Report to:	**EXECUTIVE CABINET**
Date:	5 February 2020
Executive Member/Officer of Strategic Commissioning Board	Councillor Brenda Warrington – Executive Leader, Tameside MBC Dr Asad Ali - Governing Body Chair, Tameside & Glossop CCG Dr Ashwin Ramachandra – Governing Body Chair, Tameside & Glossop CCG Kathy Roe – Director Of Finance – Tameside & Glossop CCG and Tameside MBC
Subject:	**BUDGET 2020/21**
Report Summary:	The report sets out the detailed revenue budget proposals for 2020/21 and the Medium Term Financial Plan for the 5 year period 2020/21 to 2024/25, including the proposed council tax increase for 2020/21. The budget report proposes a balanced budget for 2020/21, subject to the delivery of identified savings on Council Budgets, identification and delivery of the remaining savings (QIPP) target against CCG budgets, an increase in Council Tax, and the targeted use of £12.4m of reserves to fund additional investment across a range of services as outlined in **Section 3.**
Recommendations:	That the recommendations outlined in Section 13 of the report are approved.
Links to Community Strategy	The Budget aligns with the priorities of the Corporate Plan and Community Strategy.
Policy Implications	The budget reflects the policy choices that the Strategic Commission intends to pursue to support the Corporate Plan and Medium Term Financial Plan.
Legal Implications: (Authorised by the Borough Solicitor)	As set out in section 12.
Risk Management:	As set out in section 3 and **Appendix 5**.
Access to Information :	Background papers relating to this report can be inspected by contacting: Tom Wilkinson, Assistant Director of Finance, Tameside Metropolitan Borough Council ☎ Telephone:0161 342 5609 e-mail: tom.wilkinson@tameside.gov.uk Tracey Simpson, Assistant Director of Finance, Tameside and Glossop CCG ☎ Telephone: 07917 596278 e-mail: tracey.simpson@nhs.net

1. BACKGROUND

1.1. In February and March 2019, the Strategic Commission agreed 2019/20 budgets for the Tameside and Glossop Clinical Commissioning Group (CCG) and Tameside Council.

1.2. These budgets were set in the context of continued funding cuts in local government, and significant growing demographic and demand pressures across the economy. Children's Social Care and Continuing Health Care were identified as particularly significant pressures and budgets included significant Targeted Efficiency Programme (TEP) savings targets which need to be delivered to achieve a balanced position by 31 March 2020.

1.3. During 2019/20, the Strategic Commission has continued to report on the financial position of the Tameside Health Economy as a whole in monthly Integrated Commissioning Fund (ICF) financial monitoring reports. As at the end of December 2019, the Strategic Commission is forecasting an overspend of £1.5m due to continuing significant pressures in Children's Social Care Services.

Table 1: Strategic Commission 2019/20 Budget – Forecast Outturn

	Forecast Position @ 31 December 2019				
2019/20 Forecast Position £000's	**Expenditure Budget**	**Income Budget**	**Net Budget**	**Net Forecast**	**Net Variance**
Acute	214,112	0	214,112	215,255	(1,143)
Mental Health	38,064	0	38,064	38,881	(817)
Primary Care	84,927	0	84,927	84,661	265
Continuing Care	15,823	0	15,823	15,521	302
Community	33,520	0	33,520	33,512	8
Other CCG	29,662	0	29,662	28,278	1,384
CCG TEP Shortfall (QIPP)	0	0	0	0	0
CCG Running Costs	5,164	0	5,164	5,164	(0)
Adults	84,285	(46,974)	37,311	37,951	(640)
Children's Services	53,632	(5,199)	48,432	56,785	(8,353)
Education	26,348	(20,343)	6,005	6,046	(41)
Individual Schools Budgets	119,128	(119,128)	0	0	0
Population Health	16,262	(170)	16,092	16,327	(235)
Operations and Neighbourhoods	78,840	(28,213)	50,627	49,857	770
Growth	42,940	(33,811)	9,129	9,972	(843)
Governance	74,156	(64,926)	9,229	9,042	187
Finance & IT	9,259	(2,167)	7,092	6,764	328
Quality and Safeguarding	440	(304)	136	136	(0)
Capital and Financing	10,788	(7,986)	2,803	(1,300)	4,103
Contingency	5,551	(235)	5,316	2,293	3,023
Corporate Costs	5,104	(473)	4,631	4,480	151
Integrated Commissioning Fund	**948,003**	**(329,928)**	**618,075**	**619,625**	**(1,550)**
CCG Expenditure	421,272	0	421,272	421,272	0
TMBC Expenditure	526,731	(329,928)	196,803	198,353	(1,550)
Integrated Commissioning Fund	**948,003**	**(329,928)**	**618,075**	**619,625**	**(1,550)**

1.4. This overall forecast position masks a number of significant pressures and overspends in some areas, including significant forecast overspends in Acute, Mental Health, Adults, Children's Social Care Services and Growth. These overspends are being offset by one-off additional income and underspends in other areas, including additional income on the airport dividend. Many of the mitigations to the forecast overspends are one-off in nature, which means the budget pressures remain for 2020/21.

1.5. In Children's Social Care Services, the current forecast is that expenditure will exceed the approved budget by almost £8.4m. This is due to the continuing unprecedented demand for Children's Social Care, with numbers of Looked After Children exceeding expectations during the first half of the year. While the overall size of the Looked After Children population has been relatively stable since Month 6 (698 at 28th Jan), the forecast position has continued to deteriorate due to changes in the placement mix and includes:

- Increased number of higher tier placements
- Exceptional costs for specialist bespoke provision.
- Significant rise in legal costs/complexity of court activity.

In seeking to address these issues, work is actively under way to implement the Placement Sufficiency Plan, focusing on improvements across strategic commissioning, placement procurement and brokerage, contract management and quality assurance. Alongside this, the Placement and Permanence panel is individually reviewing each placement. Further financial investment is proposed for 2020/21 to support seven key sustainability projects in order to reduce the long term costs that will be incurred by the Council in future years.

