3.16. The MTFP 2027/28 and 2028/29 forecasts include favourable adjustments expected linked to the placement number reduction. It is recognised that this is a challenging target given the ever-increasing need for support and complexity of that need in a statutory service. It is, however, imperative that the council controls costs in this service area and manages demand while national reform is awaited. The investment in 2026/27 supports the service to do this with a robust service budget in place.
- 3.17. **Recurrent Impact of In-Year Budget Pressures - Adult Social Care** – the MTFP update includes £2.050m increase in the service budget in recognition of the recurrent impact of the significant budgetary pressures being realised in-year. Stockport is the 'oldest' locality in Greater Manchester, and along with much of the country, Stockport's population continues to age. The population of Stockport in 2024 is 303,929 of whom 61,235 (20.1%) are aged 65+ and 8,863 (2.9%) are aged 85+. Across Greater Manchester 15.7% of the population are aged 65+. The population aged 65+ in Stockport has grown by 10% in the last 10 years and is projected to increase by 13% over the next 10 years (reaching 69,000). The population aged 85+ has grown by 20% in the last 10 years (up by 1,500 people) and is projected to rise by 36% over the next 10 (reaching 12,000). The main cost increase in the Adult Social Care Portfolio, is due to increased need for support and high demand for ASC services including pressures on transition costs from children's services for complex younger adults entering the service. The budget pressures being experienced across social care budgets and uncertainty about future government reforms presents a challenging position. A Stockport Age-Friendly Partnership has been brought together to tackle this challenge and work towards the aspiration for Stockport to be an age-friendly borough reducing costs of adult social care and improving outcomes for older residents. The MTFP 2027/28 and 2028/29 forecasts include favourable adjustment expected linked to the 'left shift' approach, increasing independent and community support, being taken. The investment in 2026/27 supports the service to do this with a robust service budget in place.
- 3.18. **Recurrent Impact of In-Year Budget Pressures - Place** – the MTFP update includes £1.923m increase in the service budgets in recognition of the recurrent impact of the budgetary pressures being realised in-year. The main cost increases in Place are in Homelessness, Temporary Accommodation and Parking. The investment also recognises related in-year budget pressures on income generation relating to the council's corporate estate.

Fairer Funding Review Adjustment

- 3.19. The outcome of the fairer funding review on the MTFP forecasts is detailed in the table below. The net adjustment reflects the change to Business Rates income forecasts as part of the calculated settlement funding assessment (SFA) and changes to grant funding reflecting grants that have been rolled into SFA form 2026/27.

Table 6: Fairer Funding Review Adjustment

	2026/27 £000	2027/28 £000	2028/29 £000
Business Rates MTFP change	(39,435)	(44,441)	(37,599)
Grants Rolled into SFA			
Better Care Fund*	0	11,981	11,981
Social Care Grant	28,668	28,668	28,668
Market Sustainability and Improvement Fund	5,614	5,614	5,614
Employers' National Insurance Contributions	2,149	2,149	2,149
Small Grants Rolled into Revenue Support Grant included in Business Rates	1,770	1,770	1,770
Other Settlement Adjustments			
Public Health Grant Uplift - Held in Contingency**	441	836	1,221
Children, Families and Youth Grant Uplift***	(1,170)	(1,170)	(657)
Children, Families and Youth Grant Uplift - Held in Contingency***	1,170	1,170	657
Homelessness & Rough Sleeping Grant Uplift****	(821)	(1,034)	(1,409)
Net Fairer Funding Adjustment – +ve Adverse/-ve Favourable	(1,614)	5,543	12,395

***Better Care Fund** - will be rolled into SFA from 2027/28. In 2026/27 this will be paid as a separate grant.

****Public Health Grant** – confirmed baseline funding allocation for the next 3 years in the provisional settlement. Increase of £0.441m to £19.377m in 2026/27 this will increase to £19.772m in 2027/28 and £20.157m in 2028/29 This funding forms part of the Council's 100% Business Rates Retention and is reflected in the business rates forecasts. A corresponding amount will be held in corporate contingency subject to confirmation of the 2026/27 pay award and the council's grant maximisation process.

*****Children, Families and Youth Grant** - government has introduced a new Children Families and Youth (CFY) Grant, which consolidates several existing grants into a single funding stream. The aim of this new grant is to simplify the funding landscape, reduce fragmentation, and provide greater flexibility in how councils can support children's services, early intervention, and youth provision. The council has received a net uplift of £1.170m compared to the equivalent funding received in 2025/26. A corresponding amount will be held in corporate contingency subject to the council's grant maximisation process.

******Homelessness & Rough Sleeping Grant** - changes have been made to the structure and distribution of the Homelessness Grant. Following analysis of the revised allocation, the council has identified a net uplift of £0.821m for 2026/27 compared with the 2025/26 funding level. This additional funding will support the council in meeting increasing pressures across homelessness and wider statutory duties. The final settlement uplift is included and has been incorporated into the council's MTFP offsetting planned investment in this service area.

Reserves

- 3.20. **Appropriation to Reserves** – adjustment to the employer's pension contribution saving outlined above in 2026/27 to provide a one-off increase to the workforce investment and change reserve.

Allocation of Corporate Contingency Budgets

3.21. 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 2026/27 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 £21.721m of corporate contingency budgets are earmarked and allocated as part of the 2026/27 budget setting process and in-year budget monitoring; £11.436m to be allocated from 1 April and £10.285m held in corporate contingencies to be allocated as costs are incurred during the financial year.

