

Manchester City Council Report for Resolution

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

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

Report of: Chief Executive and City Treasurer

Purpose of the Report

This report sets out the budget proposals for 2017/18 to 2019/20 based on the outcome of the Provisional Local Government Finance Settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2017/18. This report should be read in conjunction with the Strategic Response Report, the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Schools Budget Report, the Capital Strategy 2017/18 -2021/22 and the Treasury Management Strategy; all contained elsewhere on this agenda. The proposals in this budget form part of the final consultation process which started on 3 January and will continue until 10 February. Responses to the full budget consultation will be included on the Agenda for Resources and Governance Scrutiny Committee on 20 February.

Recommendations

The Executive is requested to:

- (i) Note the report and the anticipated financial position for the Authority for the period 2017/18 to 2019/20;
- (ii) Note that a summary of the changes from the Medium Term Financial Strategy reported to January Executive will be presented alongside this report on the agenda;
- (iii) Note that the financial position has been based on the Provisional Local Government Finance Settlement issued on 15 December 2016;
- (iv) 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;
- (v) Consider the detailed reports from individual Strategic Directors elsewhere on this agenda (Directorate Reports) and the proposals for service and expenditure changes, in reaching decisions in relation to the final budget for 2017/18 to 2019/20
- (vi) Note that formal budget consultation commenced on 3 January and will continue until 10 February.
- (vii) Note that the Capital Strategy 2017/18 -2021/22 will be presented alongside this report;

- (viii) 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.
- (ix) Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves
- (x) Make specific recommendations to Council to approve for 2017/18:
 - a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 4.99% (including 3% for adult social care);
 - b. the contingency sum of £3.3m;
 - c. the inflationary pressures and budgets to be allocated sum of £11.002m; and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;
 - d. the pressures and growth bids of £10.365m and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;
 - e. corporate budget requirements to cover the cost of levies / charges of £69.106m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.336m and insurance costs of £2.004m;
 - f. the estimated utilisation of £7.104m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and
 - g. the position on reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.
- (xi) Approve that delegated authority be given to the City Treasurer and Chief Executive to agree the use of the Children and Families Investment Reserve, City Centre Review Reserve and Our Manchester Reserve
- (xii) Approve the Directorate cash limits as set out in paragraph 60
- (xiii) Approve that delegated authority be given to the City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account

the decisions of the Executive and any final changes and other technical adjustments.

- (xiv) Approve the Prudential Indicators for 2017/18 and the indicative indicators for 2018/19 and 2019/20 as presented in Appendix 2, subject to any final adjustments that may be made arising from the recommendations above and changes to the Capital Programme (reported elsewhere on the agenda).
- (xv) Note that there is a requirement on the authority to provide an itemised Council tax bill which, on the face of the bill, informs tax payers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices.
- (xvi) Note there is a requirement on the City Treasurer to provide information to the Secretary of State for Communities and Local Government demonstrating that an amount equivalent to the additional council tax has been allocated to the funding of adult social care.

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

Financial Consequences – Revenue

The report sets out proposals for a revenue budget for the Council for 2017/18 to 2019/20.

Elsewhere on the agenda are five Directorate Reports, the Housing Revenue Account Budget Report, the Dedicated Schools Grant Report, the Capital Strategy Report, the Treasury Management Strategy and a report proposing a strategy for agreeing the 2017/18 budget. These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning for 2017/18 to 2019/20.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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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 the Department for Communities and Local Government (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
Executive 8 January 2017 Medium Term Financial Strategy 2016/17 to 2019/20

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

Section 1 - Introduction

1. This report 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 finance settlement offer following the Council's publication of its efficiency plan and confirmation from DCLG that this has been accepted.
2. The financial considerations contained within this report are based on the Provisional Local Government 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.

Section 2 - Background and Context

3. The Strategic Narrative report, elsewhere on this agenda, provides a high level overview of the progress that Manchester has made in recent years and the opportunities and challenges faced going forward. It sets the budget framework building on the 'Our Manchester' Strategy which focuses 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 heart 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 includes the impact of the Greater Manchester (GM) 100% business rates retention pilot, which was confirmed in the Provisional Finance

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 business rates scheme. Therefore, whilst there may be benefits arising from the pilot, they cannot be quantified at this stage and the impact on the budget is assumed to be cost neutral.

7. The structure of the report is as follows:

- Section 1: Introduction
- Section 2: Background and Context
- Section 3: Financial Context
- Section 4: Updated Savings Proposals
- Section 5: Overall Financial Position
- Section 6: Updated Financial Reserves
- Section 7: Updated Workforce Issues
- Section 8: Capital Investment Strategy
- Section 9: Consultation
- Section 10: Legal Issues
- Section 11: Reasonableness of the Estimates
- Section 12: Robustness of the Estimates
- Section 13: Risks and Mitigation
- Section 14: Budget Scrutiny
- Section 15: Conclusion

Section 3 - Financial Context

8. 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 City 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.
9. The medium term financial strategy, as part of the full suite of budget reports, formed the Council's efficiency plan submission and 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 worked to develop options to close the budget gap.
10. The budget position has since been refined and a budget gap of £31.8m is now forecast by the end of the three year period to 2019/20.

11. There has been a full review of how the resources available are utilised to support the financial position to best effect. The growth in the City is starting to generate additional revenue. This includes £8.374m additional Airport dividend announced in August and November of this year, which will be used to support the revenue budget, alongside the decision to utilise £6.76m of the Airport dividend that is currently used to support capital investment being redirected to support the revenue budget. More volatile one off income - such as collection fund surpluses - will be used to support investment in its place. The policy on the amount of funding the council has to set aside to repay debt will be revised releasing £5m in 2017/18 and 2018/19 reducing to £4.5m in 2019/20 to support the revenue budget. Finally, commercial income, including from an increase in business rates activity is likely to continue to grow and this has been factored into the budget.
12. 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 be utilised to support the position going forward.
13. 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 elsewhere on this agenda. The overall financial position is summarised in the table below and the assumptions are set out in the paragraphs which follow. This reflects the Council's participation in the 100% business rates retention pilot that is detailed in the paragraphs following the table.

