

## Manchester City Council Report for Resolution

**Report to:** Executive – 11 January 2017

**Subject:** Medium Term Financial Strategy 2016/17 to 2019/20

**Report of:** Chief Executive and City Treasurer

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### Purpose of the Report

This report details the financial considerations and current forecast position for the period 2016/17 to 2019/20.

### Recommendations

The Executive is requested to:

- Note the report and the anticipated financial position for the Authority for the period 2017/18 to 2019/20;
  - Note that the financial position has been based on the provisional Local Government finance settlement issued on 15 December 2016;
  - Note that there has been a review of how the resources available are utilised to support the financial position to best effect, including use of reserves and dividends, consideration of the updated Council Tax and Business Rates position, the financing of capital investment and the availability and application of grants;
  - Note that the report refers to savings proposals which are subject to consultation which will inform the final budget;
  - Note that budget reports from individual Directorates will detail the savings proposals and these are available elsewhere on this agenda;
  - Note that formal budget consultation commenced on 3 November. Statutory consultation on two of the options – Reconfiguration of the Early Years new Delivery Model including Sure Start Centres and the Council Tax Support Scheme also started on 3 November and ended on 10 January and 15 December respectively
  - Note that the Capital Strategy 2017/18 -2021/22 will be presented alongside this report;
  - Note that the full suite of budget reports to Executive in October along with a covering narrative formed the Council's Efficiency Plan and submission to Department for Communities and Local Government (DCLG) for the four-year funding settlement. DCLG have since approved the four year settlement for the City Council.
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**Wards Affected:** All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report looks at the development of a medium term budget strategy for 2017/18 to 2019/20 that will underpin all of the Council's activities
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

#### Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
- Risk Management – as detailed in the report
- Legal Considerations – there are no specific legal considerations contained within the report

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#### Financial Consequences – Revenue

The budget settlement announced on 15 December has not significantly changed the financial position; there is a slight worsening of £1.2m over the three year period due to changes to grants. The resources include the assumption to bring forward the planned council tax increases which has a detrimental effect of £43k by the end of the three year period. There has been a review of the resources available to support the budget to best effect. The Medium Term Financial Plan has been prepared on the basis of the latest information available and the assumptions are set out in this report. This results in a budget gap of around £30m for the period 2017/18 to 2019/20. The schedules detailing the savings proposed by each Directorate to meet the gap are contained within the Directorate reports elsewhere on the agenda.

#### Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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**Contact Officers:**

Name: Sir Howard Bernstein  
Position: Chief Executive  
Tel: 0161 234 3006  
E-mail: h.bernstein@manchester.gov.uk

Name: Carol Culley  
Position: City Treasurer  
Tel: 0161 234 3406  
E-mail: carol.culley@manchester.gov.uk

Name: Liz Treacy  
Position: City Solicitor  
Tel: 0161 234 3087  
E-mail: l.treacy@manchester.gov.uk

Name: Janice Gotts  
Position: Deputy City Treasurer  
Tel: 0161 234 1017  
E-mail: j.gotts@manchester.gov.uk

**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Final Local Government Finance Settlement from DCLG 8 February 2016 (all papers available on the DCLG website).

Executive, 27 July 2016, Approach to Budget Setting 2017/18 to 2019/20  
Executive 19 October 2016, Medium Term Financial Strategy 2016/17 to 2019/20  
Executive 19 October 2016, Budget 2017-2020 Strategic Narrative

Provisional Local Government Finance Settlement from DCLG 15 December 2016 (all papers available on the DCLG website).

## Introduction

1. This paper sets out the current financial assumptions for the City Council covering the four-year period 2016/17 to 2019/20. This period is also in line with the government's multi-year financial settlement offer following the Council's publication of its efficiency plan and confirmation from DCLG that this has been accepted.
2. This report sets out the financial considerations based on the provisional finance settlement issued on 15 December 2016 establishing a medium term financial plan for the remainder of the Spending Review period to 2019/20 inclusive. The final settlement will be issued in February 2017.

## Background and Context

3. The Strategic Narrative report elsewhere on this agenda forms part of the suite of budget reports and provides a high level overview of the progress that Manchester has made in recent years and the opportunities and challenges going forward. It builds on the 'Our Manchester' Strategy and sets the framework for the development of the budget reports. The priorities for the City and the approach to achieve these, as set out in the "Our Manchester" Strategy, focus on making Manchester a City that is:
  - Thriving – creating great jobs and healthy businesses
  - Filled with talent – both home-grown talent and attracting the best in the world
  - Fair – with equal chances for all to unlock their potential
  - A great place to live – with lots of things to do
  - Buzzing with connections – including world-class transport and broadband
4. Our Manchester is not only the long-term strategy for the city; it is also at the core of how that strategy is delivered. The Our Manchester approach puts people at the centre so that they shape the way things are done. The principles that underpin the strategy have been developed to fundamentally change the way that services are delivered across the city and a shift in the relationship between the Council and the people of Manchester. This will set the framework for the Council's planning process for the future and how it will continue to work with residents, stakeholders and partners.
5. To deliver the changed relationships, alongside the ambition for the City, will require a different approach, including how decisions about the planning and allocation of resources are made. Consequently, the budget process for 2017/18-2019/20 has been designed differently to ensure that all stakeholders – residents, businesses, visitors, partners and staff – have the opportunity to tell the Council about what their priorities are for the City and what they think about the budget proposals before the budget is set.

6. The report will not consider the impact of the Greater Manchester (GM) 100% business rates retention pilot, which was confirmed in the provisional settlement. One of the guiding principles of the City Council's participation is that there will be no detriment to resources when compared to the current scheme. Therefore, whilst there may be some upside to being part of the pilot, this cannot be quantified at this stage and the impact is assumed to be cost neutral.

### **Financial Context**

7. The Government offered any council that wished to take it up, a four-year funding settlement to 2019/20, making a commitment to provide minimum allocations for each year of the Spending Review period. This was subject to councils choosing to accept the offer and publishing an efficiency plan by 14 October 2016, which the council complied with. The sums currently included in the multi-year settlement offer that apply to Manchester are the Revenue Support Grant (RSG) and Business Rates - tariff and top up payments.
8. The medium term financial strategy, as part of the full suite of budget reports, formed the Council's efficiency plan submission, DCLG have since approved a four year settlement for Manchester. The budget for 2016/17 has previously been approved by Council and a report to Executive in October highlighted a potential budget gap ranging from £40m to £75m for the remaining three-year period 2017/18 to 2019/20. The need for such a range in the assessment of the funding gap was due to uncertainty around elements of available resources and the need to address pressures and priorities. Officers have been working to develop options to close the budget gap.
9. The budget position has been refined and a budget gap of around £30m is now forecast by the end of the three year period to 2019/20.
10. The Council has carried out a review of all the resources available. Given the pressures being faced nationally and within Manchester on Social Care and the lack of any additional funding or longer term funding solution for social care it is proposed that the council utilises the airport dividend of £6.760m (which had previously supported capital fund) and the additional airport dividend announced in July and latterly November 2016 at a combined total of £8.374m to support the revenue budget.
11. In addition it is forecast there will be ongoing additional commercial income generated from business rates activity in the City (including growth in the business rates base and other sources of commercial income etc) which can also support the position going forward.
12. The budgets for capital and refinancing and repayment of debt have been restructured with a change to the policy for minimum revenue provision (MRP) releasing £5m in 2017/18 and 2018/19 reducing to £4.5m in 2019/20 to support the revenue budget.

