



Environment and Climate Change Scrutiny Committee

Date: Thursday, 9 February 2023

Time: 10.00 am

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 Environment and Climate Change Scrutiny Committee

Councillors - Shilton Godwin (Chair), Doswell, Holt, Hughes, Ilyas, Jeavons, Lyons, Chohan, Nunney, Razaq and Wright

Supplementary Agenda

5. **Revenue Budget Update** 3 - 10
Report of Deputy Chief Executive and City Treasurer

This report sets out the latest forecast revenue budget position, and the next steps.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals 15 February 2023.

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 **Thursday 2 February 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension , Manchester M60 2LA

**Manchester City Council
Report for Resolution**

Report to: Communities and Equalities Scrutiny Committee – 7 February 2023
Health Scrutiny Committee – 8 February 2023
Children and Young People Scrutiny Committee – 8 February 2023
Environment and Climate Change Scrutiny Committee – 9 February 2023
Economy Scrutiny Committee – 9 February 2023
Executive – 15 February 2023

Subject: Revenue Budget Update

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out the latest forecast revenue budget position, and the next steps. Following the provisional finance settlement announced 19 December the Council is forecasting a balanced budget for 2023/24 and 2024/25. The risk has moved to the next Spending review period 2025/26 where a shortfall of £57m is forecast. This reduces to £40m after the proposed use of £17m smoothing reserves.

In November 2022 scrutiny committees were presented with cuts and saving options totaling £42.3m over three years for consideration. The provisional settlement on 19 December reflected a change in government policy and provided more funding than initially expected. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed. The settlement also gave some scope for targeted investments which will put the council in a more sustainable position to face the next spending review in 2025.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals 15 February 2023.

Recommendations

The Committee is recommended to:

- (1) To consider and comment on the forecast medium term revenue budget; and
- (2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

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.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

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).

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 changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising 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](#)

[Resources and Governance Scrutiny Committee – 10 January 2023, Provisional local government finance settlement 2023/24 and budget](#)

1. Context and Background

- 1.1. The national funding outlook for Local Government has been more volatile than usual in the last year. The Spending Review in October 2021 set the expected spending envelope for the following three years. The national numbers indicated additional Local Government funding in 2022/23 then a flat settlement for the two years which followed. The Spending Review also announced significant Social Care Reforms to be implemented from October 2023 with associated funding of £3.6bn over three years which was widely considered inadequate. In just over a year since then there have been significant government policy changes.
- 1.2. The Russian invasion of Ukraine in February 2022 contributed to rapidly increasing inflation, from a forecast 2022/23 average CPI of 2.3% to an October 2022 peak of 11.1%. Throughout Summer 2022 government advised that despite the unprecedented cost increases to pay, utilities and prices there would be no additional Local Government funding. This was confirmed by the Truss government mini-budget 23 September 2022 which prioritised lowering taxes to stimulate the economy. This was followed by market instability and rhetoric around 'Austerity Round Two' from politicians, commentators and the Institute of Fiscal Studies.
- 1.3. In this context the Council identified cuts and efficiencies totalling £42.3m over three years for consideration by November scrutiny committees, on top of the use of c£16m a year of smoothing reserves. It was anticipated that further cuts and savings may be required depending on the outcome of the provisional settlement.
- 1.4. Following the appointment of a new Prime Minister an Autumn Statement was announced 17 November 2022 followed by a local government finance policy statement on 12 December 2022 and provisional local government finance statement 19 December 2022.
- 1.5. The Autumn Statement indicated a revised approach with tax rises for the 1st two years then spending cuts following two years. The Policy statement and provisional settlement set out a welcome change in direction which included:
 - Funding for pay and inflation pressures
 - New Social Care grants to support hospital discharge and Care market (ringfenced with conditions)
 - ASC reforms delayed at least 2 years and funding repurposed for social care pressures
 - Confirmed current 100% business rates retention areas will continue for 2023-24
- 1.6. In addition the referendum limit for Council Tax increases was increased from 3% to 5% for local Authorities with Adult Social Care responsibilities. The government figures assume the full increase will be taken.