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

	2016 / 17	2017 / 18	2018 / 19	2019 / 20
	£'000	£'000	£'000	£'000
Resources Available				
Revenue Support Grant	113,768	0	0	0
Business Rates income	156,030	309,747	319,711	331,086
Business Rates Top Up	7,575	600	(21,738)	(44,977)
Public Health Funding	54,596	0	0	0
<i>Baseline Funding Level</i>	331,969	310,347	297,973	286,109
(Reduced) / Additional	(4,643)	(11,952)	(5,189)	(3,154)
Business Rates Income				
Business Rates Grants	6,609	19,160	19,778	20,463
Council Tax	136,617	143,507	150,272	157,140
Other non-ringfenced	23,532	22,960	27,780	37,157
Grants				
Dividends and Use of	31,337	44,471	44,471	44,471
Reserves				
Use of Other Reserves	3,095	1,548	1,313	0

	2016 / 17	2017 / 18	2018 / 19	2019 / 20
	£'000	£'000	£'000	£'000
Total Resources Available	528,516	530,041	536,398	542,186
Resources Required				
<i>Corporate Costs:</i>				
Levies/Charges	68,222	70,406	74,054	75,044
Contingency	1,400	2,400	2,400	2,400
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	7,400	3,050	3,409
<i>Sub Total Corporate Costs</i>	<i>121,604</i>	<i>124,788</i>	<i>124,386</i>	<i>125,935</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	384,623	380,200	377,706	377,706
Directorate Costs not yet allocated to budgets	9,549	5,849	5,849	5,849
Unfunded pressures and growth items	0	10,365	18,315	21,374
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
<i>Total Directorate Costs</i>	<i>406,912</i>	<i>419,756</i>	<i>435,099</i>	<i>448,008</i>
Total Resources Required	528,516	544,544	559,485	573,943
Budget Gap	0	14,503	23,087	31,757
In Year Savings required	0	14,503	8,584	8,670

Resources Available

14. In the 2015 spending review and autumn statement the government announced plans to phase out Revenue Support Grant and pave the way for the implementation of 100% business rates retention by the end of the Parliament.
15. In the 2016 budget the government committed to piloting approaches to 100% business rates retention in Greater Manchester, Liverpool and London with some elements commencing from 2017/18.
16. It has now been confirmed the pilot will be in effect from 1 April 2017 in GM, Liverpool City Region, West Midlands, West of England, Cornwall and the Greater London Authority.
17. Since the announcement DCLG has engaged with pilot areas to reach agreements on the arrangements for implementation from 1 April 2017. A key

objective for GM has been to explore how headroom can be created for local investment that promotes growth/increases productivity/reduces costs elsewhere at place level. Discussions on how this might be achieved are still ongoing with DCLG.

18. With the move to 100% business rates retention, pilot authorities will potentially be taking on a greater degree of risk, therefore it has been agreed that pilots would operate on a no detriment basis i.e. the pilot is to be without detriment to resources that would have been available to individual authorities under the current local government finance regime.
19. The 2017/18 draft Local Finance Settlement confirmed that Greater Manchester pilot authorities will retain 100% of locally raised business rates (with 1% transferred to GM Fire and Rescue Authority) but in return will forego Revenue Support Grant (RSG) and Public Health Grant, individual authority tariff and top ups will be adjusted to ensure fiscal neutrality. As part of the pilot the Public Health grant has been rolled into business rates income and the ringfence removed. Section 31 grants will be paid locally at 100%. In addition, to test potential elements of the 100% rates retention scheme, the safety net threshold will be revised from 92.5% to 97%. The Transport Grant has also been included in the pilot, at Greater Manchester level.
20. Table 1 above reflects these changes from 2017/18.
21. RSG has been removed from 2017/18 onwards and the Top Up / Tariff figures are as per those provided per DCLG as part of the 100% retention pilot discussions.
22. For information the Baseline Funding Level for years 2016/17 to 2019/20 are shown in the table below:

Table 2: Baseline Funding Level

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Notional Revenue Support Grant	113,768	90,152	73,740	57,041
Business Rates Baseline at 49%	156,030	153,309	158,240	163,872
Top Up at 49%	7,575	13,636	14,074	14,575
Notional Public Health Grant	54,596	53,250	51,919	50,621
Baseline Funding Level	331,969	310,347	297,973	286,109

Business Rates

23. As authorities within Greater Manchester will take part in the pilot of 100% retention of business rates from 2017/18 the figures in Table 1 include 99% of estimated business rates with 1% being transferred to the GM Fire and Rescue Authority.
24. 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.

25. The numbers included in the table above take account of the new rating list and the new business rate multiplier.
26. It is assumed the changes to business rates reliefs will be cost neutral as they will be fully compensated through Section 31¹ grant.
27. 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.
28. **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 relating to:
 - Small Business Rates Relief (SBRR) permanently doubling from 50% to 100% and extension from £6k to £12k of exemption;
 - An increase in threshold for standard business rates multiplier from £18,000 to £51,000
29. Business Rates grants of £19.2m are forecast for 2017/18. Additional grants will also be paid to compensate for 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. All grants have been increased from 49% to 99% to reflect Manchester's increased business rates share as a result of being part of the 100% rates retention pilot. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones, is reimbursed to the Council.
30. The table below shows the forecast business rates grants, including those relating to the changes above:

Table 3: Forecast Business Rates Grants 2016/17 to 2019/20

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Business Rates Grants:				
Business rates cap 2015/16	2,212	4,829	4,985	5,146
Small Business Rates Relief	2,777	5,570	5,751	5,956
Long term empty property relief	87	120	123	128

¹ Grants paid under Section 31 of the Local Government Act 2013.