13. One off resources such as any collection fund business rates surplus will go into the capital fund to replace the dividend income. This will provide a more stable funding base for the revenue budget and mitigate the scale of the budget reductions required over the next three years
14. This current forecast position assumes the full year effect (FYE) of savings agreed for 2016/17 are delivered and these are included within the figures below. The total additional FYE savings included for 2017/18 are £3.326m with a further £1.864m in 2018/19. Details of these can be found in the accompanying Directorate Budget Reports. The overall financial position is summarised in the table below and the assumptions are set out in the paragraphs which follow.

**Table 1: Resources Requirements against Resources Available 2016/17 to 2019/20**

	2016 / 17	2017 / 18	2018 / 19	2019 / 20
	£'000	£'000	£'000	£'000
<b>Resources Available</b>				
Revenue Support Grant	113,768	90,152	73,740	57,041
Business Rates income	156,030	153,309	158,241	163,871
Business Rates Top Up	7,575	13,636	14,075	14,575
Settlement Funding Assessment	277,373	257,097	246,056	235,487
(Reduced) / Additional Business Rates Income	(4,643)	(7,568)	3,004	4,094
Business Rates Grants	6,609	11,277	11,638	12,057
Council Tax	136,617	141,664	150,195	157,013
Public Health Funding	54,596	53,250	51,865	50,517
Other non ring fenced Grants	23,532	22,960	27,780	37,157
Dividends and Use of Reserves	31,337	44,471	44,471	44,471
Use of other Reserves	3,095	2,000	0	0
<b>Total Resources Available</b>	<b>528,516</b>	<b>525,151</b>	<b>535,009</b>	<b>540,796</b>
<b>Resources Required</b>				
<i>Corporate Costs:</i>				
Levies/Charges	68,222	71,036	74,054	75,044
Contingency	2,300	2,800	2,800	2,800
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	3,900	3,050	3,409
<i>Sub Total Corporate Costs</i>	<i>122,504</i>	<i>122,318</i>	<i>124,786</i>	<i>126,335</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	10,736	10,336	10,236	10,236
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Costs not yet allocated to budget	10,906	7,806	7,806	7,806
Unfunded pressures and growth items	0	8,875	16,825	19,884

	2016 / 17	2017 / 18	2018 / 19	2019 / 20
	£'000	£'000	£'000	£'000
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
<i>Total Directorate Costs</i>	<i>406,012</i>	<i>417,336</i>	<i>433,309</i>	<i>446,218</i>
<b>Total Resources Required</b>	<b>528,516</b>	<b>539,654</b>	<b>558,095</b>	<b>572,553</b>
<b>Budget Gap</b>	<b>0</b>	<b>14,503</b>	<b>23,086</b>	<b>31,757</b>
<b>In Year Savings required</b>	<b>0</b>	<b>14,503</b>	<b>8,583</b>	<b>8,671</b>

### Resources Available

15. **Revenue Support Grant (RSG), and Top Up.** The RSG and Top Up grant figures are as per the 2017/18 provisional settlement which was in line with the provisional Four Year funding figures provided in the 2016/17 settlement with an adjustment to the top up grant for changes to inflation levels. The top up has increased in 2017/18 following the business rates revaluation where the increase in rateable values in Manchester was less than the national average. As the effect of revaluation is neutral per authority Manchester's top up payment has increased.

### Business Rates

16. It has been confirmed that authorities within Greater Manchester will take part in the pilot of 100% retention of business rates from 2017/18. Guarantees have been obtained that Local Authorities within Greater Manchester will be no worse off as a result of its participation in the pilot therefore it has been assumed this will be cost neutral in the budget assumptions.
17. A new business rates revaluation list is in effect from 1 April 2017. When compared to the previous list this showed an overall increase of 7.4%, within this were significant increases and decreases for different types of property. The new list is expected to generate a significant number of appeals. The impact of this plus the new appeals system which is being introduced (Check, challenge, appeal) means that it is very difficult to predict the level of successful appeals and therefore the business rates income remains volatile.
18. The numbers included in the table above take account of the new rating list and are the best estimate available at the current time. This will be refined when the NNDR1 form is completed and submitted to DCLG by 31 January 2017.
19. It is assumed the changes to business rates reliefs will be cost neutral as they will be fully compensated through Section 31<sup>1</sup> grant.

<sup>1</sup> Grants paid under Section 31 of the Local Government Act 2013.

20. Finally, the position also includes an allowance for additional growth in the business rates base in 2018/20. Despite the inherent volatility with the expected volume of appeals following the revaluation it is still anticipated that there will be some growth in business rates income.
21. **Business Rates Grants** - The Government has committed to reimbursing Local Authorities for the income foregone as a result of the Chancellor's Budget 2016 announcements. This will be in the form of Section 31 grants covering:
- Small Business Rates Relief (SBRR) permanently doubling from 50% to 100% and extension from £6k to £12k of exemption;
  - Increase in threshold for standard business rates multiplier from £18,000 to £51,000; and
  - Moving the index measure from RPI to CPI from 2020. CPI tends to be a lower percentage by c1%.
22. Business Rates grants of £11.3m are forecast for 2017/18, an increase of £4.668m from 2016/17 which is mainly due to the enhanced Small Business Rates Relief and the increase in the small business rates multiplier threshold. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by government in relation to the cap on the increases to business rates in 2014/15 and 2015/16 and the extending of the 100% Small Business Rates Relief. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones, is reimbursed to the Council.
23. The table below shows the forecast business rates grants, including those relating to the changes above:

**Table 2: Forecast Business Rates Grants 2016/17 to 2019/20**

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business rates cap 2015/16	2,367	2,443	2,530
Small Business Rates Relief	3,020	3,117	3,229
Long term empty property relief	323	334	346
Adjustment to Top up in relation to multiplier cap	116	119	124
S31 Grant enhanced Small Business Rates Relief	3,460	3,571	3,700
Increase Small Multiplier threshold	757	781	809
Enterprise Zone discounts	1,234	1,273	1,319
<b>Total Business Rates Grants</b>	<b>11,277</b>	<b>11,638</b>	<b>12,057</b>

24. **Council Tax** – There have been various changes which are broken down in the table below. These are:
- The base is assumed to increase by 2.2% in 2017/18 and 2.5% in 2018/19 and 2019/20 which is in line with expected residential completions per Manchester's draft Strategic Housing Land Availability Assessment.



- Referendum criteria - government policy intention at the time of the 2016/17 settlement was that the general rate increase was 2% a year and the social care precept would be 2% a year each of the three years. The provisional settlement for 2017/18 has introduced the flexibility to bring in the council tax increase for social care sooner. In recognition of the pressures on social care there will be freedom to increase by up to 3% in 2017/18 and 2018/19 however the increases still can not exceed 6% in total over the three year period. The council's budget assumes this is taken up.
- The assumption for the Council Tax collection rate is 96.5% for all years from 2017/18, an improvement of 1% from 2016/17.

25 **Public Health Grant** reduces in line with the published figures which reflect a cash reduction of 9.6% in addition to the £200 million of savings that were announced in 2015/16. The savings are phased in at 2.2% in 2016/17, 2.5% in 2017/18 and 2.6% in each of the following two years. The 2017/18 amount was confirmed in the provisional settlement and it was confirmed that authorities which are part of 100% business rates pilot will be excluded from the grant conditions.

