

Manchester City Council Report for Resolution

Report to: Executive – 17 February 2021
Resources and Governance Scrutiny Committee – 1 March 2021

Subject: Revenue Budget 2021/22

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

Summary

This report sets out the budget proposals for 2021/22 based on the outcome of the Final Local Government Finance Settlement and the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2021/22. This report should be read in conjunction with the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Dedicated Schools Grant Report, the Medium-Term Financial Strategy and Budget Report 2021/22, the Capital Strategy and Budget 2020/21-2024/25 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

- (i) Note that the financial position has been based on the Final Local Government Finance Settlement announced on 4 February together with any further announcements at that date,
- (ii) The resources available are utilised to support the financial position to best effect, including use of reserves and dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (including Covid-19 allocations),
- (iii) Note the anticipated financial position for the Authority for the period of 2020/21 to 2021/22 which is based on all proposals being agreed,
- (iv) Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2021/22,
- (v) Note that the Capital Strategy and Budget 2020/21 to 2024/25 will be presented alongside this report,
- (vi) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in the Budget 2021/22 Covering Report elsewhere on this Agenda,
- (vii) Make specific recommendations to Council to approve in the budget for 2021/22:
 - a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 1.99%. The Council has consulted on the 3% Adult Social Care precept increase. If agreed, it is proposed to

- prioritise this resource to support care budget pressures and notably the impact of COVID-19 on care for residents both to support new and increased needs and complexity.
 - b. the contingency sum of £1.854m,
 - c. corporate budget requirements to cover levies/charges of £66.731m, capital financing costs of £39.507m, additional allowances and other pension costs of £9.066m and insurance costs of £2.004m,
 - d. the inflationary pressures and budgets to be allocated sum of £3.671m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources. The health and social care elements of these costs have already been included in the Pooled Budget. The use of these budgets will be agreed with the Manchester Partnership Board, which has representation from all key partners, along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.
 - e. the estimated utilisation of £9.786m in 2021/22 of the surplus from the on-street parking and bus lane enforcement reserves, after determining that any surplus from these reserves is not required to provide additional off-street parking in the authority; and
 - f. the planned use of, and movement in, reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.
- (viii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve in consultation with the Executive Members for Finance and Human Resources and Adult, Health and Wellbeing and the Chief Executive of the MLCO.
 - (ix) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services
 - (x) Approve the gross and net Directorate cash limits as set out in Section 5 and Appendix 1,
 - (xi) Approve the in-principal contribution to the Health and Social Care Pooled Budget, and subject to the approval of a new S75 Agreement at Executive,
 - (xii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments,
 - (xiii) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices,
 - (xiv) Approve, in principle, implementation of any new business rate reliefs in 2021/22 or changes as announced by Government in the Chancellor's Spring Budget on 3 March, which will increase the relief offering to businesses. Note

- that the business rates bills will not be issued until after the Spring Budget announcement and any changes have been actioned, and
- (xv) Recommend that Council approve and adopt the budget for 2021/22.
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Wards Affected: All

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| Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
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| The proposed 2021/22 budget will reflect 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. |
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| Our Manchester Strategy Outcomes | Summary of the contribution to the strategy |
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| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities. | This report considers the medium-term financial strategy for 2021/22 that will underpin all of the Council's priorities as determined through 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 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

This report sets out a number of proposals which are subject to consideration by Executive following that by Scrutiny Committees. The implications for the Council's revenue budget for 2021/22, if all proposals are agreed, are set out within the report.

Elsewhere on the agenda are the Medium-Term Financial Strategy, the Directorate Reports including a joint report for Health and Social Care, the Housing Revenue Account Budget, the Dedicated Schools Grant, Medium Term Financial Strategy and Budget 2021/22 Report and the Capital Strategy and Budget Report and the Treasury Management Strategy and Borrowing Limits and Annual Investment Strategy. These reports together underpin the detailed financial spend of the Council for the forthcoming year and provide a framework for Revenue and Capital planning for 2021/22.