2. PURPOSE OF THIS REPORT

2.1. The purpose of this report is to set out and seek approval for the setting of a balanced budget for the Council for the financial year 2020/21, and forecasts for the years up to 2024/25. Whilst the Strategic Commission will continue to monitor and report on the financial position of the economy as a whole via the Integrated Commissioning Fund reports, the statutory requirements and timetables for the approval of Council and CCG budgets differ. Provisional Council funding for 2020/21 was announced in December 2019 and is expected to be confirmed in early February 2020. The Council must set the budget and agree the level of Council Tax by 28 February 2020.

2.2. The CCG received indicative allocations as part of the five year plan during 2019 but confirmed funding allocations for 2020/21 are not expected until January or February 2020 and budgets must be agreed by the end of March 2020. This report therefore includes indicative funding levels and budgets for the CCG but these are not yet finalised.

2.3. The Council is required by law to set a balanced budget for the upcoming financial year. The proposals set out in this report and the detailed appendices propose a balanced Council budget for 2020/21, subject to the delivery of identified savings, agreement of a proposed increase in Council Tax, and the use of £12,395k of reserves to support targeted investment across a number of services. **Appendix 1** provides a summary of the Council budget for 2020/21 and forecasts for future years.

2.4. Whilst the CCG funding allocations and budget proposals for 2020/21 have not been finalised, indicative figures suggest that the CCG will face a funding shortfall of £3,048k in 2020/21 which will require the identification of further savings. The combined forecast position for the Strategic Commission for 2020/21 and beyond is summarised in tables 2A and 2B below.

Table 2A: Strategic Commission Gross Budgets 2020/21

Strategic Commission 2020/21 Gross Budgets			
	Tameside MBC £000s	Tameside & Glossop CCG £000s	**Strategic Commission £000s**
Gross Expenditure Budget	556,880	435,821	**992,701**
Gross Income Budget	(351,601)	0	**(351,601)**
Resources	(205,279)	(432,773)	**(638,052)**
Forecast Gap	**0**	**3,048**	**3,048**

Table 2B: Strategic Commission Net Budget Forecast 2020/21 to 2024/25

Strategic Commission Net Budget Forecasts 2020/21 - 2024/25					
	2020/21 £000s	**2021/22 £000s**	**2022/23 £000s**	**2023/24 £000s**	**2024/25 £000s**
Tameside MBC					
Net Budget Requirement	205,279	212,907	215,668	221,611	227,637
Forecast Resources	-205,279	-193,247	-194,414	-194,839	-196,343
Forecast Gap	**0**	**19,661**	**21,254**	**26,772**	**31,294**
Tameside and Glossop CCG					
Net Budget Requirement	445,273	458,099	474,128	492,051	492,051
less Savings already agreed	-9,452	-11,771	-12,706	-13,631	-13,631
Forecast Resources	-432,773	-443,257	-458,313	-472,922	-472,922
Forecast Gap	**3,048**	**3,071**	**3,109**	**5,498**	**5,498**
Strategic Commission Total Forecast Gap	**3,048**	**22,732**	**24,363**	**32,270**	**36,792**

2.5. **Appendix 16** provides further detail on the CCG budget planning assumptions and current forecasts. NHS planning guidance for 2020/21 was originally scheduled for late 2019, however at the time of writing this paper has still not been published. It is currently envisaged that financial and operational planning guidance, including details of allocations and technical guidance, will be published by the end of January 2020. Further clarification is still required, but as a consequence of the delayed publication it is expected that submission of draft plans to NHSE will be 5 March, with final submissions due in April.

2.6. It is impossible for the CCG to finalise budget setting for 2020/21 until allocations are in place and commitments and consequences of national planning guidance have been quantified and calculated. Therefore for the purposes of joint reporting of Integrated Commissioning Budgets across the Single Commission, figures for the CCG are based upon long term plans developed in Autumn 2019. While figures included in **Appendix 16** will inevitably change following publication of detailed planning guidance, they provide a useful indicative picture of our expected financial position based on known factors in the Autumn.

2.7. The remainder of this report and the detailed appendices are focused purely on the Council Budgets. The CCG budgets for 2020/21 will be approved by the Strategic Commissioning Board and Governing Body in March or April 2020 and will be subject to a further separate report.

2.8. This report makes reference to further detail in the appendices which cover the following areas:

Appendix 1) Revenue Budget and Medium Term Financial Plan Summaries
Appendix 2) Pressures and Growth
Appendix 3) Savings and additional income
Appendix 4) Resourcing
Appendix 5) Section 151 Officers' Statement on the Robustness of the Budget Estimates
Appendix 6) Reserves Strategy and General Fund Minimum Balance
Appendix 7) Director of Adults
Appendix 8) Director of Children's – Children's Social Care
Appendix 9) Director of Children's – Education
Appendix 10) Director of Population Health
Appendix 11) Director of Growth
Appendix 12) Director of Operations and Neighbourhoods
Appendix 13) Director of Governance
Appendix 14) Director of Finance and IT, Corporate Costs
Appendix 15) Quality & Safeguarding
Appendix 16) CCG Budgets
Appendix 17) Budget Conversation
Appendix 18) Capital Investment
Appendix 19) Pay Policy Statement 2020/21
Appendix 20) Treasury Management Strategy 2020/21
Appendix 21) Capital Strategy 2020/21
Appendix 22) Fees and Charges

3. SUMMARY OF THE COUNCIL BUDGET PROPOSALS (Appendix 1)

3.1. The 2019/20 budget report included forecasts for 2019 to 2024 which identified a budget gap of £15,847k in 2020/21. This gap assumed that savings of £5,198k would be delivered over the two years 2019/20 and 2020/21, and that Children's Services expenditure would remain within its budget for 2019/20, and reduce over the following two years.