3.22. The table below shows the proposed allocation:

Table 7: Proposed Allocation of Corporate Contingencies

	Social Care incl Education £000	Other £000	Total £000
Amounts Allocated at Budget Setting:			
Corporate Contingency Inflation – Price***	9,436	0	9,436
Corporate Contingency - Demand Pressures	2,000	0	2,000
Amounts Allocated at Budget Setting	11,436	0	11,436
Amounts Held at Budget Setting:			
Corporate Contingency Inflation – Pay	2,206	1,944	4,150
Corporate Contingency Inflation – Price	1,000	*2,452	3,452
Public Health 2026/26 Uplift**	441	0	441
Leisure Cost Contingency	0	613	613
Children, Families and Youth Grant Uplift**	1,170	0	1,170
Apprenticeship Levy	0	459	459
Amounts Held at Budget Setting	4,817	5,468	10,285
Total	16,253	5,468	21,721

* 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.

** Public Health Grant and Children, Families and Youth Grant 2026/27 Uplift to be allocated in year subject to the council's grant maximisation process.

***Subject to Adult Social Care provider fees setting process and approval.

3.23. 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 2026/27 pay award between employers and Trade Unions.

Updated 2026/27 to 2029/30 MTFP Forecasts

3.24. Taking all the above into account, the council has a saving requirement of £14.598m in 2026/27 rising to £68.481m in 2029/30 before Cabinet consider their response to propose a balanced 2026/27 Revenue Budget and MTFP.

Table 8: 2026/27 Budget Position as at 10 February 2026

	2026/27 £000
<u>Resources</u>	
Council Tax Income	173,758
Adult Social Care Precept	33,222
Business Rates Income	121,682
Business Rates Top Up	17,527
Better Care Fund	11,981
Children's, Families and Youth Grant	2,053
Extended Producer Responsibility (pEPR)	2,906
GMCA Extended Producer Responsibility (pEPR) Allocation	1,937
GMCA Share of Business Rates Reset	406
2024/25 Collection Fund Outturn Declared	69
	365,541
<u>Expenditure</u>	
Service Budgets	307,028
Pay Inflation	4,150
Inflation - Price, Energy, Real Living Wage & Supplier Impact	3,452
Public Health Grant Uplift	441
Children, Families and Youth Grant Uplift	1,170
Apprenticeship Levy	459
Leisure Cost Contingency	613
Corporate Core Budgets	62,600
	379,913
Savings Requirement – Total Expenditure less Total Resources	14,372
Appropriation From Reserves - Airport Dividend - Declared 2024/25	(484)
Appropriation To Reserves – Workforce Investment/Change Reserve	710
Savings Requirement – After Reserves	14,598

- 3.25. Members are reminded that the MTFP forecasts presented are based on the best information available at the time of writing this report. The updated 2026/27 to 2029/30 MTFP is shown in Appendix 1.
- 3.26. The multi-year settlement provides funding certainty for the next three financial years (albeit subject to annual settlements process in year 2 and year 3). Beyond 2028/29, future funding allocations will be shaped by the next government Spending Review. The MTFP forecast assume funding beyond 2028/29 will be cash flat (same funding allocations as 2028/29).

Council Tax

- 3.27. The MTFP position presented above assumes a 0% increase in the general element of Council Tax and Adult Social Care Precept in 2026/27 and future years.
- 3.28. The final settlement makes it clear that government expect councils to increase Council Tax by the maximum allowable increase (3% General and 2% Adult Social Care Precept) in each on the next three financial years. Government continues to place ever-increasing reliance on Council Tax to achieve councils' CSP increases in the absence of sufficient grant funding to fund local services. Members are asked to note that by not increasing Council Tax by 4.99% in each of the next three financial

years, the council is permanently forgoing income that government expects it to collect in its CSP calculation.

3.29. The Section 151 Officer recommends that the MTFP planning assumption going forward is an annual increase of Council Tax of 4.99%. This reflects the government's expectation of council tax increases to achieve the CSP increases included in the provisional settlement.

3.30. The formal decision to increase Council Tax will continue to be subject to Cabinet consideration and council decision as part of the budget setting process each year. For illustrative purposes, the table below sets out the additional cumulative Council Tax income and Adult Social Care Precept income that a 4.99% increase would generate in each of the next three financial years.

Table 9: Illustration of Income Generated Through General Council Tax and Adult Social Care (ASC) Precept Increase

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Council Tax - General 2.99%	(6,188)	(12,747)	(19,698)	(27,059)
Council Tax - Adult Social Care Precept 2%	(4,139)	(8,527)	(13,176)	(18,099)
Cumulative Additional Council Tax Income	(10,327)	(21,274)	(32,874)	(45,158)

**Changes to the taxbase are included following the completion of the CTB1 form in October.*

3.31. To illustrate the impact, applying the maximum increase in Council Tax in each of the next four financial years will result in the following cumulative saving requirement.

Table 10: Illustration of Cumulative Saving Requirement Post MTFP Update including Council Tax Increase

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Cumulative Saving Requirement Post MTFP Update	14,812	33,446	53,673	68,610
Council Tax - General 2.99%	(6,188)	(12,747)	(19,698)	(27,059)
Council Tax - Adult Social Care Precept 2%	(4,139)	(8,527)	(13,176)	(18,099)
Cumulative Saving Requirement Post MTFP Update including Council Tax Increase	4,485	12,172	20,799	23,452

2026/27 Mayoral Precepts

3.32. 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 £15 increase in 2026/27. The Mayoral General (including Fire) Precept does not have a referendum limit set by government.

