



Resources and Governance Scrutiny Committee

Date: Tuesday, 10 January 2023

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

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

Supplementary Agenda

7. **Provisional Local Government Finance Settlement 2023/24 and Budget Assumptions** 3 - 18
Report of the Deputy Chief Executive and City Treasurer.

This report updates on the main announcements from the provisional local government finance settlement 2023/24 announced 19 December 2022. There is a focus on the impact on the Council's budget for 2023/24 to 2025/26 and the next steps in the 2023/24 budget setting process.

Further Information

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

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This supplementary agenda was issued on **Friday, 6 January 2023** 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 – 10 January 2023

Subject: Provisional local government finance settlement 2023/24 and budget

Report of: Deputy Chief Executive and City Treasurer

Summary

This report updates on the main announcements from the provisional local government finance settlement 2023/24 announced 19 December 2022. There is a focus on the impact on the Council's budget for 2023/24 to 2025/26 and the next steps in the 2023/24 budget setting process.

Recommendations

Resources and Governance Committee are recommended to:

- (1) Consider the content of this report and comment on the provisional settlement announcements.
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Wards Affected: All

<p>Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>
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<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>
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<p>Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments</p>

<p>Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.</p>

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/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 as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The contents of this report outline the full revenue budget consequences of the provisional

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.

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

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

[Revenue Budget Update - Resource and Governance Scrutiny – 8 November 2022](#)

1. Introduction

- 1.1. The finance settlement is the annual determination of funding for local government from central government. The provisional 2023/24 settlement was announced 19 December 2022, following the Autumn Statement announced 17 November 2022 and local government finance policy statement on 12 December 2022.
- 1.2. The Council is facing significant inflationary and demand pressures in both the current financial year and next. The settlement has in part addressed some of these pressures and therefore improved the council's position for the next two years, providing some breathing space before risks re-emerge from 2025/26, when public sector spending cuts are expected as part of the four year plan outlined by the Government. The recent pledge to reduce the levels of government debt reinforce the expectation that there will be future cuts. The Council's proposed strategy is to use any additional funding, after covering new priority investment requirements and demand pressures, to help close the budget gap in future years and reduce the need for significant cuts in 2025/26 and beyond.
- 1.3. Prior to the Autumn Statement Announcements the Council was facing a budget gap of 6.7m next year, increasing to £54m by 2025/26.

Table One: Summary Budget position presented to Resources and Governance scrutiny 8 November

	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000
Resources Available			
Business Rates / Settlement Related Funding	348,497	344,090	346,503
Council Tax	211,450	219,348	228,187
Grants and other External Funding	101,872	89,374	80,461
Dividends	0	0	0
Use of Reserves	13,584	11,703	6,222
Total Resources Available	675,403	664,515	661,373
Resources Required			
Corporate Costs	111,763	116,403	113,122
Directorate Costs	599,302	625,959	651,406
Total Resources Required	711,065	742,362	764,528
Shortfall	35,662	77,847	103,155
New budget pressures	7,785	7,785	8,785
Shortfall including new budget pressures	43,447	85,632	111,940
Use of Smoothing and Airport Reserve	(15,641)	(16,177)	(15,738)
Gap after use of Smoothing Reserves and emerging pressures	27,806	69,455	96,202
Savings options identified to date	(21,135)	(32,738)	(42,320)
Remaining Shortfall	6,671	36,717	53,882

- 1.4. As previously reported Inflationary and pay award increases were estimated at a cumulative £58m for 2022/23 and 2023/24. This compares to a usual budget allowance of c£16m for that period, therefore resulting in an additional £42m of largely unavoidable costs to be funded. The Scrutiny meetings which took place in November 2022 took these pressures into account and were presented with savings options of £21.1m next year increasing to £42.3m by 2025/26, alongside the proposed application of more than £48m of smoothing reserves to support the spending position. Whilst it is still an imperative to remove this quantum of costs from the base over the longer term, there will be some flexibility in the phasing of the reductions which will be presented to the 8 February 2023 Resources and Governance meeting.
- 1.5. This report sets out the key elements of the settlement and confirms that the savings, as reported to the Resources and Governance committee on 8 November 2022, are sufficient to deliver a balanced budget next year without any additional savings requirement for 2023/24.
- 1.6. The final budget position for 2023/24 will be confirmed at the February Executive meeting following consideration by the relevant scrutiny committees in early February. In addition the key decisions confirming the Collection Fund position for Council Tax and Business Rates base will have been made, final levy amounts are received from GMCA and the Final Finance Settlement received.

