

Report To: EXECUTIVE CABINET

Date: 25 October 2023

Executive Member / Reporting Officer: Cllr Jacqueline North – First Deputy (Finance, Resources & Transformation)
Ashley Hughes – Director of Resources (Section 151 Officer)

Subject: MEDIUM TERM FINANCIAL STRATEGY UPDATE

Report Summary: The report presents an update to the Council's Medium Term Financial Strategy (MTFS). The position has improved since the previous report in June 2023 due to the submission of budget reduction proposals from all service areas along with a 2% reduction in the prevailing rate of Consumer Price Index (CPI) inflation. The rate of CPI released in September 2023 was 6.7%.

The MTFS is part of the financial framework for the Council. A key purpose of the MTFS is to ensure that future budgets will be balanced. It is a statutory requirement for the Council to set a legally balanced budget for the immediate financial year ahead, and it is best practice to have a medium-term view over a 3-5 year period.

The current MTFS has an imbalance of resources to expenditure of £33.819m to 2028/29, with £9.651m still required to be found for 2024/25. In the last update, the MTFS imbalance was £39.783m to 2028/29, with £12.889m required to be found for 2024/25.

The "budget gap" in the MTFS as a percentage of the 2023/24 net expenditure requirement of £221.397m is 4.4% for 2024/25 and 15.3% to 2028/29. The thinktank Localis are running events on local government finance at all political party conferences this year, with their findings suggesting many authorities in the UK are planning for budget reductions of up to 15%. This is in line with the Council's current MTFS gap.

The Council's budget monitoring report for Month 5 is also presented to this Executive Cabinet and it contains significant levels of risk in services with activity-driven costs such as social care, homelessness and highway maintenance. The current forecast out-turn for 2023/24 is £0.036m underspent. The underlying risk is £13.021m. The worst case scenario is that the full risk value converts to an overspend, requiring the use of reserves to balance the General Fund position. Within the MTFS position, there is an assumption of pressures requiring funding based on activity and demand in 2023/24, however there is an expectation that services proactively work on demand management and "flattening the curve", and this is assumed within the MTFS.

In the worst case scenario, where demand management fails and no budget reductions are delivered and the Council has to support a balanced budget through reserves use, the Council will exhaust its reserves in 2027/28. For the avoidance of doubt, that is 4 years from the date of this report to Executive Cabinet.

As reserves fall, it will become more and more difficult for the Section 151 Officer to fulfil their statutory duties and confirm that budget estimates are robust and that reserves and balances are suitable and appropriate to maintain fiscal sustainability.

The scale of the challenge the Council is facing to set a legally balanced budget in the face of rising demand for social care and homelessness services, inflation against the backdrop of over a decade of reducing financial envelopes since 2010 (the Council has delivered over £180m of reductions in that time) is as acute as it was in the period 2010-2013. Members of the Executive Cabinet and Full Council need to be under no illusions that balancing the budget whilst maintaining service delivery will require difficult decisions over the forthcoming months and years.

Recommendations:

That Executive Cabinet APPROVES:

- 1) The recommendation to not pool Business Rates across Greater Manchester for 2024/25 and authorises the Section 151 Officer to respond to the Department for Levelling Up, Housing and Communities to that effect.
- 2) The updated MTFS for 2024/25 to 2028/29.

That Executive Cabinet NOTES:

- 3) The impact of additional inflationary and demand pressures on the MTFS from 2024/25 to 2028/29.
- 4) The impact of the proposed budget reductions on the MTFS from 2024/25 to 2028/29.

Policy Implications:

Budget is allocated in accordance with Council.

Financial Implications:

As contained within the report.

(Authorised by the Section 151 Officer & Chief Finance Officer)

Legal Implications:

(Authorised by the Borough Solicitor)

The Local Government Act 1972 (Sec 151) states that “every local authority shall make arrangements for the proper administration of their financial affairs...” The council has a statutory responsibility to ensure that it operates with sufficient reserves in place. The legislation does not stipulate what that level should be, rather that it is the responsibility of the Council’s Section 151 officer to review the level of reserves and confirm that the level is sufficient. Reserves by its very nature is finite and so should only be drawn down after very careful consideration as the reserves are unlikely to be increased in the short to medium term.

Risk Management:

Associated details are specified within the presentation.

Failure to properly manage and monitor the Council’s budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.