3.33. Both Mayoral Precepts for Band D dwellings were approved at the GMCA Budget meeting on 13 February as follows:

- Mayoral Police and Crime Commissioner Precept - £15
- Mayoral General (including Fire Services) Precept - £25

4. Risk Assessment:

- 4.1. The council is required by law to set a balanced, robust and resilient budget each year. The budget set must be sufficient to meet the council's statutory obligations, its priorities and ambitions. This requires the budget to be risk assessed across the many varied services it delivers. Robustness does not guarantee all eventualities are identified and there is always forecast risk when setting the budget.
- 4.2. The risk can be mitigated through careful management and identification of emerging financial risks. As already highlighted, updates to the MTFP forecasts and assumptions will need to be continual during 2026/27 to support the continuing identification of risks and inform decision making. Details of the risks inherent within the MTFP forecasts and assumptions, and how they 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 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.

5. Mitigating the Risk:

General Fund Balance

- 5.1. Based on the Section 151 Officer's risk assessment it is recommended that the council's General Fund Balance is held at the same level as set in 2025/26, £15.183m. The risk assessment is presented in the proposed 2026/27 Cabinet Revenue Budget report presented elsewhere on this agenda.

Reserve 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 2025 the council had circa £77m of earmarked unallocated resources held in reserves. This equates to 7.35% of the council's total expenditure (revenue and capital). In general, these resources are earmarked to support the council's budget resilience, investments and comply with accounting requirements.

GM Authorities Reserves as a Percentage of Total Expenditure



5.4. Recent Local Government failings resulting in Section 114 (bankruptcy) notices have heightened the focus on councils' financial robustness and resilience by the Chartered Institute of Public Finance and Accountancy (CIPFA) using the 2024/25 published Local Authority financial data. The metrics show that the council's earmarked reserves are within the median range when compared to its nearest CIPFA statistical neighbouring authorities and all English Authorities. A higher percentage indicates that the council has greater resources available in earmarked reserves to fund future projects, mitigate specific risks, and to cushion against unexpected expenditure. Lower percentages indicate that the council has lower resources available to invest and less ability to absorb financial shocks.

Indicator (click for source data)	Financial year	Stockport	Median of Stockport's similar local authorities ¹	England median (Unitary, Metropolitan and London Boroughs)
Non-ringfenced reserves as percentage of net revenue expenditure ⓘ	2023-24	33.3%	33.1%	38.9%
Non-ringfenced reserves as percentage of service spend ⓘ	2023-24	33.6%	27.2%	31.0%



5.5. The significant financial challenge the council faces over the medium term will put a greater reliance on the council's Reserves Policy to ensure resources held continue to support the robustness and resilience of the council's MTFP. The resources held must be protected to support the council's financial resilience given the significant and critical financial challenge. There is a significant risk that the council not making the difficult and challenging decisions needed, will result in accelerated use of reserves to fund budget pressures and balance budgets. Members are reminded that the use of reserves to support the budget and MTFP only provides a smoothing position rather than permanent and sustainable solution.

5.6. The Section 151 Officer strongly cautions against over reliance on reserves and highlights the need to protect and minimise the use of reserves for this purpose. Over reliance will adversely impact the council and expose it to resilience risk in terms of ability to invest and absorb financial shocks. If needed resources held in earmarked reserves can be uncommitted to smooth funding gaps over the medium-term period. But a managed and responsible approach to the use of reserves for this purpose is extremely important. The council's Reserves Policy achieves this, ensuring reserve levels are appropriate to mitigate budget risks both known and unknown over the medium term while ensuring appropriate use to support the balancing of budgets while permanent funding solutions and/or cost reductions are identified.

Financial Resilience Assurance Framework

5.7. The council's financial resilience assurance framework includes:

- **MTFP Summer Review and Updates** – regular reviews of the key assumptions and forecasts that underpin the council's MTFP to ensure they remain robust and based on the most up to date information throughout the year;
- **Reserves Policy** – annual update of the council's Reserves Policy to ensure earmarked reserves are aligned to the council's corporate and strategic objectives over the medium-term period;
- **Budget Risk Assessment** – annual assessment of the adequacy of the council's General Fund Balance to mitigate the impact of risks;
- **Scrutiny Committee and Audit Committee** - regular Member scrutiny of the council's Financial Management throughout the year;
- **Internal and External Audit** – independent audits of the council's financial management throughout the year. During 2024/25 an internal audit of the council's financial governance and financial resilience gave the council substantial assurance on the strength of its financial management and financial resilience; and
- **CIPFA Financial Management Code** – a self-assessment has been completed against the requirements of the code which provides guidance for good and sustainable financial management in local authorities and ensures that authorities are managing resources and risk effectively. The self-assessment was updated in 2025/26, with Internal Audit to reviewing it and presenting the findings to Audit Committee.

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 council has to set a balanced budget as required by legislation.

8. Human Resources Considerations

- 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. Integrated Impact Assessment:

- 9.1. In developing the change proposals (subject to approval) included within the MTFP, Integrated Impact Assessments (IIAs) have been undertaken by officers. These IIAs 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.
- 9.2. IIAs also consider environmental impacts, 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 and consequences across the borough as a result of the proposals and have suggested how negative impacts may be reversed or mitigated.
- 9.3. IIAs accompanied the final change proposals presented to January Scrutiny Committee meetings and February Cabinet for approval.