The latest financial position for 2020/21 is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

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.

Executive – 11 November 2020 Report to update on the Council's MTFP focusing on the financial position and strategy from 2021/22
Executive - 14 October 2020 P5 Revenue Budget Monitoring 2020/21 and Budget Position 2021/22

Executive - 9 December 2020 P7 Revenue budget monitoring 2020/21
Executive – 20 January 2021 - Provisional Local Government Finance Settlement
2021/22

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Appendix 1: Savings and Efficiency Proposals 2021/22

Appendix 2: Legal Background to Setting the Revenue Budget and Council Tax

Appendix 3: Reserves

1 Introduction

- 1.1. The Final Local Government Finance Settlement 2021/22 was released on 4 February 2021, with no changes from the provisional settlement announced 17 December 2020. Due to the announcement of a one-year Spending Review by government the Council will publish a single year budget for 2021/22, whilst maintaining focus on longer term financial planning. This report sets out a one-year budget for 2021/22, however the longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability, in the Medium-Term Financial Strategy. It is anticipated that the implications of COVID-19 will have a significant impact on the Council's finances for several years.
- 1.2. The financial considerations contained within this report are based on the Final Local Government Finance Settlement issued on 4 February 2021 and announcements on grant allocations. It should be noted that the final amount of Public Health grant is yet to be confirmed. It also contains the outcome of the decisions on council tax and business rates surpluses and bases that have been made by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources under delegated powers.
- 1.3. Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny meetings and make recommendations on what should be included in the revised budget.

2. Background and Context

- 2.1. At the time the 2020/21 budget was set there was considerable uncertainty about the position post 2020/21, including potential changes to the business rates regime and funding allocation formula. The spending review process was also unclear. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25, as a result of cost pressures including inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. Since then, the Council has seen the financial impact of COVID-19, which is outlined in the Period 9 Global monitoring position reported elsewhere on this agenda.
- 2.2. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Single Council Business Plan 2021/22 describes in more detail the action being taken to deliver the Corporate Plan.
- 2.3. The Medium-Term Financial Strategy elsewhere on the agenda sets out the context for the budget. The budget proposals for 2021/22 will continue to reflect the priorities set out in the Corporate Plan. Whilst the Council is publishing a one-year budget in line with the one-year spending review there is a need to plan for a three-year position. The Medium-Term Financial Strategy takes a three year look at the position, the risks and uncertainties faced and the approach to ensuring financial resilience.

- 2.4. The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position considering both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures, including those resulting from the COVID-19 pandemic, and to invest in Council priorities. It brings together the agreed priorities with residents, any recent funding announcements, and the Council's statutory duties.

3. Financial Context

COVID-19 Pandemic

- 3.1. During the pandemic local government has stepped up and delivered. Manchester City Council has provided accommodation to 280 homeless people sleeping rough in the city, delivered free school meal vouchers to over 34,000 vulnerable school aged children during both the December and February half term, allocated over £1.4m in food support to the most vulnerable residents through the Manchester Community Hub, distributed over £153m in funding to businesses and conducted a successful local Track and Trace scheme.
- 3.2. This has not been without cost. Prior to COVID-19 the Council had established a Medium-Term Financial Plan and Balance Sheet strategy with capacity to offset shocks and provide investment where necessary. This had included for example using the majority of the airport dividend in arrears and smoothing budget investment in social care. However, the depth and breadth of this pandemic could not have been foreseen and the Council, like many other authorities across the country, is facing a significant and long-term financial challenge.
- 3.3. As a result of the COVID-19 pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive, elsewhere on this agenda). The budget impact of the pandemic is estimated at £58m this year increasing to £144m next year. It is anticipated the losses will continue to be felt over the five-year period. Whilst some issues are uniform to most local authorities every local authority will have different specific issues which impact them. For Manchester, the most significant is commercial income losses with a budget impact of c£15m lost this year increasing to £71m before recovering somewhat from 2023/24.
- 3.4. The losses have been partly supported by central government through emergency funding which totals £64.8m in 2020/21 and £22.2m in 2021/22. In addition, support is anticipated through the Sales, Fees and Charges compensation scheme which is based on a claims process and estimated at £10.2m this year and £4.5m relating to quarter one of 2021/22.