Background Papers:

Background papers relating to this report can be inspected by contacting : Stuart Munro, Senior Finance Manager

 e-mail: stuart.munro@tameside.gov.uk

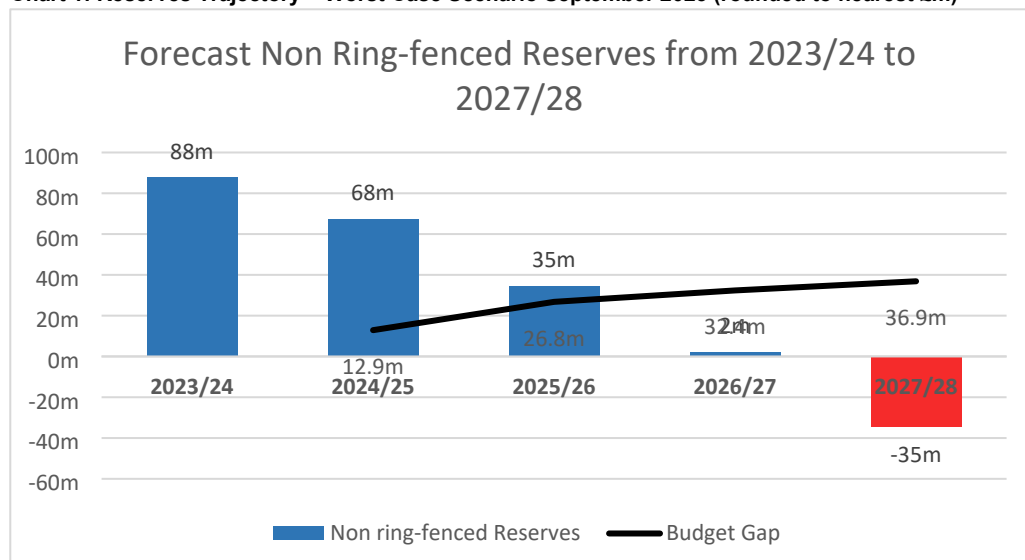
1. INTRODUCTION FROM THE S151 OFFICER

- 1.1 The report updates the Council's Medium Term Financial Strategy (MTFS). The MTFS sets the framework for a balanced and sustainable revenue budget, which is a key duty for the Council.
- 1.2 The MTFS was presented as part of the 2023/24 budget proposals and a further update was then provided in July 2023, which included a financial projection for the years from 2024/25 to 2028/29.
- 1.3 The July 2023 MTFS update budget included revised forecasts for future years. Projected new budget reductions to find were £12.889m in 2024/25, increasing to £39.783m in 2028/29. Whilst this report demonstrates that this has now reduced in quantum, the budget imbalance between expenditure requirements and resources remains significant at £9.651m for 2024/25 and £33.819m for the period 2024/29.
- 1.4 The MTFS comprises a net expenditure requirement which is required to be balanced by the Council's General Funding, consisting of Council Tax, Business Rates, General Grants and, in exceptional circumstances, earmarked reserves.
- 1.5 The Council is facing a significant challenge to its financial position. Nationally, Local Government is facing significant challenge, with a number of local authorities reporting acute difficulty in balancing their budgets with others being subject to Government intervention. For context, Local Government funding declined by almost one third between 2010 and 2021. A report to the Public Accounts Committee in February 2022 ([Local Government Finance system: Overview and challenges \(parliament.uk\)](#)) found that Local Authorities' income was £8.4bn less in real terms than in the previous decade. Whilst recent settlements have been more reasonable, much of the funding was meant for the Adult Social Care reforms and an expectation Councils would raise more locally through Council Tax.
- 1.6 Locally, the Council has made over £180m of budget reductions since 2010. When setting the 2023/24 budget, analysis showed that the impact of austerity had led to a real terms reduction of £688 per household in Tameside since 2010. Translated into a percentage, this is a 24% reduction in Tameside's real terms spending power since 2010.
- 1.7 This MTFS report should be considered in line with the Month 5 position reported to Executive Cabinet. At Month 5 reporting on the 2023/24 financial position, the Council has an underlying risk of £13.021m currently forecasted to be mitigated through the use of appropriate management actions and the use of reserves already committed for expenditure from prior decisions.
- 1.8 Much of the underlying risk is driven by factors already widely discussed at Executive Cabinet. Demand and complexity of need in Adults and Children's Social Care mean there's more people requiring critical services and that the service is more specialist, intense and bespoke to the individuals. Care provider markets are fragile, locally and nationally. Tameside has seen supplier failure in adults residential and nursing provision and severe constraints on fostering provision for our Looked After Children. On top of this, the Council is seeing rising demand for homelessness support services and temporary accommodation with open cases doubling since April 2023. The macro-economic environment around inflation, with CPI currently at 6.7% but having peaked at 11.1% in October 2023, has increased the cost of everything the Council provides and does – from electricity and gas rising almost 100% to the price of pothole repairs tripling inside two years.
- 1.9 The Bank of England have responded to the inflationary environment, increasing base rates to 5.25% as of September 2023. This has increased mortgage rates, for homeowners and landlords alike, reducing available monies for our residents and businesses to expend in the local economy and maintain a home or premises. Whilst our residents feel the reduction in

their incomes, the higher interest environment does give the Council an opportunity to respond through Treasury Management to increase returns to support the budget for 2024/25. Treasury investment is, however, cautious in nature, and cannot be guaranteed as a long-term source of income as base rates rise and fall in response to the macroeconomic environment. As such, whilst there is an opportunity assumed in the MTFs for 2024/25, this assumption is unwound over future years reflecting assumptions in inflation.

