



# **Resources and Governance Scrutiny Committee**

Date: Thursday, 11 January 2024

Time: 10.00 am

Venue: Council Chamber, Level 2, Town Hall Extension

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

## **Access to the Public Gallery**

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

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**Councillors** - Simcock (Chair), Andrews, Brickell, Connolly, Davies, Evans, Kilpatrick, Kirkpatrick, Lanchbury, Rowles, Stogia and Wheeler

## Third Supplementary Agenda

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9. **Provisional Local Government Finance Settlement 2024/25 and Budget Assumptions** 3 - 14  
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 18 December 2023. There is a focus on the impact on the Council's budget for 2024/25 to 2026/27 and the next steps in the 2024/25 budget setting process.

## Further Information

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

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This supplementary agenda was issued on **Friday, 5 January 2024** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester, M60 2LA

## Manchester City Council Report for Information

<b>Report to:</b>	Resources and Governance Scrutiny Committee – 11 January 2024 Executive – 17 January 2024
<b>Subject:</b>	Provisional Local Government Finance Settlement 2024/25 and Budget
<b>Report of:</b>	Deputy Chief Executive and City Treasurer

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### Summary

This report updates on the main announcements from the provisional local government finance settlement 2023/24 announced 18 December 2023. There is a focus on the impact on the Council's budget for 2024/25 to 2026/27 and the next steps in the 2024/25 budget setting process.

### Recommendations

The Resources and Governance Scrutiny Committee is recommended to consider the content of this report and comment on the Provisional Finance Settlement announcements.

The Executive is recommended to:

1. endorse the report
  2. note that officers will identify the £5m of savings needed to close the budget gap.
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### Wards Affected: All

<b>Environmental Impact Assessment</b> - 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.
<b>Equality, Diversity and Inclusion</b> - 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) and an Anti Poverty Assessment.

<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS/Contribution to the Strategy</b>
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.

[Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive – 15 February 2023](#)

[Revenue Budget Update and Corporate Core Budget Proposals 2024/25 -Resources and Governance – 9 November 2023](#)

[Revenue Monitoring to the end of September 2023 – Executive – 15 November 2023](#)

## **1. Introduction and background**

- 1.1. The finance settlement is the annual determination of funding for local government from central government. The provisional 2024/25 settlement was announced 18 December 2023, following the Autumn Statement announced 22 November 2023 and local government finance policy statement on 12 December 2022. Full details can be found on the [DLUHC website](#). The Final Settlement is due to be announced in early February 2024 but is unlikely to change significantly from the provisional settlement.
- 1.2. The settlement is in the context of another very difficult year for Local Government. In 2023, local authorities have faced unprecedented financial stress. There have been three s114 notices in six months, taking the total to 7 since 2018, a notable increase from the previous five years. While there have been other factors in these Councils, many more have now publicly indicated that they might need to make the same announcement in the next few months. Inflation has averaged 8%, which together with unrelenting demand pressures has compounded challenges, especially in social care and homelessness, when there is limited financial resilience following the cumulative impact of the prior decade's austerity measures.
- 1.3. Disappointingly there has been no new funding for public services announced in the Autumn Statement or Provisional Finance Settlement. The political and financial uncertainty continues into 2024/25 and evidence nationally and locally is that the pressures on social care and homelessness are continuing to grow. The future of funding reform remains uncertain, and it seems unlikely it will happen until at least 2026/27 given a general election is due next year.
- 1.4. The period following this Spending Review is likely to be extremely challenging. Over the medium-term period to 2028/29 the OBR has forecast that the funding outlook for Local Government, as an unprotected service, is likely to be around 2.3% real terms cut.
- 1.5. This report sets out the key elements of the settlement, the impact on the Council's budget and the next steps to achieve a balanced budget for 2024/25. The recommended final budget position for 2024/25 will be reported to the February 2024 Executive meeting following consideration by the relevant scrutiny committees in early February. By then, the key decisions confirming the Collection Fund position for Council Tax and Business Rates base will have been made, final levy amounts will be confirmed by GMCA and the Final Finance Settlement received.

