

Classification: Open	Decision Type: Non-Key
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Report to:	Cabinet	Date: 13 December 2023
Subject:	Medium Term Financial Plan Refresh	
Report of	Cabinet Member for Finance and Communities	

Summary

1. The Bury Council Medium Term Financial Plan (MTFP) runs to 2026/27 and will be refreshed as part of the annual budget setting process in February 2024. A mid-year review of the MTFP has been undertaken as a matter of good practice and consideration given to the pressures Bury Council is experiencing in the current financial year.
2. The review has indicated a provisional budget deficit of £41.582m over the next three years to 2026/27 before proposed savings. This provision budget gap is broken down across the three years as £22.611m in 2024/25; £12.789m in 2025/26 and £6.182m in 2026/27. This report provides the detail of the updated MTFP forecast and sets out options to address this deficit.

Recommendation(s)

3. The Cabinet is asked to:
 1. Approve the updated medium term financial plan and the assumptions regarding resources and spending requirements, as of November 2023. It should be noted that this information does not yet include the national Provisional Local Government settlement which is expected in December 2023.
 2. Note the projected medium term budget gap of £41.582m of which £22.611m is 2024/25, a further gap of £12.789m in 2025/26 and a further £6.182m in 2026/27.
 3. Note that there is still a remaining gap in the 2024/25 budget and that further work will continue to close this over the next two months, before the final budget proposals are made to Members in February 2024.

Reasons for recommendation(s)

- 4 It is a legal requirement that all local authorities set a balanced budget before the start of each financial year. It is also a requirement to consult on service closures and changes and, in order to do this in advance of decisions being made, consideration needs to be given as to which of the savings proposals this affects.

- 5 Early and iterative planning is essential for the Council to proactively respond to the financial challenge in future years.

Alternative options considered and rejected.

- 6 Officers and Members have undertaken significant work over the past six months to review all areas of potential savings and bring forward proposals which, insofar as is possible align with the Council's strategic objectives as described in the LET'S Do It! Strategy.

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Background

- 7 The Medium-Term Financial Plan (MTFP) is the Council's multi-year financial plan and control framework to align resources to the spending priorities set out in the corporate plan and Borough vision: LET'S Do It! In preparation for setting the 2024/25 budget the MTFP has been updated to reflect resource forecasts and funding announcements. The update this year is forecasting significant pressures within the Children and Young People Directorate in the current financial year and further demand for Adults and Children's services over the medium term.
- 8 The outcome of this review is a projected budget gap of £22.611m in 2024/25; a further gap of £12.789m in 2025/26 and a further £6.182m in 2026/27 a total of £41.582m over the next three financial years. These projected financial gaps and budgetary pressures are not unique to Bury Council, this is the landscape which is common across the Greater Manchester authorities and England.

Local Government Finance Settlement & Autumn Statement

- 9 On the 12 December 2022, the Secretary of State published a Policy Statement on the 2023/24 Local Government Finance Settlement and the assumptions about the 2024/25 Local Government Finance Settlement as follows:
 - The Council Tax referendum principles will continue the same as 2023/24 of Councils with Social Care Responsibilities will be able to increase Council Tax by up to 2.99% with an additional 2% for adult social care without a local referendum.

- The Settlement Funding Assessment (SFA), of Revenue Support Grant and Baseline Funding Levels (to be based on September 2023 CPI), while social care grants will increase as set out in the December 2022 Policy Statement.
- The Government will set out the future position of New Homes Bonus ahead of the 2024/25 Local Government Finance Settlement.

10 On the 22 November 2023, the Chancellor presented the 2023 Autumn Statement to the House of Commons, the main announcements that are relevant to Local Government are:

- Planned departmental resource spending for the years beyond the current Spending Review period (2025/26 to 2028/29) will continue to grow at 1% a year on average in real terms, excluding the funding provided to local authorities in 2024-25 as part of the one-year Retail, Hospitality, and Leisure relief scheme.
- Business rates in 2024/25:
 - For 2024-25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September CPI to 54.6p.
 - The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024-25, a tax cut worth £2.4 billion. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.
 - English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
- Planning:
 - DLUHC will bring forward plans for authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting use of extension of time agreements. This will also include measures to improve transparency and reporting of planning authorities' records in delivering timely decision-making.
 - The government will introduce a "premium planning service" that will allow local authorities to charge higher fees, and recover their full costs, for major applications.

- Housing:
 - The government announced a £5 million extension to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023. Enabling authorities to borrow through the HRA to invest in social housing, at 40 basis points above prevailing gilts rates, or, equivalently, 60 basis points below the Standard rate.