- 1.10 The Council remains financially resilient, all things being equal, and this is outlined in Section 9 of this report where the Council’s performance on the CIPFA Financial Resilience Index and as measured by the Office for Local Government (Oflog) are detailed. This is reflective of the Council’s approved Reserves Strategy and controlled approach on financing its Capital Strategy. However, the Council cannot be complacent as to the scale of the challenge. The financial gap in the MTFs of £33.819m represents 15.3% of the 2023/24 net budget after refreshed assumptions following the announced Trailblazer Deal which extended the 100% business rates retention scheme for a further decade (the MTFs had assumed this to drop back to the 50% retention scheme from 2024/25), Council Tax flexibility to 4.99% was assumed and a significant reduction in contingency budgets of £6m was applied.
- 1.11 The Council has used its reserves to manage the position in prior years. Reserves are by their nature finite and only able to be used once. It is not prudent or appropriate to rely on them to meet deficits in budget setting unless they are smoothing the path to financial sustainability and the Council has sufficient balances and reserves to do so. The Council’s balance sheet holds £160m of earmarked reserves, of which £87.5m is considered unringfenced, i.e., it does not have specific conditions against it; this is not the same as being committed for use. The Month 5 report on the financial position holds more details on reserves. Unringfenced reserves are the General Fund Balance of £27.5m, Corporate Priorities Reserve of £43m and Budget Risk Reserve of £17m.
- 1.12 In the worst of cases, should the Council be unable to mitigate the underlying risk position in 2023/24 and not deliver any budget reductions to close the MTFs gap, i.e., use reserves to set a balanced budget, it will exhaust all of its unringfenced reserves by 2027/28. This is demonstrated in the chart below.

Chart 1: Reserves Trajectory – Worst Case Scenario September 2023 (rounded to nearest £m)



- 1.13 It is imperative therefore, that the Council takes sufficient and appropriate steps to deliver a robust and balanced budget over the medium term. To this end, the Section 151 Officer has engaged external support from IMPOWER Consulting to provide independent check and challenge, detailed benchmarking and delivery planning support to underpin the MTFs and to provide upskilling to the organisation. Furthermore, the Section 151 Officer recommends

that the Council develops a Transformation Unit and Corporate Project Management Office (PMO) as an enhancement to the already existing Improvement Team.

- 1.14 Whilst delivering a financially sustainable future for Tameside is challenging, it is not a challenge that is insurmountable. The Council is likely to face difficult decisions around levels of fee charging, service provision and whether it should cease delivery of some services in its entirety. These decisions are not ones that Members should be taking lightly, and Council should be assured on the deliverability of any proposal that reduces net expenditure before agreeing that the proposals it wishes to adopt. Through its Star Chamber process, and strong and independent Scrutiny functions the Council can assure itself that the budget it sets for 2024/25 and beyond is both robust and deliverable.

2 BACKGROUND

- 2.1 In line with recent history, the Council is not likely to receive detailed information on funding allocations through the Local Government Finance Settlement (LGFS) until late Autumn 2023, with the last 2 years' information coming in the December.
- 2.2 The Government's planned review of local authority funding, the Fair Funding review, has been delayed until 2025/26 at the earliest. This leads officers to consider that the 2024/25 LGFS is very unlikely to be multi-year in nature. This lack of multi-year funding settlements make it harder for the Council to develop its MTFS as the level of uncertainty introduces greater risk into the planning process.
- 2.3 Taking the above into account with the wider financial picture for Local Government, and the potential for commercial income being delayed beyond 2027/28 leaves the Council's MTFS weaker than might have previously been planned for without taking positive and proactive steps to manage the financial position.
- 2.4 At the July meeting of the Executive Cabinet, the 2024/25 revenue budget and financial projection up to 2028/29 (previous MTFS) as shown in Table 1 below was presented.