2. Summary of key announcements from the provisional local government finance settlement

- 2.1. Prior to the Autumn Statement Local Authorities were told that they would have to manage pressures within the existing Spending Review (SR) envelope and the settlement would be flat cash. This was supported by modelling from the IFS and political rhetoric around Austerity Round Two, in light of the emerging inflationary pressures. The short-lived Truss Government painted an even starker picture with the expectation of even greater cuts to public expenditure.
- 2.2. The Autumn Statement and Provisional Finance Settlement are considered a holding position for the public finances, designed for stability and certainty for planning purposes and to promote fiscal sustainability within available resources. The public sector finances “black hole” outlined by the Government will be dealt with over 4 years, with the first two years addressed through mainly tax increases and the final two years through public sector spending cuts. The Provisional Finance Settlement, is for one year only, setting the proposed allocations for 2023/24, accompanied by a fairly full set of policy principles for 2024/25.
- 2.3. The broad approach in the settlement is based on a uniform roll-over of the core funding elements. Funding reform is deferred until at least until 2025/26 and possibly later, as even this could be an ambitious timetable for designing and delivering reform. The period leading up to the General Election, expected by December 2024, provides an opportunity to consider the broader changes that are needed.

- 2.4. The Autumn Statement Policy announcement included three material policy shifts that, in addition to the increase to Council Tax referendum limits which had been trailed in the media, were new. These included an increase in the level of inflation allowed for local authorities in their Settlement Funding Amount and additional grant funding for social care. The details are set out below.
- 2.5. The Government has announced the following Council Tax referendum principles for 2023/24 which are set out below. For an upper tier authority the council tax referendum limit is now 4.99%
- A core referendum principle of up to 3 per cent will apply to shire county councils, shire unitary authorities, metropolitan districts and London boroughs.
 - Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
 - Fire and Rescue Authorities will have a principle of up to £5.
 - £15 for police authorities and police and crime commissioners including the GLA and the West Yorkshire and Greater Manchester Mayors.
 - The non-police element of the Greater London Authority (GLA) will have a referendum principle of £23.55.
 - There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions.
- 2.6. Business Rates Retention – The Government has changed the inflation measure used to increase the local government funding amount within the Settlement Funding Amount (SFA). This was set at 2.6% in the SR envelope. The September CPI figure of 10.1% has been used instead, which represents a material increase in the funding available to local authorities. The increase of 10.1% is split between the business rates system (+3.74%) and the compensation grant for under-indexing (+6.36%). The under-indexing multiplier grant has increased by £930m nationally, which is designed to compensate local authorities for Government intervention in capping, freezing and switching the multiplier from RPI to CPI. This aims to place authorities in the same position as that where the multiplier had increased by CPI. Alongside this Revenue Support Grant (RSG) has increased by 10.1%. There have also been existing grants worth £78m rolled into the RSG amounts.
- 2.7. Additional grant funding for social care - Additional ring fenced funding for Adults Social Care (ASC) and Social Care, including passing on the funding for social care reforms despite the reforms being deferred, has been included. As this is based on a formula distribution rather than on the Fair Cost of Care returns, the Council will get a much larger share. This is not guaranteed beyond the SR period. In addition, funding to reduce delays in hospital discharges (50% through Better Care Fund and 50% through NHS) and a new social care grant were announced. The Social Care Grants are as follow:
- Increased Funding: Social Care Grant – Social Care Grant has increased by £1,506m to £3,852m nationally. However, £161m of the increase is due to the roll-in of the Independent Living Fund. The “true” increase is £1,345m, which

is funded from the postponement of adult social care charging reforms (£1,265m), and £80m from other parts of the settlement (potentially New Homes Bonus). It is unclear if there will be new funding when reforms get reintroduced, or whether this funding is effectively time-limited and will be repurposed towards the reforms again from 2025/26. This represents a planning cliff edge. The Government proposes that the Social Care Grant will be ringfenced for adults' and children's social care. More details will be set out in due course.

- **New: ASC Market Sustainability and Improvement Fund** – Of the £562m total funding, £162m has been rolled in from above, with an additional £400m intended for local authorities to make tangible improvements to ASC, in particular, to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector.
- **New: ASC Discharge Fund** – A new £300m grant for 2023/24 intended to form part of Better Care Fund plans, aimed at reducing delayed transfers of care and allocated on the basis of the improved Better Care Fund shares in used in 2023/24.
- **No Change: Improved Better Care Fund** – Funding remains at £2,140m and has not been increased for inflation.