Overall position

- 3.5. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25. This was a result of cost pressures including

inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. The significant financial impact from the COVID-19 pandemic estimated at £144m in 2021/22 is in addition to this, giving an underlying gross pressure for 2021/22 of £166m.

- 3.6. Prior to the Spending Review mitigations and corporate measures of £57m were identified to support the position. In addition, it was proposed £12m of airport dividends were re profiled from 2020/21 to support next year's budget. This resulted in pre-Spending Review budget gap of £97m.
- 3.7. This will be balanced through the additional funding announced in the Finance Settlement (£58m), a planned £41m budget cuts, proposed £9m use of the 3% Adult Social Care precept and grant to fund costs in adult social care and forecast Sales, Fees and Income compensation for losses (£4m). This is partly offset by movement of c£15m airport dividend to 2022/23.

Table 1 Budget Overview

| | Revised 2020 / 21 £'000 | 2021 / 22 £'000 |
|--|--|----------------------------|
| Original Gap (pre COVID) | 0 | 22,554 |
| COVID-19 Budget impact of Additional Costs and Net income losses | 57,960 | 143,938 |
| Gross Underlying Gap (inc Covid-19) | 57,960 | 166,492 |
| COVID-19 Emergency Funding - Confirmed | (64,782) | 0 |
| COVID-19 Sales, Fees and Charges grant - forecast | (10,200) | 0 |
| Savings, mitigations and other changes | (18,205) | (2,327) |
| Corporate measures | 0 | (55,382) |
| Reprofile use of reserves to part offset loss of income impacting future years | 34,835 | (11,803) |
| Budget position pre settlement | (392) | 96,980 |
| Spending Review / settlement | 0 | (58,701) |
| Savings Proposals | 0 | (40,717) |
| Savings target being met by ASC precept and Social Care Grant | 0 | (8,700) |
| COVID-19 Sales, Fees and Charges grant - forecast | | (4,481) |
| Reprofile use of reserves to part offset loss of income impacting future years | 392 | 15,619 |
| Forecast revised budget gap | 0 | (0) |

- 3.8. The Corporate measures of £55.4m are detailed in the relevant sections of this report. The most significant are as follows:
- Use of net income from the airport loan, after allowing for the costs of interest and minimum revenue provision (MRP), to support the revenue budget rather than the capital programme:
 - Loan advanced in 2020/21 - £14.9m (2 years including 2020/21 and 2021/22).
 - Loan advanced in 2018/19 - £10m (2 years including 2020/21 and 2021/22).