Table 1: 2024/25 Revenue Budget and Previous MTFS:

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Net Expenditure Requirement	243.789	261.574	272.828	282.814	291.369
Resources	(230.900)	(234.806)	(240.457)	(245.960)	(251.586)
Budget reductions to find - cumulative	(12.889)	(26.768)	(32.371)	(36.854)	(39.783)

- 2.5 Table 1 shows that additional savings needed to be found in future years, in order to balance the budget.
- 2.6 The Net Expenditure Requirement comprises the Council's running costs and related income streams. Running costs relate to employees and contractors but also includes Capital Financing Costs. Capital Financing costs are incurred when the Council borrows to fund the Capital Programme: an amount has to be aside each year from the revenue budget to repay a proportion of the borrowing alongside interest charges on the borrowing. The Net Expenditure Requirement is net of income from fees and charges, revenue grants and interest earned.
- 2.7 Resources comprises: Council Tax, Business Rates, General Grants and transfers from unallocated earmarked reserves. All these funding sources are general and do not have to be matched against a specific type of expenditure.
- 2.8 Council Tax and Business Rates are collected and managed in a ring-fenced account (called

the Collection Fund). The Council's share of Council Tax and Business Rates is paid out of the Collection Fund over to the Council's revenue budget. The Council's share is always agreed prior to the start of each financial year, so the amount paid over is always an estimate. The estimate includes the Council's share for the next financial year as well as an adjustment for projected variances relating to previous estimates (the Collection Fund surplus/deficits).

- 2.9 The General Grants mainly relate to the redistribution of funding between Local Authorities and are linked to Business Rates. Tameside Council's ability to raise Business Rates is less than its assessed funding need according to national formulas, so receives an additional Top Up grant.
- 2.10 General Funding can be increased by transferring unallocated balances from earmarked reserves. However, earmarked reserves can only be used one. Further, a previous review of the robustness of the Council's reserves identified a requirement to increase the Council's General Fund balance. This increase is incorporated within the MTFS update.

3 NET EXPENDITURE REQUIREMENT UPDATE

- 3.1 Since the July presentation, the macro-economic environment continues to be very challenging, albeit with some favourable movement. Inflation is currently running at 6.7%, the inflation rate assumption in the July 2023 MTFS update was 8.5%. This reduction in inflation has had an impact on inflationary pressures assumed in the MTFS for commissioned goods and services.
- 3.2 An assumption for demographic and other service pressures has been included in the latest MTFS update. Demographic pressures include assumptions on Adults, Children's and temporary accommodation, and other service pressures.
- 3.3 The assumptions around employee-related cost pressures arising from the Local Government pay award have remained unchanged since the July update. This is based on the latest employers' offer, which is in line with the previous year, and equates to a 7% uplift on employee budgets in the Council.
- 3.4 Table 2a below shows the revised projections for pressures and fees & charges. There are no assumptions included for demographic or other service pressures beyond 2024/25 at this moment, however the reality is there will very likely be demography and complexity pressures in Adult Social Care, Children's Social Care and Education, and Homelessness. Further modelling of activity data is required to create a robust multi-year model for the MTFS.

Table 2a: Revision to total pressures

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening Net Expenditure Requirement	221.397	247.821	262.468	273.811	283.887
Staffing related cost pressure	10.052	7.966	6.889	5.622	4.190
Demographic pressures	5.981	0.000	0.000	0.000	0.000
Inflationary pressures	17.527	7.848	5.232	5.232	5.232
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.680	0.000	0.000	0.000	0.000
Total service pressures	35.240	15.814	12.121	10.854	9.423
Budget reductions	0.000	0.000	0.000	0.000	0.000
Budget resources redirected	(6.210)	0.000	0.000	0.000	0.000
New funding	0.000	0.000	0.000	0.000	0.000
Fees & charges	(2.606)	(1.167)	(0.778)	(0.778)	(0.778)
Total service reductions	(8.816)	(1.167)	(0.778)	(0.778)	(0.778)
Net Expenditure Requirement	247.821	262.468	273.811	283.887	292.532

- 3.5 The inflation assumptions are shown in Table 2b below, with Table 2c outlining the revised budget gap before identified budget reductions.

Table 2b: Inflation Assumptions

Annual Inflation Assumptions MTFS Update	2024/25	2025/26	2026/27	2027/28	2028/29
Non-Pay Inflation (%)	6.70%	3.00%	2.00%	2.00%	2.00%
Pay Inflation (%)	7.00%	5.00%	4.00%	3.00%	2.00%
Fees & Charges Uplift (%)	6.70%	3.00%	2.00%	2.00%	2.00%

Table 2c: Updated Budget Gap 2024-2028

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Net Expenditure Requirement - July 2023	243.789	261.574	272.828	282.814	291.369
Net Expenditure Requirement - Revised	247.821	262.468	273.811	283.887	292.532
Increase in Budget reductions to find	(4.032)	(0.894)	(0.983)	(1.073)	(1.162)
Budget reductions to find - July 2023 (Table 1)	(12.889)	(26.768)	(32.371)	(36.854)	(39.783)
Revised Budget reductions to find - cumulative	(16.921)	(27.662)	(33.354)	(37.927)	(40.945)
Revised Budget reductions to find - incremental	(16.921)	(10.741)	(5.692)	(4.573)	(3.018)

4 PROPOSED BUDGET REDUCTIONS 2024/25 TO 2028/29

- 4.1 Since the July 2023 update to Executive Cabinet, services have been working on proposals to deliver suitable and sufficient budget reductions to bridge the gap in 2024/25 and to support delivery of the MTFS to 2028/29. To date, £7.270m of budget reductions have been proposed that are costed and considered by officers to be deliverable. These are outlined in Table 3 below.