2.8. The detail of other specific national grant funding within Spending Power is set out below:

- **Reduced: Services Grant** (previously the 2022/23 Services Grant) – This grant has been reduced from £822m to £464m. This reduction is due to the cancellation of the increase in National Insurance Contributions and to move funding to the Supporting Families programme. The methodology for the grant remains unchanged.
- **Reduced: New Homes Bonus** - The 2023/24 allocations have been announced at £291m; a reduction of £265m from £556m in 2022/23. There have been no changes to the design of the scheme for 2023/24, with a single year's new allocation. The large reduction in funding from the scheme is due to all prior years' legacy payments having now been paid.
- **Abolished: Lower Tier Services Grant** – This grant (worth £111m in 2022/23) has been removed and replaced by the Minimum Funding Guarantee of 3% for 2023/24.
- **New: Funding Guarantee** – This £136m grant replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3% (before assumptions on council tax rate increases, but includes those on Council Tax base).

3. Implications for the Council's budget

- 3.1. The Autumn Statement report to Resources and Governance Scrutiny on 8 December 2022 noted that there could be additional resources available over and above current MTFP assumption, following the statement. This included Adult Social Care Funding, compensation for Business Rates indexation, and any decision to increase Council Tax over the amounts already assumed.
- 3.2. The scale of these policy changes could not have been predicted in advance of the Provisional Finance Settlement and are a significant change from the messages coming from government prior to the autumn statement. However, alongside the additional funding the policy changes outlined above means there are material additional costs that will need to be met.
- 3.3. The national funding announcements outlined above equate to the below for Manchester:

Base funding

- £19.144m – reflecting the CPI increase of 10.1% to the Business Rates system, through a 3.74% inflationary increase within the multiplier and a 6.36% increase on indexation grant. This additional base funding represents the difference between the 2.6% inflation increase assumed in the MTFP and actual applied.
- £6.068m - RSG inflated by CPI at 10.1%
- £4.055m rising to £4.26m - 2% additional Council Tax precept in 2023/24 (consisting of a 1% increase to the ASC precept and a 1% increase in the base)
- Potential £4.547m - further 2% precept (1% ASC and 1% base) in 2024/25. This reflects the maximum allowable increase without a referendum.

Social Care Grants

- 3.4. In total there is a total increase of £25.7m in 2023/24 rising to £38.7m in 2024/25 in additional social care funding as set out below.
- *£18.8m rising to £25.7m - Social Care Grant* which is ringfenced for adults and children's social care services. This includes diverted funding from the deferred social care reforms, allocated on the basis of the Council's 1.1% grant formula share plus an element of equalisation. This allocation has been repurposed due to the delays in Adult Social Care reform until at least October 2025. There is uncertainty around what will happen to this funding in the next Spending Review period. The original budget assumptions included a £2m grant uplift for Improved Better Care Fund (iBCF) which has not materialised, this grant can be used to support the costs this would have funded.
 - *Additional £4.4m rising to £7.5m - Market Sustainability and Improvement Grant* - This grant is intended to assist local authorities to make tangible improvements to adult social care, and, in particular to address: discharge delays; social care waiting times; low fee rates; workforce pressures; and to

promote technological innovation in the sector. This grant will have reporting requirements, expected to be published in January. The grant will be distributed using the 2013/14 adult social care relative needs formula and is ringfenced. The funding is additional to the £1.8m received in 2022/23 which is also rolled-into 2023/24.

- *£4.451m increasing to £7.420m ASC Discharge Fund* - This is intended to form part of Better Care Fund plans, aimed at reducing delayed transfers of care and the funding will need to be pooled with the NHS. The NHS is receiving an equal amount to also put into Better Care Fund plans. This is being allocated on iBCF share in 2022/23, resulting in an allocation of approx. 1.4%. The fund will grow by a further £200m on the local government side in 2024/25, with no change to distribution methodology expected.
- *Improved Better Care Fund (iBCF)* is not being increased for inflation. A £2m provision for inflation had been allowed in the budget model which will be offset by Social Care Grant. The grant conditions are expected in January 2023 and will be heavily focused on how they will support the NHS.