26 The table below lists the **other non-ringfenced grants** expected.

**Table 3: Other Non-Ringfenced Grants 2016/17 to 2019/20**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Better Care Fund (Improved)	0	3,266	14,762	24,374
New Homes Bonus	13,128	9,587	7,329	7,032
New Homes Bonus Adjustment Grant	373	402	0	0
Adult Social Care Support Grant	0	2,678	0	0
Education Services Grant	5,000	2,598	1,260	1,322
Housing Benefit Admin Subsidy	3,359	3,000	3,000	3,000
Universal Credit Funding	0	314	314	314
Council Tax Support Admin Subsidy	953	953	953	953
Special Educational Needs and Disability Implementation	383	0	0	0
Council Tax New Burdens Funding	174	0	0	0
Care Act Grants	162	162	162	162
<b>Total Non Ringfenced Grants</b>	<b>23,532</b>	<b>22,960</b>	<b>27,780</b>	<b>37,157</b>

27 Issues around the most significant movements are as follows:

- **Better Care Fund** - Indicative allocations were provided as part of the settlement for local government Better Care Fund starting in 2017/18 and totalling £1.5bn nationally by 2019/20. £800m will be funded from savings in the New Homes Bonus scheme (see below). The allocation methodology takes account of amounts raised through the social care precept element of the council tax increase. The funding will be directly allocated to local authorities to fund social care. The likely pressures from

Adult Social Care budgets are shown separately in this report. The amounts above have been confirmed in the provisional settlement.

- **New Homes Bonus** - The previous assumption was that the New Homes Bonus (NHB) scheme would continue indefinitely but with changes expected from 2018/19 reflecting the government's stated intention to move from paying for six years of legacy payments to four and saving at least £800m nationally. On this basis the Councils budget assumption was for a grant receipt of £13.1m in 2017/18 reducing to £8.6m in 2018/19. The provisional settlement gives an estimated 2017/18 receipt for Manchester of £9.989m (including £402k adjustment grant) reducing to £7.329m in 2018/19 then £7.032m in 2019/20. The reduction is because the government are proposing to reduce the number of years for which legacy payments are made from 6 years to 5 years in 2017/18 and then to four years from 2018/19; and to introduce a baseline for housing growth at 0.4% below which NHB is not received. The national savings of £240m from these changes will be used to fund the new Adult Social Care Support Grant in 2017/18.
- **Adult Social Care Support Grant** was introduced in the provisional 2017/18 settlement. Its stated aim is to bring forward support for adults social care pressures. The total is £240m nationally of which £2.7m has been allocated to Manchester. This is a one off grant in 2017/18. The distribution is in proportion to the Adult Social Care relative needs formula and does not take account of the authorities ability to raise funds through the council tax precept (in the way Better Care Fund does) This has the impact of redistributing resources across the country when the reduction in NHB and the new Adult Social care grant are considered together which will be addressed in the Council's consultation response. Taking the two grants together Manchester is £0.9m worse off in 2017/18.
- **Education Services Grant** - This has reduced from £5m in 2016/17 to £2.6m in 2017/18 and c£1.3m from 2018/19 onwards and is likely to be transferred to Dedicated Schools Grant from April 2017, although Local Authorities will be able to retain funding from DSG to fund statutory duties. The impact on the Council's budget is:
  - The retained rate of £15 per pupil will be received indefinitely (via DSG). Assuming growth in pupil numbers in line with the School Capacity (SCAP) pupil forecast 2015 this provides income of £1.196m in 2017/18 increasing to £1.322m by 2019/20.
  - The general rate will be received for five months in 2017/18, Government have indicated the rate will be reduced to £20 per pupil. This would equate to £1.402m in 2017/18. There is no general rate assumed after August 2017.
  - Savings of £1m have been identified in Children's Services to contribute to the reduction.

- 28 **Dividend Income** has increased.
- 29 Historically £8.150m of airport dividend received in year was used to support the Revenue budget and £6.760m to support the capital Fund.
- From 2015/16 it was agreed that the additional dividends received should be used in the Revenue budget, this was £20.787m taking the total Revenue element to £28.937m.
  - There was an additional £8.374m airport dividend announced in August and November of this year which will be used to support the revenue budget.
  - In addition the £6.76m of the Airport dividend that was previously used to support the Capital Fund will be used to support the revenue budget on an ongoing basis taking the revised overall total to £44.071m, which is included in table one.
  - Generally such increases are placed in a reserve and used a year in arrears in recognition that this is not a guaranteed income stream.
  - There is also £400k expected for other dividends (NCP and Piccadilly Triangle).
- 30 **Use of other reserves** is £2m in 2017/18 which forms part of the planned use of reserves set out in the 2016/17 budget strategy to support the budget position.

### Resources Required

- 31 This section of the report sets out the estimated budget requirement taking into account the best information available at this stage.

### Corporate Items

#### Levy Payments

- 32 The table below sets out the forecast **levy payments**.

**Table 4: Levy Payments 2016/17 to 2019/20**

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Transport Levy	36,039	37,542	37,643	37,743
GM Waste Disposal Authority*	32,495	33,806	36,723	37,613
Environment Agency	196	196	196	196
Probation (Residual Debt)	22	22	22	22
Magistrates Court (Residual Debt)	9	9	9	9
Port Health Authority	71	71	71	71
<b>Total Levies</b>	<b>68,832</b>	<b>71,646</b>	<b>74,664</b>	<b>75,654</b>
Use of Parking Reserve	(610)	(610)	(610)	(610)
<b>Net Cost of Levies</b>	<b>68,222</b>	<b>71,036</b>	<b>74,054</b>	<b>75,044</b>

\* Although included within the table of levies / charges above, the waste levy is administered by Growth and Neighbourhoods and will be included within their published budget. This is to recognise that the actions in the directorate in reducing the levels of waste delivered to the WDA impact on the level of

future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

33 The significant expected changes are:

- Transport levy assumptions are for no increases in the overall levy over the three years. This is based on deferral of the increase on the transport fund which is subject to formal agreement by the Combined Authority. In addition in 2016/17 the levy was reduced by £1.105m and directorate requirements increased by the same amount to fund Manchester's contribution to the additional cost of the Business Growth Hub. This was for 2016/17 only and is reversed in 2017/18. The change in Manchester's population in comparison to Greater Manchester as a whole has been taken into account in these figures.
- The Waste Levy assumptions have been updated based on the most up to date tonnages and an average 5% increase for the districts. Due to the changes the council has implemented to improve recycling rates it is estimated that the final levy will be in the region of £33.806m after the £1.3m savings are applied. The final charge will depend not just on Manchester's performance against its waste targets but also on how all the other districts within the scheme perform. A contingency sum of £0.5m has been included within the Council's corporate contingency to cover any potential increased charge.

34 The required contingency amount is currently estimated at £2.8m each year and includes:

- £2m in relation to risks around waste;
- £0.2m to support more Council staff to have access to the intranet; and
- £0.6m as an unallocated contingency to meet future unforeseen expenses.