3.2. Since the approval of the 2019/20 budget, significant additional pressures have emerged which increased the forecast gap for 2020/21 and beyond. In particular, some of the planned savings for 2019/20 have not been delivered and demand for Children's Social Care services has not stabilised, but continued to grow, with the service forecasting to exceed the approved budget by £8,353k in 2019/20.

Table 3: Changes to the 2020/21 Budget Requirement since February 2019

Analysis of 2020/21 Budget Gap	February 2019 £000s	February 2020 £000s	Changes £000s
Opening Budget requirement	**192,294**	**196,594**	**4,300**
Service Pressures (Tables 4A and 4B)			
Staffing related cost pressure	3,454	4,342	888
Demographic pressures	296	10,584	10,288
Inflationary pressures	4,323	1,915	(2,408)
Reduction in other fees/charges/income	0	912	912
Grant reduction	2,553	205	(2,348)
Other service pressures	1,176	5,326	4,150
Total Service Pressures	**11,802**	**23,284**	**11,482**
Service Reductions (Table 6)			
New and existing savings	(1,151)	(6,289)	(5,138)
New funding	1,968	(5,935)	(7,903)
Fees & charges	(18)	(825)	(807)
Vacancy factor	(48)	(1,550)	(1,502)
Total service reductions	**751**	**(14,599)**	**(15,350)**
Business Rates	(86,813)	(92,238)	(5,425)
Council Tax (Before increase)	(94,439)	(95,551)	(1,112)
New Homes Bonus	0	(1,384)	(1,384)
Use of Reserves	(5,000)	(12,395)	(7,395)
Total Resources (Appendix 4)	**(186,252)**	**(201,568)**	**(15,316)**
Assumed Council Tax Increase	(2,748)	(3,711)	(963)
GAP	**15,847**	**0**	**(15,847)**

Pressures and growth (Appendix 2)

3.3. The Council continues to face significant cost pressures from demographic growth and increased costs, particularly in Children's Social Care. In addition, some of the savings identified in 2019/20 have proven too difficult to deliver which increases the budget pressures for 2020/21. The key cost pressures for 2020/21 are summarised in tables 4 and 5 below, with further detail in **Appendix 2** and Directorate **Appendices 7 to 14**.

Table 4A: Analysis of Total Pressures 2020/21

New Pressures 2020/21	£000s
Service Pressures	
Demographic Pressures	10,584
Grant Reduction	205
Inflationary Pressures	1,915
Other Service Pressures	5,326
Reduction in other fees/charges/income	912
Pay Related Cost Pressure	4,342
Total service pressures	**23,284**

Table 4B: Pressures by Service Area for 2020/21

Pressures 2020/21	£000s	Further Detail
Adults	3,109	**Appendix 7**
Children's Services	10,509	**Appendix 8**
Children's – Education	402	**Appendix 9**
Population Health	466	**Appendix 10**
Growth	3,039	**Appendix 11**
Operations and Neighbourhoods	3,533	**Appendix 12**
Governance	842	**Appendix 13**
Finance & IT	1,743	**Appendix 14**
Corporate	-359	**Appendix 14**
Total	**23,284**	

Targeted Use of Reserves

3.4. Reserves are a finite resource and continued use equivalent to a household running down its savings. A number of pressures identified for 20/21 relate to required investment in the economic infrastructure of the borough where it is appropriate to fund this investment from reserves, due to the opportunities afforded to us by doing this. Of the total additional pressures identified for 20/21, an amount of £7.395m is to be funded from reserves. A further £5m of reserves will be used as an interim measure to support cost pressures in Children's Social Care, bringing the total use of reserves in 2020/21 to £12.395m. This targeted use of reserves is an investment in services which is intended to bring forward developments and allow time for actions to be taken to stabilise budgets.

Table 5: Targeted Use of Reserves 2020/21

Targeted Use of Reserves	£000s
Children's Services	2,950
Growth	1,965
Operations and Neighbourhoods	2,367
Adults	113
Total	**7,395**

3.5. The amounts identified from reserves will fund investment in:

- Children's Services - Investment is being made into seven 'sustainability projects' which are intended to secure the long term sustainability of Children's Social Care Services. Further detail on the proposals for Children's Services are set out in **Appendices 5 and 8.**

- Growth - By taking part in the Greater Manchester retained business rates pilot, Tameside has benefited from increased business rate revenues. It is proposed to proactively invest these reserves in a number of pump priming initiatives across the borough. These proposals include Town Centre Master planning, development of the Strategic Asset Management Plan, Ashton Moss, St Petersfield, Godley Green, Tameside One set up costs and the Mottram By-pass impact report. The successful

delivery of these schemes will increase the inward investment into the borough and grow the current tax base to contribute to the funding of future services.

- Adults - One-off set up costs anticipated as part of the transfer of services to the Integrated Care Foundation Trust (ICFT) that should bring about improved outcomes for our residents.

- Operations & Neighbourhoods - Reserves are being used in 20/21 to support income budget shortfalls in car parking and markets whilst work is undertaken to review the services and determine the most sustainable future delivery model. Investment is also being made from reserves into future events, selective licensing and the expected contribution to the costs of bus reform across Greater Manchester.

Greater Manchester Bus Reform

3.6. Greater Manchester Mayor Andy Burnham has announced plans to take Greater Manchester's bus network into public control. The financial case for bus reform proposals includes a full assessment of how the Greater Manchester Combined Authority (GMCA) could afford to make and operate the proposed scheme. The assessment set out a range of credible funding sources which exceed the net modelled costs to operate the scheme over the proposed transition period. The assessment also concluded the proposed franchising scheme was affordable and would represent value for money. Following the audit of the assessment the GMCA agreed in October 2019 to commence consultation on the proposed franchising scheme which included a proposed funding package.