Table 3: Budget reductions proposals by directorate

Budget reduction proposals by Directorate Base case	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Budget reductions to find	(16.921)	(10.741)	(5.692)	(4.573)	(3.018)	(40.945)
Adults	(0.798)	0.000	0.000	0.000	0.000	(0.798)
Children's	(1.562)	0.000	0.000	0.000	0.000	(1.562)
Place	(0.322)	(0.481)	0.000	0.000	0.000	(0.803)
Resources	(2.815)	0.750	0.375	0.000	0.000	(1.690)
Governance	(0.022)	0.000	0.000	0.000	0.000	(0.022)
Population Health	(0.144)	(0.150)	0.000	0.000	0.000	(0.294)
Cross cutting	0.000	0.000	0.000	0.000	0.000	0.000
Carry forward proposals	(1.608)	(0.250)	(0.100)	0.000	0.000	(1.958)
Total	(7.270)	(0.131)	0.275	0.000	0.000	(7.126)
Remaining budget reductions to find	(9.651)	(10.610)	(5.967)	(4.573)	(3.018)	(33.819)

- 4.2 The remaining imbalance between expenditure and resources is £9.651m, with all services continuing to work up ideas to close the gap. The Council will be supported in this by IMPOWER Consulting who are retained to provide independent challenge and ideation and support. Future updates on the MTFS to the Executive Cabinet will include the outcomes and outputs of the value added by IMPOWER to our internal processes.

- 4.3 The current proposals will be presented to Star Chambers in October 2023 for Member challenge and confirmation of deliverability by officers as part of the assurance process to set a balanced budget.
- 4.4 Additional Star Chambers are programmed in alternate months to capture ongoing proposals and ensure Executive Cabinet oversight outside the formal reporting process.

The Council provides additional independent scrutiny of the budget setting process through its Scrutiny Committees. Scrutiny is to receive a mid-year update on budget progress and the planning process in November 2023 and a further formal review of the proposed budget for 2024/25 in January 2024.

5 GENERAL FUNDING SOURCES FROM 2024/25 TO 2028/29

- 5.1 General Funding from 2024/25 to 2028/29 was updated in the July MTFS update. There are no changes to general funding in this MTFS update, the latest assumptions are detailed in Table 4. The December MTFS update will incorporate changes in the Council Tax Base (will be updated following CTB1 return due to Government on 13th October), Government funding decisions (following Local Government Settlement, expected Dec 2023) and any further changes to the macro-economic environment.

Table 4: Updated Financial Plan 2024/25 to 2028/29 (Revised MTFS).

Resources	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Revenue Support Grant	0.000	0.000	0.000	0.000	0.000
Business Rates	(112.806)	(115.062)	(117.478)	(120.063)	(122.704)
Council Tax	(116.135)	(119.510)	(122.979)	(125.897)	(128.882)
Collection Fund (surplus)/deficit	(1.750)	0.000	0.000	0.000	0.000
Use of reserves	(0.209)	(0.234)	0.000	0.000	0.000
Total resources	(230.900)	(234.806)	(240.457)	(245.960)	(251.586)

- 5.2 **Council Tax** income makes more than 50% of General Funding. Council Tax income is the result of the Band D Tax Rate multiplied by the Band D Equivalent Tax Base.
- 5.3 The Band D Tax Rate is set by the Council. It is a single average measure calculated according regulations (the Local Authorities Calculation of Council Tax Base Regulations 2012). The starting point is the number of households in the district, approximately 105,000. These household numbers are then expressed as equivalent numbers by adjusting for discounts and the Council Tax Reduction (CTR) scheme.
- 5.4 There are further adjustments. Each household is allocated a Council Tax Band from A to H, based on dwelling values. Each Council Tax Band incurs a Council is a fixed ratio of Band D, for the purposes of Council Tax Billing. These fixed ratios are shown in Table 5a overleaf:

Table 5a Council Tax Bands fixed ratios to Band D

Band	Property Value at 1 April 1991	Fixed ratio to Band D
A	Up to 40,000	6/9ths
B	40,000 - 52,000	7/9ths
C	52,001 - 68,000	8/9ths
D	68,001 - 88,000	9/9ths
E	88,001 - 120,000	11/9ths
F	120,001 - 160,000	13/9ths
G	160,001 - 320,000	15/9ths
H	Over 320,000	18/9ths

5.5 It is because each band is a fixed ratio to Band D that household numbers, after discounts and CTR, can be averaged out as the Band D Equivalent Tax Base.