Adjustment to Top up in relation to multiplier cap	0	219	226	234
S31 Grant enhanced Small Business Rates Relief	0	6,022	6,215	6,437
Increase Small Multiplier threshold	0	1,538	1,588	1,644
Enterprise Zone discounts	1,533	862	890	918
Total Business Rates Grants	6,609	19,160	19,778	20,463

31. **Council Tax** – There have been various changes which are broken down in the table below. These are:
- 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 cannot 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.
 - The base is assumed to increase by 3% 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. Note the 2017/18 increase includes the impact of changes to the Council Tax Support Scheme.
32. The impact on these changes on the 2017/18 position is:
- General precept rate increase of 1.99% raises £2.664m
 - Adult Social Care increase of £3% raises £4.017m
 - Improved Council Tax Collection rate by 1% £1.208m
 - Increase to the base used for budget setting £3.984m
33. **Public Health Grant** is no longer included as it has been foregone as part of the 100% rates retention pilot. It was confirmed that the grant ring fence will also be removed.
34. The table below lists the **other non-ringfenced grants** expected.

Table 4: 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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'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
Total Non-Ringfenced Grants	23,532	22,960	27,780	37,157

35. Issues around the most significant movements are as follows:

- Improved 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 partly because the changes have been brought forward a year and the government is now 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. They are also introducing 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 £2.678m 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

was included 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. 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 (from £77). 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.

36. **Dividend Income** has increased.

37. 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 supporting the revenue budget to £28.937m.
 - For 2017/18 the total dividend supporting the revenue budget will be £44.071m. This includes the additional £8.374m airport dividend announced in August and November of this year and £6.76m of the Airport dividend previously used to support the capital fund now used to support the revenue budget.
 - Generally such increases are placed in a reserve and used a year in arrears in recognition that this is not a guaranteed income stream and the dividend may reduce or increase in future years.
 - There is also £400k expected for other dividends (NCP and Piccadilly Triangle).

38. **Use of other reserves to support the revenue budget** is £2.509m in 2017/18 of which £2m forms part of the planned use of reserves set out in the 2016/17 budget strategy to support the budget position and £0.509m is use of the general fund reserve. £3.493m of the capital fund is used in 2018/19.

Resources Required

39. 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

40. The table below sets out the forecast **levy payments**.

Table 5: Levy Payments 2016/17 to 2019/20

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Transport Levy	36,039	19,985	37,643	37,743
GM Waste Disposal Authority*	32,495	49,433	35,173	31,913
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
Total Levies	68,832	69,716	73,114	69,954
Use of Parking Reserve	(610)	(610)	(610)	(610)
Net Cost of Levies	68,222	69,106	72,504	69,344

* 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 within the directorate to reduce the levels of waste delivered to the WDA impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

41. The significant expected changes are:

- 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 levy for 2017/18 would have been in the region of £32.506m after the £1.3m savings are applied. In order to facilitate changes in the waste contract it is proposed that the WDA increases revenue spend by £77.1m. In order to assist districts in meeting this cost the Transport Levy will be reduced on a one-off basis to give the necessary financial capacity. The amount for Manchester is £16.927m (increasing the share of the Waste Levy to £49.433m) with a corresponding reduction in the Transport Levy. 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. An additional contingency sum of £1m has been included within the Council's corporate contingency to cover any potential increased charge.
- Transport Levy assumptions take account of the proposal for no increases in the overall levy over the three years. This is based on deferral of the increase in the GM transport fund which is subject to formal agreement by the Combined Authority. In 2016/17 the levy was reduced by £1.105m and District requirements increased by the same amount to fund Manchester's contribution to the additional cost of the Business Growth Hub, in 2017/18 the equivalent figure is £0.630m. The change in Manchester's population in comparison to Greater Manchester as a whole has been taken into account in these figures.

As explained above the Transport Levy figure includes a one off reduction of £16.927m to facilitate the increase to the Waste Levy.

42. The required contingency amount includes:
- Additional c£1m 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

43. **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 has been revised to reduce the amount set aside for debt funded by supported credit approvals from 4% to 2%. This was approved by 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 6: 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>				
support for 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

44. Changes reflected within the **directorate budgets** include a £4.423m reduction in 2017/18, £2.494m in 2018/19 in relation to the following:

Table 7: Adjustment to Directorate budgets

	2017 / 18 £'000	2018 / 19 £'000
Full Year Impact of 2016/17 Savings	(3,326)	(1,864)
New Savings proposals		
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 - adjustments to contribution to the business growth hub	(475)	(630)
Total adjustments	(4,423)	(2,494)

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

45. **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.
46. **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.
47. **Unfunded pressures and growth items** total £10.365m in 2017/18, £18.315m in 2018/19 and £21.374m in 2019/20 as set out in the table below. The following paragraphs provide more detail. The amounts for 2018/19 and 2019/20 will be subject to review based on financial performance in 2017/18.
48. It is proposed that the approval process for allocation of budget pressures and inflationary pressures is in line with last year, as outlined below.
 - Pressures that can be signed off before the beginning of the Financial Year (Pressures) such as correction of historic issues, unachievable savings and unachievable income targets and new service improvements – it is proposed that decisions on these pressures are delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. The outcomes will be included in the first Global Monitoring report for 2017/18.
 - Activity related pressures (Activity) which need to be drawn down once there is evidence that the funding is required such as inflation, or demography for example – the parameters for the use of the funding will be agreed prior to the start of the financial year and reporting back against those parameters will be via the Revenue Gateway Board. The Revenue Gateway Board will provide scrutiny of the arrangements and make recommendations to the City Treasurer and Executive Member for Finance and Human Resources with the relevant Executive member also consulted for the drawdown of the funding.
 - Pay and pensions (Pay) - It is proposed these are allocated once the various increases have been confirmed (e.g. pay award) based on the budgeted workforce by service at that point. These decisions are proposed to be delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources and included in the first Global Monitoring report for 2017/18.
 - Growth items (Growth) – these will be allocated on the assessment of individual business cases approved by the relevant Executive Member, Executive Member for Finance and Human Resources and the City Treasurer.
49. The pressures have been categorised accordingly.