3.7. The forecast net costs over the transition period up to 2024/25 are approximately £134.5 million. The sources of funding include £78 million of mayoral 'earn back' funds (provided by central government as part of Greater Manchester's Devolution Agreement), £11 million raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes and £22.7m from the mayoral precept in future years budgets, £5m of existing and forecast business rates receipts held by GMCA and £17.8 million of contributions by Local Authorities as a proposed one off increase in the statutory contribution in 2020/21. Any differences between the cash-flowed spend and profiled funding requirement will be covered through prudential borrowing. Discussions are also ongoing with Government around their level of support to deliver bus reform which could potentially reduce the local funding required including from the mayoral precept.

3.8. The full business case will be included in the consultation documentation and includes the indicative profile of the costs and funding requirement. The local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above Tameside Council's share would be £1.450m. This amount has been earmarked in reserves and will be drawn down during 2020/21 if required.

Savings and additional income (Appendix 3)

3.9. The budget for 2020/21 includes a number of budget reductions due to additional income and delivery of savings, including the full year effect of savings identified in previous years. The nature of savings is summarised in Table 6 below with further information contained in **Appendix 3** and **Appendices 7 to 14**.

Table 6: Savings and Additional Income 2020/21

Savings and Additional Income	2020/21 £000s
Full year effect of savings identified in prior year	(1,151)
New savings to be delivered by management (Table 7)	(5,138)
Additional Vacancy factor	(1,550)
Additional Grant Income	(5,935)
Additional Fees & Charges Income	(825)
Total service budget reductions	**(14,599)**

3.10. **New savings to be delivered by management** of **£5,138k** have been identified for 2020/21. Proposed savings have been subject to robust review and challenge by finance, Senior Officers and Members and this review process will continue to monitor delivery of savings and identify new savings for future years. Savings for 2020/21 are summarised in table 7 below, with further detailed analysis of savings in **Appendix 3** and in Directorate **Appendices 7 to 14**.

Further directorate savings are also being made around better management of demand or increasing productivity. Although these are non-cashable savings, they do contribute to reducing the financial gap over the medium term.

Table 7: Savings by Directorate 2020/21

Directorate	Saving Forecast £000s				
	20/21	21/22	22/23	23/24	24/25
Adults	0	0	0	0	0
Children's Services	0	0	0	0	0
Children's - Education	100	100	100	100	100
Population Health	0	0	0	0	0
Growth	500	1,000	1,000	1,000	1,000
Operations and Neighbourhoods	582	839	839	839	839
Governance	0	0	0	0	0
Finance & IT	800	800	800	800	800
Capital and Financing	2,952	2,499	2,400	2,400	2,400
Corporate Costs	204	204	204	204	204
Totals	**5,138**	**5,442**	**5,343**	**5,343**	**5,343**

3.11. A '**vacancy factor'** was included in the budget in 2019/20. There is almost always a gap between the date that an employee leaves and the date that a replacement starts work. This lapse in time is caused by the operation of similar notice periods in similar professions and most large organisations make assumptions on how much will be saved through this gap. Historically, service areas have consistently underspent against staffing budgets and therefore an assumed vacancy factor has been based on this past experience, and is deemed to be prudent and realistic and therefore not affect the delivery of services.

3.12. In 2019/20 a vacancy factor of £2,308k was included in the budget, equivalent to 3% of total pay budgets. As at the end of November 2019, total savings on staffing costs had already exceeded the vacancy factor for the year, with the forecast total saving by 31 March 2020 being £5,311k including agency costs, the equivalent of 5.78% of gross pay

budgets. The vacancy factor for 2020/21 is therefore being increased to 4% of pay budgets, generating additional forecast savings of £1,550k. It is proposed that the 4% level is reviewed as part of the monthly budget monitoring and as part of the 2021/22 budget process.

3.13. **Additional grant income** of **£5,935k** is expected from the finance settlement from central government, which is due to be finalised in February for the 2020/21 financial year. This consists of inflationary growth in the Better Care Fund in Adults of £493k, levy surplus grant of £212k and additional Social Care grant of £5,230k announced in the budget in September 2019. The additional Social Care grant has been allocated to help address the pressures in Children's Services. A list of forecast government grants for 20/21 is included in Appendix 1.

3.14. **Fees and charges** have been reviewed to ensure that they are set at appropriate levels and are comparable to similar authorities across Greater Manchester. It is assumed that fees and charges will be increased by a minimum of 2.5%, unless there are indications that the market conditions require a greater or lesser increase. In addition, a number of fees and charges are set nationally and cannot be influenced by the Council. **Additional income** of **£825k** is forecast in 2020/21. **Appendix 22** sets out the proposed fees and charges for 2020/21 and the proposed increase from 2019/20 where relevant.

Advance Payment of Employer Pension Contributions

3.15. In February 2017, Executive Cabinet approved an advanced payment of employer pension contributions, equivalent to three years contributions, to the Greater Manchester Pension Fund. The payment of employer contributions in advance provided the Council with a discount on the contribution rate equivalent to approximately £2.4m over the three year period.

3.16. The Council now has the opportunity again to make an advance payment of employer pension contributions for the three year period, 2020 to 2023. Based on the current pensionable payroll, with an employer contribution rate of 21% (unchanged from the period 2017 – 2020), the forecast total employer contributions for the three year period April 2020 to March 2023 is £53.468m. If an advance payment equivalent to these three years is made then the rate is discounted to 19.9%, resulting in a cash saving of £2.764m over the three years. After taking account of the forecast interest foregone, based on interest rate projections in the Treasury Management Strategy, the net saving is estimated to be approximately £1.9m over the three year period.

