

**Report To:** EXECUTIVE CABINET

**Date:** 20 December 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 (MTFS)

**Report Summary:** The report presents a proposed budget for 2024/25 and an update to the Council’s Medium Term Financial Strategy (MTFS). The position has improved since the previous MTFS update in October 2023 due to the increase in budget reduction proposals from all service areas, a 2% reduction in employee pay award assumption, increases in general grants, council tax and business rates and a 2.1% reduction in the prevailing rate of Consumer Price Index (CPI) inflation. The rate of CPI released in November 2023 was 4.6%.

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 £39.817m to 2028/29, with a balanced budget for 2024/25. In the last update, the MTFS imbalance was £33.819m to 2028/29, with £9.651m 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 6.0% for 2025/26 and 18% to 2028/29. The assumptions for future years are in line with the recent update from the Office of Budget Responsibility (OBR). The OBR is forecasting “unprotected” departments, of which the Department for Levelling Up, Housing and Communities (DLUHC) is part of this cohort, will see a 1% planned rise in resources that, after the impact of inflation, will be equal to a 2.6% real terms reduction in resources. As such, since the MTFS was presented to Cabinet in October 2023, future years’ gaps have increased from 15% to 18% cumulatively.

In 2023/24, the Council has been facing significant pressures from demand-led services, alongside the sharp increase in costs that have been seen due to inflation rising to a peak of 11.1% in October 2022 and sitting at 4.6% in November 2023. This has been reflected in the forecast positions, with unmanaged overspends rising to £13.007m in quarter 2. The Council has instituted recovery planning, some of which is the escalation of proposals in this MTFS. At Month 7, the Council is still forecasting an overspend, however it has much reduced due to the presence of recovery plans owned by officers at the Senior Leadership Team (SLT). They are still works in progress, as the Section 151 Officer continues to work with SLT members on closing their respective budget gaps. The worst case scenario is that the full overspend value of £13.007m comes to fruition, requiring the use of unearmarked 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 this is factored into this 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 unearmarked reserves in 2025/26.

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 is recommended to APPROVE:

- 1) The updated MTFS for 2024/25 to 2028/29.
- 2) The budget reductions and income increases proposed for 2024/25 for consultation.
- 3) The creation of a Parking Strategy to identify future financial options from 2025/26 to be brought to an Executive Cabinet before July 2024.

That Executive Cabinet is recommended to NOTE:

- 4) The impact of changes to the inflationary and demand pressures on the MTFS from 2024/25 to 2028/29.
- 5) The impact of the proposed new funding on the MTFS from 2024/25 to 2028/29.
- 6) The impact of the proposed budget reductions on the MTFS from 2024/25 to 2028/29.
- 7) The impact of the proposed council tax and business rates assumptions on the MTFS from 2024/25 to 2028/29
- 8) The consultation period opened 14 December 2023 and shall run for a period of no less than 7 weeks. Therefore the earliest date to close consultation is 1 February 2024.

**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



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## 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 further updates have been provided in July 2023 and October 2023, which included a financial projection for the years from 2024/25 to 2028/29 – with October 2023 identifying scenario planning for the Council to consider.
- 1.3 The October 2023 MTFS update budget included revised forecasts for future years. Projected new budget reductions to find were reduced to £9.651m for 2024/25 and £33.819m to 2028/29.
- 1.4 This report presents a position that balances the budget for 2024/25. The Section 151 Officer engaged IMPOWER Consulting to support a series of benchmarking, discovery and budget reduction scoping initiatives alongside providing key additional resources to build delivery plans. The resulting proposals, backed by robust delivery plans, have been produced in collaboration with each service area to ensure they are challenging but achievable. £12.689m of budget reductions have been identified and carried into the MTFS.
- 1.5 The presented position carries a level of risk as it is built on delivery of a significant transformation programme underpinned by greater understanding of financial management across the organisation against a backdrop of rising demand and high inflation. Many of the proposals in 2024/25 carry forward across the MTFS as the proposals require ongoing support across the Council. There is no option whereby Members and Officers cannot take ownership and grip of their budgets and delivering within the financial envelopes approved at Council, so it is paramount that the right support is provided at the right time.
- 1.6 Benchmarking has highlighted the Council's key budget reductions opportunities lie in Children's Social Care. Balancing this opportunity with the ongoing improvement work being undertaken by the Director of Children's Services will be difficult, which is why reductions in this area are backloaded in the MTFS and reductions available to the Director of Resources have been front loaded to smooth the position through.
- 1.7 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.
- 1.8 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 \(parliament.uk\)](https://www.parliament.uk/publications/2022/02/10)) 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.
- 1.9 In November 2023, the Chancellor of the Exchequer delivered the Autumn Statement. The Government described the Statement as one for growth, prioritising tax cuts for individuals and businesses. The announcements reducing Employees' National Insurance contributions from 12% to 10% and the reset of Local Housing Allowances to the 30<sup>th</sup> percentile in April 2024 are welcome for residents of Tameside given the cost-of-living increases since the COVID-19 pandemic. However, there was very little announced for public services.
- 1.10 The MTFS and budget for 2024/25 have, therefore, had to remain linked to the previous year's Local Government Financial Settlement. The updates presented in July and October 2023 were