Table 8: Unfunded pressures and growth items

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Adult Social Care			
Pressures on Social Care budgets:			
- Base Correction (Pressure)	2,190	2,190	2,190
- Additional Pressures (Activity)	3,995	6,580	9,165
Total Adult Social Care	6,185	8,770	11,355
Children and Families:			
Children's Services Budget Pressures (Pressure)	0	950	1,009
Loss of DSG Flexibility (Pressure)	500	4,500	4,500
Children's demographic pressures (Activity)	415	830	1,245
Education and Skills capacity (Pressure)	(200)	(200)	(200)
Total Children's	715	6,080	6,554
Growth and Neighbourhoods:			
Fly Tipping Teams (Growth)	200	200	200
Total Growth and Neighbourhoods	200	200	200
Strategic Development:			
Business Rates Revaluation (Pressure)	190	190	190
Total Strategic Development	190	190	190
Corporate Core:			
Highways- Street lighting (Pressure)	400	400	400
Commissioning Team (Pressure)	400	400	400
Highways investment in infrastructure (Pressure)	2,000	2,000	2,000
Highways Bridges backlog of inspections (Pressure)	275	275	275
Total Core	3,075	3,075	3,075
Total Pressures and Growth	10,365	18,315	21,374
Year on Year Increase	0	7,950	3,059

50. **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.
51. 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;

- An expectation overall locality resources (detailed in the Locality Plan finance report) will release £4.7m to support Adult Social Care;
- Resources identified as part of the City Centre review to support homelessness and rough sleeping in the City Centre, of which £0.5m will offset the projected pressures; and
- A range of measures identified in the agreed 2016/17 recovery plan (£0.853m).

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

Table 9: Social Care Pressures

	2017/18 £'000	2018 / 19 £'000	2019 / 20 £'000
Pressures:			
Mental Health	2,907	3,726	4,545
Homelessness	1,750	2,000	2,250
Learning Disability	6,775	8,360	9,945
Homecare	3,282	3,282	3,282
Sub-total	14,714	17,368	20,022
Resources Identified:			
Investment Funding	(2,500)	(2,500)	(2,500)
Homelessness: City Review	(500)	(500)	(500)
2016/17 Recovery Plan	(853)	(853)	(853)
Locality Plan Resources	(4,676)	(4,745)	(4,814)
Sub-total	(8,529)	(8,598)	(8,667)
Total Net Pressures	6,185	8,770	11,355
Categorised Over:			
Base Correction (Pressure)	2,190	2,190	2,190
Additional Pressures (Activity)	3,995	6,580	9,165

53. **Children's Services budget pressures** – (Pressure) - 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 release the savings from the LAC investment model in the time period originally envisaged.
54. The savings in the schedule of £0.886m 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.
55. **Dedicated Schools Grant (DSG)** (Pressure) 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.

56. Council spending plans supported by the centrally retained DSG total c£9m. The draft budget includes a pressure of £4m from 2018/19 relating to two key risks from 2018/19 as follows:
57. 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. £4.5m has been set aside as mitigation against the potential loss of flexibility in this area.
58. 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. It is expected this can be met from DSG in 2017/18, in advance of the expected reduced flexibilities from 2018/19 £500k will be invested in the LAC reserve.
59. 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 (Activity);
 - £200k for fly tipping teams linked to the service change for waste and recycling (Growth);
 - Business Rates Revaluation to be implemented April 2017 will result in an increase or decrease in business rates bill for council properties relative to the change in Rateable Value, estimated impact £190k (Pressure);
 - £400k additional costs relating to street lighting (Pressure);
 - £400k for the commissioning Team, linked to the achievement of a £0.750m savings target (Pressure);
 - Investment in Highways infrastructure £2m (Pressure);
 - Highways bridges inspections £275k (Pressure);
 - Offset by £200k reduction in Education and Skills capacity pressure (£430k was added in 2016/17 which reduces to £230k in 2017/18).
60. Officers are currently working through the capacity required to strengthen and support information security, data sharing and data protection arrangements, including requirements being introduced through the General Data Protection Regulations. This may require a small call on reserves next year and capacity has been allowed for this in the general fund reserve. A report will be bought forward in due course.
61. **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 10: 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
Apprenticeship Levy 0.5%	900	900	900
Carbon Reduction Tax	0	0	(292)
Total	11,002	20,989	30,839
Year on Year Impact		9,987	9,850

62. 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 (Activity);
 - 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 included at £2m per annum; (Pay);
 - 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 (Pay);
 - Increased commissioning costs predominately within Children and Families relating to the impact of the increase to minimum wage, increases of £4.258m a year (Activity);
 - £0.9m for the apprentice levy from 2017/18, this is based on 1% of the applicable pay budget (Pay);
 - The Carbon Reduction Commitment (CRC) tax currently costs £0.660m 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 £0.660m budget held for CRC charges and inclusion of a £368k budget for increased CCL costs, a net saving of £292k (Pressure)
63. 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.

Section 4 - Updated Savings Proposals

64. 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 11: Savings Options

	2017/18	2018/19	2019/20	FTE
	£,000	£,000	£,000	Impact (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
Total Savings identified in latest schedules	13,542	20,907	31,757	77

65. 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.
66. 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.
67. 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 12: Contribution to the Pooled Budget

	2017/18	2018/19	2019/20
	£,000	£,000	£,000
Base Budget	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
Total Demographic pressures	10,260	12,910	15,570
Sub Total Additional Funding	17,040	25,930	34,830
Sub Total	174,730	182,560	189,640
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)
Total	165,050	169,810	172,820
Net Increase	7,360	13,180	18,010
<i>Year on Year</i>		5,820	4,830

68. 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.
69. The cash limit budget for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £32.495m in 2016/17, £49.433m in 2017/18, £35.173m in 218/19 and £31.913m in 2019/20 which will be added to Growth and Neighbourhoods cash limit for the final budget.