10. Conclusion:

- 10.1. The council's financial position over the medium-term is extremely challenging. The proposed funding in the settlement has significantly worsened the financial outlook, adding £12.4m adverse adjustment to the MTFP by 2028/29. Insufficient funding of local services has not been addressed by government - fairer funding doesn't equate to adequate funding needed to deliver essential services to residents and businesses. Whilst the council remains confident about setting a robust and resilient budget for 2026/27, this position is pushing the council closer to needing to ask for exceptional financial support from government, despite being a well-managed council.
- 10.2. The financial challenges the council faces, as with other councils across the country, reflect the ever-increasing need for support from the services it delivers. The council must find ways to control costs through efficient and effective service delivery and make challenging and difficult decisions about the services it delivers and how it delivers them. While attempts to mitigate impact through transformation, automation and new ways of working will be important part of this, the council will have to consider doing less or stop doing in some service areas to achieve the savings needed.

- 10.3. Following the MTFP Update adjusting the underpinning forecasts and assumptions set out in this report, the council has a £14.598m savings requirement in 2026/27.
- 10.4. Cabinet is recommended to take note of the detail included in this report and take the necessary steps to propose a final balanced 2026/27 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.
- 10.5. The recommendations are set out in the Committee Report Summary Sheet.

Appendix 1 – 2026/27 to 2029/30 Medium-Term Financial Plan

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Resources				
Council Tax Income	173,758	174,605	175,450	176,293
Adult Social Care Precept	33,222	33,383	33,545	33,706
Business Rates Income	121,682	124,117	126,598	129,138
Business Rates Top Up	17,527	21,827	14,232	12,827
Better Care Fund	11,981	0	0	0
Children's, Families and Youth Grant	2,053	2,053	1,540	1,540
Extended Producer Responsibility (pEPR)	2,906	2,615	2,325	2,034
GMCA Extended Producer Responsibility (pEPR) Return	1,937	1,590	0	0
GMCA Share of Business Rates Reset	406	406	406	406
One-Off Collection Fund 2024/25 Outturn Declared	69	0	0	0
	365,541	360,596	354,096	355,944
Expenditure				
Service Budgets**	307,028	303,161	299,924	299,206
Pay Inflation	4,150	7,713	10,634	13,614
Inflation – Price, Energy, Real Living Wage & Supplier Impact**	3,452	14,816	25,588	36,376
Public Health Grant Uplift	441	836	1,221	1,221
Children, Families and Youth Grant Uplift Investment	1,170	1,170	657	657
Demand Pressures/Increased Need for Support*	0	2,000	4,000	6,000
Apprenticeship Levy	459	468	478	487
Cost of Leisure Contingency	613	0	0	0
Corporate Core, Levies and Borrowing Costs	62,600	63,718	65,138	66,864
	379,913	393,882	407,640	424,425
Cumulative Savings Requirement – Total Expenditure Less Total Resources	14,372	32,286	53,544	68,481
Appropriation From Reserves – Airport Dividend - Declared 2024/25	(484)	0	0	0
Appropriation To Reserves – Workforce Investment/Change Reserve	710	0	0	0
Savings Requirement – After Reserves	14,598	32,286	53,544	68,481

*Demand contingency allocated in full to service budgets in 2026/27.

**Contingency allocation adjustments subject to provider fee setting process and approval.

Appendix 1 (continued – 2026/27 to 2029/30 Medium-Term Financial Plan Underlying Assumptions)

Assumptions	2026/27	2027/28	2028/29	2029/30
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%	2.50%	2.00%	2.00%
Price Inflation (unless specific contract rate)	3.00%	2.50%	2.00%	2.00%
Real Living Wage	6.75%	5.95%	5.61%	5.32%
Business Rates Multiplier Increase Standard	3.80%	2.00%	2.00%	2.00%
Employer's Pension Contribution	15.00%	15.00%	15.00%	15.00%
GMCA Waste Disposal Levy	3.14%	3.77%	2.50%	3.64%
GMCA Transport Levy	1.40%	3.00%	3.00%	3.00%
GMCA Statutory Charge	1.40%	3.00%	3.00%	3.00%

MTFP Best & Worst-Case Scenarios Minus = Saving Plus = Cost		2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Pay Awards – illustrates the impact of a best case scenario of 0% increase and a worse case increase of 2% on top of the current assumption.	Base	4,150	3,563	2,921	2,980
	Best 0%pa	0	0	0	0
	<i>Impact on Illustrative Case</i>	<i>(4,150)</i>	<i>(3,563)</i>	<i>(2,921)</i>	<i>(2,980)</i>
	Worst 2%pa	6,917	6,413	5,842	5,960
	<i>Impact on Illustrative Case</i>	<i>2,767</i>	<i>2,850</i>	<i>2,921</i>	<i>2,980</i>
Price Inflation – illustrates the impact of allocating 75% of Price Inflation held best case and 125% worse case.	Base	12,888	11,364	10,772	10,788
	Best 75%	9,666	8,523	8,079	8,091
	<i>Impact on Illustrative Case</i>	<i>(3,222)</i>	<i>(2,841)</i>	<i>(2,693)</i>	<i>(2,697)</i>
	Worst 125%	16,110	14,205	13,465	13,485
	<i>Impact on Illustrative Case</i>	<i>3,222</i>	<i>2,841</i>	<i>2,693</i>	<i>2,697</i>
Demand Pressures – illustrates the impact of allocating 75% of demand pressures held best case and 125% worse case.	Base	2,000	4,000	6,000	8,000
	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 – 2026/27 to 2029/30 MTFP – Changes to Forecast Savings Requirement