presented on that basis, so there is no adverse impact for 2024/25 arising in this iteration presented to Members, although the future years' positions are now worse than previously modelled.

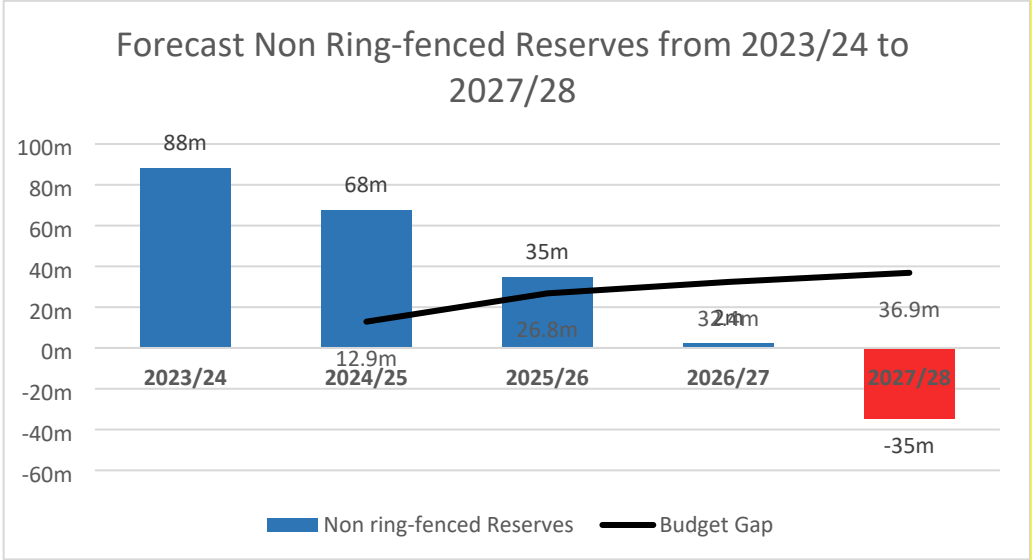
- 1.11 Following the Autumn Statement, the Office for Budget Responsibility (OBR) has revised its economic forecasts and updated its analysis for Local Government finance. The OBR is now forecasting that, nationally:
  - 1.11.1 Locally financed expenditure, i.e. that raised through Council Tax and Business Rates will rise 21% over the 3 years to 2025/26 - £62.2bn to £75.3bn.
  - 1.11.2 Councils will have to use reserves of up to £2.3bn to deliver balanced budgets to 2025/26. Before the Autumn Statement, the OBR did not forecast the use of reserves at all.
  - 1.11.3 Local Government spending will fall from 5.0% of GDP today to 4.6% of GDP in 2028/29. In 2010/11, it was 7.4% of GDP.
- 1.12 In the 18 years from 2000 – 2018, only 2 Councils issued a Section 114 notice. Since 2018 there have been 12 issued and many other Councils have stated that there is only so much resource left in the system.
- 1.13 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. A further £12.7m is needed for 2024/25, taking this total to £193m with a further £44m required to balance the budgets to 2028/29. This means that in the space of 19 years, £237m of reductions to budgets will have to have been made. For context, the net expenditure requirement in 2024/25 is £234m.
- 1.14 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 4.6% 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.
- 1.15 The Bank of England have responded to the inflationary environment, increasing base rates to 5.25%. 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.
- 1.16 The Council continues to measure its financial resilience, 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. The Council's resilience 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 £39.817m represents 18% of the 2023/24 net budget after refreshed assumptions following the Autumn Statement and 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 reduction in contingency budgets of £2.292m was applied.