Table 13: Cash Limit budgets

	2016/17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 /20 £'000
Children's	102,593	100,516	100,296	100,116
Adults	158,666	152,601	147,787	143,787
Corporate Core	76,045	72,363	68,788	66,628
Growth & Neighbourhoods	41,399	40,341	39,341	38,981
Strategic Development	5,920	5,137	5,137	5,137
Total	384,623	370,958	361,349	354,649

Section 5 - Overall Financial Position

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

Table 14: 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
Resources Available				
Revenue Support Grant	113,768	0	0	0
Business Rates Baseline	156,030	309,747	319,711	331,086
Business Rates Top Up	7,575	600	(21,738)	(44,977)
Public Health Funding	54,596	0	0	0
<i>Baseline Funding Level</i>	<i>331,969</i>	<i>310,347</i>	<i>297,973</i>	<i>286,109</i>
(Reduced) / Additional Business Rates Income	(4,643)	(11,952)	(5,189)	(3,154)
Business Rates Grants	6,609	19,160	19,778	20,463
Council Tax	136,617	146,507	153,272	160,140
Other non-ringfenced 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	2,509	3,493	0
Total Resources Available	528,516	534,002	541,578	545,186

	2016 / 17	2017 / 18	2018 / 19	2019 / 20
	£'000	£'000	£'000	£'000
Resources Required				
<i>Corporate Costs:</i>				
Levies/Charges	68,222	69,106	72,504	69,344
Contingency	1,400	2,400	2,400	2,400
Capital Financing	44,067	44,582	44,882	45,082
Transfer to Reserves	7,915	7,400	3,050	3,409
<i>Sub Total Corporate Costs</i>	<i>121,604</i>	<i>123,488</i>	<i>122,836</i>	<i>120,235</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	384,623	370,958	361,349	354,649
Directorate Costs not yet allocated to budgets	9,549	5,849	5,849	5,849
Unfunded pressures and growth items	0	10,365	18,315	21,374
Inflationary Pressures and budgets to be allocated	0	11,002	20,989	30,839
<i>Total Directorate Costs</i>	<i>406,912</i>	<i>410,514</i>	<i>418,742</i>	<i>424,951</i>
Total Resources Required	528,516	534,002	541,578	545,186
Total	0	0	0	0

Section 6 - Financial Reserves

71. 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.
72. 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
73. The table below shows an analysis of the planned use of reserves in 2016/17 to 2019/20 to support revenue expenditure.

Table 15: Use of reserves to support the budget

	2016 / 17 £'000	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Statutory Reserves:				
Bus Lane and Parking reserves	8,074	7,104	7,104	7,104
Other Statutory Reserves	109	219	90	90
Balances Held for PFI's:				
Street Lighting Private Finance Initiative	413	181	0	0
Small Specific Reserves:	51	196	51	51
Reserves held to smooth risk / assurance:				
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	3,188	979	550	550
Reserves held to support capital schemes:				
Capital Fund	11,197	7,046	3,038	6,238
Other reserves held to support capital schemes	3,515	3,732	3,639	2,889
Reserves held to support growth and reform:				
Clean City Reserve	4,300	2,628	0	0
Children's and Families Investment Reserve	9,685	7,367	1,981	1,320
Town Hall	0	4,828	2,789	2,516
City Centre Reserve	0	2,500	1,000	1,000
Our Manchester	146	668	2,524	2,422
Other Reserves to support growth and reform	1,351	1,890	0	0
Grants and Contributions used to meet commitments over more than one year	7,534	3,982	1,763	1,666
General Fund	1,940	509	0	0
	74,290	74,990	53,690	55,007

74. 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

75. 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 highway and environmental improvements, 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 £7.104m used.

76. It will be used in accordance with these requirements to fund spend in the Growth and Neighbourhoods Directorate.

Airport Dividend Reserve

77. 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

78. 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

79. The refurbishment of the Town Hall, which is included within the proposed Capital Programme Budget will also have revenue implications such as the cost of financing capital; alternative accommodation costs; and loss of income over a number of years offset in part by reduced spend on maintenance and utilities.
80. 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) and 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.
81. It is proposed that the revenue implications are funded from savings in the Minimum Revenue Provision (MRP) policy as outlined earlier. Each year the first £5m saving from the 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 forecast costs over the budget period are shown below.

Table 16: 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)
Balance in reserve	7,915	5,487	4,798	4,682

City Centre Review

82. 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.

83. In order to deliver the objectives of the review it will be proposed a funding package is developed. The report elsewhere on this Agenda sets out the recommendations from the review.
84. The funding available is £4.5m made up of £3m estimated 2016/17 surplus from Business Rates, £1m which was originally earmarked for the Our Manchester Reserve and £500k external funding.

Resourcing Our Manchester

85. 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.
86. 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.
87. The new approach is likely to require both some upfront investment in 2016/17 and ongoing funding to support delivery of the objectives as outlined above. To support this an Our Manchester Reserve has been

established from the element of the 2016/17 airport dividend which would previously have been transferred to capital fund.

Section 7 - Workforce Implications

88. 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.
89. 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.
90. 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 17: Workforce numbers

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

91. 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.
92. 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.

93. 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.

Section 8 - Capital Investment Strategy

94. 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.
95. 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.
96. 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.
97. Details of the revised Capital Strategy and associated Capital Programme can be found elsewhere on this Agenda.

Section 9 - Consultation

98. 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.
99. The Summer Budget Conversation which commenced in July and subsequent development of the budget options has provided an opportunity to share budget options earlier in the process. This has

enabled feedback to be gathered on them individually before the final proposals were developed for the more formal budget consultation process. 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.

100. The two statutory consultations required for Surestart and the Council Tax Support Scheme also commenced on 3 November and ended on 10 January and 15 December respectively.
101. The formal budget consultation commenced on 3 January and will continue until 10 February. Responses to the full budget consultation will be included on the agenda for Resources and Governance Scrutiny Committee on 20 February.

Section 10 - Legal Issues

102. In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
103. In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the proposals which are set out in the Directorate reports.

Duties of the City Treasurer

104. The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFOs report when making decisions about the calculations. The City Treasurer's report in relation to the reasonableness of the estimates and adequacy of the reserves is set out in paragraphs 102 to 105 of this report.

105. Section 28 of the Local Government Act 2003 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.
106. Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Council.
107. The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor.
108. In relation to the announcement that Local Authorities responsible for adult social care will be given additional flexibility on their current council tax referendum threshold, the Section 151 officer (the City Treasurer) in Adult Social Care Authorities is required to provide information relating to the additional council tax that has been allocated to adult social care. The Council is required to provide a response to the Secretary of State no later than seven days after the authority has set its budgets and council tax for 2017/18 to certify:
 - whether the authority is increasing its council tax above the 2% threshold and therefore using the additional flexibility for adult social care and if so
 - what percentage is it increasing its council tax by for adult social care
 - the cash amount that this will raise; and
 - what the authority's adult social care budget would have been before and after the flexibility is included
109. In addition the amounts must be included in the Revenue Account returns sent to CLG in April / May 2017 and the Revenue Outturn forms which will be submitted to CLG in May 2018.