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Savings Requirement Approved on 27 February 2025	20,945	32,148	43,928	56,494
MTFP Forecasts and Assumption Changes Favourable				
Employer Pension Contributions – 3.7% reduction from 18.7% to 15%	(3,336)	(3,336)	(3,336)	(3,336)
Airport Car Park Investment Income	(414)	(414)	(414)	(414)
Garden Waste Permit Income – Increased Uptake	(500)	(500)	(500)	(500)
Waste Disposal Levy 2026/27 3.18%, 2027/28 3.77% & 2028/29 2.5%	(976)	(1,013)	(1,038)	(1,076)
Transport Levy 2026/27 1.4%, 2027/28 3% Onwards	(344)	(354)	(365)	(376)
GMCA Levy	(138)	(138)	(69)	(69)
Budget Adjustment	(1,267)	(1,267)	(1,267)	(1,267)
Extended Producer Responsibility (pEPR)	(2,906)	(2,615)	(2,325)	(2,034)
GMCA Extended Producer Responsibility (pEPR) Funding Return	(1,937)	(1,590)	0	0
GMCA Business Rates Reset Allocation	(406)	(406)	(406)	(406)
MTFP Forecast and Assumptions Changes Adverse				
Price Inflation – Rebase 3% 2026/27 & 2.5% 2027/28 (including Real Living Wage (RLW) increase)	2,242	4,205	5,643	7,090
Pay Inflation Rebase 3% 2026/27 & 2.5% 2027/28	1,344	1,889	1,734	1,581
Business Rates Forecast Change	0	0	0	733
Council Tax Taxbase	76	93	112	132
Core Budget Pressures				
Approved Cremator Replacement Capital Scheme Borrowing Cost	280	249	418	500
Recurrent Impact of In-Year Budget Pressures Children's and Education	7,856	6,231	2,848	2,848
Recurrent Impact of In-Year Budget Pressures Adult Social Care	2,050	675	(700)	(700)
Recurrent Impact of In-Year Budget Pressures Place	1,923	1,923	1,923	1,923
Investment and Development Account	0	0	3,000	3,000
Local Government Finance Settlement				
Fairer Funding Review Impact	(1,614)	5,543	12,395	12,395
Cabinet Change Proposals				
2026/27 Change Proposals	(1,500)	(1,500)	(1,500)	(1,500)
Service Productivity & Efficiency	(6,537)	(6,537)	(6,537)	(6,537)
One Off Resources				
2024/25 Collection Fund Outturn Above Declared	(69)	0	0	0
Cost of Leisure Contingency Budget Rebase	(400)	0	0	0
Appropriation From Reserves – Airport Dividend Declared 2024/25	(484)	0	0	0
Appropriation To Reserves – Workforce Investment/Change Reserve	710	0	0	0
Revised Savings Requirement	14,598	33,286	53,544	68,481

Appendix 3 – MTFP Risk Assessment and Mitigation

Risk Identified	Risk	Risk Mitigation
Adults Demand	Continuing and increased demand, increased costs from complex younger adults entering the service and reduced staffing vacancies. recovery plan has been put in place including reviewing recruitment plans, reassessing high-cost placements and transitions, and prioritising transformation schemes that reduce expenditure or increase income to support both in-year and long-term financial sustainability 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 - Adults services recovery plan
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.	- In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
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.	- In year monitoring and forecasting of the costs of care services - Continued business partner working with social care commissioners and engagement with external providers on fee setting. - Potential for further government support funding for social care services - Reserves Policy

Risk Identified	Risk	Risk Mitigation
Capital Financing Costs	Several 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.	<ul style="list-style-type: none"> - In year monitoring of interest rates by Treasury Management Team - Updates from Treasury Management advisors (Link Asset Services) - MTFP Summer Review - Flexibility built into the capital financing budgets to respond to interest rate increases and new long-term borrowing - Reserves Policy - Identified available one-off resources
Collection Fund	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 following 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	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - In year monitoring of collection rates - Reserves Policy - Identified available one-off resources
Council Tax Taxbase	The Medium Term Financial Plan (MTFP) relies on forecasts of future Council Tax Taxbase growth and expected in-year collection rates. Delays in planning processes and the delivery of new housing developments may reduce actual taxbase growth, resulting in lower council tax yield than forecast. Government Financial Settlement assume a 100% collection rate and apply average taxbase growth over previous years, including recent increases linked to empty property premiums. These assumptions do not account for rising exemption levels in Stockport, for example Severe Mental Impairment (SMI) exemptions leading to discrepancies between government estimated and actual local taxbase levels. This creates a material risk of income shortfall against the MTFP.	<ul style="list-style-type: none"> - In year monitoring of the Collection Fund - Reserves Policy - Identified available one-off resources
Demand, Price, and Demographic Led Services including population growth	Continuing increases in demand and demographic costs for demand led services such as Children and Adult Social Care	<ul style="list-style-type: none"> - In year budget monitoring - Changes to service operating models