Other Grant Changes

- Reduction in Services Grant of £5.380m. Services Grant had been expected to reduce by c£200m (c25%) nationally which was reflected in the Council's assumption of a £9.324m receipt, down from £12.324m. It has actually reduced to £6.944m, a further reduction of £2.380m.
- New Homes Bonus was estimated at £5.000m to reflect potential changes to the scheme. It has been confirmed the existing stretch target will be maintained resulting in an allocation of £6.637m - an additional £1.637m
- Lower Tier Grant has ended as expected, Manchester received £1.328m in 2022/23

- 3.5. The additional funding in the Provisional Finance Settlement must be looked at alongside the corporate cost requirements, ringfencing requirements for the specific grants and the heavy reliance on the budget smoothing reserve to balance the budget position.

Increase in Council Tax Precept

- 3.6. If the additional 2% is taken this would generate a further £4m per annum for the Council. It is important to maximise the ongoing funding in the budget base. This is particularly important given the proposed public sector spending cuts from 2025/26 as set out in the Autumn Statement and uncertainty around the allocation of the Social Care grant in light of the deferred Adult Social Care reforms creating a new 'cliff edge' from 2025/26.
- 3.7. The government has assumed in its settlement calculations that all eligible local authorities will take the maximum increase allowed without a referendum. If Council Tax is not increased at this level the revenue stream is permanently lost and has a cumulative compounding impact as the base grows in future years. Manchester currently has the lowest ratio of Council Tax to funding of all

metropolitan authorities. This has a disproportionate impact on the Council when government funding cuts are made.

- 3.8. The budget proposals presented in November already included £3.55m of additional welfare support on an ongoing basis. The general precept is required to cover inflation and other pressures the Council is facing. If the general precept is increased additional investment to provide targeted support for vulnerable residents and to the Voluntary, Community and Social Enterprise (VCSE) should be considered to protect our poorer residents. There will be the ability to reduce some of these costs in future years as the economy improves and inflation reduces. This will supplement the Household Support Fund which is being extended by a further £1bn nationally to help with the cost of household essentials, for the 2023/24 financial year. If the allocation methodology remains in line with 2022/23 the Council will receive almost £13m.
- 3.9. The Government has also announced £100m of additional funding for local authorities to support the most vulnerable households in England. The government provided guidance and provisional allocations on 23 December. Allocations are based on authorities' share of Local Council Tax Support (LCTS) claimants according to Q2 2022/23 data, and final allocations will be confirmed at the final Local Government Finance Settlement. The government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills. Manchester had 48,809 CTSS claimant as at 30 September 2022 and has been allocated £1.286m. For 2024/25 the Council should consider the current Council Tax Support Scheme and whether the threshold levels remain appropriate.
- 3.10. If the additional 1% Adult Social Care precept increase is supported this will raise an additional £2m next year, increasing to £4m in 2024/25. There are well documented pressures in the NHS crisis and the social care market. The expectation is that this additional funding is considered alongside the approach to care provider fee setting for 2023/24, to ensure social care provider sustainability. *Additional and emerging pressures*
- 3.11. Alongside the increases in funding the position relating to the budget pressures the council is facing has also changed. The following additional costs need to be taken into account in the budget process.
- CPI is currently over 10% and predicted to average 7.4% next year (higher than previous forecast). The previous inflation provision is not high enough to cover this and the associated demand on major contracts and will need increasing.
 - There are specific demand and inflation pressures facing the Homelessness budgets. Government refuge and asylum schemes are placing pressure on the Manchester temporary accommodation market, driving up costs, resulting in a £4m fee uplift requirement for homelessness Temporary Accommodation.
 - Early information on pay negotiations suggests an average pay increase of between 5% and 6% next year which is higher than the 4% allowed for

- 3.12. All of the additional social care grants are likely to be ringfenced with the grant conditions and reporting requirements due to be published in January. It is worth noting that:
- The Adult Social Care Discharge Fund will come via the Better Care Fund with a requirement for this to be pooled with NHS partners and a need to demonstrate additionality and impact on the current hospital discharge position.
 - The Market Sustainability and Improvement Grant will also be ringfenced with an expectation of additionality. The approach to care provider fee uplifts for 2023/24 will place due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance". This will include consideration of additional funding for inflation and living wage increases.
 - The Social Care grant covers Children's and Adult Social Care and the growing budget pressures within Children's Services also need to be considered as part of the budget process. In addition, the position with the Manchester Local Care Organisation (MLCO) and Locality health budget is challenging. The joint commissioning savings will be difficult to achieve and there may be additional costs that require funding.
- 3.13. The above additional pressures will all need to be fully considered alongside the additional funding.