Other Statutory Duties

110. In considering the budget for 2017/18 the Council must also consider its ongoing duties under the Equality Act (as set out in paragraphs 16 to 18) to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc.
111. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
112. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City. In determining the final set of proposals for 2017/18 officers have had regard to the equality duty and, as set out in the Directorate Reports detailed equality impact assessments will be identified and completed where required by each directorate prior to final decisions being made.
113. In determining the final set of proposals for 2017/18 officers have had regard to the equality duty. Detailed information on the potential equality implications of budget proposals for each Directorate are set out within the Equality Action Plans which form part of each Directorate's Budget and Business Delivery Plan. This includes information on where equality impact assessments have or will be completed prior to final decisions being made. This is set alongside information on how the Directorate will support the Council's agreed equality objectives.

Section 11 – Reasonableness of the Estimates

114. Finally the Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Section 12 - Robustness of the Estimates

115. The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The Council has a well developed corporate risk register and a financial risk register that is reviewed monthly throughout the year. Each Service Head has carried out an individual risk assessment of their budgets which have been reviewed by the Corporate Support Team at an earlier stage of the business planning process. The savings proposals have been subject to planning and verification. The savings represent a risk and not only assume the planned reduction in the workforce will be achieved in a timely manner but also the service reductions will be implemented with sufficient pace. The

achievement of these savings will be monitored by Strategic Management Team throughout the coming year.

116. It is the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures are now well embedded and are designed to specifically monitor high level risks and volatile budgets.
117. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is a risk that there is an increase in successful appeals and this provision is insufficient.
118. The City Treasurer considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the City Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

Section 13 - Risks and Mitigation

119. As outlined above, all savings proposals have been risk rated and each Directorate will maintain their own monitoring arrangements alongside the corporate assurance process. The detailed savings tracker is sent to Strategic Management Team Business Planning and Transformation on a monthly basis and reported to Executive Members.
120. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Section 14 - Budget Scrutiny

121. 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.

Section 15 - Conclusion

122. 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 3 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.
123. The Provisional Finance Settlement did not bring any real additional funding for Adult Social Care and instead 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.
124. 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 £31.8m 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.
125. Detailed recommendations appear at the front of this report.

Appendix 1

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. **INTRODUCTION**

1.1 The Council Tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of Council Tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18:

1.3 There are three main stages in setting the Council Tax:-

STAGE 1 - The Council calculates its own **council tax requirement**, (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Police and Crime Commissioner and the Fire and Rescue Authority.

2. **STAGE 1 - THE COUNCIL TAX REQUIREMENT**

- 2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".
- 2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -
- (i) an estimate of the Council's gross revenue expenditure - Section 31A(2);
 - (ii) an estimate of anticipated income - Section 31A(3)
 - (iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement**.
- 2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -
- (a) estimated revenue account expenditure to be incurred during the year;
 - (b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);
 - (c) any raising of reserves for future years (e.g. payments into special funds);
 - (d) any estimated revenue account deficit for previous years not already provided for;
 - (da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.
 - (e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit
 - (f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of NNDR in excess of allowance for non-collection).
- 2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -
- (a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

- (aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates
 - (b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus
 - (c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;
 - (d) any amount of reserves/balances intended to be used towards meeting revenue expenditure.
- 2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.
- 2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.
- 2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.
- 2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as Revenue Support Grant (RSG) and the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).
- 2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)
3. **THE LEVEL OF THE COUNCIL TAX REQUIREMENT**
- 3.1 The level of the Section 31A calculations, and in particular the calculation of the Council Tax requirement is of crucial importance both legally and financially. In particular -
- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
 - the amount of the council tax requirement must ensure a balanced budget

- the amount of the council tax requirement must leave the Council with adequate financial reserves.
- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and ratepayers.
- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5)

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. **STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX**

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 **Section 31B Calculation**

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -

R is the council tax requirement, and

T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2017/18 to be 109,829. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out below and D is 9.

4.5 The proportions for each band are as follows:-

A:	B:	C:	D:	E:	F:	G	H:
6:	7:	8:	9:	11:	13:	15:	18

5. COUNCIL TAX REFERENDUMS

- 5.1 The Localism Act 2011 (“LA 2011”) abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.
- 5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided on accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 5% (including 3% for adult social care) is deemed “excessive” in 2017/18.
- 5.3 All figures are based on an increase in an authority’s “**basic amount of council tax**” between 2016/17 and 2017/18. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.
- 5.4 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State’s principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. a Police and Crime Commissioner or Fire and Rescue Authority) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority’s increase.
- 5.5 If an authority determines that it has set an excessive increase, it must also make “substitute calculations” to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority’s increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

- 6.1 The final part of the process is for the Council as billing authority to set the overall Council Tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the Council Tax is solely the responsibility of the City Council as billing authority.

- 6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.
- 6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.
- 6.4 The council tax cannot be set before 1 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.
- 6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.
- 6.6 A draft resolution for setting the Council Tax is set out in the attached Annex A. A template for calculating the council tax requirement and basic amount of council tax is attached at Annex B.

7. CONSTITUTIONAL ARRANGEMENTS

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.
- 7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 8 February. That will not happen this year and any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Finance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

- (a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.
- 8.2 In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.
- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

ANNEX A

COUNCIL TAX
DRAFT RESOLUTION
SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA

RESOLVED

1. That the estimates prepared by the Executive at its meeting on 8 February 2017 be [approved/amended as follows]
2. That it be noted that the City Treasurer acting under delegated powers has determined the amount of 109,829 as the Council Tax base for Manchester for the year [2017/2018] in accordance with Section 31A(3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
3. That the following amounts be now calculated by the Council for the year [2017/2018] in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:-
 - (a) £ being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A(2)(a) to (f) of the Act.
 - (b) £ being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act.
 - (c) £ being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.
 - (d) £ being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

- (e) Valuation Bands

A B C D E F G H

being the amount given multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by

the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. The above valuation bands include an additional 3% to fund adult social care.
5. That it be noted that for the year [2017/18] the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Valuation bands

	A	B	C	D	E	F	G	H
GM Police and Crime Commissioner	£							
GM Fire and Rescue Authority	£							

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year [2017/18] for each of the categories of dwellings shown below.