Risk Identified	Risk	Risk Mitigation
	<p>could result in increases in the MTFP forecast expenditure pressures. Work is being completed to transform services to manage and reduce this demand as part of the council's transformation programme. The transformation proposals are expected to reduce service demand and the demand contingency budget in the MTFP. If these service transformation projects are not successful in reducing demand, costs will continue to be incurred without the ability to use contingency budget to fund them.</p>	<ul style="list-style-type: none"> - Future demand modelling - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme
Children's Demand	<p>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.</p>	<ul style="list-style-type: none"> 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	<p>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 Cash Limit pressures could occur. The DSG High Needs Block which is used to support children with Special Educational Needs (SEN) has significant budget pressures due to increasing demand within a challenged market with limited capacity and increasing complexity of children's requirements within the borough. Finance Officers are working as part of a DSG funding review group and with Schools Forum to address these issues.</p>	<ul style="list-style-type: none"> - DSG Review Group working to address long term budget sustainability of the DSG - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
Devolution	<p>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, particularly through mechanisms like the Trailblazer Deal and the Single Settlement funding model. These changes may increase local flexibility but also introduce greater complexity and accountability in financial planning.</p>	<ul style="list-style-type: none"> - Monitoring of Government Policy - Discussion with colleagues across Greater Manchester - MTFP Summer Review - MTFP updates - Reserves Policy - Identified available one-off resources
Fair Funding Review 2.0	<p>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)”.</p> <p>The consultation concluded on the 15 August 2025 which included proposed funding models as mentioned in section 2. Despite the proposed funding reforms and increased allocations, the sector continues to face significant financial pressures, over 60% of the council’s budget is now allocated to adult and children’s social care, with demand and complexity rising, the statutory override allowing councils to exclude SEND deficits from their balance sheets which is due to end in March 2028.</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. 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. 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 2026/27 onwards will continue on a cash flat basis,</p>	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) on updates to government reforms - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
	<p>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>	
<p>Financial Robustness and Resilience</p>	<p>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.</p>	<ul style="list-style-type: none"> - In year budget monitoring - Budget setting - MTFP Summer Review - MTFP Updates - Reserves Policy - Internal Audit
<p>Government's Comprehensive Spending Review and Local Government Finance Settlement</p>	<p>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. The Government's multi-year settlement spending review concluded on the 11 June 2025 and commitment to a multi-year settlement covering 2026/27 to 2028/29 will be welcome to make medium-term planning a little easier.</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 with the planned reforms in 2026/27.</p>	<ul style="list-style-type: none"> - Update from financial advisory services (SIGOMA and Pixel Financial Management) government reforms - Reserves Policy - Available one-off resources
<p>Integrated Care System – NHS Greater Manchester</p>	<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"> - Links to relevant officers across the council involved in the Integrated Care System (ICS). - Links into GM and GMCA colleagues involved in the ICS in their localities. - Links into Health colleagues.

Risk Identified	Risk	Risk Mitigation
		<ul style="list-style-type: none"> - Establishment of a shadow locality Board, Executive Group, and relevant sub-groups to oversee the development of the locality arrangements in Stockport.
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"> - Discussions with GMCA colleagues throughout the year to understand position on levies - MTFP Summer Review - MTFP Updates
Preventative Help and Early Intervention Investment	<p>Across both Adults and Children's Services, the scale of the in-year and recurrent budget pressures is significantly reducing the council's ability to sustain investment in early help and preventative intervention. As statutory and high cost demand absorbs a growing share of available resources, the capacity to fund this investment that reduces escalation and mitigates long-term pressures is increasingly constrained. This presents a material strategic risk, without adequate preventative investment, future demand and complexity will rise, creating higher costs in later years and could undermine the assumptions within the MTFP.</p>	<p>In year budget monitoring</p> <ul style="list-style-type: none"> - Changes to service operating models - Demand contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves - Transformation Programme - Adults/Children's services recovery plan
Real and National Living Wage	<p>The obligation for the council to meet the increasing costs because 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"> - In year budget monitoring - Changes to service operating models - National Living Wage contingency budget - Real Living Wage Contingency budget - MTFP Summer Review - Reserves Policy - Budget Resilience Reserves

Risk Identified	Risk	Risk Mitigation
Corporate Budget Surpluses	<p>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.</p>	<ul style="list-style-type: none"> - Identification of service budget expenditure pressures as part of MTFP Summer Review and annual budget setting process - Allocation of contingency budgets as part of the budget setting process
Pay Award	<p>The council has forecast for an annual 3% pay inflation increase in the MTFP for 2026/27, 2027/28 & 2028/29 reducing to 2% in future years. If a similar deal to 2025/26 was agreed this would be slightly more than we are currently assuming. Negotiations between Trade Unions and employers for 2026/27 will be ongoing and would be expected to conclude in the next financial year. Any further update will need to be factored into the next iteration of the MTFP.</p>	<ul style="list-style-type: none"> - Monitoring of pay award negotiations - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one-off resources
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. 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 more than inflation and the cost-of-living crisis.</p>	<ul style="list-style-type: none"> - Monitoring of inflation rates - MTFP Summer Review - MTFP Updates - Reserves Policy - Identified available one-off resources
Reserves	<p>Availability of earmarked reserves to mitigate pressures on a temporary basis and smooth the financial impact whilst permanent budget recovery plans and/or funding option are identified. 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.</p>	<ul style="list-style-type: none"> - Reserves Policy - Identified available one-off resources

Risk Identified	Risk	Risk Mitigation
Transformation Programme	<p>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.</p>	<ul style="list-style-type: none"> - In year budget monitoring - MTFP Summer Review - MTFP Updates - Reserves Policy – Invest to Save and Double Running Reserve

Appendix 4
2026/27 Provisional Local Government Finance Settlement Consultation

Stockport Metropolitan Borough Council Response

Response ID ANON-P2ZA-1RRN-Z

Submitted to Provisional local government finance settlement: England, 2026 to 2027

Submitted on 2026-01-14 16:51:56

Contact Information

a. What is your name?

Jonathan Davies

b. In what capacity are you responding to this consultation?