***Capital financing budget***

35 **The capital financing budget** supports the costs of borrowing and the budget was £51.982m. The policy on the amount of funding the Council has to set aside to repay debt will be revised to reduce the amount set aside for debt funded by supported credit approvals from 4% to 2%. This is due to go to Council in January 2017. It will release £7.9m in 2016/17, tapering down to £6.9m in 2019/20. The money released in 2016/17 will be utilised to fund the revenue costs of the Town Hall project. £5m thereafter will be used to support the revenue budget with the balance supporting the Town Hall, reducing to £4.5m in 2019/20. The savings and use over the budget period are shown in the table below:

**Table 5: Minimum Revenue Provision Saving**

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
MRP Saving	7,915	7,400	7,100	6,900
<u>Proposed Use:</u>				
Used to Support the general budget	0	5,000	5,000	4,500
Transfer to Town Hall Revenue Reserve	7,915	2,400	2,100	2,400

**Directorate budgets**

- 36 Changes reflected within the **directorate budgets** include a £5.053m reduction in 2017/18, £1.863m in 2018/19 in relation to the following:

**Table 6: Adjustment to directorate budgets**

	2017 / 18 £'000	2018 / 19 £'000
Full Year Impact of 2016/17 Savings *	(3,326)	(1,863)
Children and Families -Special Educational Needs Grant	(383)	0
Growth and Neighbourhoods - smoothing GLL Leisure contract over 2014/15 to 2017/18	(239)	0
Core - Reversal of the amount added in 2015/16 for the contribution to the business growth hub	(1,105)	0
<b>Total adjustments</b>	<b>(5,053)</b>	<b>(1,863)</b>

\* Note budgets will be further reduced to reflect the impact of the new savings proposals as outlined later in the report

- 37 **Additional allowances for former staff and teachers' pension costs** total £10.736m in 2016/17 (teachers £5.508m and non teachers £5.228m) relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time so this cost will reduce over time. The budget has been reduced by £400k in 2017/18 and £100k in 2018/19.
- 38 **Insurance costs** of £2.004m relate to the cost of external insurance policies as well as contributions to the insurance fund reserve for self insured risks.
- 39 **Unfunded pressures and growth items** total £8.875m in 2017/18, £16.825m in 2018/19 and £19.884m in 2019/20 as set out in the table below. The following paragraphs provide more detail.

**Table 7: Unfunded pressures and growth items**

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
<b>Adult Social Care</b>			
Pressures on Social Care budgets	5,585	8,170	10,755
<b>Total Adult Social Care</b>	<b>5,585</b>	<b>8,170</b>	<b>10,755</b>
<b>Children and Families:</b>			
Children's Services Budget Pressures	0	950	1,009

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Loss of DSG Flexibility	0	4,000	4,000
Children's demographic pressures	415	830	1,245
Education and Skills capacity	(200)	(200)	(200)
<b>Total Children's</b>	<b>215</b>	<b>5,580</b>	<b>6,054</b>
<b>Growth and Neighbourhoods:</b>			
Fly Tipping Teams	200	200	200
<b>Total Growth and Neighbourhoods</b>	<b>200</b>	<b>200</b>	<b>200</b>
<b>Corporate Core:</b>			
Highways- Street lighting	400	400	400
Commissioning Team	200	200	200
Highways investment in infrastructure	2,000	2,000	2,000
Highways Bridges backlog of inspections	275	275	275
<b>Total Core</b>	<b>2,875</b>	<b>2,875</b>	<b>2,875</b>
<b>Total Pressures and Growth</b>	<b>8,875</b>	<b>16,825</b>	<b>19,884</b>
<i>Year on Year Increase</i>	<i>0</i>	<i>7,950</i>	<i>3,059</i>

40 **Pressures on Social Care budgets** - It is well documented that Social care budgets nationally are under extreme pressure which is expected to continue due to reducing resources alongside increasing demands arising from demographic and market pressures. Within Manchester these pressures are being acutely felt and budgets have been reviewed in detail taking account of the 2016/17 case numbers and associated costs.

41 There are significant pressures due to the full year effect of demand in 2015/16 that occurred after the budget was set, the underestimation of the complexity of need for new placements for people with learning disabilities and increased demand within 2016/17, which has increased further since the summer. In order to fund the very significant pressures facing Adult Social Care the following additional resources have been identified and included with the budget proposals.

- Investment – to redirect £2.5m from the investment funding previously built into Adults social care budget in 2016/17;
- To utilise the balance of budget provision uncommitted from the National Living Wage settlements 2016/17 £0.6m;
- Resources identified as part of the City Centre review to support homelessness and rough sleeping in the City Centre £0.5m; and
- A range of measures identified in the agreed 2016/17 recovery plan (£0.853m).

42 The table below shows the impact of the above, full details are provided in the Adult Social Care report elsewhere on the agenda.

**Table 8: Social Care Pressures**

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
<b>Pressures:</b>			
Mental Health	2,907	3,726	4,545

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Homelessness	1,750	2,000	2,250
Learning Disability	6,775	8,360	9,945
Homecare	3,282	3,282	3,282
<b>Sub-total</b>	<b>14,714</b>	<b>17,368</b>	<b>20,022</b>
<b>Resources Identified:</b>			
Investment Funding	(2,500)	(2,500)	(2,500)
2016/17 Balance of National Living Wage	(600)	(600)	(600)
Homelessness: City Review	(500)	(500)	(500)
2016/17 Recovery Plan	(853)	(853)	(853)
Locality Plan Resources	(4,676)	(4,745)	(4,814)
<b>Sub-total</b>	<b>(9,129)</b>	<b>(9,198)</b>	<b>(9,267)</b>
<b>Total Net Pressures</b>	<b>5,585</b>	<b>8,170</b>	<b>10,755</b>

- 43 Children's Services budget pressures - The service are still on target to reduce Looked After Children (LAC) numbers by 2019/20, however this will take longer to achieve than originally planned as both the level of need and the complexity of existing placements have been underestimated. As a result there are some additional budget pressures and it will not be possible to deliver the savings from the LAC investment model in the time period originally envisaged.
- 44 The savings in the schedule of £886k for next year rising to £2.898m by 2019/20 still need to be delivered but will meet the costs within the Children and Families service rather than contributing to the council's bottom line. In addition a further £1.009m has been allowed as a budget pressure.
- 45 **Dedicated Schools Grant (DSG)** On 21 June 2016 the Education Secretary announced that the implementation of the proposed changes to DSG will be deferred until 2018/19 and that in 2017/18 no local authority will see a reduction from their 2016/17 level of funding. The government's proposals for the national funding formula were released on 15 December and the implications for Manchester's schools are currently being worked through.
- 46 Council spending plans supported by the centrally retained DSG total c£9m. The draft budget includes a pressure of £4.0m from 2018/19 relating to two key risks from 2018/19 as follows:
- 47 DSG reforms in relation to the high needs block – this may constrain the City Councils ability to continue with the same level of support from 2018/19 onwards. £4m has been set aside as mitigation against the potential loss of flexibility in this area.
- 48 Changes to the Early Years Block – there is threshold applied to the amount that can be held back centrally of 7% in 2017/18 and 5% thereafter. The impact on Manchester is a reduction of £500k on the amount which can be held back, this will be met through DSG.
- 49 The remaining budget pressures relate to:

- Children's demographic pressures of £415k increasing to £1.245m relating to Free travel and Special Educational Needs transport;
- £200k for fly tipping teams linked to the service change for waste and recycling;
- £400k additional costs relating to street lighting;
- £200k for the commissioning Team, linked to the achievement of a £0.750m savings target;
- Investment in Highways infrastructure £2m;
- Highways bridges inspections £275k;
- Offset by £200k reduction in Education and Skills capacity pressure (£430k was added in 2016/17 which reduces to £230k in 2017/18)

50 **Inflationary Pressures and budgets** to be allocated total £11.002m in 2017/18 increasing to £30.839m by 2019/20. Table 10 below shows the detail:

**Table 9: Inflationary Pressures and Budgets to be Allocated**

	2017/18 £'000	2018/19 £'000	2019/20 £'000
Non Pay Inflation	3,048	6,127	9,236
Pay Inflation at 1%	2,300	4,300	6,300
Employee Costs of Minimum Wage	496	1,146	1,921
Contract Costs of Minimum Wage	4,258	8,516	12,774
Apprentice Levy 0.5%	900	900	900
Carbon Reduction Tax	0	0	(292)
<b>Total</b>	<b>11,002</b>	<b>20,989</b>	<b>30,839</b>
<b>Year on Year Impact</b>		<b>9,987</b>	<b>9,850</b>