2. Medium Term Budget position

- 2.1. The final budget position for 2023/24 and future years will be reported to 15 February 2023 Executive.
- 2.2. The three-year budget position is shown in the table below. This takes into account the final key decisions for Council Tax and Business Rates and the changes from the provisional finance settlement. In reaching this position the budget principles reported to Resources and Governance Committee in January 2023 have been used as set out below.
 - £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 underway.
 - 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
- 2.3. Further details on the overall financial position are provided in the budget update report to Resources and Governance Scrutiny Committee on 7 February 2023. The full budget will be set out in the Medium-Term Financial Budget going to Executive on 15 February 2023.

Table 1: Medium term forecast summarising current budget proposals and use of reserves

	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000
Resources Available			
Business Rates / Settlement Related Funding	374,854	380,005	386,872
Council Tax	217,968	228,087	237,279
Grants and other External Funding	126,153	127,682	115,769
Use of Reserves	15,884	15,003	10,522
Total Resources Available	734,859	750,777	750,442
Resources Required			
Corporate Costs	111,493	114,949	113,598
Directorate Costs	640,113	677,919	730,387
Total Resources Required	751,606	792,868	843,985
Shortfall	16,747	42,091	93,543
Use of Smoothing Reserves	(1,350)	(16,523)	(17,000)
Gap after use of Smoothing Reserves	15,397	25,568	76,543
Savings options identified	(15,396)	(25,568)	(36,170)
Remaining Shortfall	0	0	40,373

- 2.4. This position assumes Council Tax increases of 2.99% a year and an Adult Social Care precept of 2% a year. A 1% increase in Council Tax generates c.£2m additional income. If the general precept is increased this will fund additional investment to provide targeted support for vulnerable residents, including help with outstanding debt on council tax bills and support through the Voluntary, Community and Social Enterprise (VCSE) sector. Further details are provided within the Corporate Core budget report.
- 2.5. If the Social Care precept is supported 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. Further details are provided in the Health and Social Care Scrutiny budget report.
- 2.6. The budget assumptions that underpin 2023/24 to 2025/26 include the commitments made as part of the 2022/23 budget process to fund known ongoing demand pressures. As previously reported a review of emerging pressures and budget assumptions has been completed and provision has been made to address these where they are unavoidable, including inflation and pay awards.
- 2.7. 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 cuts and savings, and provides some opportunity for reducing the quantum and

rephrasing some of the savings. It is now proposed that options of £36.2m are progressed, a reduction of £6.1m.

- 2.8. The settlement also gave some scope for targeted investments which will put the council in a more sustainable position to face the next spending review in 2025. Full details of the recommended changes to budget cuts and savings and any investment are set out in the relevant Scrutiny Committee reports.
- 2.9. 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. Work will start in 2023 on identifying the more difficult cuts that will be required to close the 2025/26 and beyond budget gap.

3. Workforce Implications

- 3.1. The indicative workforce reduction linked to the savings proposals has reduced from 70 Full-Time Equivalent (FTE) over the three years to 60. 53 of these posts relate to the Corporate Core directorate. It is anticipated that this will be managed via natural turnover and vacancies and that there will be no requirement for any formal voluntary early retirement or voluntary severance scheme.

4. Equality and Anti-Poverty Impact Assessments

- 4.1. Consideration has been given to how the individual proposed savings could impact on different protected or disadvantaged groups. All proposals are therefore being reviewed for their likely impact on these groups and where applicable, proposals have been subject to completion of an individual Equality Impact Assessment (EqIA).

5. Consultation

- 5.1. 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.
- 5.2. A second phase of public budget consultation launched 10 January to close 10 February. This focused 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%.
- 5.3. 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. Scrutiny of the draft budget proposals and the budget reports

6.1. The reports have been tailored to the remit of each scrutiny as shown in the table below. Each Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2023.

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

7. Next Steps

7.1. The proposed next steps are as follows:

- 7-9 February - Scrutiny Committees
- 15 February - Executive receive proposed budget
- 27 February - Resources and Governance Budget Scrutiny
- 3 March - Council approval of 2023/24 budget