



# **Resources and Governance Scrutiny Committee**

Date: Tuesday, 11 October 2022

Time: 2.00 pm

Venue: Council Antechamber, Level 2, Town Hall Extension

This is a **Supplementary Agenda** containing additional information about the business of the meeting that was not available when the agenda was published.

## **Access to the Antechamber**

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension.

## **Filming and broadcast of the meeting**

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## **Membership of the Resources and Governance Scrutiny Committee**

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**Councillors** - Simcock (Chair), Andrews, Davies, Good, Kirkpatrick, Lanchbury, B Priest, Rowles and Wheeler

## Supplementary Agenda

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9. **Budget Process and Revenue Budget Update 2023/24 to 2025/26** 3 - 10  
Report of the Deputy Chief Executive and City Treasurer.
- This report provides a summary of the impact on revenue budget position following recent government announcements and the proposed budget process for the update of the Medium-Term Financial Plan and Capital Strategy.
10. **Overview Report** 11 - 18  
Work programme attached.

## Further Information

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For help, advice and information about this meeting please contact the Committee Officer:

Charlotte Lynch  
Tel: 0161 219 2119  
Email: [charlotte.lynch@manchester.gov.uk](mailto:charlotte.lynch@manchester.gov.uk)

This supplementary agenda was issued on **Thursday, 6 October 2022** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 11 October 2022

**Subject:** Budget Process and Revenue Budget Update 2023/24 to 2025/26

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

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**Summary**

This is a short overview report setting out a summary of the impact on revenue budget position following recent government announcements and the proposed budget process for the update of the Medium-Term Financial Plan and Capital Strategy.

**Recommendations**

The committee is requested to consider the content of this report and comment on the proposed approach to updating the Medium-Term Financial Plan and the Capital Strategy.

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**Wards Affected:** All

<p><b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>
<p>The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.</p>

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.	The effective use of resources underpins the Council's activities in support of its strategic priorities.
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 ongoing implications of the pandemic and record levels of inflation on the Council's cost base will have a significant impact on the Council's finances for a number of years. With the scale of funding pressures and future resource constraints, it is important that the Council takes action to ensure financial stability. This includes holding a robust position on reserves and maintaining the ability to deal with issues that arise during the financial year.

### Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

**Contact Officers:**

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

Name: Tom Wilkinson  
Position: Deputy City Treasurer  
Tel: 0161 234 1017  
E-mail: tom.wilkinson@manchester.gov.uk

Name: Samantha McArdle  
Position: Corporate Finance Lead  
Telephone: 0161 234 3472  
E-mail: samantha.mcardle@manchester.gov.uk

Name: Tim Seagrave  
Position: Commercial Finance Lead  
Telephone: 0161 234 3445  
E-mail: t.seagrave@manchester.gov.uk

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

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

[Revenue Budget Report - Executive Meeting February 2022](#)

[Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting February 2022](#)

[Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26](#)

[Resource and Governance Scrutiny – 6 September 2022](#)

[The Growth Plan 2022 documents](#)

## 1. Overview of budget announcements – The Growth Plan 2022

- 1.1. This report provides an overview of the Council's planned budget process for revenue and capital and the impact on the budget following the fiscal event on 23<sup>rd</sup> September.
- 1.2. As a reminder the position previously reported to 14 September Executive is shown in the table below.

	<b>Forecast 2022 / 23 (p4) £'000</b>	<b>2023 / 24 £'000</b>	<b>2024 / 25 £'000</b>
<b>Resources Available</b>			
Business Rates / Settlement Related* Funding	235,553	345,996	341,840
Council Tax	208,965	209,450	219,348
Grants and other External Funding	104,625	98,974	87,374
Dividends	0	0	0
Use of Reserves*	113,701	11,128	4,092
<b>Total Resources Available</b>	<b>662,844</b>	<b>665,548</b>	<b>652,654</b>
<b>Resources Required</b>			
<i>Corporate Costs</i>	140,338	110,229	114,867
<i>Directorate Costs</i>	570,470	602,803	629,461
<b>Total Resources Required</b>	<b>710,808</b>	<b>713,032</b>	<b>744,328</b>
<b>Shortfall</b>	<b>47,964</b>	<b>47,484</b>	<b>91,674</b>
<i>Proposed use of smoothing reserves</i>	(27,821)	(14,382)	(18,399)
<b>Reprofiled Shortfall</b>	<b>20,143</b>	<b>33,102</b>	<b>73,275</b>