51 The main assumptions are as follows:

- Non Pay inflation at 1% of net running costs each year totalling £3.048m in 2017/18 increasing to £9.236m by 2019/20. Note 2016/17 CPI is 1%, forecast to increase to 2.4% in 2017/18, 2.6% in 2018/19 and 2.1% in 2019/20;
- Cumulative pay inflation £2.3m in 2017/18 based on an assumed pay award of 1% above SCP 17 and higher increases below that grade. Future year increases are currently included at £2m per annum;
- Manchester Minimum Wage costs are expected to cost an additional £496k in 2017/18 rising to £1.921m by 2019/20 based on forecast increases in the rate;
- Increased commissioning costs predominately within Children and Families relating to the impact of the increase to minimum wage, increases of £4.258m a year are included.
- £0.9m for the apprentice levy from 2017/18, this is based on 1% of the applicable pay budget.
- The Carbon Reduction Commitment (CRC) tax currently costs £660k a year which is built into the 2016/17 base budget. From 2019/20 this will be abolished and the Climate Change Levy (CCL) rates will be increased. This has led to the removal of the £660k budget held for



CRC charges and inclusion of a £368k budget for increased CCL costs, a net saving of £292k.

- 52 Of the amounts above £2.52m increasing to £6.49m of the Pay and price increase and £4.26m increasing to £12.77m for contract costs of minimum wage have been earmarked against the contribution to the pooled budget, as set out in the Adults directorate report and the Locality Plan report elsewhere on the agenda.

### Budget Savings Proposals

- 53 The schedules detailing the savings proposals that have been put forward by each Directorate are contained within the Directorate reports elsewhere on the agenda. These outline £31.757m of proposals which are shown in the table below and are in addition to the £5.2m full year effect of 2016/17 savings already included in the base budget position.

**Table 10: Savings Options**

	2017/18	2018/19	2019/20	FTE Impact
	£,000	£,000	£,000	(Indicative)
Adults	5,000	8,000	12,000	0
Children's	1,221	1,441	1,621	19
Corporate Core	5,481	8,406	10,566	54
Growth and Neighbourhoods	1,490	2,710	7,220	3
Strategic Development	350	350	350	1
<b>Total Savings identified in latest schedules</b>	<b>13,542</b>	<b>20,907</b>	<b>31,757</b>	<b>77</b>

- 54 The Adults savings are to be met by a reduction to the Health and Social Care pooled budget through a strong focus, through the Transformation Fund work, on delivering the transformation that will deliver more sustainable health and social care models.
- 55 In addition there are significant pressures on Adult Social care, over and above those which have been built into the budget. These total £4.68m for 2017/18 rising to £4.82m by 2018/19. These additional pressures are also to be met from within the Locality Plan resources. The net impact on the Locality Plan is that savings of £9.68m will be required next year (to cover the savings target and pressures) rising to £16.82m by 2019/20.
- 56 Taking account of this and the inflationary resources as outlined earlier in the report the proposed level of funding is set out in the table below.

**Table 11: Contribution to the Pooled Budget**

	2017/18	2018/19	2019/20
	£,000	£,000	£,000
<b>Base Budget</b>	157,690	156,630	154,810
Apportionment of pay and non pay inflation	2,520	4,500	6,490
National Living Wage costs for commissioned services	4,260	8,520	12,770
Budgeted Demographic Pressures	5,580	8,160	10,750
Additional Demographic Pressures	4,680	4,750	4,820

	2017/18	2018/19	2019/20
	£,000	£,000	£,000
Total Demographic pressures	10,260	12,910	15,570
Sub Total Additional Funding	<b>17,040</b>	<b>25,930</b>	<b>34,830</b>
<b>Sub Total</b>	<b>174,730</b>	<b>182,560</b>	<b>189,640</b>
Savings Target	(5,000)	(8,000)	(12,000)
Pressures Met from Locality Resources	(4,680)	(4,750)	(4,820)
Sub Total Savings	(9,680)	(12,750)	(16,820)
<b>Total</b>	165,050	169,810	172,820
<b>Net Increase</b>	<b>7,360</b>	<b>13,180</b>	<b>18,010</b>
<i>Year on Year</i>		5,820	4,830

- 57 The Children's savings to support the budget gap are net of £2.9m savings which will be retained by the directorate to reinvest in the Looked After Children's Model given.

### Balancing the budget

- 58 After taking account of the savings proposals a small gap remains of £0.961m in 2017/18 and £2.179m in 2018/19. It is proposed this is met by using General Fund in 2017/18 and Capital Fund in 2018/19.

**Table 12: Remaining budget gap**

	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Budget Gap</b>	<b>14,503</b>	<b>23,086</b>	<b>31,757</b>
Savings Proposals	(13,542)	(20,907)	(31,757)
<b>Revised total</b>	<b>961</b>	<b>2,179</b>	<b>0</b>
Transfer to Reserves / (Use of Reserves)	(961)	(2,179)	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Overall Financial Position

- 59 The revised overall position would then be a three year balanced budget as per the table below.

**Table 13: Summary of Resources Available and Budget Requirement for 2016/17 to 2019/20**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Resources Available</b>				
Revenue Support Grant	113,768	90,152	73,740	57,041
Business Rates Baseline	156,030	153,309	158,241	163,871
Business Rates Top Up	7,575	13,636	14,075	14,575
Settlement Funding	277,373	257,097	246,056	235,487
Assessment (Reduced) / Additional	(4,643)	(7,568)	3,004	4,094
Business Rates Income	6,609	11,277	11,638	12,057
Business Rates Grants				
Council Tax	136,617	143,664	152,195	159,013

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Public Health Funding	54,596	53,250	51,865	50,517
Other non ring fenced Grants	23,532	22,960	27,780	37,157
Dividends and Use of Reserves	31,337	44,471	44,471	44,471
Use of other Reserves	3,095	2,961	2,179	0
<b>Total Resources Available</b>	<b>528,516</b>	<b>528,112</b>	<b>539,188</b>	<b>542,796</b>
<i>Corporate Costs:</i>				
Levies/Charges	68,222	69,736	72,504	69,344
Contingency	2,300	2,800	2,800	2,800
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	3,900	3,050	3,409
<i>Sub Total Corporate Costs</i>	<i>122,504</i>	<i>121,018</i>	<i>123,236</i>	<i>120,635</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	10,736	10,336	10,236	10,236
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Budgets	382,366	367,071	358,092	351,392
Directorate Costs not yet allocated to budgets	10,906	7,806	7,806	7,806
Unfunded pressures and growth items	0	8,875	16,825	19,884
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
<i>Total Directorate Costs</i>	<i>406,012</i>	<i>407,094</i>	<i>415,952</i>	<i>422,161</i>
<b>Total Resources Required</b>	<b>528,516</b>	<b>528,112</b>	<b>539,188</b>	<b>542,796</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Financial Reserves

60 The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held has been carried out as part of the budget setting process.

61 The reserves include:

- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to offset risk and manage volatility – such as the Insurance Fund Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures
- Schools reserves – schools funding which the council cannot utilise
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – under accountancy standards these are held in a reserve

- 62 The table below shows an analysis of the planned use of reserves in 2016/17 to 2019/20 to support revenue expenditure.