5.6 Council Tax income is summarised in Table 5b below:

Table 5b: Council Tax Assumptions in MTFS

	2024/25	2025/26	2026/27	2027/28	2028/29
Initial Band D Equivalent Tax Base (250 growth)	66,084.00	66,334.00	66,584.00	66,834.00	67,084.00
Collection Rate (Bad Debt Adjustment)	96.5%	97.0%	97.5%	97.5%	97.5%
Band D Equivalent Tax Base	63,771.1	64,344.0	64,919.4	65,163.2	65,406.9
Band D Council Tameside Precept*	1,557.99	1,594.23	1,631.20	1,668.89	1,707.34
Band D Adult Social Care Precept**	263.13	263.13	263.13	263.13	263.13
Band D Council Tax	1,821.13	1,857.37	1,894.33	1,932.02	1,970.47
Updated MTFS (Table 3)	116.135	119.510	122.979	125.897	128.882

* 2.99% in 2024/25 and 1.99% afterwards

** 2% in 2024/25 and no increase after then

5.7 Table 5b shows an assumption of a 2% increase in the Adult Social Care (ASC) Precept in 2024/25. Current Government announcements allow for ASC precept increases in 2024/25, although not for subsequent years.

5.8 The MTFS also allows for a 2.99% increase in Tameside's precept for 2024/25, which again is allowed for by Government announcements. The percentage increases for the years after 2024/25 remain at 1.99% in line with current referendum limits.

5.9 The increase in the Tameside's precept increase and the ASC increase have a cumulative impact, so increasing Council Tax income for the years after 2024/25.

5.10 Table 5b also shows an increase to the Band D Equivalent Tax Base based on current growth projections provided through Planning and Exchequer.

5.11 **Business Rates and Related Grants** are the other main element of General Funding. The MTFS for this area is shown in Table 5c overleaf:

Table 5c: Updated Business Rates and Related Grants

Business Rates and Related Grants	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Business Rates	(56.613)	(57.745)	(58.958)	(60.255)	(61.581)
Section 31 Grants	(23.141)	(23.604)	(24.100)	(24.630)	(25.172)
Top Up Grant	(33.052)	(33.713)	(34.421)	(35.178)	(35.952)
Sub-total Business Rates Grants	(112.806)	(115.062)	(117.478)	(120.063)	(122.704)

5.12 For background, Business Rates are calculated via a chargeable rate multiplied against the rateable value of commercial premises. The chargeable rate (multiplier) is set by the Government. Rateable Value is set by the Valuation Office Agency (VOA).

5.13 There is a related Top Up Grant because from 2013/14, the Business Rates system was also used to redistribute funding between Local Authorities. Funding is redistributed based on the difference between a Local Authority's assessed funding need and its ability to collect tax. Because Tameside's assessed need is higher than its tax collection, it will receive a projected Top Up grant of £33.052m in 2024/25.

- 5.14 There are Section 31 Grants because the Government helps businesses by providing discounts (called reliefs) and freezing the chargeable rate (the multiplier). These decisions reduce Tameside's share of Business Rates. It receives compensation via additional Section 31 Grants.
- 5.15 There are a number of postponed reforms of the way assessed need is calculated and the workings of the Business Rates system. These changes are now expected from 2025/26. The revised MTFs assumes that these changes will not make Tameside Council worse off.
- 5.16 **Business Rates Pooling**, the Council received an invite on the 5 September 2023 from the Department for Levelling Up, Housing and Communities (DLUHC) to pool business rates for the forthcoming financial year, 2024/25. The financial benefit of pooling is the ability to retain the levy on growth above the Baseline Funding Level which is applied to tariff authorities, and would have otherwise been passed to Government. The Council was previously in the GM and Cheshire business rates pool until it was dissolved in 2020/21.
- 5.17 For 2024/25, the recommendation is not to pool business rates across Greater Manchester as there is no fiscal benefit to the Councils to do so. The previous pool which included the Cheshire authorities is not an option, as it is understood the Cheshire authorities also do not wish to pool in 2024/25.

6 REVISED GAP

- 6.1 The revised MTFs presents that the latest 2024/25 budget gap is £9.651m, increasing to £33.819m by 2028/29.