Valuation bands

A	B	C	D	E	F	G	H
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ANNEX B

1. CALCULATING THE COUNCIL TAX REQUIREMENT

Section 31A Calculations

1.1 Section 31A of the Local Government Finance 1992 requires the Council to make three calculations:-

- (i) an estimate of the Council's required gross revenue expenditure -Section 31A(2)
- (ii) an estimate of its anticipated income (excluding that from council tax) and of reserves to be used to aid the revenue account - Section 31A(3)
- (iii) a calculation of the difference between (i) and (ii) above, (i.e. the Council Tax requirement) - Section 31A(4)

1.2 In its Section 31A(2) calculation the Council is required to allow for the following:-

Section 31A(2)(a) - the estimated revenue account expenditure it will incur during the year in performing its functions

Section 31A(2)(b) - an appropriate allowance for contingencies for the year, e.g. for unforeseen occurrences such as disasters, storm damage, higher than expected inflation etc.

Section 31A(2)(c) - any raising of financial reserves for future expenditure - examples of this include payments into a redemption fund, internal insurance etc,

Section 31A(2)(d) - any revenue account deficit for a previous financial year which has not yet been provided for;

Section 31A(2)(da) – any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations by reference to sums received by the authority in respect of business rates.

Section 31A(2)(e) - any amount estimated to be transferred from the General Fund to the Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1992 - i.e. the Council's share of any collection fund deficit;

Section 31A(2)(f) - any amounts estimated to be transferred from the General Fund to the Collection Fund by direction of the Secretary of State under Section 98(5) of the Local Government Finance Act 1988 - including an estimate of the shortfall in the collection of Non-domestic Rates in excess of the allowance

1.3. In its Section 31A(3) calculation the Council must calculate the aggregate of sums to be put against gross expenditure, namely:-

Section 31A(3)(a) - estimated income from fees, charges, and government grants (including RSG) plus other sums payable into the general fund (but excluding council tax)

Section 31A(3)(aa) – Any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations by reference to sums received by the authority in respect of business rates.

Section 31A(3)(b) - any amount estimated to be transferred from the Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 - i.e. the Council's share of any collection fund surplus;

Section 31A(3)(c) - sums to be transferred from the Collection Fund to the General Fund pursuant to a direction of the Secretary of State under Section 98(4) of the Local Government Finance Act 1988 - including allowances for costs of collection of business rates;

Section 31A(3)(d) - the amount of financial reserves/balances which the authority intends to use towards meeting its revenue expenditure

1.4 On the basis of current estimates, the calculations would be as follows: -

	HRA £	Other £	Total £
Expenditure			
Section 31A (2)(a)			
Section 31A (2)(b)			
Section 31A (2)(c)			
Section 31A (2)(d)			
Section 31A (2)(da)			
Section 31A (2)(e)			
Section 31A (2)(f)			
Income			
Section 31A (3)(a)			
Section 31A (3)(aa)			
Section 31A (3)(b)			
Section 31A (3)(c)			
Section 31A (3)(d)			

1.5 Council Tax Requirement under Section 31A(4) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3)

is £

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

2.1. Section 31B of the Local Government Finance Act 1992 requires the Council to calculate the basic amount of its Council Tax - this is in effect the City Council element of the Band D Council tax.

2.2 This calculated by applying the following formula -

$$\frac{R}{T}$$

Where -

R is the Council Tax requirement, and

T is the approved Council Tax base

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement £

Divided by:
Council Tax Base – 109,829

Band D Basic Amount of Council Tax is: £

2.4 The council tax requirement for 2017/18 is £
The aggregate amount of levies issued to the council for 2017/18 is £
The council tax base for 2017/18 is 109,829
The relevant basic amount of council tax for 2017/18 is £

APPENDIX 2

Prudential Indicators 2017/18 to 2019/20

Last year's approved figures are shown in brackets.

	2017/18	2018/19	2019/20
Ratio of Financing Costs to Net Revenue Stream			
Non – HRA	9% (10%)	9% (10%)	9%
HRA	4.0% (3.9%)	3.8% (3.8%)	3.6%
Incremental impact of Capital Investments on			
Council Tax (Band D, per annum)	£5.42	£70.83	£159.88
Housing Rent per week	£0.00	£0.00	£0.00
Capital Expenditure	£m	£m	£m
Non – HRA	451.0 (256.0)	450.1 (145.3)	161.4
HRA	42.1 (37.0)	39.8 (20.1)	18.1
TOTAL	493.1 (293.0)	489.9 (165.4)	179.5
Capital Financing Requirements (as at 31 March)	£m	£m	£m
Non – HRA	1,267 (1,231)	1,527 (1,299)	1,603
HRA	269 (264)	282 (273)	298
TOTAL	1,536 (1,495)	1,809 (1,572)	1,901
Authorised Limit for external debt -	£m	£m	£m
Borrowing	1,555.4 (1,245.0)	1,595.7 (1,245.0)	1,814.1
other long term liabilities	216.0 (216.0)	216.0 (216.0)	216.0
TOTAL	1,771.4 (1,461.0)	1,811.7 (1,461.0)	2,030.1
Operational Boundary for external debt -	£m	£m	£m
Borrowing	1,159.8 (1,096.2)	1,412.9 (1,187.4)	1,541.6
other long term liabilities	216.0 (216.0)	216.0 (216.0)	216.0
TOTAL	1,375.8 (1,312.2)	1,628.9 (1,403.4)	1,757.6
Actual external debt	£m	£m	£m
	936.6 (954.9)	1,258.7 (1,074.2)	1,357.5
Upper limit for total principal sums invested for over 364 days	0 (0)	0 (0)	0
Upper limit for fixed interest rate exposure	96% (100%)	100% (100%)	100%
Net borrowing at fixed rates as a % of total net borrowing			
Upper limit for variable rate exposure	92% (95%)	97% (100%)	100%
Net borrowing at Variable rates as a % of total net borrowing			
Gross Debt as a proportion of CFR	61%	70%	71%

*Further detail can be found in the Treasury Management Strategy which is elsewhere on the agenda. If borrowing is transferred to the Greater Manchester Combined Authority some of these indicators will need to be revised.