**Table 14: Use of reserves to support the budget**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Statutory Reserves:</b>				
Bus Lane and Parking reserves	8,074	7,104	7,104	7,104
Other Statutory Reserves	109	149	12	12
<b>Balances Held for PFI's:</b>				
Street Lighting Private Finance Initiative	413	0	0	0
<b>Small Specific Reserves:</b>	51	51	51	51
<b>Reserves held to smooth risk / assurance:</b>				
Airport Dividend Reserve	22,787	29,161	29,161	29,161
Adult Social Care	0	2,000	0	0
Other Reserves held to smooth risk/assurance	3,189	979	550	550
<b>Reserves held to support capital schemes:</b>				
Capital Fund	11,197	7,046	3,038	6,390
Other reserves held to support capital schemes	3,079	3,202	3,202	2,452
<b>Reserves held to support growth and reform:</b>				
Clean City Reserve	6,928	0	0	0
Children's and Families Investment Reserve	8,648	4,905	0	0
City Centre Reserve	0	1,000	1,000	1,000
Town Hall	0	4,828	2,789	2,516
Other Reserves to support growth and reform	2,992	763	324	253
<b>Grants and Contributions used to meet commitments over more than one year</b>	7,482	1,942	0	0
<b>General Fund</b>	1,940	961	0	0
	<b>76,889</b>	<b>64,090</b>	<b>47,231</b>	<b>49,489</b>

- 63 Further detail on the main proposed use of reserves to support revenue expenditure is set out in more detail in the following paragraphs.

*Parking Reserve and Bus Lane Enforcement Reserve*

- 64 There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of transport and highway related expenditure, and provided there is no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2017 is £6.105m. It is estimated that £6.496m will be added to these reserves during 2017/18 and £8.074m used.

- 65 In accordance with the restrictions placed on the use of the reserve, it will be used to fund areas of spend within the Growth and Neighbourhoods Directorate cash limit budget.

*Airport Dividend Reserve*

- 66 As set out above the additional elements of airport dividend will be used to support the budget a year in arrears for prudence, so will be held in a reserve .

*Children and Families Investment Reserve*

- 67 The Children and Families Investment Reserve of £14m was set up in 2015/16 with the aim of meeting the cost of early help, evidence based interventions relating to troubled families and looked after children, adoption and fostering and additional social workers over a period of four years required to deal with the increasing numbers of children moving into the authority and the often complex nature of the cases presented.

*Town Hall Reserve*

- 68 There is a significant piece of work underway in relation to the outcome of Town Hall feasibility study which will have ongoing revenue implications such as the cost of financing capital; alternative accommodation costs and loss of income alongside reduced spend on maintenance, utilities and security.
- 69 The Town Hall project is expected to run until 2023/24, the most recent forecast of revenue implications over the budget period (excluding any increased costs of capital); taking account of the loss of income from events and savings on the current running costs of the Town Hall is estimated to be in the region of £10m over the three year budget period to 2019/20. This may be subject to change as the design process develops. It is proposed this is funded from savings in the Minimum Revenue Provision policy as outlined earlier.
- 70 The first £5m a year saving from Minimum Revenue Provision (MRP) adjustments will be used to support the revenue budget with the balance funding the revenue costs of the Town Hall refurbishment. The expected amounts available and costs expected over the budget period are shown below.

**Table 15: Town Hall reserve**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Opening Balance	0	7,915	5,487	4,798
Transfer to reserve	7,915	2,400	2,100	2,400
Use of reserve to fund Town Hall Revenue Costs	0	(4,828)	(2,789)	(2,516)
<b>Balance in reserve</b>	<b>7,915</b>	<b>5,487</b>	<b>4,798</b>	<b>4,682</b>

*City Centre Review*

- 71 The city centre is the heart of the regional economy, cultural and leisure offer, and it attracts millions of visitors every year. The city centre has also changed out of all recognition as a popular residential location in the last thirty years.

Delivering public services in the city centre is complex, with different demands and pressure points arising from the volume and diversity of city centre users. The Leader and Executive Members of the Council are committed to improving the experience of the city centre despite the increasing complexities and financial challenges faced by the Council and partners.

- 72 In order to deliver the objectives of the review it will be proposed a funding package is developed. The key strands of this are likely to include:
- Business rates - It is proposed that £3m of the estimated 2016/17 surplus from Business Rates is used to establish a City Centre Review reserve. This could be increased by the 100% retention pilot if Manchester retains an ongoing portion of additional business rates growth generated.
  - An element of the Our Manchester Reserve could be used to support this work, should the Social Impact Bond (SIB) idea be explored further. The council will also work with PCC and others who may have funds they could include.
  - Reshaping the use of mainstream resource. The additional investment together with a notional pooled budget of the resources predominately spent in the City Centre should give the ability to reshape the use of mainstream resource.

#### *Resourcing Our Manchester*

- 73 Over the last few months, key stakeholders in the city including the Council have been exploring how an Our Manchester approach could be developed to enable delivery of the new 10-year Strategy for Manchester. This has involved a number of activities including Our Manchester (one-day) workshops, Listening in Action staff engagement sessions, Design and Delivery Group workshops as well as a wide range of meetings and conversations about Our Manchester with stakeholders.
- 74 A Delivery and Resourcing plan has now been developed. The main priorities include:
- Workforce development
  - A review of Voluntary and Community Sector (VCS) funding - bringing together a number of grants and contracts to create a single pot of funding
  - Progressing 'phase one' activity work that demonstrate an Our Manchester approach in practise. Place based activity in Wythenshawe, Gorton and North Manchester is under discussion as is work to bring forward new ways of working in integrated health and care teams and amongst housing providers. It could also include the development of new preventative care models to embed the Our Manchester approach to the Locality Plan.
  - Communication and Engagement - working with partners to develop toolkits and examples of best practise as Our Manchester progresses. This will require additional resourcing to increase the capacity to be able to deliver this, and will include communication materials. Further

and deeper engagement with staff, residents, businesses and VCS organisations will be undertaken in the coming year.

- Building capacity within communities to build on the strengths and assets that already exist and to enable a shared approach to problem solving in neighbourhoods.
- Capacity to oversee the coordination and delivery of the Our Manchester programme. This may include people from other organisations to deliver this as part of a truly collaborative approach.

75 The new approach is likely to require some upfront investment in 2016/17 to support the changes. This will be one-off and funded from the element of the 2016/17 airport dividend which would usually have been transferred to capital fund.

### Workforce Implications

76 The Council's workforce will be the essential driving force behind Our Manchester. A refreshed People Strategy, Our People, has been developed, informed by the BHeard Survey and significant engagement with staff and partners. The Strategy has Our Manchester at its heart and sets a clear ambition for how we ensure the workforce are inspired, connected and empowered to work in different ways through the Our Manchester behaviours.

77 The next three years are likely to be more manageable in terms of workforce reductions than the period 2011-2015, when the organisation lost almost 4,000 FTE posts, which is almost 40% of the workforce and equivalent to around £100m in workforce savings

78 If all the budget proposals are taken forward, the maximum total gross reduction in posts over the next three years is estimated to be 77 FTE (this figure will include a number of vacant posts and positions filled by part time employees which will affect the actual impact on staff). The 77 FTE reduction relates to the current workforce totals and does not reflect any other significant changes to service delivery models. The table below shows the current budgeted FTE by directorate and the impact of the proposed savings.