4. Medium- and longer-Term risks

2024/25 unknowns

- 4.1. Detailed numbers are only available for 2023/24 and there remain significant uncertainties for 2024/25. These include the future of the New Homes Bonus scheme and the continuation of 100% Business Rates Retention Scheme. There is also uncertainty around the distribution of resources from the new Extended Producer Responsibility for Packaging (ePRP) levy due to phase in from 2024. Further work is required to understand the implications of this for the Council and the Greater Manchester Waste Disposal Authority.

Spending Review 2025/26 to 2027/28

- 4.2. The Autumn Statement outlined a four-year horizon to stabilise the public finances. The first two years rely largely on tax increases with the final two years reliant on public service spending cuts. These final two years will fall into the next Spending Review period and presents an increased level of funding risk from 2025/26 onwards.

Social Care Funding from 2025/26

- 4.3. The new Social Care grants are only guaranteed for the remainder of this Spending Review period. Social Care funding reforms (care cap and changes to thresholds) have been delayed until at least October 2025 and the funding set aside (£1.3bn increasing to £1.9bn) has been repurposed to support social care

pressures. It is not clear if new funding will be identified by the government once the reforms come onboard or if the existing allocation is time limited for two years then will revert back to fund reform (with a different distribution). There is also concern that the full costs of the care reforms are in excess of the funding currently identified.

- 4.4. This is a significant risk to the council's position as almost £19m is expected next year increasing to c£26m the following year. If the grant is redirected in 2025/26 to fund the postponed care reforms the pressures this funding will support are not time limited, therefore savings will be required to fund these costs.

Business Rates system reset and 100% Retention Pilot

- 4.5. The Business Rates Retention system was implemented in April 2013 as part of the Local Government Resource Reforms, whereby authorities could retain up to 50% of rates income locally, aimed to incentive investment in the local economy.
- 4.6. Under this system Business Rates Baselines and Baseline Funding Levels were set in 2013, reflecting the level of rates income an authority could generate, and these have been index linked to inflation since. However, some authorities, including Manchester, have grown their base above inflation and this growth is retained in proportion to their local share.
- 4.7. A Business Rates reset will see baselines recalibrated to more recent income levels. Although at a reset the growth element will be distributed across the sector, it will not accrue directly to the generating authority. Further information on the mechanics of the reset is still to be confirmed by Government and it is delayed until at least 2025/26.
- 4.8. In addition, from April 2017, Manchester, along with the other 9 Greater Manchester authorities were able to retain 100% of their business rates income, under the 100% retention pilot. In 2023/24 the Council is forecasting a £15m benefit from partaking in the pilot. Although, the pilot has been confirmed for 2023/24 it is to be reviewed by Ministers from 2024/25.

Fair Funding reforms

- 4.9. The funding formulae which inform the relative need assessment of local authorities was last updated in 2013 based on numerous metrics which included population, demography and deprivation. Government has committed to update the data within this formula and to review the way funds are distributed across Local Authorities. This is known as the 'fair funding review'. It has been delayed for a number of years, the earliest implementation date is now 2025/26.

Council Tax reform

- 4.10. Appearing before the Commons' Department for Levelling Up, Housing and Communities (DLUHC) Select Committee on 21 November, Michael Gove the Secretary of State for DLUHC stated he and chancellor Jeremy Hunt MP have commissioned a review of the operation of the Council Tax system. This will be

led by the Local Government Finance Minister, Lee Rowley MP. He added Mr Rowley would be able to come back to the Committee with more detail on the review in the new year.

5. Approach to 2023/24 budget setting

- 5.1. If a higher Council Tax precept is raised there will need to be some additional targeted support to our most vulnerable residents.
- 5.2. Underlying the next phase of the budget process are the following recommended principles:
 - £16m of reserves per annum were being used to close the pre Settlement budget gap. Reserves should be a last resort and the Provisional Finance Settlement has pushed all the risks to 2025/26. The planned use of reserves needs amending to reflect the risks in these years. The use of the smoothing reserve will be rephased to support a sustainable position, particularly to support closing the budget gap in 2024/25 and to deal with the significant risks faced in 2025 and beyond.
 - Recommendation to increase the Council Tax precept so this is reflected in the base, but that this is alongside targeted support to residents who are most vulnerable and the investment will be included within the approach to care provider fee setting for 2023/24, to support the delivery of market sustainability plans. A second phase of the budget consultation is planned. Adult Social Care - to put the budget on a sustainable footing, appropriate costs such as demography and real living wage are met from the additional ringfenced grant funding.
 - Where there are additional costs and requirements the grants are passported through to meet them and the funding is used to provide investment to meet real pressures, social care improvement priorities and invest to save approach which will help the future position.