3.17. It is financially advantageous for the Council to use reserves to fund this advance payment. The Treasury Management Strategy identifies that the Council's cash flow is healthy and has sufficient cash resources to enable the payment to be made. There will be other calls on cash during the next three years, most notably from the Capital Programme, but it is expected that the cash position will remain strong in the medium term. As monthly payments of employer contributions will not be made, the cash position of pension contributions will come back into balance over the three years.

3.18. However there are risks involved in making the advance payment:

- The economic advantages assume investment returns being obtained by the Fund which are above those the local authorities can obtain on their cash balances. The Fund investments can fall in value as well as increase. The largest risk is that due to falling investment markets, when the 31 March 2022 valuation takes place, the assets purchased by the Fund with the advance contribution are worth less than the amount of the cash sum paid. This would then feed through to contribution rates that are higher than they otherwise would have been in the period 1 April 2023 – 31 March 2026

- Paying a large cash contribution concentrates the risk on the market conditions applicable at that time. If this date proves to be unfortunate then it will dilute the financial benefit to the authority; if instead it proves to be advantageous then it will deliver a larger financial benefit.

3.19. Employee contributions will continue to be paid monthly, which reduces the market timing risk to an extent. The risk can be reduced further by making two or more instalments of the advance contributions, although the financial saving is reduced as a result. The risk of market conditions having an adverse effect on the value of pension fund investments cannot be removed, but they are of a long term nature and variations in value are likely to be smoothed out over a longer period of time.

Resourcing changes (Appendix 4)

3.20. The Council identifies a 'Net' budget requirement which consists of the gross expenditure budgets, less the gross income budgets for service specific income including fees, charges and specific government grants. This net budget requirement is then financed from 'resourcing', which consists of non-service specific public income such as business rates, general grants, reserves and Council Tax.

3.21. 2019/20 was the fourth and final year of a four year funding settlement for the Council, agreed with the Government. This four year settlement provided the Council with some certainty over funding levels, but has nonetheless resulted in year on year funding reductions. A review of Local Government funding has been ongoing during 2019 (the 'fair funding' review) but has not yet concluded. A full spending review did not take place during 2019 and is not now expected until later in 2020.

3.22. In September 2019, a one year budget was announced by the Government and in December 2019 a provisional 2020/21 Local Government Finance Settlement was announced. The resourcing figures included in the budget are based on the provisional finance settlement which will be confirmed in February 2019. Traditionally there is little movement between the provisional and final settlements, and any differences will be adjusted through the contingency budget or reserves.

3.23. Beyond 2020, assumptions have been made based on intelligence gathered from the HM Treasury's budget in September 2019 and commentary from sector experts. The funding for local government is expected to remain broadly flat, with the continued reduction in central government support being compensated by increasing local taxes, specifically business rates and council tax. It is currently assumed that the additional social care funding announced in September 2019 will as a minimum continue at current levels into future years, and that the Better Care Fund will continue.

3.24. **Appendix 4** provides further detail on the resources available to fund the budget. The total net budget requirement for the Council in 2020/21 is £205,279k. Before any increase in Council tax levels, the resource available in 2020/21 is £201,568k, leaving a gap of £3,711k.

3.25. The resourcing is based on the following key assumptions:

- The continuation of the 100% retention pilot for Business Rates income in 2020/21, with no significant deterioration in the business rates yield. Top up grant and mandatory relief reimbursement grant is paid in line with the provisional local government finance settlement.
- New Homes Bonus grant is paid in line with the provisional local government finance settlement.
- Improved Council Tax collection rates are sustained, and forecast growth in the number of properties in the base is in line with forecasts for 2020/21. No unforeseen significant losses on Council Tax are experienced that impact on the Collection Fund Surplus.

- The budget is supported by the use of £12,395k of reserves to support targeted investment in a number of services. Further detail is included in **Appendix 2** and paragraphs 3.4 to 3.5 above.

Robustness of the budget estimates (Appendix 5) and Reserves (Appendix 6)

3.26. The Council is required by law to set a balanced budget for the upcoming financial year. This balanced budget must be based on sound and sustainable assumptions about income and expenditure, the delivery of savings and use of reserves.

3.27. Under Section 25 of the Local Government Act 2003, the Section 151 Officer is required to prepare a statement on the adequacy of the proposed financial reserves and the robustness of the budget estimates.

3.28. The Director of Finance (Section 151 Officer) statement on the robustness of the budget estimates is set out in **Appendix 5**.

3.29. The statement concludes that in the light of the risk assessment and the details of the budget as set out in this report, which are based on the best information available at the time, and the strength of the Council's Internal Control Systems, it is the opinion of the Director of Finance (Section 151 Officer) that the budget estimates for 2020/21 are robust, and the level of reserves adequate.

3.30. However, the use of reserves at current levels, to provide services with the time to improve, is not sustainable, and the Council needs to ensure robust and transparent management of these services to ensure the delivery of the improvement plans in place. A failure to turn around these budget areas will inevitably result in a failure to be able to set a balanced budget in future years.

3.31. This statement is in compliance with Section 25 of the Local Government Act 2003. This is not a guarantee that spending will be within every budget line but it is reasonable to believe that the expenditure can be contained within the overall resource envelope agreed by the Council.

3.32. Section 26 of the Local Government Act 2003, places a duty on the Section 151 Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget. **The Director of Finance is recommending a proposed minimum level of general fund balances from 1 April 2020 at £27.2m,** which is slightly lower than in 2019 reflecting the reduced size of the Council's current Capital programme and further recurrent investment in front line services. Further information is set out in the reserves strategy in **Appendix 6**

4. COUNCIL TAX (Appendix 4)

4.1. After taking account of budget pressures, additional income and savings identified for delivery in 2020/21, the total net budget requirement for the Council is £205,279k. Before any increase in Council tax levels, the resource available in 2020/21 is £201,568k, leaving a gap of £3,711k.