- Additional income of £7.7m in 2021/22 returned from GMCA made up of Waste and Business Rates rebates, this will be carried forward in reserve to support 2022/23.
 - Use of funds which were originally planned to be shared with GMCA (business rates pilot growth) now used to partly offset the business rates deficit in 2021/22 £6.3m.
 - Use of capital fund reserve £2.8m.
 - Minimum revenue provision saving £2.4m.
 - Use of bus lane income to support the transport levy costs of £2m.
 - Ongoing increase of £1m on the Retained Business Rates budget due to the late announcement of Public Health allocation for 2020/21 which increased the Council's Baseline Funding Level and reduced the Tariff payment due to the Government.
- 3.9. Other changes totalled £1.9m and included the ongoing impact of 2020/21 mitigations such as utilities savings (£0.4m), pension contribution decrease in addition to that budgeted (£0.3m), an underspend on additional allowances payments (£0.5m) alongside a review of the amount set aside for directorate investment £0.7m.
- 3.10. Spending Review announcements were reported to 20 January Executive and have improved resources by £58.7m. The most significant announcements and assumptions being Tranche 5 emergency funding (£22.2m), the Local Tax Income guarantee scheme (£10.3m), the Local Council Tax support grant (£5.7m), reduced pay assumptions (£8.9m), An additional year of New Homes Bonus (£4.1m), a new Lower Tier services grant (£1.2m) and continuation of the business rates 100% retention pilot (£5.1m) and inflationary increases £1.2m.
- 3.11. In addition, the Spending Review increased funds available for Social Care through an increased Adult Social Care (ASC) Council Tax precept of 3% which is worth c£5.1m to the Council and a £300m increase to the Social Care grant, of which Manchester's share is £6.3m. It is proposed £8.4m of this is used to fund care budget pressures and thereby reduce the savings requirement, with the balance of £3m supporting investments in the health and social care pooled budget (£2.7m) and within Childrens Services (£0.3m).
- 3.12. In summary the additional funding announced, alongside the proposed savings will enable a balanced budget to be delivered in 2021/22. In addition, this will allow the identified £11.8m plus a further £3.2m of planned reserves to be reprofiled to support the position in 2022/23 where there remains a significant budget gap.

Budget Cuts Proposals

- 3.13. Prior to the Spending Review the Council was facing a budget gap of almost £100m. The Finance Settlement has improved the position, although it assumes that local authorities will increase council tax by 4.99% including the 2% referendum limit and the 3% Adult Social Care precept.

- 3.14. The Council consulted on a proposed 4.99% council tax increase and the consultation closed on 24 December. The responses to the consultation were reviewed by January Executive and the full increase, including the social care precept, is included in the budget proposals set out in this report. The majority of the additional social care grant and the social care precept have been applied to fund care budget pressures and thereby reduce the £20m budget cuts target for Adult Social Care by £8.4m with the Council now proposing a total of £40.7m budget cuts, rising to £47.8m by 2024/25.
- 3.15. The final budget cuts proposals are detailed in the directorate budget reports elsewhere on this agenda and listed in Appendix 1. The summary position by directorate is shown below.

Table 2 Savings Proposals

| Amount of savings proposals | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 | Indicative FTE reduction |
|---------------------------------|------------------|------------------|------------------|------------------|----------------|--------------------------------|
| Adults Services | 11,597 | 3,326 | 3,477 | 0 | 18,400 | 0.0 |
| Children Services | 12,359 | (152) | (1,309) | 100 | 10,998 | 14.0 |
| Homelessness | 2,335 | 0 | 0 | 0 | 2,335 | 7.0 |
| Neighbourhoods (Incl. Highways) | 6,683 | 493 | 100 | 100 | 7,376 | 2.0 |
| Growth and Development | 2,024 | 591 | 604 | (905) | 2,314 | 22.4 |
| Corporate Core | 5,719 | 562 | 0 | 0 | 6,281 | 115.6 |
| Total Savings Options | 40,717 | 4,820 | 2,872 | (705) | 47,704 | 161.0 |

3.16. The proposed budget cuts and requests for additional funding are being considered again at the February Scrutiny Committee meetings. Any recommendations from these meetings are included in the papers to the Executive.

3.17. The table below summarises the budget position after the impact of all the changes outlined in this section of the report and a full review of all the resources available and expenditure commitments.

Table 3 Summary of Resources Available and Budget Requirement

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|-----------------------------------|--|---|--------------------------------|
| Resources Available | | | |
| Business Rates Related Funding * | 339,547 | 514,696 | 155,537 |
| Council Tax | 174,465 | 174,465 | 176,857 |
| Grants and other External Funding | 66,642 | 131,823 | 120,243 |
| Dividends | 15,810 | 900 | 0 |
| Use of Reserves | 69,661 | 37,405 | 184,667 |
| Total Resources Available | 666,125 | 859,289 | 637,304 |

