

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 8 February 2017  
Resources and Governance Scrutiny Committee – 20 February 2017

**Subject:** Overarching Budget Report 2016/17-2019/20 - Summary of the Updated Financial Position

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

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**Purpose of the Report**

This report sets out the changes that have been made to the suite of budget reports that were reported to Executive in January 2017.

**Recommendation**

The Executive is requested to note this report.

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**Wards Affected:** All

<b>Our Manchester Strategy Outcomes</b>	<b>Summary of the contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2017/18. The Framework is aligned to the priorities of the Community Strategy.
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 – The risk management implications are set out in an accompanying report later on the agenda.
  - Legal Considerations – The legal implications are set out in an accompanying report later on the agenda.
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### **Financial Consequences – Revenue and Capital**

The report sets out the main changes made to the suite of budget reports for 2017/18 to 2019/20 since the January 2017 Executive.

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

None

## **Introduction**

1. The Executive considered the full suite of budget reports at its meeting on 11 January. These formed the basis of the third and final part of the budget consultation which runs from 3 January until 10 February. The reports were developed with reference to the budget options consultation which closed on 15 December and recommendations from Scrutiny Committees which considered the budget options at their November and December meetings.
2. The suite of budget reports is listed below.
  - Budget 2017/20 - The Strategic Response
  - Medium Term Financial Strategy 2016/17 to 2019/20
  - Capital Programme Budget 2017/18 to 2021/22
  - Children's Services and Education and Skills Budget 2017/20
  - Adult Social Care Budget 2017/20
  - Locality Plan Three Year Budget Strategy 2017/20
  - Growth and Neighbourhoods Budget 2017/20
  - Strategic Development Budget 2017/20
  - Corporate Core Budget 2017/20
  - Housing Revenue Account 2017/20
  - Schools Budget and Dedicated Schools Grant
3. The majority of the reports remain largely unchanged from the January Executive.
4. The Draft Directorate Budget and Business Plans are being considered by the relevant Scrutiny Committee(s) week beginning 30 January. The recommendations from these Committees will be considered at Executive before it agrees the final budget proposals.
5. The reports detailing the Schools Budget and Dedicated Schools Grant and the Housing Revenue Account 2017/20 have previously been approved at the January Executive. They are included for information only as part of the suite of reports.
6. The Medium Term Financial Strategy has been updated to take into account the final council tax and business rates position and some other minor adjustments.
7. The Capital Strategy has been updated to reflect the latest 2016/17 forecast position and its impact on the anticipated profile of spend in future years. The changes are detailed in the Capital Monitoring Report and reflected in the Capital Programme Budget report elsewhere on the agenda.
8. The purpose of this report is to highlight the changes which have been made since the January Executive meeting.

### **Summary of the main changes since January Executive**

9. Since the January Executive Meeting the following key decisions have been made which impact on the overall budget position:

- The announcement of the Collection Fund surplus for Council Tax and Business Rates
- The setting of the Council Tax and Business Rates base
- Approval of a revised Council Tax Support Scheme

10. It should also be noted that the report is based on the Provisional Finance Settlement with the final Settlement due to be published in early February. There could therefore be some further changes to the position, although changes at final settlement stage are normally relatively minor.

#### *Business Rates*

11. There have been no changes to the revenue budget position following the key decisions made on the business rates Collection Fund surplus or setting of the Business Rates base.

12. As part of the Provisional Finance Settlement it was confirmed that the 100% business rates retention scheme will be piloted from 1 April 2017 in a number of areas including Greater Manchester. These pilots will operate on a 'no detriment' basis i.e. the pilot is to be without detriment to the resources that would have been available to individual authorities under the current local government business rates finance regime. Because of this agreement, the budget is set on the basis of the current business rates regime. However the presentation of the business rates position has changed to reflect the move to 100% retention and the fact that Revenue Support Grant and the Public Health Grant are now funded from business rates rather than being specific grants. A consistent approach has been adopted by all the Greater Manchester local authorities and the Medium Term Financial Strategy has been amended to take this pilot into account.

#### *Council Tax*

13. The Council's share of the estimated Council Tax Surplus for 2016/17 has been declared as is required by 15 January. This resulted in an increase in the Council's share of the surplus from £4.097m to £5.940m, an increase of £1.843m. This has been included in the Medium Term Financial Strategy for 2017/18.

14. The increased surplus has been used to fund the following additional pressures identified since the report to January Executive:

- Additional Dedicated Schools Grant pressure £500k – this is also reflected in the Children's Services Budget Report.

- Waste Contingency £500k to reflect risks associated with the assumed savings within the GM Waste Levy
  - Commissioning Team Costs £200k. These changes have been reflected in the Corporate Core Budget report.
  - Additional costs of business rates revaluations on Council Buildings £190k
15. The remaining balance of £453k has resulted in a reduced call on the general fund reserve in 2017/18 of £509k.
16. In 2018/19 the additional pressures outlined are being funded from a transfer from the capital fund and in 2019/20 from the expected growth in business rates/commercial income.

#### *Levies*

17. The Waste Levy and Transport Levy have been updated in line with the final figures from the GM Combined Authority (GMCA). In addition, in order to facilitate changes in the Waste contract it is proposed that the GM Waste Disposal Authority increases revenue spend by £77.1m. To assist Districts in meeting this cost the Transport Levy has been reduced on a one-off basis. The increase in the Waste Levy for Manchester is £16.927m with a corresponding reduction in the Transport Levy. There has also been an increase in the District charge payable to GMCA for non-transport functions of £630k to provide previously agreed funding for the Business Growth Hub. The Transport Levy has been reduced by a corresponding amount.
18. Further detail is contained within paragraph 41 of the Medium Term Financial Strategy. There is no overall impact on the Medium Term financial plan as a result of these amendments.

#### *Reserves*

19. The report now includes a recommended £4.5m reserve, predominately created from the 2016/17 Business Rates surplus, to fund the City Centre Review which is elsewhere on the agenda. Full details are set out in paragraphs 82 to 84 of the Medium Term Financial Strategy.

#### **Next Steps including Consultation**

20. After consideration by the Executive, the final budget proposals, together with the outcome of the final stage of the budget consultation, will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on Monday 20 February. Chairs of the other five Scrutiny Committees will be invited to attend this meeting to articulate the views of their Committee regarding final proposals.
21. The Council will then make its final decisions and will set the budget on 3 March.