Medium Term Financial Plan 2024/25 – 2026/27

- 11 The medium-term financial plan has been updated with the latest information excluding any impact from the announcements made within the Autumn Statement which will now be worked through, together with a range of assumptions and estimates. This update on the MTFP financial position provides members with information on the budget available to operate within over the medium term and the current budget gap.
12. The budget includes several pressures and growth requirements identified across directorates through the zero-based budgeting exercise and the budget setting process carried out during the summer and autumn.
13. The key assumptions included within the MTFP are:

Table 1

Key Assumptions	
Pay	<p>The budget has been updated to include a pay award of 6% for 2024/25 and 2025/26 and 3% for 2026/27.</p> <p>The council has committed to paying the National Living Wage which has been increased by 10% in 2023/24 and the assumption included within the 2024/25 budget is a further increase of 10% and 5% in the following two years.</p>
Inflation	Inflation has only been applied to contracts and the amount varies according to the agreement set out within the contract.
Energy	Energy cost prices which are causing a pressure in year, will reduce during 2024/25 due to the expected reduction in the unit cost from April 2024, therefore no increase has been applied to energy.
Council Tax	Council Tax has been increased by 2.99% plus 2% social care and the tax base is estimated to increase by

	1.23. in 2025/26 and 0.5% in 2026/27. In addition, the council tax collection rate has been increased by 1% from 95% to 96% which will generate an additional £0.800m
Business Rates Assumptions	To be updated – Currently no uplift to the multiplier and CPI September 2023.
Fees and Charges	Fees and charge increase have been increased in line with legislation where required and inflation where not.

The Medium-Term Financial Plan includes £36.442m of budget assumptions which include those set out in Table 1 above plus further pressures across directorates. Council Tax has been modelled based on an increase which is the maximum allowed, any further increase would require a referendum.

The available budget plus budget assumptions identified a budget requirement of £231.518m against available funding of £208.907m reporting a budget gap of £22.611m before reducing this further by savings proposals of £5,368m which were approved as part of the 2023/24 budget setting process. The budget for 2024/25 is £17.243m.

Table 2

Table 3. MTFP Summary	NOV 2023		
	2024/25 (£000s)	2025/26 (£000s)	2026/27 (£000s)
Net Budget b/fwd	£195,076	£231,518	£252,470
Budget Assumptions	£36,442	£20,952	£14,952
NET BUDGET	£231,518	£252,470	£267,422
<u>Funding:</u>			
Council Tax	(£110,198)	(£116,231)	(£119,117)
Business Rates	(£69,587)	(£70,870)	(£76,510)
Government Funding Grants	(£29,122)	(£29,969)	(£30,213)
ASSUMED FUNDING	(£208,907)	(£217,070)	(£225,840)
CUMULATIVE BUDGET GAP (EXCL PROPOSALS)	£22,611	£35,400	£41,582
ANNUAL INCREMENTAL BUDGET GAP (EXCL PROPOSALS)	£22,611	£12,789	£6,182
Approved Budget Proposals (Feb 2023)	(£5,368)	(£3,377)	(£908)
BUDGET PROPOSALS	(£5,368)	(£3,377)	(£908)
CUMULATIVE BUDGET GAP (INCL PROPOSALS)	£17,243	£26,655	£31,929

ANNUAL INCREMENTAL BUDGET GAP (INCL PROPOSALS)	£17,243	£9,412	£5,274
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Savings Proposals

The Council approved as part of setting the 2023/24 budget savings proposals of £5,368m and these are included within Table 2. In addition to the £5,368m a further £7m of proposals have been identified. The savings have been reviewed and 35% of savings have been ragged RED for 2024/25 31% ragged AMBER and 34% Green. Further work is taking place over the coming weeks to firm up savings plans and assess delivery of them within the 2024/25 financial year and they will then form part of the budget proposals following consultation with stakeholders.

Table 2 sets out the financial position which includes the £5,368m savings proposals prior to the above savings reducing the budget gap in 2024/25 to £31.949m, however it is likely this will increase if robust plans cannot be put in place.

Indicative Proposals to balance the budget.

Council Tax

14 As identified in the tables above the MTFP includes the following assumptions for Council Tax:

- A 2.99% increase in the relevant basic amount of Council Tax for 2024/25 & 2025/26 and 1.99% in 2026/27.
- A 2% increase in the adult social care precept for 2024/25 & 2025/26 but no increase in 2026/27 following the Fair Funding Review reforms expected to be implemented in 2026/27.
- An increase in the tax base of 1.23% for 2024/25 and 0.5% for 2025/26 & 2026/27.

The funding model used by Central Government assumes Council Tax increases in line with the referendum principles, as a method of identifying Core Spending Power, as such in the MTFP it is assumed that the Council will increase Council Tax in line with the referendum principles.

15 Reserves

The Council has a general fund reserve plus a number of ear marked reserves which are currently being reviewed as part of the budget setting process. These reserves will be reviewed alongside the risks facing the council to ensure sufficient reserves are set aside to manage them should they come to fruition.