APPENDIX 3 – 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	
Schools Reserve	27,526	0	0	27,526	27,526	27,526	
General Fund Reserve							
Statutory Reserves	10,344	(7,323)	6,641	9,662	9,109	8,506	
Earmarked Reserves	160,283	(67,158)	67,405	160,530	151,808	139,841	
General Fund Reserve	27,182	(509)	0	26,673	26,673	26,673	
Total General Fund	225,335	(74,990)	74,046	224,391	215,116	202,546	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	51,308	(15,000)	0	36,308	24,808	24,408	
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	
Total HRA	86,153	(15,000)	0	71,153	59,653	59,253	
TOTAL RESERVES	311,488	(89,990)	74,046	295,544	274,769	261,799	
SCHOOLS RESERVE							

	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	
LMS Reserve	27,526	0	0	27,526	27,526	27,526	School balances - These are not MCC resources and so cannot be used by MCC
Sub Total Schools	27,526	0	0	27,526	27,526	27,526	
STATUTORY RESERVES							
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	1,725	1,647	£1.95m was received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
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	168	(70)	70	168	238	258	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

	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	
							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	Smoothing reserve
Art Fund Reserve	35	0	0	35	35	35	For art purchases
St Johns Gdns Contingency	711	0	75	786	861	936	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	10,344	(7,323)	6,641	9,662	9,109	8,506	
<u>EARMARKED RESERVES</u>							
<u>BALANCES HELD FOR PFI'S</u>							
Street Lighting PFI	181	(181)	0	0	0	0	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.
Total held for PFI's	1,595	(181)	40	1,454	1,494	1,534	

	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	
<u>SMALL SPECIFIC RESERVES</u>							
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	To purchase land for burials
Primary School Catering Reserve	222	(50)	0	172	172	172	Reserve established to support the Service's competitiveness by smoothing school meal prices during the 3 year price planning period.
Catering R & M Insurance Account	166	0	0	166	166	166	Reserve established to meet refurbishment cost of school kitchens.
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	(95)	0	56	56	56	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Graves And Memorials	97	0	0	97	97	97	Money held in trust for repair and Development costs for gravestones
Other Small Specific reserves	27	0	0	27	27	27	Small specific reserves

	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	
Total Small Specific Reserves	1,446	(196)	105	1,355	1,409	1,463	
RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS							
Risks							
Historic Abuse Claims Reserve	5,563	0	0	5,563	5,563	5,563	For potential future legal cases
Planning Reserve	1,300	0	0	1,300	1,300	1,300	To smooth fluctuations in planning income
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 interim additional airport 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	Relates to potential pension liabilities
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.

	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	
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	To fund future markets expenditure
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 interim additional airport 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
TOTAL Risk	72,789	(32,140)	29,161	69,810	69,260	68,710	
RESERVES HELD TO FUND PLANNED CAPITAL SPEND							

	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	
Housing Regeneration reserve	13,900	(1,100)	0	12,800	11,700	11,350	To deliver strategic housing related regeneration projects.
Service Improvement Fund	103	(93)	0	10	10	10	Balance relates to system improvements
Capital Fund Revenue Reserve	21,258	(7,046)	28,512	42,724	42,834	37,174	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. This can also be used for revenue.
Eastlands Reserve	7,849	(2,539)	2,187	7,497	7,228	7,242	English Institute of Sport - Sport England MCFC income
Total to fund capital spend	43,110	(10,778)	30,699	63,031	61,772	55,776	
RESERVES TO SUPPORT GROWTH AND REFORM							
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
Troubled Families Reserve (Manchester Investment Fund)	1,334	(1,334)	0	0	0	0	This was set up to support the scaling up on the community budgets work

	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	
Clean City	2,628	(2,628)	0	0	0	0	To support green initiatives
Children and Families Investment Reserve	7,856	(7,367)	1,500	1,989	958	647	To invest in priorities within Children and Families
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.
Transformation Challenge Award	161	(161)	0	0	0	0	Transformation challenge award was awarded to GM authorities to support reform. Manchester's share was £757,904 and has been allocated to projects to be spent across 2015/16 to 2017/18
Our Manchester reserve	5,614	(668)	0	4,946	2,422	0	Additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester
City Centre Review reserve	1,000	(2,500)	3,500	2,000	1,000	0	To fund improvements in the City Centre
TOTAL	27,219	(19,881)	7,400	14,738	9,494	5,645	
GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES							
English Partnership (HCA)	1,902	0	0	1,902	1,902	1,902	HCA approval required to Fund Development appraisal and Eastlands Project team

	Opening Balance 01/04/17	<i>Withdrawals</i>	<i>Additions</i>	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
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	6,958	(2,902)	0	4,056	2,389	723	Contributions received from CCG's
Contributions Other Local Authorities	354	0	0	354	354	354	Relates to various ongoing Civil Contingencies schemes.
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	Unspent grant received in previous year
DEFRA	64	(64)	0	0	0	0	Reservoir Inundation Fund . Relates to funding the Emergency Planning Works in the event of flooding.
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.
SEN Reform	469	(373)	0	96	0	0	Grant to help local authorities in England continue to meet the costs of implementing the special educational needs and disabilities (SEND) reforms
CAB010 One Public Estate Reserve	150	0	0	150	150	150	Unspent grant received in previous year

	Opening Balance 01/04/17	<i>Withdrawals</i>	<i>Additions</i>	Closing Balance 31/03/2018	Closing Balance 31/03/2019	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	
Workforce Development and Learning	52	0	0	52	52	52	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 (20 MPH Traffic Schemes)	21	0	0	21	21	21	For Revenue Contribution towards Phase 2 of the 20 MPH Traffic Schemes
TOTAL	14,124	(3,982)	0	10,142	8,379	6,713	
TOTAL EARMARKED RESERVES	160,283	(67,158)	67,405	160,530	151,808	139,841	
Total General Fund Reserves	197,809	(74,990)	74,046	196,865	187,590	175,020	