4.2. **Appendix 4** provides further detail on resourcing and Council Tax. The gap of £3,711k can be closed through an increase in Council Tax of 3.99%. This is made up of a 2% increase for the Adult Social Care Precept and a 1.99% general increase in Council Tax.

4.3. For a typical band A property in Tameside a 3.99% increase in Council Tax will equate to an increase of £39.09 per year, or 75 pence per week.

5. BUDGET CONSULTATION (Appendix 17)

Budget Conversation

5.1. It is important that Tameside and Glossop Strategic Commission (Tameside Council and NHS Tameside and Glossop Clinical Commissioning Group) understand the priorities of the public – local residents, businesses, patients and service users. A public engagement exercise was launched on 13 December 2019 and ran until 15 January 2020 to understand their priorities for spending within the context of the financial challenges facing public services. The conversation document is included at **Appendix 17**. This was the second time an engagement exercise focussing on identifying the priorities of the public in terms of the budget has been undertaken by the Strategic Commission jointly as two organisations as opposed to the Council alone.

5.2. The engagement took the form of a conversation with the public on providing sustainable public services for the future, and encouraging residents to see themselves as citizens, not just consumers of services. The public were encouraged to complete an online survey to leave comments and feedback through the Conversation including ideas and suggestions for saving money and improving services. The conversation was also supported with attendance at bespoke and existing meetings and forums. In addition, the feedback from all engagement activity across the last 18 months has been reviewed to identify key themes and further inform the budget setting.

Statutory Consultation

5.3. The Council also has a statutory duty to consult with businesses and other representatives of non-domestic ratepayers on its annual spending proposals. Businesses have had an opportunity to take part in the budget conversation, and this is being supported by a further process of sharing the Executive Cabinet budget 2020/21 report when published with non-domestic ratepayers with a deadline of 14 February 2020 for them to provide any comments which can then be considered in the report to Full Council.

Council Scrutiny

5.4. Members of the Council's scrutiny panels were also invited to consider this year's budget position and the proposals set out in this report.

6. LOOKING FORWARD – THE FIVE YEAR PLAN

6.1. Whilst the budget proposals for 2020/21 present a balanced position (after Council tax increases) the projected gap for 2021/22 and beyond is significant. This is primarily driven by forecast demographic and other cost pressures, particularly in Adults and Children's services. Whilst further significant investment in Children's Social Care Services it to be made in 2020/21, it is assumed that spending on Children's Social Care will reduce from 2021/22. The scale of this budget gap in future years requires immediate action to ensure transformational changes can be achieved.

Table 8: Five year Council budget forecast

	2020/21 '£000	2021/22 '£000	2022/23 '£000	2023/24 '£000	2024/25 '£000
Proposed total budget	205,279	212,907	215,668	221,611	227,637
Total resources	(205,279)	(193,247)	(194,414)	(194,839)	(196,343)
Previous year's (surplus)/deficit	0	0	19,661	21,254	26,772
Current year (surplus)/deficit	0	19,660	1,594	5,518	4,522
Cumulative (surplus)/deficit	**0**	**19,661**	**21,254**	**26,772**	**31,294**

Opportunities For Future Savings

6.2. **STAR procurement -** In September 2018, the Council formally joined the STAR procurement shared service, a partnership arrangement between Stockport, Trafford and Rochdale. This will provide the Council with much needed capacity and expertise in an area that previously had limited resources. Limited procurement savings have been assumed in 2020/21 and it is anticipated that significant savings can be achieved in future years as we accelerate the review of contracts and areas of high spend.

6.3. **Strategic Asset Management Plan and Estates Strategy -**. Development of an effective Strategic Asset Management Plan and associated estates strategy, which supports the delivery of £2.4bn investment, delivers One Public Estate, generates income, realises recyclable capital receipts and provides a strategic approach to our capital programme and major projects, realising opportunities for integrated health hubs, new housing and local jobs for local people. An economy wide strategy and plan for the utilitisation of the estate is expected to identify efficiencies in how we use our assets, which should result in financial savings for the economy.

6.4. **Economic Strategy -** Implementation of a Vibrant Economy Strategy to support new and indigenous businesses, creation of new jobs, a skilled workforce and increase in apprenticeships.

6.5. **Housing Strategy -** Develop and implement a new Housing Strategy and Delivery Plan and framework of delivery partners, to support the development of new homes and to raise standards in the private rented sector.

6.6. **Service Planning and Service Improvement -** A further drive on service planning and service improvement is planned for 2020 to identify further efficiencies and different models for service delivery. The Council will continue to seek opportunities to work with our partners across the economy and deliver services in different, more efficient and effective ways.

6.7. **Workforce Development and Agile working -** As our models of service delivery change, the opportunities for new and different ways of working increase. The economy wide estates strategy and new service delivery models are expected to offer new ways of working which may also offer financial savings.

6.8. **Digital Strategy -** Technology is an integral part of modern day life, and IT developments will contribute to new ways of working and new service delivery models.

7. EQUALITIES IMPACT ASSESSMENT

7.1. The Council is required to prepare a balanced budget for 2020/21. Wherever possible, the budget proposals seek to minimise costs and maximise efficiencies, whilst protecting public services. The Council has a specific equality duty to assess the likely impact of proposed policies and practices on protected groups under equality legislation to ensure that

decisions are taken with due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations.

7.2. The budget proposals include a number of savings proposals across service areas which may have a direct or indirect impact on groups of people with protected equality characteristics. When submitting savings proposals, service areas were required to submit a detailed template assessing the savings proposal, including the anticipated impact of the savings and whether an Equalities Impact Assessment was required. Services have or will undertake Equalities Impact Assessments where they have determined that the proposals will have an impact on service delivery.

7.3. The proposed increase in Council Tax will affect every household in the borough. Each year the Council aims to set a fair level of council tax as part of the balance between protecting public services within the resources available to finance the budget. The Council continues to operate a Council Tax support scheme for those on low incomes and we are satisfied that the potential negative impact of a Council Tax increase (section 4) is minimal and will continue to be monitored.