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|--|--|---|---|
| Resources Required | | | |
| <i>Corporate Costs:</i> | | | |
| Levies / Statutory Charge ** | 71,327 | 67,851 | 66,580 |
| Contingency | 860 | 300 | 4,719 |
| Capital Financing | 44,507 | 44,507 | 39,507 |
| Transfer to Reserves *** | 18,263 | 199,474 | 1,557 |
| Sub Total Corporate Costs | 134,957 | 312,132 | 112,363 |
| <i>Directorate Costs:</i> | | | |
| Additional Allowances and other pension costs | 9,580 | 9,066 | 9,066 |
| Insurance Costs | 2,004 | 2,004 | 2,004 |
| Inflationary Pressures and budgets to be allocated | 10,271 | 970 | 3,230 |
| Directorate Budgets | 509,313 | 535,117 | 510,641 |
| Subtotal Directorate Costs | 531,168 | 547,157 | 524,941 |
| Total Resources Required | 666,125 | 859,289 | 637,304 |
| Shortfall / (surplus) | 0 | 0 | 0 |

*A large number of businesses received full relief from business rates in 2020/21, due to the pandemic. The Council was reimbursed for this income loss through a section 31 grant received in 2020/21, totalling £139m. Due to the accounting rules for collection fund the associated deficit is recognised in 2021/22, therefore the grant will be carried forwards in reserve to offset. This is shown as reduced business rates income and netted off in the transfer to reserves figure in the Resources Required section of the table. The reduced business rates income also includes the estimated 2020/21 business rates deficit that does not relate to the additional reliefs awarded.

**Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. The revised budget figure has reduced after taking into account the reduced contribution required by GMCA

*** The 2020/21 £199m Transfer to Reserves includes the £139m business rates S31 grant referred to above and £30.9m carry forward of COVID-19 related grant for the income guarantee scheme to be used across 2021/22 to 2023/24

3.18. The changes between the original and revised budget are detailed in full in the Period 9 Global Monitoring report elsewhere on the agenda.

4. Underpinning Financial Assumptions

4.1. This section of the report sets out the detailed assumptions which underpin the revised budget for 2020/21 and the 2021/22 proposed budget.

Resources Available

Business Rates Income

- 4.2. Business Rates income is collected locally and partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution is to ensure that areas do not lose out just because their local business rates are low compared to their assessed needs. The tariff is the amount paid to the Government to adjust income from business rates and bring it in line with the Government's assessment of the baseline funding level required. The top up was the amount received to bring funding in line with the Government's assessment of baseline funding level required.
- 4.3. The Council had been part of a pilot to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The scheme set a growth baseline above which the ten Greater Manchester authorities would retain 100% of growth for the length of the pilot. On commencement of the 100% pilot the Council became a tariff authority (paying money to the government) rather than a top-up authority as it was previously under the 50% scheme.
- 4.4. Under the 100% pilot agreement, Revenue Support Grant and Public Health funding rolled into the business rates system. This means the 2021/22 Settlement Funding Assessment, or Baseline Funding Level, of £289.915m includes Revenue Support Grant of £58.291m and Public Health Funding of £52.857m. The direct Public Health allocations have not been confirmed for 2021/22.
- 4.5. In summary the total business rates related income available is as set out in the table below.

Table 4 Business Rates Related Funding

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed Budget 2021 / 22 £'000 |
|---|--|---|--|
| Business Rates Baseline (per MHCLG) | 329,127 | 329,127 | 329,127 |
| Growth / (Loss) compared to baseline | 11,226 | 11,226 | (8,296) |
| Forecast Business Rates Income per NNDR1 | 340,353 | 340,353 | 320,831 |
| Business Rates Tariff | (40,550) | (39,532) | (39,212) |
| Surplus relating to 2018/19 | 2,501 | 2,501 | 0 |
| Surplus relating to 2019/20 | 9,579 | 9,579 | 818 |
| Deficit related to S31 Grant Extended Retail Relief | 0 | 0 | (139,075) |
| Deficit relating to 2020/21 (total £41.039m spread over 3 years) | 0 | 0 | (13,680) |
| Compensation for irrecoverable losses | 0 | 30,864 | 0 |
| Business Rates S31 Grants (non-COVID) | 29,856 | 29,826 | 25,854 |
| Business Rates Grants (COVID) | 0 | 139,075 | 0 |
| Transfer from / (to) Business Rates Reserve | (2,192) | 2,000 | 0 |