1.17 The Council has used reserves to manage the position in prior years, over £40m in the last 5 years. Reserves are by their nature finite and only able to be used once. It is not prudent nor 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. The remainder is earmarked for Council priorities. Unringfenced reserves are the General Fund Balance of £27.5m, Corporate Priorities Reserve of £43m and Budget Risk Reserve of £17m. Of the unringfenced reserves, Members are aware that only £30.843m remain uncommitted along with the General Fund Balance.

1.18 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 2026/27. This is demonstrated in the chart below.

Chart 1: Reserves Trajectory – Worst Case Scenario December2023 (rounded to nearest £m)



1.19 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 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. The current Star Chamber approach to oversee budget reductions delivery should be extended into 2024/25 and Cabinet should receive monthly updates on delivery of reductions in the form of a highlight report, with exceptions escalated as necessary. Furthermore, the Council is developing a Transformation Unit and Corporate Project Management Office (PMO) as an enhancement to the already existing Improvement Team to enable the longer term deliver of the MTFS.

1.20 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.

## 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 December 2023, although it is anticipated that the Department of Levelling Up, Housing and Communities (DLUHC) will issue a policy statement in early December outlining the expectations for the LGFS.
- 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 and October meetings of the Executive Cabinet, the 2024/25 revenue budget and financial projection up to 2028/29 (previous MTFs) was presented. These are both detailed in table 1a and 1b below.

**Table 1a: July 2023 - 2024/25 Revenue Budget and Previous MTFs:**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Net Expenditure Requirement</b>	<b>243.789</b>	<b>261.574</b>	<b>272.828</b>	<b>282.814</b>	<b>291.369</b>
<b>Resources</b>	<b>(230.900)</b>	<b>(234.806)</b>	<b>(240.457)</b>	<b>(245.960)</b>	<b>(251.586)</b>
<b>Budget reductions to find - cumulative</b>	<b>(12.889)</b>	<b>(26.768)</b>	<b>(32.371)</b>	<b>(36.854)</b>	<b>(39.783)</b>
<b>Budget reductions to find - incremental</b>	<b>(12.889)</b>	<b>(13.879)</b>	<b>(5.603)</b>	<b>(4.484)</b>	<b>(2.929)</b>

**Table 1b: October 2023 - 2024/25 Revenue Budget and Previous MTFs:**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Net Expenditure Requirement</b>	<b>240.551</b>	<b>255.066</b>	<b>266.685</b>	<b>276.761</b>	<b>285.405</b>
<b>Resources</b>	<b>(230.900)</b>	<b>(234.806)</b>	<b>(240.457)</b>	<b>(245.960)</b>	<b>(251.586)</b>
<b>Budget reductions to find - cumulative</b>	<b>(9.651)</b>	<b>(20.260)</b>	<b>(26.228)</b>	<b>(30.801)</b>	<b>(33.819)</b>
<b>Budget reductions to find - incremental</b>	<b>(9.651)</b>	<b>(10.610)</b>	<b>(5.967)</b>	<b>(4.573)</b>	<b>(3.018)</b>

- 2.5 Both tables above showed 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 set 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 October report, the macro-economic environment continues to be very challenging, albeit with some favourable movement. Inflation is currently running at 4.6%, the inflation rate assumption in the October 2023 MTFS update was 6.7%. This reduction in inflation has had an impact on inflationary pressures assumed in the MTFS for commissioned goods and services. On social care placements and utility costs the expectation is that these will increase by more than the 4.6% uplift, for these costs the Council is assuming a 6.7% increase.
- 3.2 The assumptions around employee-related cost pressures arising from the Local Government pay award have been adjusted in line with the most recent award. In the October 2023 MTFS update a 7% uplift on employee budgets was assumed. In the updated MTFS this has been revised down to a 5% uplift to reflect the overall impact of the latest award.
- 3.3 An assumption for demographic pressures has been included in the latest MTFS update. Demographic pressures include assumptions on Adults and temporary accommodation. As the MTFS is iteratively updated, further modelling of activity data is required to create a robust multi-year model for the MTFS.
- 3.4 Other service pressures includes adjustments to correct historic budget deficiencies in directorates.
- 3.5 Table 2a overleaf shows the revised projections for pressures, other service reductions and new funding.