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

- 2.1. The Provisional Settlement covers a single financial year and there were no new funding streams announced. Most details were pre-communicated in previous finance and policy statements. The exception is the scale of the cut to Services Grant at £329m, 84.1% nationally. For Manchester this is a reduction of £6.1m leaving a grant of just £1.1m. Whilst some redistribution of services grant had

been anticipated, it was not expected at this scale. The key announcements are noted below.

- 2.2. **Core Spending Power (CSP)** will increase by £3.9bn (6.5%) across England. Manchester's CSP increase is £41m, (6.8%). It is worth noting that as CSP includes several assumptions, it is unlikely to be an accurate reflection of the actual resources available to local authorities. It assumes:
- All eligible upper tier authorities raise the social care precept to the maximum (2%) permitted;
  - All authorities increase overall council tax by the maximum amount permitted (5% in total for upper tier);
  - Council tax base increases at the same average rate for each authority for the last five years;
  - All councils retain their baseline target level of business rates within Settlement Funding Assessment—in reality, some authorities will be above baseline and some below.
- 2.3. Changes have been made to Business Rates with the introduction of a standard business rating multiplier and a small business rating multiplier. It was announced at the Autumn Statement that the small business rating multiplier will be frozen at 49.9p, and the standard business rating multiplier will increase to 54.6p (+6.7%). For 2024/25 the local government baseline uplift will only reflect the increase generated from the standard multiplier, using the VOA's 2023 rating list as a proxy. For businesses attracting the small multiplier, under indexation grant will be provided to the local authority to compensate for the loss of income arising from not applying a 6.7% CPI increase to the multiplier.
- 2.4. The current budget assumed a CPI rate of 6.1% based on the OBR forecast, therefore this should bring in additional income of c0.823m.
- 2.5. It was also announced that the Retail, Hospitality and Leisure Relief will continue for a further year offering 75% relief for this sector up to a cap of £110k per business. This has a positive impact on the level of bad debt and appeals to be provided for, as these are now based on a reduced level of income. The benefit is forecast at c£3.1m for one year only, as the relief is expected to end after 2024/25.
- 2.6. **Social Care grants** are largely in line with expectations as follows:
- Improved Better Care Fund will remain at 2023/24 national levels at £2,140m, with the Council's share as expected at £31.7m.
  - The Adult Social Care Discharge Grant will increase by £200m nationally to £500m, allocated using the existing IBCF formula. Manchester's receipt is £7.4m, in line with expectations.
  - Market Sustainability increasing to £1,050m, made up of £162m for Fair Cost of Care, £683m for market sustainability, and combining the Workforce Fund element of £205m. Manchester will receive £11.7m, which is £40k higher than forecast.
  - Social Care Grant has increased by £692m to £4,544m nationally. The majority will be allocated using the ASC relative needs formula with £80m of

the increase subject to equalisation for Council Tax. Manchester's allocation is £0.807m higher than budgeted for, at £60.218m. It is assumed these additional allocations will be passported to Adult Social Care to contribute to the growing pressures in the service.

- 2.7. One further year of **New Homes Bonus** grant was confirmed for 2024/25 with the same methodology as 2023/24. The Council's forecast receipt is £4.1m, which is £207k lower than the estimate included in the current MTFP.
- 2.8. **Services Grant** has been cut by 84% which is significantly larger than anticipated. In the December 2022 Policy Statement, ministers assured that core grants would "*continue as they are now*" in 2024/25. By implication, this included the Services Grant. The 5 December 2023 Policy Statement hinted at potential cuts and redistribution to the Services Grant without any detail but the actual reduction was greater than anticipated. The government are holding back 'a small proportion' of the Services Grant as contingency to cover any unexpected costs that may arise between the provisional and final settlement. Manchester's grant has reduced from £7.230m to £1.138m. It is now assumed the remaining grant will end after 2024/25.
- 2.9. **Public health grant** is outside Core Spending Power and is announced separately from the settlement itself. The indicative increase is only 1.36% (£3.527bn in 2023/24 to £3.575bn in 2024/25). For Manchester this is an increase of £751k to £57.8m.
- 2.10. The Funding Guarantee grant introduced in 2023/24 continues in 2024/25 to ensure authorities receive a minimum 3% increase (before council tax decisions). Manchester does not receive this grant, it largely benefits lower tier district councils.
- 2.11. The Government has confirmed the expected **Council Tax referendum** principles for 2024/25 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 3 per cent.
  - £13 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 £20.
  - There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions.