- 1.3. On 23 September 2022, the Chancellor of the Exchequer, Kwasi Kwarteng MP, delivered a Mini Budget Statement to the House of Commons, entitled '[The Growth Plan 2022](#)'. The Government's stated aim is for the package of measures to help deliver trend annual GDP growth of 2.5%. There were no announcements on Council Tax or Business Rates.
- 1.4. The plan signals a major shift in the government's economic policy. It reverses a number of decisions made by the previous administration and prioritises lowering taxes to stimulate the economy whilst intervening in the energy market to tackle the cost-of-living crisis. There were no Office for Budget Responsibility (OBR) reports accompanying the announcement.
- 1.5. On 26 September the Chancellor released a [statement](#) saying that he will publish a Medium-Term Fiscal Plan on 23 November 2022. Whilst this is currently the date in the parliamentary calendar it is likely that this will be brought forward.
- 1.6. It is expected to include:

- The Fiscal Plan “will set out further details on the government’s fiscal rules, including ensuring that debt falls as a share of GDP in the medium term”.
- The Office for Budget Responsibility (OBR) will publish “a full forecast alongside the Fiscal Plan, on 23 November”.
- The Government “is sticking to spending settlements for this spending review period”.
- A Budget will be published “in the Spring, with a further OBR forecast”.

- 1.7. In addition to the above, it has been confirmed that the Spending Review (SR) has been deferred. It has also been indicated that the Fair Funding review of how local government funding is allocated will not happen during the current SR period. Whilst the SR envelopes are being adhered to it is highly unlikely that there will be resources to cover the cost of the inflationary increases and pay awards which represents an £18bn real terms cut for the public sector. For MCC the inflationary and pay award increases are estimated at a cumulative £58m for 22/23 and 23/24. This compares to a normal budget allowance of c£16m for that period, therefore an additional £42m of costs to be funded.
- 1.8. National policy is in a delicate position of needing to secure market confidence through limiting the levels of government debt required and the impact another wave of austerity would have on public services.
- 1.9. Whilst most of the Chancellor’s statement was focused on national measures with little direct effect on local government the strong messages from government that there will be no funding to reflect the inflationary pressures will have a significant impact on the Council’s financial position.
- 1.10. In the last few weeks, the government has made several other announcements that will have a direct impact on the council's budget position. These are summarised in the following paragraphs.

*Adult Social Care Discharge Fund*

- 1.11. In a statement on 22 September 2022, the Health Secretary announced a £500m Social Care Discharge Fund to help the social care sector with discharging hospital patients as part of its [‘Plan for Patients’](#). The fund will support discharge from hospital into the community and bolster the social care workforce. The fund can be used flexibly by local health and care systems to improve pathways for people to leave hospital when they are ready. This first step will inform further action from next year to rebalance funding across health and care.
- 1.12. There is no new spending commitment for this in the Growth Plan, it is reallocation of health funding, subject to local arrangement rather than a national formula and direct government grant. Further information on how this will operate is awaited. It is expected that this reallocation of funding will be one off and fund expected pressures over the winter.

*National Insurance contribution decrease*

- 1.13. The Health and Social Care levy, due to be implemented April 2023, has been cancelled. The 1.25% increase to National insurance which was implemented in April 2022 will be cancelled from 6 November. The 1.25% increase to Dividend Tax will be reversed in April 2023. The levy and increased dividend tax were expected to raise £13bn a year to fund health and social care. The government advises that funding for these services will be maintained at the same level as if the levy was in place.
- 1.14. This means the Council can remove the £1.5m which was added to directorate budgets to fund the employer contribution to National Insurance. There will be a part year cost reduction in 2022/23 of £0.6m.
- 1.15. It has been indicated that the government will revise funding allocations to remove funding that was allowed for the employers 1.25% NI increase. For Local Government this funding came via the 2022/23 Services Grant. This was allocated based on the Settlement Funding Assessment and is unringfenced.

#### *Energy price cap*

- 1.16. The Secretary of State for Business, Energy and Industrial Strategy announced a temporary six-month [Energy Bill Relief Scheme](#) (EBRS) for non-domestic customers, which will provide a discount on wholesale energy prices. Charities and public sector organisations will benefit from this scheme. There will be a review of the scheme in three months to inform decisions on future support after March 2023.
- 1.17. The impact on the Councils utilities contracts is being assessed. Initial indications are that this announcement will reduce the 2022/23 electricity costs by an estimated £2.4m. There is a separate contract for Street lighting which is not expected to be eligible for this scheme, as the contract was signed pre-April 2022. Discussions are underway to determine how the scheme applies to the gas contract, which is a flexible arrangement rather than fixed.