**Table 2a: Revision to total pressures and other reductions**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Opening Net Budget</b>	<b>221.397</b>	<b>234.247</b>	<b>248.487</b>	<b>259.341</b>	<b>274.197</b>
Staffing related cost pressure	9.252	6.752	5.672	4.424	3.038
Demographic pressures	11.192	5.000	5.000	5.000	5.269
Inflationary pressures	15.638	8.246	5.893	5.893	5.899
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.230	0.316	0.316	0.316	0.316
<b>Total service pressures</b>	<b>37.312</b>	<b>20.314</b>	<b>16.882</b>	<b>15.634</b>	<b>14.522</b>
Budget resources redirected	(3.924)	0.000	0.000	0.000	0.000
New funding	(5.756)	2.941	0.000	0.000	0.000
Fees & charges	(2.093)	(1.167)	(0.778)	(0.778)	(0.778)
<b>Total service reductions</b>	<b>(11.773)</b>	<b>1.774</b>	<b>(0.778)</b>	<b>(0.778)</b>	<b>(0.778)</b>



- 3.6 General fees and charges have been assumed to increase by inflation, 4.6%. This will generate additional income for the Council that will offset increased rising costs from inflation. Table 2b below shows the increase in fees & charges assumed in the MTFS. Further work is required to move towards full cost recovery on fees & charges. A full schedule of fees & charges for 2024/25 will be available in the 2024/25 Budget Report and will be subject to a standalone report to Cabinet.
- 3.7 Social Care contributions are client contributions to their care following a financial assessment. The increases in client contributions will partially offset any increases in care package costs.
- 3.8 Parking charges have been uplifted following a full parking review in 2023/24. Any additional income generated is proposed to be re-invested into the Highways Network Recovery Programme. At this stage, the MTFS does not assume any increase in parking charges in 2024/25 following the increases in 2023/24. Work undertaken on a wider Parking Strategy indicates the Council has the opportunity to extend parking charges to its on-street parking bays, however this is not yet quantified and would not likely take effect until 2025/26.

**Table 2b – Fees & Charges**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Fees & charges inflationary uplift	(0.894)	(0.583)	(0.389)	(0.389)	(0.389)
Social Care contributions	(1.199)	(0.584)	(0.389)	(0.389)	(0.389)
Parking uplifts	-	-	-	-	-
<b>Total Fees &amp; Charges</b>	<b>(2.093)</b>	<b>(1.167)</b>	<b>(0.778)</b>	<b>(0.778)</b>	<b>(0.778)</b>

- 3.9 The inflation assumptions in the MTFS are detailed in Table 2c overleaf:

**Table 2c: Inflation Assumptions**

<b>Annual Inflation Assumptions MTFS Update</b>	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Non-Pay Inflation (%)</b>	4.60%	3.00%	2.00%	2.00%	2.00%
<b>Social Care Placements Inflation (%)</b>	6.70%	3.00%	2.00%	2.00%	2.00%
<b>Utilities inflation (%)</b>	6.70%	3.00%	2.00%	2.00%	2.00%
<b>Pay Inflation (%)</b>	5.00%	5.00%	4.00%	3.00%	2.00%
<b>Fees &amp; Charges Uplift (%)</b>	4.60%	3.00%	2.00%	2.00%	2.00%

- 3.10 Increases to service grant funding has been assumed where announced by Government. The new funding is currently estimated based on the national allocations for 2024/25 and then applying the same percentage share Tameside received in 2023/24 to the 2024/25 national allocation. The provisional allocations will be released as part of the 2024/25 provisional local government finance settlement, expected to be announced in December 2023. Table 2d below details the estimated in-year change in funding.

**Table 2d: Total New In-Year Funding**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Social Care Grant	(3.220)	0.000	0.000	0.000	0.000
ASC Market Sustainability and Improvement Fund	(1.361)	0.000	0.000	0.000	0.000
Discharge Fund	(1.176)	2.941	0.000	0.000	0.000
<b>Total New Funding</b>	<b>(5.757)</b>	<b>2.941</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

## 4 PROPOSED BUDGET REDUCTIONS 2024/25 TO 2028/29

4.1 Since the October update to Executive Cabinet, services, with the support of IMPOWER Consulting, 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, £12.689m of budget reductions have been proposed in 2024/25, with further savings to 2026/27 costed and planned. These are outlined in Table 3 below. Additional work will be undertaken over the next months to extend savings and transformation ideas to 2028/29 that are costed and considered by officers to be deliverable.