2.12. 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.

### 3. Implications for the Council's budget

3.1. The Council's February 2023 MTFs reflected a balanced budget for 2024/25 and identified a material budget shortfall in 2025/26 and beyond. Simultaneously, there remained some uncertainty about the level of funding for 2024/25 and the potential for additional pressures to emerge during the budget setting process.

3.2. The position was refreshed throughout Summer 2023 to reflect the continuation of the business rates 100% pilot and improved Business Rates collection. Demographic assumptions were also updated to reflect the increased pressures including Adult Social Care demand, complexity and cost and a challenging external market for Childrens Social Care.

3.3. The updated position was reported to the Resources and Governance committee on 9th November 2023. The Council forecast an initial estimated budget shortfall of £46m in 2024/25, £86m in 2025/26, and £105m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, this gap reduces to £1.6m in 2024/25, £30m in 2025/26 and £49m by 2026/27.

*Table One: Summary Budget position presented to Resources and Governance Scrutiny 9 November*

	2023 / 24	2024 / 25	2025 / 26	2026 / 27
	£'000	£'000	£'000	£'000
<b>Resources Available:</b>				
Business Rates / Settlement Related Funding	376,527	400,701	415,207	421,805
Council Tax	217,968	228,712	238,279	247,840
Grants and other External Funding	130,494	136,226	109,997	109,997
Use of Reserves	13,714	8,222	9,703	4,922
<b>Total Resources Available</b>	<b>738,703</b>	<b>773,861</b>	<b>773,186</b>	<b>784,564</b>
<b>Resources Required:</b>				
Corporate Costs	116,421	120,681	124,767	123,986
Directorate Costs	638,751	699,761	734,783	765,996
<b>Total Resources Required</b>	<b>755,172</b>	<b>820,442</b>	<b>859,550</b>	<b>889,982</b>
<b>Budget Gap</b>	<b>16,469</b>	<b>46,581</b>	<b>86,364</b>	<b>105,418</b>
Savings approved in current MTFP	(15,396)	(25,568)	(36,170)	(36,170)
Additional Savings		(2,500)	(2,500)	(2,500)
Use of Smoothing Reserves	(1,073)	(16,858)	(17,850)	(17,758)
<b>Gap after use of Smoothing Reserves and savings</b>	<b>0</b>	<b>1,655</b>	<b>29,844</b>	<b>48,990</b>

- 3.4. The impact of the settlement on the Council budget position is a net reduction of c£1.6m next year. This reflects a £0.8m increase to Adult Social Care grants which has to be passported to Adult Social Care. Therefore, the budget impact is a £2.4m worsening of the position rising to £5.3m in 2025/26 as shown in table two.

*Table Two: Impact of Settlement announcements on the Council budget assumptions*

	Settlement Decrease / (increase) to forecast income		
	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
New Homes Bonus difference	207		
Services Grant reduction	6,092	6,092	6,092
Business Rates - Impact of a further year of Retail, Hospitality and Leisure Grant	(3,100)	0	0
Increased inflation on SFA	(823)	(823)	(823)
Social Care Grant increase	(807)	(807)	(807)
ASC Market Sustainability and Improvement Fund	(40)	(40)	(40)
Social Care spend increase	847	847	847
Public Health Grant increase	(751)	(751)	(751)
Public Health Spend increase	751	751	751
<b>Net Worsening of Position</b>	<b>2,376</b>	<b>5,269</b>	<b>5,269</b>

- 3.5. In addition to the settlement announcements Manchester is seeing growing pressures in social care and homelessness and it is unlikely that these will be contained within the budget assumptions. Recently there has been an increase in children's placement numbers and costs, further significant pressures across ASC budgets and some worrying trends in asylum seekers/migrant policy/homelessness. This is in line with national trends and core cities and other GM authorities are all reporting similar issues.
- 3.6. The Local Government Association has highlighted the cost of children's social care (especially specialist placements), homelessness services (particularly temporary accommodation) and home-to-school transport (most notably for pupils with special educational needs) as rising particularly rapidly. Recently published spending data<sup>1</sup> for April to September 2023 shows spending on children's social care services up 16% and homelessness and related services up 26% compared with the same period in 2022, both outpacing budgeted spend nationally.
- 3.7. At period 6 the 2022/23 outturn position was forecast at £3.5m overspend with measures being put in place to reduce this to £2.5m by the end of the financial year. The next monitoring report is being finalised and it is expected the position will worsen. It is likely that the General Fund reserve will need to be increased by at least £1m to maintain the reserve at a reasonable level.
- 3.8. This would increase next years budget gap to c£5m as shown in table three below.