#### *Real Living Wage*

- 1.18. On 22 September 2022 the Living Wage Foundation announced an increase in the Real Living Wage (RLW). The RLW is now £10.90 per hour - an increase of £1 per hour. The Manchester Living Wage (MLW) mirrors the RLW.
- 1.19. As an accredited Living Wage Employer, the Council is required to implement the increase within 6 months of the announcement. Directly employed staff will be paid at least the new RLW rate from 1 April 2023, this is affordable within existing budget assumptions. Budget has been identified for the contract costs of paying the Real Living Wage, work is underway to ensure this is sufficient to cover the latest announcement.

#### *Household Support Scheme*

- 1.20. Draft allocations for the forthcoming Household Support Fund 01 October 2022 to 31 March 2023 were shared 22 September. The Council is expected to receive



£6.45m, the same allocation as April to September 2022. The Council's scheme is being finalised and the final guidance is awaited.

*Summary of direct impact on budget gap*

- 1.21. In summary, there is limited direct impact of the announcements on the budget gap. It is likely that the Council will need to absorb inflation and there is a risk that National Insurance allocations will be clawed back by government.

*Implications for the Capital Budget*

- 1.22. The current approved capital programme will deliver c.£990m of investment in the city over this and the next three financial years, in highway infrastructure, leisure facilities, zero carbon initiatives, schools, housing and regeneration. This commitment will be funded, in part, by a forecast c. £515m of additional borrowing.
- 1.23. The fiscal statement has seen significant increases in interest rates and borrowing costs. Costs of 10-year PWLB have increased from 1.98% in October 2021 to over 5.00%. This means that the capital financing position is becoming tighter, with fewer external funding streams available and the cost of financing additional expenditure becoming more expensive.
- 1.24. Financing capacity will continue to be reviewed as the macroeconomic picture develops, and investment proposals will be brought forward within the Capital Strategy as part of the budget process.
- 1.25. A full budget update taking account of all available information, and an overview of the savings and cuts options under development will be presented to Resources and Scrutiny Committee 8 November.

## **2. Conclusion**

- 2.1. The economic and government spending position is extremely uncertain, with a radical policy agenda and corresponding policy reversals having taken place since the “fiscal” event, making the predictions around the impact on Local Government finances even more complex than normal.
- 2.2. An updated position will be provided at the 8 November Resources and Governance Scrutiny meeting. The modelling of the assumptions will continue to be refined throughout the process as more information about the funding position and inflationary pressures emerge. The Chancellor’s Medium-Term Fiscal Plan is expected to be published late October may provide more clarity on the direction of funding for Local Government.
- 2.3. The provisional settlement expected late December will provide the funding allocations for 2023/24. The provisional settlement outcome and position will be brought back to the Executive in January to consider the longer-term position and proposed cuts and savings to ensure financial sustainability.

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**Resources and Governance Scrutiny Committee  
Work Programme – November 2022**

**Tuesday, 8 November 2022, 2.00pm (Report deadline Friday 28 October 2022)**

<b>Item</b>	<b>Purpose</b>	<b>Executive Member</b>	<b>Strategic Director/Lead Officer</b>	<b>Comments</b>
Update on the Council's 2023/24 budget position	To receive a report on the Council's anticipated budget position for 2023/24, the budget process and draft proposals for any services in the remit of Resources and Governance Scrutiny Committee.	Cllr Craig (Leader)  Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	
HROD Update	To receive an HROD update report on the health and wellbeing offer for employees and the absence management policy. This will include the latest attendance management statistics.	Cllr Akbar (Finance and Resources)	Deb Clarke	
Workforce Equality Strategy	To receive an update on the Workforce Equality Strategy and the work to improve workforce equality and diversity across the Council	Cllr Akbar (Finance and Resources)	Deb Clarke	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

**Tuesday, 6 December 2022, 2.00pm (Report deadline Friday 25 November 2022)**

<b>Item</b>	<b>Purpose</b>	<b>Executive Member</b>	<b>Strategic Director/Lead Officer</b>	<b>Comments</b>
Housing Revenue Account	To receive a report on the proposed Housing Revenue Account (HRA) budget for 2023/24 and an indication of the 2024/25 and 2025/26 budgets.	Cllr Akbar (Finance and Resources)	Carol Culley Becca Heron Neil Fairlamb	
Progress Update from Housing Options	To receive an update on housing options.	Cllr White (Housing and Development)	Fiona Worrall Dave Ashmore	
Capital Programme Update	To receive an update on the Capital Programme with a focus on the impact of market changes on capital financing for priorities.	Cllr Rahman (Statutory Deputy Leader)	Carol Culley Jared Allen	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