The budget gap for 2024/25 stands at £17.243m for 2024/25 and that is subject to the delivery of all savings proposals including those ragged red.

The Council can utilise reserves to balance the cumulative budget gap of £31.929m should the need arise at this moment in time; however, the budget gap should be closed using other means including generating additional income and delivering efficiency savings.

Capital

- 16 When setting the Council's budget and Medium-Term Financial Plan the Capital Programme needs to be considered in conjunction with the Treasury Management Strategy to set a balanced revenue budget.

The Capital Programme utilises all known available capital funding sources including capital grants & contributions, capital receipts, reserves & revenue contributions, and prudential borrowing.

At quarter 2 of 2023/24, programme managers had undertaken a review of their respective capital schemes and proposed the re-phasing of £80.891m into 2024/25 and 2025/26, increasing the overall 2-year programme to £166.753m, that includes £85.705m of prudential borrowing.

Given the current economic environment of high inflation & interest rates, a further review of the future year's programme will be undertaken and reported back in February 2024. This will involve a review of existing planned programmes against new emerging priorities, including any invest to save measures required to support future revenue savings.

Risks and Uncertainties

- 17 During the budget setting process consideration is given to the risks Facing the council which are set out below.

Children and young people

- There are risks and uncertainties that could impact the successful delivery of the 2024/25, £savings target:

Edge of care team: The introduction of an edge of care team may not generate the expected savings if the team is not able to effectively prevent children entering the care system. This could happen if the team is not adequately staffed, trained, or equipped to handle the complex needs of children on the edge of care.

In-house fostering: The reduction of expensive residential external placements through in-house fostering may not be achievable if the council does not have enough foster carers or if the carers are not adequately supported to provide the necessary care and meet the needs of the child.

- Funding uncertainty – The MTF5 is based on assumptions about future funding levels, which are subject to change due to factors such as central government funding decisions, local tax base changes, and economic fluctuations. Children's services may face challenges in maintaining service levels if funding is reduced or delayed.

- Increased demand for services – The MTFs may not fully account for potential increases in demand for Children’s Services, such as those arising from population growth, changes in demographics, number of Educational, Health Care Plans or unexpected events such as the pandemic in 2020.
- Workforce challenges – The MTFs may not fully consider workforce challenges, such as staff turnover, recruitment difficulties, or training needs which could potentially lead to service disruptions.
- Academisation of schools – the conversion of schools to academies will impact on the funding available to the council through direct funding and that generated by way of trading across the whole of the local authority. There will need to be decisions taken on how services are provided if income is reduced.
- Sufficiency – The MTFs has been prepared on the basis that there will be the required number of placements available for both social care and education. Lack of sufficiency could impact on decision making for Children’s services leading to additional financial implications.
- Supply vs demand – market forces in areas such as agency costs, educational and residential placements could impact on the Children’s Services leading to payment of premium rates.

Business, Growth & Investment (BGI):

- Academisations - this is a risk in a number of areas. In BGI there will be a significant increase in workload due to the number of schools being converted to academies both in the remainder of 23/24 and into future years. There is no additional funding available to the council for this process and so the risk is that resource has to be diverted from other areas (e.g. Accelerated Land Disposal Program ALDP, Commercial Estates, Major Projects) to be able to work on the academisations or that additional staff are needed which will put a pressure on budgets (approx £60-80k / additional person)
- Savings Targets - the target of £0.845m for revenue reductions by closing and selling surplus buildings is subject to a number of risks; delays in reaching completion due to factors outside of BMBC control, budgets having already been given up for savings targets prematurely so the target is too high, lack of resource in the team to progress sales as quickly as would be needed to realise all of the savings.
- Workforce Challenges – The MTFs makes an assumption that a large number of permanent roles will be funded from capital projects, capital receipts (4%), external grants / other external funding sources and transfers into the HRA. Should any of the external grants be stopped or reduced or capital projects not proceed, there is a risk of pressures in the budget.
- Reductions in Income – Due to market conditions, there is also a risk in income from rental income, planning fees and building control due to the continuing high interest rates subduing the market for domestic projects.

This will be mitigated by the Government announced increase to planning fees and by large scale projects known to be coming forward but still should be noted as a risk.