<sup>1</sup> <https://www.gov.uk/government/statistical-data-sets/live-tables-on-local-government-finance>

*Table Three: Impact of Settlement announcements on the forecast budget gap*

	2024 / 25	2025 / 26	2026 / 27
	£'000	£'000	£'000
<b>Position reported to Resources and Governance Nov 2023</b>	<b>1,655</b>	<b>29,844</b>	<b>48,990</b>
Settlement changes	2,374	5,265	5,256
Services Grant end		1,138	1,138
Increase General Fund to reflect worsening overspend	1,000		
<b>Revised Shortfall / (surplus) after settlement</b>	<b>5,029</b>	<b>36,247</b>	<b>55,384</b>

- 3.9. Work is underway to confirm the position and identify further measures to close the budget gap. These will include looking for further cost reductions and mitigations as well as some potential one off sources of income which will support the budget position which are listed below.
- A potential rebate from GMCA relating to waste. Details are still being finalised and it is likely this will be applied across the current financial year and 2024/25.
  - The Collection Fund position will be finalised in January. There may be some further one off income relating to a review of council tax debt and credits.
  - Changes to Council tax premiums are proposed for properties empty for more than one year. A report elsewhere on the agenda provides the detail.
- 3.10. The increasing pressures will mean that the gap in 2025/26 and beyond will widen with the full year effect of the increased numbers of residents requiring care and support this year. Whilst extremely challenging it is important that a realistic and deliverable budget is set. The final budget proposals will be developed in January and reported to scrutiny committees for consideration in February.

#### **4. Next Steps**

- 4.1. Due to the changes in the Provisional Finance Settlement and increased pressures in social care and homelessness further work is required to ensure a balanced budget for 2024/25 can be put forward for consideration by the Executive.
- 4.2. The 2024/25 budget will be subject to further scrutiny and formal approval as follows:
- 17 January – update to Executive on the Provisional Finance Settlement and budget position
  - By 31 January - Confirmation of Council Tax and Business Rates Base
  - 6-8 February - Scrutiny Committees consider the final budget proposals (see below)
  - 14 February – Budget Executive
  - 26 February - Resources and Governance Budget Scrutiny.
  - 1 March – Budget Council

- 4.3. The February Scrutiny Committees will receive a short overview of the Council's budget position and the more detailed reports on the areas within their remit as per below:

<b>Date</b>	<b>Meeting</b>	<b>Services Included</b>
6 Feb 24	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
6 Feb 24	Economy and Regeneration Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways
7 Feb 24	Health Scrutiny Committee	Adult Social Care Public Health
7 Feb 24	Children and Young People Scrutiny Committee	Children and Education Services
8 Feb 24	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 Feb 24	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance

#### *Budget Consultation*

- 4.4. There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels opened on 31 October and will run until 27 December 2023. The provisional results from the consultation will be reported to Executive in February. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 26 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.

#### *Equalities Impact and Anti-Poverty Assessments*

- 4.5. Each saving option that was approved last year was supported by a robust business case where consideration was given to how the savings could impact on different protected or disadvantaged groups. Where applicable proposals were subject to completion of an Equality Impact Assessment (EqIA) and a Poverty Impact Assessment as part of the detailed planning and

implementation. Work is also underway on the way in which equalities data is collected across the Council, supporting the ability to be better informed on the impact of changes being made to services.

## **5. Conclusion**

- 5.1. This paper sets out the impact of the Provisional Settlement and associated impact on the Councils budget position. 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 that point all the financial information to set the budget will be available.
- 5.2. The updated position leaves a potential budget gap of £5m in 2024/25, £36m in 2025/26, increasing to £55m by 2026/27. Further work is underway to balance the 2024/25 budget. As the report sets out, the position is likely to be even more challenging from 2025/26 and there likely to be very difficult decisions for the Council to make. It is important that work to prepare for this starts early in the next financial year.

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