**Table 16: Workforce numbers**

	2016/17 Budgeted posts (FTE)	2017 - 2020 Saving Proposals FTE Impact (Indicative)
<b>Summary by Directorate</b>		
Adults	1,440	0
Children's	1,441	19
Corporate Core	1,909	54
Growth & Neighbourhoods	1,376	3
Strategic Development	286	1
<b>Total</b>	<b>6,452</b>	<b>77</b>

79 The City Council's workforce turnover is around five per cent annually (around 300 FTE). Over the three year course of this budget it is anticipated that the

workforce reductions can be achieved without the need for the use of an enhanced early retirement or voluntary redundancy scheme.

- 80 A significant number of staff will be seconded into the Local Care Organisation and the single health and social care commissioning function. All Council staff affected will remain employees of the Council. The full details of these arrangements are being developed and there will be full consultation with staff and trade unions over the coming months leading to phased implementation from 1 April 2017.
- 81 After five years of restricted external recruitment and increasing demands there is a recognition that the City Council will need to invest in skills for our existing staff and attract, develop and retain new talent to enhance the Council's capabilities for the challenges ahead. This will be enabled by opportunities made available through the natural turnover noted above and supported by a strong focus on workforce development as part of the new People Strategy and new opportunities including the apprenticeship levy. Underpinning this work will be a strengthened focus on working in new ways through the Our Manchester behaviours across the full spectrum of the organisation's work and interactions.

### **Capital Investment Strategy**

- 82 Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities and the development of longer term, five-year, Capital Investment Strategy forms a critical part of the City Council's strategic and financial planning from 2017/18.
- 83 The last 12 months have witnessed a number of significant developments that have had, and will continue to have, a major influence on the future shape and approach to capital investment within the City. These include the "Our Manchester" Strategy, the Manchester Residential Growth Strategy, commercial developments, devolution and reviews of the Highways Estate, the Operational Built Estate and ICT.
- 84 The challenge for the future is to drive transformation, growth and reform; to define Manchester as an attractive place to live and further improve the quality of life for all residents and increase their overall social and economic prospects, and enable them to participate fully in the life of the City.
- 85 Details of the revised Capital Strategy and associated programme can be found elsewhere on the Agenda.

### **Consultation**

- 86 The City Council invited comments and feedback from all residents and stakeholders about the options prepared by Council officers to meet the £40m-£75m budget gap in the formal consultation which commenced on 3 November and this has informed the development of the Executive's final draft budget proposals.



87 This provided an opportunity to share budget options earlier and gather feedback on them individually before making final proposals before the consultation closes, and then taking decisions. The consultation was promoted to businesses as well as residents and ensures the Council is compliant with its statutory duty under the Local Government Finance Act 1992 to consult with persons or bodies appearing to them to be representative of persons subject to Non-Domestic Rates (also known as Business Rates) in their area, about their proposals for expenditure for the forthcoming financial year.

88 The two statutory consultations required for Surestart and Council Tax Support Scheme also commenced on 3 November and ended on 10 January and 15 December respectively. There is a separate report on the Executive and Resources and Governance Scrutiny Committee agendas on the Council Tax Support Scheme.

### **Budget Scrutiny**

89 Overview and Scrutiny committees are holding special meetings to look at the Budget Proposals and their delivery. Resources and Governance Scrutiny Committee will look at the overall budget proposals, receive comments from other scrutiny committees and consider responses to the budget consultation.

### **Conclusion**

90 This report and the accompanying Strategic Response report elsewhere on the agenda detail proposals to respond to the Local Government Settlement and to the requirement to produce a definitive budget to be approved at the City Council meeting on the 6 March 2017. The report sets out a proposed investment approach to underpin the delivery of Our Manchester and the approach to preparing the Capital Strategy and budget.

91 The settlement has not brought any real additional funding for Adult Social Care and has increased the overall financial gap by £1.2m. The report assumes that the council tax for social care will be implemented at 3% for 2017/18 and 2018/19 with no precept for social care in 2019/20 which has a detrimental effect of £43k by the end of the three year period.

92 This is a period of continued reductions in resources and growing pressures. The savings required over the three year period will be in the region of £30m after taking account of anticipated commercial income to support the revenue budget. Proposals have been identified and officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.

93 The report to Executive in February 2017 will be updated to include the risk assessment and legal issues.

94 Detailed recommendations appear at the front of this report.

**APPENDIX 1 – Reserves**

**Forecast use in 2017/18 and forecast closing balance 2018/19 and 2019/20**

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Schools Reserve</b>	25,000	0	0	25,000	25,000	25,000	
<b>General Fund Reserve</b>							
Statutory Reserves	10,395	(7,253)	6,641	9,783	9,308	8,833	
Earmarked Reserves	148,051	(55,876)	52,165	144,340	138,849	130,785	
General Fund Reserve	26,533	(961)	0	25,572	25,572	25,572	
<b>Total General Fund</b>	209,978	(64,090)	58,806	204,694	198,728	190,189	
<b>Housing Revenue Account Reserves:</b>							
Housing Revenue Account General Reserve	50,192	(15,418)	0	34,774	34,774	34,774	
HRA PFI reserve	10,000	0	0	10,000	10,000	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	24,000	24,000	
Housing Insurance reserve	845	0	0	845	845	845	
<b>Total HRA</b>	85,037	(15,418)	0	69,619	69,619	69,619	
<b>TOTAL RESERVES</b>	295,015	(79,508)	58,806	274,313	268,347	259,808	

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>SCHOOLS RESERVE</b>							
LMS Reserve	25,000	0	0	25,000	25,000	25,000	School balances
<b>Sub Total Schools</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	
<b>STATUTORY RESERVES</b>							
Bus Lane Enforcement Reserve	2,713	(1,522)	1,427	2,618	2,523	2,428	Ring fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	3,392	(5,582)	5,069	2,879	2,366	1,853	Ring fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	1,881	(78)	0	1,803	1,803	1,803	£1.95m was received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years, the required funds will be drawn down each year at c£78k per year.
Cutting Room Square Ext Ancoats Reserve	1,038	(12)	0	1,026	1,014	1,002	Funds received as part of a Section 106 agreement to cover the revenue costs of maintaining Cutting Room Square, the required funds will be drawn down each year.
New Smithfield Market	218	0	70	288	358	428	To contribute towards funding the development plans for the market
Great Northern Square Maint Fund	343	(13)	0	330	330	330	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	17	0	0	17	17	17	Kept as part of future payments for school prizes
Landlord Licensing Reserve	46	(46)	0	0	0	0	
Art Fund Reserve	35	0	0	35	35	35	For art purchases

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
St Johns Gdns Contingency	711	0	75	786	861	936	Contribution from St Johns Gardens tenants for maintenance works
<b>Sub Total Statutory</b>	<b>10,395</b>	<b>(7,253)</b>	<b>6,641</b>	<b>9,783</b>	<b>9,308</b>	<b>8,833</b>	
<b>EARMARKED RESERVES</b>							
<b>BALANCES HELD FOR PFIs</b>							
Street Lighting PFI	182	0	0	182	182	182	Established to fund the requirements over 25 years re. the PFI contract for Street Lighting service via our external contractors
Temple PFI	648	0	8	656	664	672	PFI Scheme 25 years contract Drawdown will be in future years as expenditure exceeds grant.
Wright Robinson PFI Reserve	766	0	32	798	830	862	PFI Scheme 25 years contract Drawdown will be in future years as expenditure exceeds grant.
<b>Total held for PFI's</b>	<b>1,597</b>	<b>0</b>	<b>40</b>	<b>1,637</b>	<b>1,677</b>	<b>1,717</b>	
<b>SMALL SPECIFIC RESERVES</b>							
Housing Loans	122	0	10	132	142	152	Resources available to meet future needs of mortgage accounts
NSM - Car Boot	253	(45)	55	263	273	283	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	321	0	40	361	401	441	
Primary School Catering Reserve	222	0	0	222	222	222	Reserve established to support the Service's competitiveness by smoothing school meal prices during the 3 year price planning period.