Metropolitan district

c. Are you responding to this consultation on behalf of an organisation? If so, please specify which one.

Stockport Metropolitan Borough Council

d. If applicable, please specify your position within the organisation you represent.

Director of Finance - Section 151 Officer

e. What is your email address?

jonathan.davies@stockport.gov.uk

Consultation Questions

1. Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27? This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.

Neither agree nor disagree

Please provide any additional information, including any explanation or evidence for your response.:

A review of Local Government funding was long overdue, the last review/reset being completed and implemented in 2013. We recognise the complexity of doing this and achieving a fairer funding allocation for councils. However, given the technical complexity and significance of the funding changes proposed in the Provisional Settlement we expected to be given more than four weeks to consider the detail, understand the impact and respond, particularly given the lack of exemplification of impact throughout and the time of year the Provisional Settlement and consultation have been released. Documents have been published far too late and have created a significant challenge for 2026/27 budget setting. Since the Fairer Funding Review consultation in spring, councils have been left to model the impact from high level modelling and incomplete detail provided. Given the scale and complexity of changes and impact, the lack of transparency has been extremely difficult. We, and suspect

many councils across the country, have had to rely on technical experts and their modelled assumptions of what the proposals mean to help with this. The council alongside other councils have asked Government for exemplification of the proposals to understand the impact on budgets and MTFPs. It is disappointing that we have had to wait for the delayed Policy Statement and Provisional Settlement to get this detail which has left little time for us to understand impact and respond ahead of the final settlement being confirmed.

The council is extremely disappointed with the Core Spending Power (CSP) increase of just 7.5% by 2028/29. Our increase is significantly less than other councils facing the same service demand and budget challenges as us. The Council's in-year deficit forecast highlights a £11.5m overspend against service budgets, which is 3.2% more spend in the year than what was planned. This means the net core spending power increase in 2026/27 of 2.97% doesn't fully cover current spending levels before further cost increases linked to inflation and increasing need for support from residents and businesses are considered. To put the £26m CSP increase by 2028/29 into context, the cost of expected real living wage increases over this period for example are forecast to be around £24m alone. While we welcome the inclusion of funding floors in the Provisional Settlement, we contend that the minimum required annual funding increase for councils (before assumed Council Tax increases) to fund essential local services is more than the cash flat protection proposed for us. Annual funding increases should reflect real terms increase to address increasing inflationary and demand costs putting annual pressure on services and budgets. **We ask that Government consider providing councils facing the same budget pressures with the same real terms funding increase protection and guarantee over the settlement – we seek parity.**

While the Government's headline is an increase in CSP over the settlement, this is only achieved by the assumed annual increase in Council Tax. The full equalisation of Council Tax in the baseline funding level calculation is challenging and means an assumed increase in Council Tax of £39m is significantly greater than our overall headline CSP increase of £26m over the settlement. This reflects the continuing reliance on local taxpayers to fund local services. Significant increases in cost and demand for services cannot continue to be funded by Council Tax, this is unsustainable and a regressive form of taxation. **We continue to ask Government to find a sufficient and sustainable way of funding local services that does not continue to increase the burden on local taxpayers.**

Baseline Funding Levels calculated on a needs assessment is the correct approach to achieving fairer funding. However, it is disappointing that changes to some variables used to calculate need and proposed funding allocations were not explained and consulted on in spring. This lacks transparency, fairness and understanding of how formulas have been changed to redistribute funding across the country. For example, the change of housing cost assessment within the foundation formula and children's formula, the use of 2022 population data rather than up to date 2024 mid-year data and the continuation of the recovery grant outside of the settlement funding assessment. These factors and changes have had a significant impact on the redistribution of funding across councils without consultation and opportunity to set out our position on proposals and impact.

Whilst there is clearly a need to recognise deprivation in funding distribution, using an average deprivation score does not reflect local challenges and need for support. In Stockport for example, we have four of the most deprived areas in the country, supporting around 6,500 residents who live in these areas and one of them, Lancashire Hill, being the most deprived area in Greater Manchester. This position we feel is not reflected in the proposed fairer funding allocation.

The council is disappointed about the continuation of the Recovery Grant and inclusion of the associated Recovery Grant Guarantee. The continuation of this funding was not consulted on giving no opportunity to respond with views on the unfairness of this which we raised in the 2025/26 provisional settlement consultation. The Recovery Grant was introduced in 2025/26 as a “one-off” grant. We expected, alongside other councils and commentators, the £600m of national funding of the Recovery Grant to be rolled into the national funding pot and allocated across all councils based on needs assessment from 2026/27. This, we thought, would achieve a fairer funding allocation to all councils based on needs. Not doing so means we have lost out on around £7.8m of needs assessed funding over the settlement. More importantly this means we also don't receive the funding increase protection guarantee given to those councils receiving Recovery Grant who face the same budget challenges as us. Not benefiting from the guarantee means we lose out on around £10m of funding over the settlement. The continuation of the Recovery Grant outside the needs assessed settlement funding assessment is not in line with Government's own fairer funding review principles such as transparency and simplification. **Its continuation without consultation feels grossly unfair and does feel like this has been used to smooth funding impact of changes elsewhere.**

Councils receiving Recovery Grant represent some of the most deprived areas in the country. Stockport however, with four areas in the most deprived 1% of areas nationally and the most deprived area, Lancashire Hill, in Greater Manchester receive nothing from this funding. The needs of these areas and other deprived areas in the borough are not being recognised in the fairer funding proposed.