**Table 3: Budget reductions proposals by directorate**

Budget reductions proposals by directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Adults	(2.200)	(1.600)	0.000	0.000	0.000	<b>(3.800)</b>
Children's	(4.062)	(6.350)	(6.000)	0.000	0.000	<b>(16.412)</b>
Place	(2.484)	(2.309)	(0.300)	0.000	0.000	<b>(5.093)</b>
Corporate	(3.799)	1.368	0.822	0.000	0.000	<b>(1.609)</b>
Population Health	(0.144)	0.000	0.000	0.000	0.000	<b>(0.144)</b>
Cross cutting	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Total</b>	<b>(12.689)</b>	<b>(8.891)</b>	<b>(5.478)</b>	<b>0.000</b>	<b>0.000</b>	<b>(27.058)</b>

4.2 The budget reduction proposals are listed in the appendices.

4.3 The current proposals will be presented to Star Chambers in January 2024 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.

4.5 The Council provides additional independent scrutiny of the budget setting process through its Scrutiny Committees. Scrutiny received a mid-year update on budget progress and the planning process in November 2023 and are due a further formal review of the proposed budget for 2024/25 in January 2024, to which early results of consultation will also be brought forward to enable Members to have full overview of the budget reductions.

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

5.1 General Funding from 2024/25 to 2028/29 has been updated following the October 2023 update of the 2024/25 Council Tax Base, revising the council tax collection rate, factoring in an increase in the Business Rates multiplier and including the New Homes Bonus grant. The latest assumptions are detailed in Table 4. The Council Tax Base must be finalised by 31 January 2024. A further update will be provided in the February 2024 report for recommending to Full Council.

**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	(114.040)	(115.180)	(116.332)	(117.495)	(118.670)
Council Tax	(117.867)	(120.666)	(123.529)	(126.457)	(129.454)
Collection Fund (surplus)/deficit	(2.079)	0.000	0.000	0.000	0.000
New Homes Bonus	(0.261)	(0.261)	(0.261)	0.000	0.000
Use of reserves	0.000	0.000	0.000	0.000	0.000
<b>Total resources</b>	<b>(234.247)</b>	<b>(236.107)</b>	<b>(240.122)</b>	<b>(243.952)</b>	<b>(248.124)</b>

- 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 to 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 Support (CTS) 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 Tax at 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 CTS, 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
<b>Band D Equivalent Tax Base (250 growth from 25/26)</b>	66,382.04	66,632.04	66,882.04	67,132.04	67,382.04
<b>Collection Rate (Bad Debt Adjustment)</b>	97.5%	97.5%	97.5%	97.5%	97.5%
<b>Band D Equivalent Tax Base</b>	64,722.5	64,966.2	65,210.0	65,453.7	65,697.5
<b>Band D Council Tameside Precept*</b>	1,557.99	1,594.23	1,631.19	1,668.88	1,707.32
<b>Band D Adult Social Care Precept**</b>	263.13	263.13	263.13	263.13	263.13
<b>Band D Council Tax</b>	1,821.12	1,857.36	1,894.32	1,932.01	1,970.45
<b>Council Tax (Table 4)</b>	<b>117.867</b>	<b>120.666</b>	<b>123.529</b>	<b>126.457</b>	<b>129.454</b>

\* 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, as the legislation is not in place to extend this. The Council did factor a continuation of current levels of increase into its scenario plans reported to Cabinet in the previous update on the MTFS.
- 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 in the Council Tax Base (CTB) for 2024/25, this represents the number of Band D equivalent households in Tameside following reductions for discounts and the CTS scheme as at September 2023. The tax base also includes an assumption that 437 new Band D equivalent households will be built and be liable for Council Tax. These are based on current growth projections provided through Planning and Exchequer. This equates to an additional £0.912m of Council Tax.
- 5.11 An increased collection rate of 97.5% has also been assumed in 2024/25, previously 96.5% in 2023/24. This 1% increase will be monitored throughout 2024/25 to track progress against the new collection target. This equates to an additional £1.152m of Council Tax. The Council has historically collected to 97.5% over a 6 year period and is investing in further improvements in Exchequer as part of the MTFs to support delivery of collection.
- 5.12 **Business Rates and Related Grants** are the other main element of General Funding. 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 £33.447m 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 Table 5c below details the updated assumptions for Business Rates in the MTFs. The current assumption is that the multiplier rate will increase by 5% in line with inflation.