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
Catering R & M Insurance Account	166	0	0	166	166	166	Reserve established to meet refurbishment cost of school kitchens.
Graves And Memorials	97	0	0	97	97	97	
CWAG Reserve	87	(6)	0	81	75	69	Held in relation to the running costs of Council's With ALMOs Group (CWAG) which is administered by MCC
Investment Reserve from Surpluses	151	0	0	151	151	151	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Ardwick	2	0	0	2	2	2	
Other Small Specific reserves	26	0	0	26	26	26	Small specific reserves
<b>Total Small Specific Reserves</b>	<b>1,447</b>	<b>(51)</b>	<b>105</b>	<b>1,501</b>	<b>1,555</b>	<b>1,609</b>	
<b>RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS</b>							
Cleopatra Reserve	5,563	0	0	5,563	5,563	5,563	For potential future legal cases
Transformation Reserve	8,723	0	0	8,723	8,723	8,723	To support costs of future service change.
Airport Dividend reserve	29,161	(29,161)	29,161	29,161	29,161	29,161	The additional airport dividend for 2014/15 will be used to support the revenue budget in 2015/16 and 2016/17. The interim additional dividend for 2015/16 will support the 2016/17 budget.
Pension Risk Fund - MWL	646	0	0	646	646	646	This relates to potential pension liabilities for Manchester Working employees.
Inspirit Pension Reserve	14	0	0	14	14	14	

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
Manchester International Festival	1,500	(500)	0	1,000	500	0	To fund the additional costs of the Mcr International Festival Fund, £500k every other year.
Insurance Fund	17,482	0	0	17,482	17,482	17,482	The insurance fund has been established to fund risks that are self insured.
Children's Services Reserve	29	(29)	0	0	0	0	The reserve is being held for any unexpected issues arising from Academy transfers given the level of uncertainty around any costs falling to the LA within a short timescale.
Land Charges Fees Reserve	400	(400)	0	(0)	(0)	(0)	Prior years overachievement of fee income as Land Charges has a requirement to demonstrate a break even position on a rolling 3 year basis therefore exceptional surpluses are taken to reserves.
Newton Heath Market Reserve	22	0	0	22	22	22	
Compensation Reserve	93	0	0	93	93	93	Money set aside to meet possible future claims for compensation
New Islington Dowry Reserve	223	(50)	0	173	123	73	NWDA funding for maintenance over a 10 year period.
Adult Social Care	2,000	(2,000)	0	0	0	0	The additional airport dividend for 2014/15 will be used to support the revenue budget in 2015/16 and 2016/17. The interim additional dividend for 2015/16 will support the 2016/17 budget.
Business Rates Reserve	5,633	0	0	5,633	5,633	5,633	To mitigate Business Rates income risk
<b>TOTAL RISK</b>	<b>71,488</b>	<b>(32,140)</b>	<b>29,161</b>	<b>68,510</b>	<b>67,960</b>	<b>67,410</b>	

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>RESERVES HELD TO FUND PLANNED CAPITAL SPEND</b>							
Housing Regeneration reserve	14,250	(750)	0	13,500	12,750	12,750	To deliver strategic housing related regeneration projects.
Service Improvement Fund	103	0	0	103	103	103	
Capital Fund Revenue Reserve	19,868	(7,046)	15,080	27,902	25,617	19,277	Contribution to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding.
Eastlands Reserve	6,215	(2,452)	2,379	6,142	6,155	6,256	English Institute of Sport - Sport England MCFC income
<b>Total to fund capital spend</b>	<b>40,435</b>	<b>(10,248)</b>	<b>17,459</b>	<b>47,646</b>	<b>44,624</b>	<b>38,385</b>	
<b>RESERVES TO SUPPORT GROWTH AND REFORM</b>							
Soccerex Reserve	395	(395)	0	0	0	0	Soccerex worldwide. To fund £395,000 per year for 2014/15 to 2017/18.
Town Hall Reserve	7,915	(4,828)	2,400	5,487	4,798	4,682	To fund revenue expenditure on the Town Hall Complex Programme
Children and Families Investment Reserve	8,902	(4,905)	0	3,997	3,997	3,997	To invest in priorities within Children and Families

	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
NW Construction Hub Reserve	316	0	0	316	316	316	The capital programme section manages the NWCH, other LA's pay a fee to use the service and the income is used to cover the cost of retendering every three years.
Our Manchester reserve	6,614	(368)	0	6,246	5,922	5,669	
City Centre Review reserve	0	(1,000)	3,000	2,000	1,000	0	
<b>TOTAL</b>	<b>24,143</b>	<b>(11,496)</b>	<b>5,400</b>	<b>18,047</b>	<b>16,034</b>	<b>14,665</b>	
<b>GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES</b>							
English Partnership (HCA)	1,902	0	0	1,902	1,902	1,902	HCA approval required to Fund Development appraisal and Eastlands Project team
Public Health Grant	308	(308)	0	0	0	0	Unspent Public Health grant received in previous year.
Other Grants and Contributions	2,536	0	0	2,536	2,536	2,536	Various local Environment scheme & initiatives i.e. 'clean up campaigns'
Better Care	1,958	(1,235)	0	723	723	723	Contributions received from CCG's
Contributions Other Local Authorities	354	0	0	354	354	354	Relates to various ongoing Civil Contingencies schemes.
DFT Grants	9	0	0	9	9	9	Unspent grant received in previous year
Other Grants and Contributions Regeneration	307	0	0	307	307	307	Unspent grant received in previous year
DoLs Grant	182	(182)	0	0	0	0	
DEFRA	64	(64)	0	0	0	0	Reservoir Inundation Fund. Relates to funding the Emergency Planning Works in the event of flooding. Expected to be spent by 2016/17
LAC Remand	153	(153)	0	0	0	0	This will be used to fund specific activities and resources aimed at reducing remands in the future.



	Opening Balance 01/04/17	Withdrawals	Additions	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
CLG Fraud Fund	177	0	0	177	177	177	Unspent grant received in previous year
CAB010 One Public Estate Reserve	150	0	0	150	150	150	Unspent grant received in previous year
Workforce Development and Learning	77	0	0	77	77	77	Unspent grant received in previous year
Asylum Seekers	668	0	0	668	668	668	MCC are holding the monies on behalf of AGMA Councils, this money will not be drawn down in year but needs to be retained on the Balance sheet to ensure that MCC are not in breach of the contract that we hold as Lead Authority on this project.
Public Health Reserves	21	0	0	21	21	21	Ringfenced public Health Funds
Other Grants and Contributions	30	0	0	30	30	30	Unspent grant received in previous year
Other Grants and Contributions	44	0	0	44	44	44	Unspent grant received in previous year
<b>TOTAL</b>	<b>8,941</b>	<b>(1,942)</b>	<b>0</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	
<b>TOTAL EARMARKED RESERVES</b>	<b>148,051</b>	<b>(55,876)</b>	<b>52,165</b>	<b>144,340</b>	<b>138,849</b>	<b>130,785</b>	
<b>Total General Fund Reserves</b>	<b>184,978</b>	<b>(64,090)</b>	<b>58,806</b>	<b>179,694</b>	<b>173,728</b>	<b>165,189</b>	