8. CAPITAL INVESTMENT (Appendix 18)

8.1. A three year capital programme was approved in October 2017 and since then a number of changes have been approved by Executive Cabinet to add additional schemes to the programme. Future investment plans are subject to available resources and the realisation of available capital receipts, however the current plans would see investment in excess of £200million over the four year period 2017 to 2021. The current approved and earmarked programme is set out in **Appendix 18**.

8.2. The CIPFA prudential code, which governs how Local Authorities account for and manage capital assets, requires the production of a comprehensive capital strategy, which stretches many years into the future. Work was completed in early 2019 to assess the additional capital demands for the next 5 years that are on top of the current approved investment programme. The result of this work is set out in **Appendix 18**. The capital strategy indicates that the level of investment required over the next five years is £124m which is in addition to the current programme and earmarked schemes. Further work is currently being undertaken to assess and update these indicative capital plans, and to determine the affordability and financing of this additional required investment before any schemes are put forward for full approval. This review will be informed by the Strategic Asset Management Plan and the forecast levels of capital receipts.

9. PAY POLICY STATEMENT

9.1. The Pay Policy Statement for 2020/21 is set out in **Appendix 19**.

9.2. The Pay Policy Statement sets out the Council's approach to pay policy in accordance within the requirements of Section 38 of the Localism Act 2011. This pay policy applies for the year 2020/21 unless replaced or varied by Full Council.

9.3. It does not cover teaching staff whose salaries and terms and conditions of employment are set by the Secretary of State. Academy Schools are an entirely separate legal entity from the Council and are covered by Academies Act 2010 and as a separate employer are responsible for setting salaries for their employees.

9.4. The purpose of the Pay Policy Statement is to ensure transparency and accountability with regard to the Council's approach to setting pay. The Pay Policy Statement has been

approved by Council and is publicised on the Council's website in accordance with the requirements of the Localism Act 2011 in March each year.

10. TREASURY MANAGEMENT STRATEGY 2020/21 (Appendix 20)

10.1. The Treasury Management service is an important part of the overall financial management of the Council's affairs. At 31 March 2019 the Council had £105m of investments which need to be safeguarded, and £111m of long term debt, which has been accrued over the years to help to fund the Council's capital investment programmes. The Council is also the lead authority responsible for the administration of the debt of the former Greater Manchester County Council on behalf of all ten Greater Manchester Metropolitan Authorities. As at 31 March 2019, this represented a further £59m of debt. The significant size of these amounts requires careful management to ensure that the Council meets its balanced budget requirement under the Local Government Finance Act 1992. Generating good value for money is therefore essential, in terms of both minimising the cost of borrowing and maximising the return on investments

10.2. Under the Local Government Act 2003, the Department for Communities and Local Government issued in March 2010 revised "Guidance on Local Government Investments". The 2003 Act requires an authority "to have regard" to this guidance. Part of this guidance is that "A local authority shall, before the start of each financial year, draw up an Annual Investment Strategy for the following financial year, which may vary at any time. The strategy and any variations are to be approved by the full Council and are to be made available to the public." This strategy is set out in **Appendix 20**.

10.3. The Treasury Management Strategy also sets out the estimated borrowing requirement for both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), together with the strategy to be employed in managing the debt position.

11. CAPITAL STRATEGY 2020/21 (Appendix 21)

11.1. The CIPFA Prudential Code (revised 2017) now requires that the Council produces an annual Capital Strategy. The Strategy provides a long term context in which capital decisions are made, the approach for governance for those decisions, and also information on the Council's approach towards treasury management and other investments. The Capital Strategy for 2020/21 is attached at **Appendix 21.**

11.2. The Capital Strategy is the Council's framework for the allocation and management of capital resources within the authority, which takes account of the Council's key priorities in the Corporate Plan. It forms a key part of the Council's integrated revenue, capital, and balance sheet planning with a view towards deliverability, affordability, and risk.

11.3. The Capital Strategy identifies the current capital programme and the processes that are carried out to maintain an ongoing investment plan together with the links between its objectives and that of the Corporate Plan. It also gives an insight into how the strategy might develop in terms of achieving the priority outcomes in the next 5-10 years and beyond.

12. LEGAL CONSIDERATIONS

12.1. The obligation to make a lawful budget each year is shared equally by each individual Member. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to

spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

12.2. Within this overall framework, there is of course considerable scope for discretion. Members will bear in mind that in making the budget; commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments however impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes. Only relevant and lawful factors may be taken into account and irrelevant factors must be ignored.

12.3. Under the Member Code of Conduct members are required when reaching decisions to have regard to relevant advice from the statutory Chief Finance Officer, and the Monitoring Officer. Section 114 of the Local Government Finance Act 1988 obliges the Chief Financial Officer to prepare a report (to full Council) if it appears that the expenditure the Authority proposes to incur in a financial year is likely to exceed its resources available to meet that expenditure.

12.4. Similarly, the Council's Monitoring Officer is required to report to Full Council if it appears that a decision has been or is about to be taken which is or would be unlawful or would be likely to lead to maladministration. Under section 25 of the Local Government Act 2003 the Chief Financial Officer is now required to report to the authority on the robustness of the estimates made for the purposes of the calculations required to be made by the Council.

12.5. Section 91 of the Local Government Act 2000 provides that an External Auditor may issue an "Advisory Notice" if s/he has reason to believe that an Authority is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency. This power is to be used where the matter is significant either in amount or in principle or both. A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council faces various contingent liabilities set out in the main budget report. Furthermore the Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. In addition to advising on the robustness of the estimates as set out above, the Chief Financial Officer is also required to report on the robustness of the proposed financial reserves.