**Table 5c: Updated Business Rates and Related Grants**

<b>Business Rates and Related Grants</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>2026/27 £m</b>	<b>2027/28 £m</b>	<b>2028/29 £m</b>
Business Rates	(57.158)	(57.730)	(58.307)	(58.890)	(59.479)
Top Up Grant	(33.447)	(33.782)	(34.119)	(34.461)	(34.805)
Section 31 Grants	(23.434)	(23.669)	(23.905)	(24.144)	(24.386)
<b>Sub-total Business Rates Grants</b>	<b>(114.040)</b>	<b>(115.180)</b>	<b>(116.332)</b>	<b>(117.495)</b>	<b>(118.670)</b>

## 6 UPDATED MEDIUM TERM FINANCIAL STRATEGY

6.1 The revised MTFS presents that the Council has balanced the 2024/25 budget. However there is a budget gap in 2025/26 and future years.

**Table 6 – Updated MTFS**

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
<b>Opening Net Budget</b>	<b>221.397</b>	<b>234.247</b>	<b>248.487</b>	<b>259.341</b>	<b>274.197</b>
Staffing related cost pressure	9.252	6.752	5.672	4.424	3.038
Demographic pressures	11.192	5.000	5.000	5.000	5.269
Inflationary pressures	15.638	8.246	5.893	5.893	5.899
Reduction in other fees/charges/income	0.000	0.000	0.000	0.000	0.000
Other service pressures	1.230	0.316	0.316	0.316	0.316
<b>Total service pressures</b>	<b>37.312</b>	<b>20.314</b>	<b>16.882</b>	<b>15.634</b>	<b>14.522</b>
Budget reductions	(12.689)	(7.849)	(5.250)	0.000	0.000
Budget resources redirected	(3.924)	0.000	0.000	0.000	0.000
New funding	(5.756)	2.941	0.000	0.000	0.000
Fees & charges	(2.093)	(1.167)	(0.778)	(0.778)	(0.778)
Efficiency factor	0.000	0.000	0.000	0.000	0.000
<b>Total service reductions</b>	<b>(24.462)</b>	<b>(6.074)</b>	<b>(6.028)</b>	<b>(0.778)</b>	<b>(0.778)</b>
<b>Net Expenditure Requirement</b>	<b>234.247</b>	<b>248.487</b>	<b>259.341</b>	<b>274.197</b>	<b>287.941</b>
<b>Resources</b>					
Revenue Support Grant	0.000	0.000	0.000	0.000	0.000
Business Rates	(114.040)	(115.180)	(116.332)	(117.495)	(118.670)
Council Tax	(117.867)	(120.666)	(123.529)	(126.457)	(129.454)
Collection Fund (surplus)/deficit	(2.079)	0.000	0.000	0.000	0.000
New Homes Bonus	(0.261)	(0.261)	(0.261)	0.000	0.000
Use of reserves	0.000	0.000	0.000	0.000	0.000
Other funding	0.000	0.000	0.000	0.000	0.000
<b>Total resources</b>	<b>(234.247)</b>	<b>(236.107)</b>	<b>(240.122)</b>	<b>(243.952)</b>	<b>(248.124)</b>
<b>Budget reductions to find - cumulative</b>	<b>(0.000)</b>	<b>(12.379)</b>	<b>(19.219)</b>	<b>(30.245)</b>	<b>(39.817)</b>
<b>Budget reductions to find - incremental</b>	<b>(0.000)</b>	<b>(12.379)</b>	<b>(6.839)</b>	<b>(11.026)</b>	<b>(9.572)</b>

## 7 NEXT STEPS AND PLANNED APPROACH

7.1 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 final proposed budget in February 2024 to take account of on available information on Government funding decisions as well as the macro-economic environment.

7.2 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. Through the year, budget reduction proposals have been 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.

7.3 Star Chambers are in place in January 2024 to review all budget reduction proposals to date, and for members of the Executive Cabinet to constructively challenge planning assumptions and levels of budget reduction being proposed. This follows on from the October 2023 Star Chambers where ideas were first presented to Members.

- 7.4 Consultation through the Big Conversation is underway until at least 01 February 2024, with further planned items at Neighbourhood Forums in January 2024. Further independent check and challenge from Scrutiny Committees will take place in January 2024, 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 throughout 2024/25.
- 7.5 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 National Living Wage and the Fair Cost of Care.

## **8 FINANCIAL RESILIENCE**

- 8.1 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.
- 8.2 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.
- 8.3 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.
- 8.4 The Oflog report for Tameside, as at December 2023, is appended to this report with comparisons to statistical neighbours.

## **9 RECOMMENDATIONS**

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