Table 6 – Updated MTFs

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening Net Budget	221.397	240.551	255.066	266.685	276.761
Staffing related cost pressure	10.052	7.966	6.889	5.622	4.190
Demographic pressures	5.981	0.000	0.000	0.000	0.000
Inflationary pressures	17.527	7.848	5.232	5.232	5.232
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.680	0.000	0.000	0.000	0.000
Total service pressures	35.240	15.814	12.121	10.854	9.423
Budget reductions	(7.270)	(0.131)	0.275	0.000	0.000
Budget resources redirected	(6.210)	0.000	0.000	0.000	0.000
New funding	0.000	0.000	0.000	0.000	0.000
Fees & charges	(2.606)	(1.167)	(0.778)	(0.778)	(0.778)
Efficiency factor	0.000	0.000	0.000	0.000	0.000
Total service reductions	(16.086)	(1.298)	(0.503)	(0.778)	(0.778)
Net Expenditure Requirement	240.551	255.066	266.685	276.761	285.405
Resources					
Revenue Support Grant	0.000	0.000	0.000	0.000	0.000
Business Rates	(112.806)	(115.062)	(117.478)	(120.063)	(122.704)
Council Tax	(116.135)	(119.510)	(122.979)	(125.897)	(128.882)
Collection Fund (surplus)/deficit	(1.750)	0.000	0.000	0.000	0.000
New Homes Bonus	0.000	0.000	0.000	0.000	0.000

Use of reserves	(0.209)	(0.234)	0.000	0.000	0.000
Other funding	0.000	0.000	0.000	0.000	0.000
Total resources	(230.900)	(234.806)	(240.457)	(245.960)	(251.586)
Budget reductions to find - cumulative	(9.651)	(20.260)	(26.228)	(30.801)	(33.819)
Budget reductions to find - incremental	(9.651)	(10.610)	(5.967)	(4.573)	(3.018)

7 SCENARIO PLANNING

7.1 **Worst case**, planning for the worst case scenario increases the 2024/25 budget gap to £23.188m, further increasing to £91.335m by 2028/29. The assumptions on the worst case scenario assume the same assumptions as the updated MTFS in table 7a, except for;

- Demographic and other service pressures have been baselined from 2025/26 onwards.
- Inflationary pressures are assumed to be at 8.5% in 2024/25, 4% in 2025/26 and drop to 2% in 2026/27 and future years.
- Budget reductions achieved are profiled to be worst case.
- No general or adult social care precept increase on Council Tax in 2024/25 or future years.

Table 7a – Worst case MTFS

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening Net Budget	221.397	248.568	274.464	293.629	311.276
Staffing related cost pressure	10.052	7.966	6.889	5.622	4.190
Demographic pressures	5.981	5.981	5.981	5.981	5.981
Inflationary pressures	21.835	11.560	5.138	5.138	5.138
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.680	1.680	1.680	1.680	1.680
Total service pressures	39.548	27.186	19.688	18.420	16.989
Budget reductions	(2.882)	0.450	0.250	0.000	0.000
Budget resources redirected	(6.210)	0.000	0.000	0.000	0.000
New funding	0.000	0.000	0.000	0.000	0.000
Fees & charges	(3.285)	(1.740)	(0.773)	(0.773)	(0.773)
Efficiency factor	0.000	0.000	0.000	0.000	0.000
Total service reductions	(12.377)	(1.290)	(0.523)	(0.773)	(0.773)
Net Expenditure Requirement	248.568	274.464	293.629	311.276	327.493
Resources					
Revenue Support Grant	0.000	0.000	0.000	0.000	0.000
Business Rates	(112.806)	(115.062)	(117.478)	(120.063)	(122.704)
Council Tax	(110.615)	(111.609)	(112.607)	(113.030)	(113.453)
Collection Fund (surplus)/deficit	(1.750)	0.000	0.000	0.000	0.000
New Homes Bonus	0.000	0.000	0.000	0.000	0.000
Use of reserves	(0.209)	(0.234)	0.000	0.000	0.000
Other funding	0.000	0.000	0.000	0.000	0.000
Total resources	(225.380)	(226.905)	(230.085)	(233.093)	(236.157)
Budget reductions to find - cumulative	(23.188)	(47.559)	(63.544)	(78.184)	(91.335)
Budget reductions to find - incremental	(23.188)	(24.371)	(15.985)	(14.640)	(13.152)

7.2 Best case, planning for the best case scenario reduces the 2024/25 budget gap to 6.734m, increasing to £21.487m by 2028/29. The assumptions on the base case scenario assume the same assumptions as the updated MTFS in table 7b, except for;

- Budget reductions achieved are profiled to be best case.
- Adult Social Care precept on Council Tax is forecast to continue at 2% in 2024/25 and future years.