As we highlighted in last year's Provisional Settlement consultation, in our view there are two flaws with the Recovery Grant, and is why we feel it is unfair to continue outside of the needs assessed Settlement Funding Assessment:

- 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.
- 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. Using an average deprivation score calculated in 2019 in the funding distribution does not reflect local challenges and need for support. Deprived areas of the borough are being penalised in terms of

Government not recognising the need of these areas in their funding distribution methodology for the Recovery Grant.

We ask for urgent clarity on plans for SEND reform and how this will impact Dedicated Schools Grant (DSG) deficits. Our in-year DSG deficit is around £23m increasing our cumulative deficit to around £66m by year end. Holding this deficit on the balance sheet is costing the council's General Fund around £2.3m in-year (around £5m cumulatively since 2019/20) in borrowing costs to cash flow the underfunded position. While we wait for a solution (that isn't an override) this general fund cost grows.

While the council welcomes the confirmation of multi-year settlement and certainty this brings, it is disappointing that the sufficiency of Local Government funding has not been addressed – fairer funding doesn't equate to adequate funding needed to deliver essential services to residents and businesses. **We continue to seek fair and sufficient funding to deliver the essential services to our residents and businesses.**

2. Do you agree or disagree with the government's proposed transitional arrangements?

Neither agree nor disagree

Please provide any additional information, including any explanation or evidence for your response. :

Transition Arrangements:

We welcome the three-year transitional support that smooths the transition to our new funding baseline.

Funding Floor and Recovery Grant Guarantee Protection:

While we welcome funding floor protection, we don't feel the way different protection has been applied to different councils is transparent and fair. Our main concern is the Recovery Grant Guarantee being one of only three Metropolitan Borough Councils (outside London) not to receive this protection. While we face the same demand and budget challenges as other Metropolitan Borough Councils, we will not benefit from this much needed funding increase guarantee. For the council this means a loss of around £10m of funding increase protection over the settlement which would offset a significant element of our modelled impact while we manage our transition to our new baseline funding level.

While we welcome the inclusion of funding floors in the Provisional Settlement, we contend that the minimum required annual funding increase for councils (before assumed Council Tax increases) to fund essential local services is more than the cash flat protection proposed for us. Annual funding increases should reflect real terms increase to address increasing inflationary and demand costs putting annual pressure on services and budgets.

We ask that Government to provide us (and other councils) facing the same budget pressures as others, with the same real terms funding increase protection and guarantee over the settlement – we seek parity.

3. Do you agree or disagree with the proposed package of council tax referendum principles for 2026-27?

Neither agree nor disagree

Please provide any additional information, including any explanation or evidence for your response.:

Generally, recognising that Council Tax is disappointingly a fundamental part of Government's approach to funding local services, the Council is supportive of the proposed 2026/27 Council Tax referendum principles. This does give the Council flexibility to raise funding through Council Tax increases. In addition, the continuation of the Adult Social Care Precept increase recognises the continuing budget pressures of supporting vulnerable residents.

However, we continue to have significant concerns about the ever-increasing reliance on Council Tax to fund local services. Local services should be properly funded without this burden on local taxpayers.

The Council continues to be unhappy with the Government's response to funding services via local taxation. The Core Spending Power increase included in the Provisional Settlement is underpinned by the assumed annual 4.99% increase in Council Tax and annual growth in taxbase. 66% of the council's Core Spending Power (CSP) by 2028/29 will be funded 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 balance continues to present a challenge for the council. 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.

Adult Social Care Precept is not a sustainable way of funding the costs of adult social care needs of residents. Government must deliver on reforms to find a sustainable way of funding these adult social care services costs.

We continue to ask for a sufficient and sustainable funding allocation that does not rely on Council Tax and place this burden on local taxpayers.

4. Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?

Neither agree nor disagree

Please provide any additional information, including any explanation or evidence for your response.:

We welcome the funding of the Families First Partnership Programme and cash flat floor protection over the settlement. The focus on early intervention and prevention this funding supports will help address the challenges faced.

We are disappointed however, with changes made to the Children's relative needs formula between the spring consultation and the Provisional Settlement. For example, changes to housing costs in the formula. The significant shift of funding as a result has been difficult to understand and lacks transparency and fairness.

5. Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26/27 but seeking an alternative solution from 27/28?

No view

Please provide any additional information, including any explanation or evidence for your response.:

No comment – Internal Drainage Board funding is not applicable to the council.

6. Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

Agree

Please provide any additional information, including any explanation or evidence for your response.:

We agree with the proposal of funding Mayoral Strategic Authorities within the settlement on the basis there is no detriment to funding allocation to councils covered by the regions these authorities represent.

7. 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 these proposals and provide evidence to support your comments.

Please provide any additional information, including any explanation or evidence for your response.:

While there is clearly a need to recognise deprivation in funding distribution, using an average deprivation score does not reflect local challenges and need for support. In Stockport for example, we have four of the most deprived areas in the country, supporting around 6,500 residents who live in these areas and one of them, Lancashire Hill, being the most deprived area in Greater Manchester. Residents living in these areas often have one or more protected characteristics. This and the challenges of living in a significantly deprived area can compound the challenges these residents already face. This we feel is not reflected in the proposed fairer funding allocation and CSP increase. Our CSP increase by 2028/29 is significantly less than the national average increase and will have an impact on these areas and the rest of the borough.

While we strive to respond to this and support our residents, our insufficient funding increase over the settlement that fails to recognise this local position will make supporting these residents and addressing inequalities they face even more challenging.

We ask that Government re-examine how the 2025 IMD data is being used and treated in the fairer funding allocation.