12.6. Apart from statutory duties relating to specific proposals the Council must consider its obligations under the Equality Act. In broad terms this means that the Council has a duty to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations. In carrying out the work to identify proposals for 2020/21 officers will have due regard to how the equality duty can be fulfilled in relation to the proposals overall. Detailed consultation processes and equality impact assessments will be carried out for specific proposals prior to final decisions being made where required.

12.7. The Localism Act and the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 introduced "Disclosable Pecuniary Interests" and new rules on the grant of dispensations to allow Council Members to take part in or vote on matters in which they

have a Disclosable Pecuniary Interest ("DPI"). Where a Member has a DPI, they cannot speak and/or vote on a matter in which they have such an interest, unless they have obtained a dispensation in accordance with the requirements of section 33 of the Localism Act. The grounds for the grant of a dispensation under section 33(2) of the Localism Act are, if, after having regard to all relevant circumstances, the Council considers that:

- Without the dispensation the number of Members prohibited from participating/voting in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business.
- Without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business.
- The grant of the dispensation would be in the interests of the inhabitants of the borough.
- Without the dispensation every Member of the Executive would have a DPI prohibiting them from participating/voting in any particular business to be transacted by the Executive.
- It is otherwise appropriate to grant the dispensation.

12.8. At its meeting on 18 September 2012, the Council delegated to the Monitoring Officer the power to grant dispensations. Any grant of a dispensation must specify how long it lasts for, up to a maximum period of four years. Previously, the old "national" model Code of Conduct for Members specifically stated that Members would not have a prejudicial interest in certain circumstances that potentially affected the majority or a large number of Members. These general exemptions included an interest in any business of the Council which related to setting Council Tax or a precept under the Local Government Finance Act 1992. The new arrangements on DPIs introduced by the Localism Act do not reproduce any of the "general exemptions".

12.9. All Members are likely to have a pecuniary interest in relation to the setting of the Council Tax through their ownership / occupation of property in Tameside in common with any resident of the Borough or indeed anyone who stands as a Councillor. In the Monitoring Officer's opinion, the transaction of business relating to these matters would be impeded unless a dispensation was granted.

12.10. In these circumstances, the Monitoring Officer intends to grant dispensations to all members to allow members to participate in and vote on the setting of the Council Tax or a precept (and matters directly related to such decisions including the budget calculations). It will be necessary for all councillors to apply for dispensations to take part in the meeting at Full Council.

13. RECOMMENDATIONS

13.1. This report and the following recommendations will be considered by Executive Cabinet and Strategic Commissioning Board during February 2020, but will require approval by Full Council. Full Council are asked to:

a) Note the significant financial challenges and risks set out in this report;

b) **Approve** the budgeted net expenditure for the financial year 2020/21 of £205,279k as set out in section 3 and **Appendix 1**, noting the significant pressures outlined in **Appendix 2**;

c) **Approve** the proposed savings to be delivered by management outlined in section 3 and **Appendix 3**, noting the additional detail provided in **Appendices 7 to 16**.

d) **Approve** an uplift to fees and charges as set out in **Appendix 22**;

e) **Approve** the advance payment of three years employer pension contributions as set out in paragraphs 3.16 to 3.20;

f) **Approve** the proposed resourcing of the budget as set out in **Appendix 4,** including the use of £12,395k of reserves;

g) **Approve** a 3.99% increase to Council Tax for Tameside MBC for 2020/21, consisting of a 1.99% general increase and 2% Adult Social Care precept;

h) Note that the budget projections set out in section 6 assume a 1.99% per annum increase in general Council Tax through to 2024/25. The budget projections also assume that there is no further reduction to current levels of Government funding;

i) **Accept** the Director of Finance's assessment of the robustness of the budget estimates and adequacy of reserves as set out in **Appendix 5**. Following this, determine that the estimates are robust for the purpose of setting the budget and that the proposed minimum General Fund Balance is adequate;

j) **Approve** the proposed minimum General Fund Balance of £27.2m set out in **Appendix 6;**

k) **Approve** the Reserves Strategy and the proposed rationalisation and consolidation of reserve balances as set out in **Appendix 6**;

l) Note the position on the Capital Programme (Section 8 and **Appendix 18**) previously approved by Executive Cabinet, and the forecast future investment requirements;

m) **Approve** the Pay Policy Statement for 2020/21 as set out in section 9 and **Appendix 19**;

n) **Approve** the Treasury Management Strategy 2020/21, which includes the proposed borrowing strategy, Annual Investment Strategy and Minimum Revenue Provision Policy (**Appendix 20**);

o) **Approve** the Capital Strategy 2020/21 (**Appendix 21**).

p) **Approve** an increase in the child allowance fees payable to Tameside Foster Carers and Relative Carers for the financial year 2020/21 in line with the weekly minimum rates as determined by the department of Education, together with a corresponding increase to the related allowances payable;

q) **Approve** an increase in the personal allowance rate payable in 2020/21 to eligible and relevant care leavers living independently, to the same level as the Job Seekers Allowance rate payable for 18-24 year olds as determined by the Department for Work and Pensions; and

r) **Approve** delegated authority to the Directors (in consultation with the Section 151 officer) to agree any uplifts required to other contractual rates from 1 April 2020 which Directorates will manage within their approved budgets for 2020/21.

LIST OF TABLES

Table 1: Forecast 2019/20 outturn as at 31 December 2019.
Table 2A: Strategic Commission Gross Budgets 2020/21
Table 2B: Strategic Commission Net Budget Forecast 2020/21 to 2024/25
Table 3: Changes to budget requirement since February 2019
Table 4A: Analysis of Total 2020/21 Pressures
Table 4B: Pressures by Service Area for 2020/21
Table 5: Targeted Use of Reserves 2020/21
Table 6: Analysis of 2020/21 Savings and Additional Income
Table 7: New savings to be delivered by Management
Table 8: Five year Council Budget Forecast 2020/21 to 2024/25