Table 7b – Best case MTFS

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Opening Net Budget	221.397	237.634	252.509	264.353	274.429
Staffing related cost pressure	10.052	7.966	6.889	5.622	4.190
Demographic pressures	5.981	0.000	0.000	0.000	0.000
Inflationary pressures	17.527	7.848	5.232	5.232	5.232
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.680	0.000	0.000	0.000	0.000
Total service pressures	35.240	15.814	12.121	10.854	9.423
Budget reductions	(10.187)	0.229	0.500	0.000	0.000
Budget resources redirected	(6.210)	0.000	0.000	0.000	0.000
New funding	0.000	0.000	0.000	0.000	0.000
Fees & charges	(2.606)	(1.167)	(0.778)	(0.778)	(0.778)
Efficiency factor	0.000	0.000	0.000	0.000	0.000
Total service reductions	(19.003)	(0.938)	(0.278)	(0.778)	(0.778)
Net Expenditure Requirement	237.634	252.509	264.353	274.429	283.073
Resources					
Revenue Support Grant	0.000	0.000	0.000	0.000	0.000
Business Rates	(112.806)	(115.062)	(117.478)	(120.063)	(122.704)
Council Tax	(116.135)	(121.853)	(127.848)	(133.447)	(139.290)
Collection Fund (surplus)/deficit	(1.750)	0.000	0.000	0.000	0.000
New Homes Bonus	0.000	0.000	0.000	0.000	0.000
Use of reserves	(0.209)	(0.234)	0.000	0.000	0.000
Other funding	0.000	0.000	0.000	0.000	0.000
Total resources	(230.900)	(237.149)	(245.326)	(253.510)	(261.994)
Budget reductions to find - cumulative	(6.734)	(15.360)	(19.027)	(20.919)	(21.079)
Budget reductions to find - incremental	(6.734)	(8.627)	(3.666)	(1.892)	(0.160)

7.3 The following table 7c shows the range of the budget gap under the three different scenarios.

Table 7c – MTFS scenarios

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Budget reductions to find - cumulative					
Base Case (table 6)	(9.651)	(20.260)	(26.228)	(30.801)	(33.819)
Worst Case (table 7a)	(23.188)	(47.559)	(63.544)	(78.184)	(91.335)
Best Case (table 7b)	(6.734)	(15.360)	(19.027)	(20.919)	(21.079)

8. NEXT STEPS AND PLANNED APPROACH

8.1 The Council will continue to review its MTFS and budget reductions programme going forward. The assumptions included within this report will be refreshed for the draft budget in December to take account of on available information on Government funding decisions as well as the macro-economic environment.

- 8.2 For 2024/25, targets were issued to Directorates based upon a percentage of net budget, which, combined, will deliver the projected budget reduction target for 2024/25. Over the period September to December, budget reduction proposals will be further developed to ensure robust delivery plans are in place and work will commence, with a view to maximising the full year effect of delivery in 2024/25. Priority will be placed on income maximisation across all service areas to reduce the burden on expenditure reductions, however there will be a need for efficiencies in costs alongside a genuine requirement to invest in transformation where the return on investment delivers long-term improvements in outcomes for residents in line with the Corporate Plan alongside recurrent reductions in costs that support the MTFs. Longer term projects will need to be identified now to support the budget gap reduction for 2025/26 onwards.
- 8.3 Star Chambers are in place in October to review all savings proposals to date, and for members of the Executive Cabinet to constructively challenge planning assumptions and levels of budget reduction being proposed.
- 8.4 The draft budget will then be presented to Cabinet in December for consultation in the Big Budget Conversation. Further independent check and challenge from Scrutiny Committees will take place in January, with feedback incorporated into the MTFs as necessary along with any updates in the final LGFS and finalised in February for Executive Cabinet to approve the budget it recommends to Full Council. These plans will then be monitored closely through the monthly monitoring and Star Chamber processes, now embedded in the monitoring cycle.
- 8.5 The Council plans further detailed work to be undertaken, including a review of its fees and charges policy alongside a detailed analysis of its Earmarked Reserves. In addition, the Authority is further reviewing the potential cost of introducing the Living Wage Foundation, the Real Living Wage on all commissioned services (it is already implemented in Adult Social Care contracts) and the Fair Cost of Care.

9 FINANCIAL RESILIENCE

- 9.3 A key priority of the MTFs is to align the Council's finances so they are sustainable for the long-term. CIPFA produces, for each Council, a Financial Resilience Index.
- 9.4 The key point from the Index, is that Tameside was assessed as towards the lower level of financial stress and this has been relatively consistent between 2016-17 and 2021-22. Other points were:
- Compared to other Councils, the social care ratio is toward the higher risk range, meaning that Tameside spends a higher proportion of its revenue budget on Children's Social Care.
 - The reduction in the Council's earmarked reserves in recent years as a proportion is slightly above other Councils, indicating a reliance on one-off funding.
- 9.5 The Office for Local Government (Oflog) have also recently published their performance framework for Local Authorities. The key outcomes for Tameside are similar to the CIPFA Financial Resilience Index but also cover a wider number of issues. The points are:
- Tameside's Social care spend as a percentage of its core spending power is significantly higher than for other Councils, at three quarters of its core spending power.
 - Tameside spends slightly less on borrowing costs compared to other Councils.
 - Tameside's ability to raise Council Tax, due to the proportion of dwellings in the lower valuation bands, is lower than the average of other Councils.

10 RECOMMENDATIONS

- 10.1 As stated on the front cover of the report.