6. Next Steps

- 6.1. As outlined in this report there are several decisions to be made in relation to the additional funding and investment requirements. This includes the level of Council Tax, associated support for vulnerable residents, additional inflation requirements and pressures in the temporary accommodation market.
- 6.2. The guidance and reporting requirements for the Adults discharge fund and Market sustainability and improvement grants is awaited. Both grants will be fully passported to Adult Social Care. The Social Care grant is unringfenced and can be used across both Adult and Children's Social Care.
- 6.3. Following the publication of this paper a second phase of public budget consultation will start on the option to increase the council tax precept by 4.99% - a further 1% for adult social care bringing the social care precept to 2% and a further 1% for the general precept bringing this to 2.99%

- 6.4. In relation to savings, as stated in the earlier section of this report, whilst it is still an imperative to remove this quantum of costs from the base over the longer term, there will be some flexibility in the phasing and quantum of the reductions which will be taken to the February Scrutiny meetings as part of the updated budget reports, before going on to 15 February Executive.

Budget Consultation

- 6.5. There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels and the savings and cuts measures put forward by officers opened on Monday 7 November and ran until 7 January 2023. The provisional results from the consultation will be reported to Executive 15 February. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 27 February to ensure they are fully considered before the final budget is set. None of the budget options set out to date require formal statutory consultation.
- 6.6. Further consultation is also recommended on the proposal to take the full Council Tax increase assumed in the settlement further consultation is recommended. This would launch 10 January to close 10 February.

Scrutiny of the budget proposals

- 6.7. At the February meetings all scrutiny committees will receive a short update on the Council's budget and a high-level update on the three-year position. The reports will be tailored to the remit of each scrutiny as shown in the table below.

Date	Meeting	Services Included
7 Feb 2023	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
7 Feb 2023	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
8 Feb 2023	Health Scrutiny Committee	Adult Social Care Public Health
8 Feb 2023	Children and Young People Scrutiny Committee	Children and Education Services
9 Feb 2023	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance

9 Feb 2023	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways
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Budget Timetable

- 6.8. The 2023/24 budget will be subject to further scrutiny and formal approval as follows:
- 10 January 2023 - Second Council Tax consultation launched (Close 10 Feb)
 - 13 January 2023 - Agree the annual estimated council tax surplus or deficit for 2022/23
 - 31 January 2023 – Agree the annual council tax base, Agree the annual estimated business rates surplus or deficit and the annual Business rates base
 - 7 February 2023 - Resources and Governance receive further budget update
 - 7-9 February 2023 - Scrutiny Committees
 - 15 February 2023 - Executive receive proposed budget
 - 27 February 2023 - Resources and Governance Budget Scrutiny
 - 3 March 2023 - Council approval of 2022/23 budget

7. Conclusion

- 7.1. This paper sets out the impact of the Provisional Settlement and associated government policy changes. There have been significant change in policy from that the week before the Autumn Statement was announced with extra funding for local government. The grant totals for 2024/25 onwards are estimated from the information and allocation methods rather than actual allocations. Of the additional funding over 45% is in ringfenced social care grants and 7.1% rising to 10.4% relates to the Council Tax precept. Further information is awaited on the grant conditions.
- 7.2. The Council Tax base and Business Rates base are due to be made in January and the Final Finance Settlement is due in early February. At this stage all the financial information to set the budget will be available.
- 7.3. The additional funding streams announced as part of the settlement, come with a number of spend requirements, and additional pressures have emerged since the November scrutiny report. However, the settlement does mean that the November gap can be closed, without the need for further savings, and provides some opportunity for reducing the quantum and rephasing some of the savings and/or a small level of additional targeted investment. It is proposed that these options will be developed and reviewed and reported as options to the Scrutiny

meetings in February, before being finalised for Executive to consider on 15 February.

- 7.4. The Council has benefited proportionately from this settlement. Councils in more deprived areas have again seen slightly larger increases, to recognise their reduced capacity to raise funds through Council Tax which is welcome. However, it should be noted this does not close the gap that developed during the decade of cuts.
- 7.5. The announcements have pushed the difficult financial decisions to 2025/26. This settlement does not provide certainty or financial security for councils over the longer term. It gives the sector another one-year deal, confirms further delays to the Fair Funding Review and reset of business rates. Significant risks remain including a potential reallocation of the social care grant, reintroduction of the funding reforms and anticipated cuts in funding post 2024/25.