Health and Adult Care (HAC) Directorate

- Demographic Demand Pressure - The number of older people (the group most likely to need social care) is rising faster than the population as a whole. There is also increased demand for care from working age adults.
- Risk of Demand Pressure eroding the impact of Current Savings Delivery - The HAC directorate has delivered c.£21m of savings over the period of 2021/22 -2023/24 with a further £4.135m of savings to be delivered in 2024/25. However, the impact of rising demand on social care services is having an offsetting effect on the hard work of successfully delivering the HAC savings programme to date.
- Risk of Savings Delivery - A significant proportion of the HAC savings programme are related to reducing the cost of care packages. For example, the savings delivery of Learning Disability care packages are subject to appropriate accommodation being available and legal process being completed, consequently where there is delay in transitioning to suitable accommodation there is risk in delay of savings being achieved.
- Cost Pressures Linked to Social Care Workforce Recruitment & Retention- The Council and social care providers are struggling to maintain staffing levels, consequently, the solution to maintain safe staff levels is a reliance on expensive Agency staff provision.
- Real Living Wage (RLW) Cost pressure - The Council is formally accredited by the Real Living Wage Foundation as a RLW employer, The total cost impact of the RLW on the 2024/25 council budget is £6.654m of which £5.504m relates to Adult Social Care budgets. If the RLW inflationary uplift continues on the same trajectory, then the annual cost impact will be of a similar value in 2025/26 and beyond.
- Transitional Cost Pressure from Childrens Social Care - The care package costs of young people who are scheduled to transition Adult Care Services in the medium term can be significant in value. Without accurate transitions costing information and pre-emptive care package planning/design the HAC directorate budget is at risk of being under resourced.
- Social Care Provider Failure - In addition to social care providers meeting the cost pressures related to paying their staff the Real Living Wage providers are exposed to a number of inflationary pressures such as utility and food prices. If provider failure happens in a service setting where supply is low in the first instance (e.g., Nursing Dementia), then the risk of having to decant residents into expensive out of borough provision is high.
- Funding of Social Care - The Autumn statement on November 22 made no mention of social care and therefore in the spirit of the Councils 'Lets

Fix it Together' campaign, continuing pressure needs to be put on Government with regards to:

- Providing adequate funding which aligns to inflationary and demand pressures
- Multi-year funding to provide the certainty to plan our budgets and minimise service disruption.
- Comprehensive fiscal reform, covering all key aspects of local funding, to secure a stable source of revenue for our vital public services.

Conclusion

18 This draft Medium Term Financial Plan assumes a flat cash settlement for the remainder of the spending review period; however, this will not be confirmed until later in the year. Whilst the Government has stated some key principles for 2024/25 there remains extreme uncertainty around future Government spending plans. This makes it difficult to say with any confidence what our funding will be in the short to medium term.

It is essential that, together with Directorates delivering the savings targets for this financial year, we remain prudent and ensure that the financial position of the Council continues to be managed effectively and robustly.

The Council will refresh the Medium-Term Financial plan 2024/2027 as part of the modelling work in advance of setting the Budget 2024/25 in February 2024 and an update will be provided to Members in due course.

Links with the Corporate Priorities:

19 Details are set out within the main body of this report.

Equality Impact and Considerations:

20 In setting its budget for 2023/24 and beyond the Council must be mindful of its obligations in relation to equality and inclusion; both the legal obligations set out in the Equality Act (2010) and coherence with the Authority's stated Equality Objectives and Strategy and the central role of inclusion within LET'S Do It!

A full Equality Impact Assessment (EIA) of the Council's budget will be developed over the coming months and included for consideration alongside the February budget report to Cabinet and Council. This assessment will take account of the results of the proposed general and proposal-specific consultations, include details of where potential equality implications are identified (both negative and positive) and set out the measures the Council will take to mitigate the negative implications insofar as is possible.

In addition to the overarching EIA, consideration will be given to the level of equality analysis required for each proposal individually and, where necessary, specific EIAs will be developed prior to the implementation of individual proposals.

The Council is committed to taking all measures to minimise the differential negative impact across the 13 protected characteristics recognised by our Inclusion Strategy.

Environmental Impact and Considerations:

- 21 There are no direct environmental impacts of the MTFS refresh although there may be some from within the specific savings proposals where these may include reduced travel or reduced consumption of utilities.

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation

Legal Implications:

- 22 This report updates members on the Medium-Term Financial Strategy and sets out the steps needed to progress with the Council's budget setting process.

Local authorities must make proper arrangement for the administration of their financial affairs and produce a balanced, robust budget for forthcoming years, together with a medium-term financial plan (MTFP). This should be consistent with the Council's work plans and strategies and any identified budget gap, providing proposals for its closure. This report sets out the current anticipated position and the impact, further work will be undertaken which will manage the projected gap. This will assist Cabinet in formulating proposals to submit to Council as part of the budget setting process in February 2024, for the Council budget and council tax calculations for 2024/25.

Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

Financial Implications:

23 The financial implications are set out in the body of report.

Appendices:

None.

Background papers:

None.

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
MTFP	Medium Term Financial Plan
SFA	Settlement Funding Assessment
CPI	Consumer Price Index
DLUHC	Department for Levelling Up, Housing and Communities