**Tuesday, 10 January 2023, 2.00pm (Report deadline **Thursday 29 December 2022 to account for New Year's Day**)**

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Electoral Reform Bill Update	To receive a report on the Electoral Reform Bill with a focus on voter registrations, polling station accessibility and voter ID requirements.	Cllr Craig (Leader)	Fiona Ledden Clare Travers	
Climate Change and the Council's Estate	To receive a report on works to the Council's operational estate to mitigate the effects of climate change, including energy supplies.	Cllr Rahman (Statutory Deputy Leader)  Cllr Rawlins (Environment and Transport)	David Lynch	
Finance Settlement	To receive an update that outlines the key headlines of the Government's Finance Settlement figure for Manchester.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

**Tuesday, 7 February 2023, 2.00pm (Report deadline Friday 27 January 2023)**

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
2023/24 Budget Report	To receive and consider the final 2023/24 budget proposals that will go onto February Budget Executive and Scrutiny and March Council.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	
Commercial Activity	To receive a report on the Council's commercial activity.	Cllr Akbar (Finance and Resources)	Carol Culley	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

**Monday, 27 February 2023, 2.00pm – BUDGET (Report deadline Thursday 16 February 2023)**

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
The Council's Budget 2023/24	To receive an update on the Council's financial position following scrutiny of the draft budget proposals and Directorate budget plans by all Scrutiny Committees.	Cllr Akbar (Finance and Resources)	Carol Culley Tom Wilkinson	

**Tuesday, 7 March 2023, 2.00pm (Report deadline Friday 24 February 2023)**

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Progress on Council Motions Over Last 12 Months	To receive an update on the progress made in respect of motions that have been passed before Manchester City Council since the last update in March 2022.	Cllr Craig (Leader)  Cllr Rahman (Statutory Deputy Leader)	Fiona Ledden Mike Williamson	
Revenues and Benefits Update	To receive an update on collection of business rates and council tax, ethical collection and an update on Council Tax Scheme and resident support schemes with a focus on cost-of-living and the use of discretionary welfare funds.	Cllr Akbar (Finance and Resources)	Lee Owen	
Manchester's Parks Development Programme Update	To receive an update on the progress of Manchester's Parks Development Programme 2021-2025 and an overview of the financial position for parks.	Cllr Akbar (Finance and Resources)  Cllr Igbon (Vibrant Neighbourhoods)	Carol Culley Neil Fairlamb	Extend invitation to the Chair of CESC.
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	



Wednesday, 24 May 2023 **\*provisional date\*** (Report deadline Monday 15 May 2023)

Item	Purpose	Executive Member	Strategic Director/Lead Officer	Comments
Factory International Progress Update	To receive a progress report on Factory International ahead of the project's completion and opening.	Cllr Rahman (Statutory Deputy Leader)	Carol Culley Becca Heron Jared Allen Pat Bartoli	
Work programming	To draft the committee's work programme for the 2023/24 municipal year.	N/A	Carol Culley Charlotte Lynch	
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.	N/A	Scrutiny Support	

**Items to be Scheduled**

**(Items highlighted in grey indicate that these have been included in the work plan of one of the above meetings).**

**(New items added are highlighted in blue)**

Item	Purpose	Executive Member	Strategic Director / Lead Officer	Comments
Commercial activity	Precise Details to be confirmed	Councillor Akbar	Carol Culley	
Contract Monitoring	Precise Details to be confirmed	Councillor Akbar	Carol Culley	
Review of investments being made by the Council into its Capital Strategy in terms of delivering future VFM post COVID19	Precise scope to be determined	Councillor Akbar	TBC	
GMCA Governance and Public Sector Reform	To receive an update on what is being delivered for the City through these arrangements	Councillor Craig	TBC	
Revenue and Benefits	Themed meeting to include activity around position of Business Rates and Council Tax and impact on residents and how to target support most effectively	TBC	TBC	
Annual Section 106 Monitoring	To receive a report on the Governance arrangements relating to Section 106.	Councillor White	Julie Roscoe/Des Jones	Report to be considered around Sept 2023