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed Budget 2021 / 22 £'000 |
|---------------------------------------|--|---|--|
| Business Rates related income | 339,547 | 514,696 | 155,537 |
| Memo: Smoothing via reserves: | | | |
| Extended Retail Relief | | (139,075) | 139,075 |
| Compensation for irrecoverable losses | | (30,864) | 10,288 |
| Net Bottom line impact | 339,547 | 344,757 | 304,900 |

- 4.6. The business rates baseline is the amount of business rates income that an authority is predicted to raise annually as included in the Settlement Funding Assessment. This would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2021/22.
- 4.7. Growth / loss compared to baseline – The business rates baseline sets the level of business rates yield government expects billing authorities to generate. This baseline was set in 2013/14, when the business rates retention scheme was implemented, and has been index linked to inflation since. Manchester has growth above this baseline to 2020/21, and in 2021/22 with the impacts on collection and appeals due to the pandemic, the Council expects to fall below this baseline.
- 4.8. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources agrees under her delegated powers to determine the Business Rates base for 2021/22 including the calculation of the Council's business rate income and the major preceptors share. Further, the notification of the calculations as required to the Secretary of State and the Greater Manchester Combined Authority. In accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013. The City Council's business rates income used for budget setting purposes for the year 2021/22 shall be £320.831m; the decision was made on the 29 January 2021.
- 4.9. The business rates tariff - In the Finance Settlement, it was announced that Revenue Support Grant would increase by an inflationary increase of 0.55%. As the Council is part of a 100% business rates pilot that is reflected in a reduced tariff being payable to government.
- 4.10. Reduced Business Rates income - This is the estimate of the difference in business rates income to the Government's business rates baseline. This includes the amount the Council anticipates collecting in business rates, plus the Council's share of the business rates deficit relating to the prior year.
- 4.11. Business rates Surplus / Deficit - Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate deficit is delegated to the Deputy Chief Executive and City

Treasurer, in consultation with the Executive Member for Finance and Human Resources and was made on 29 January 2021.

- 4.12. The Council's 99% share of the 2020/21 Business Rates Deficit declared is estimated at £179.296m. This is made up of three elements as follows:
- A surplus of £0.818m which represents the difference between the Council's share of the estimated surplus for 2019/20 declared in January 2020 compared to the outturn at 31 March 2020.
 - The reliefs that were granted to the retail, leisure and hospitality sectors as a result of the COVID-19 pandemic and totals £139.075m. These reliefs result in a reduction in business rates due but are fully funded by section 31 grant. Due to the accounting arrangements for the Collection Fund these grants will be accounted for in 2020/21. In order to fund the resultant deficit in 2021/22 this amount will be transferred to reserves.
 - The final element is the estimated deficit for 2020/21 that was declared at the end of January 2021. This totals £41.039m and comprises the reduced collection rate as a result of the pandemic and an increase in the provision for appeals. The volume of appeals has increased both due to businesses claiming material changes in circumstances due to the pandemic and other known issues relating to rateable value reductions across the country for large shops, hospitals and fire stations. This element of the deficit is fixed and required to be spread over a three-year period between 2021/22 and 2023/24 at £13.680m per annum.
- 4.13. **Compensation for irrecoverable losses** - The Government has agreed to fund local authorities for 75% of irrecoverable losses in rates income relating to 2020/21 once additional section 31 grants have been taken into account - an amount of £30.864m is anticipated in 2020/21. This will be transferred to reserves and drawn down over 3 years.
- 4.14. **Business Rates Grants** – Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government. This includes grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief and in 2020/21 Extended Retail Relief which applied 100% relief to retail, hospitality and leisure properties in response to the pandemic for one year only, reducing rates yield by an additional £139.075m. The total Section 31 grants for 2020/21 currently total £199.795m, of which £29.856m applies to reliefs in place prior to COVID-19, £139.075m for the additional reliefs granted as part of the COVID-19 response and £30.864m for the Government's 75% Income Guarantee scheme. The £25.854m for 2021/22 covers the existing pre COVID-19 reliefs. All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot.
- 4.15. In addition, the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. The estimate for 2021/22 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ringfenced reinvestment within this EZ and will fund the costs of the enterprise zone growth manager and the borrowing costs associated with developments.

- 4.16. The Government has confirmed that the 100% business rates growth retention pilot for ten Greater Manchester authorities will continue for 2021/22. There is no confirmation of what will happen beyond next year.

Table 5 Forecast Business Rates Grants

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|--|--|---|---|
| Business Rates Grants: | | | |
| Small Business Rates Relief | 15,352 | 15,352 | 16,139 |
| Multiplier Cap | 13,665 | 13,665 | 16,738 |
| Discretionary Revaluation | 45 | 45 | 0 |
| Enterprise Zone discounts | 1,058 | 1,058 | 811 |
| Retail relief | 5,762 | 5,762 | 0 |
| Adjustment to Top up in relation to multiplier cap | (6,026) | (6,026) | (7,834) |
| Extended Retail Relief | 0 | 139,075 | 0 |
| Local Income Guarantee Scheme Grant | 0 | 30,864 | 0 |
| Total Business Rates Grants | 29,856 | 199,795 | 25,854 |

- 4.17. The Greater Manchester Councils, including Manchester, together with Cheshire East and Cheshire West and Chester, previously participated in the Greater Manchester and Cheshire Business Rates Pool which enabled any levy that would be otherwise be passed to the Government to be retained for the benefit of the Greater Manchester Combined Authority and Cheshire authorities. Due to the increased risks of authorities potentially breaching their safety net position, it has been agreed to dissolve the pool for 2021/22.
- 4.18. Any additional changes announced by the Chancellor in the Spring Budget on 3 March 2021 that reduce business rates income will be reimbursed as Section 31 grants. A supplementary return will be requested by Government to estimate the increased relief award and additional business rates grant due to the Council in 2021/22. As some changes are expected in the Spring Budget Announcement, the issuing of business rates bills will be delayed until after the Announcement and any changes have been processed.

Council Tax

- 4.19. The Council collects council tax which includes the Council's own elements as well as the GMCA police and crime commissioner precept, the GMCA fire precept and the GMCA mayoral general precept. This report focuses on the increase to the Council element.
- 4.20. The changes to the council tax receivable by the Council are set out below:
- Referendum criteria – The Spending Review confirmed the referendum threshold at 2% for the authority's other expenditure, (excluding adult

social care). This will generate an additional £3.4m and is included in the Revenue Budget proposals.

- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 3%. This will generate an additional £5.1m and is also included in the budget proposals.
- An increase in the Council Tax base of 1.8% (from the previous year's approved position) reflecting estimated housing growth within the City.
- The assumed council tax collection rate has been reduced from 96.5% to 94.5% as a result of the reduced collection being experienced due to the pandemic. Council tax due in the current year will continue to be collected for a number of years so the ultimate collection rate will be higher.
- A Council Tax deficit arising from the reduction in the in year collection rate and the increased number of people claiming Council Tax Support.

4.21. As set out earlier in this report, the Council consultation on the 3% adult social care precept closed on 24 December. The Council is minded to take the full 3% increase and the funding, worth £5.077m, would be added to the Health and Social Care Pooled Budget to support the funding of the £19.916m investment required to meet the ongoing costs from Covid-19 and demand and inflationary pressures detailed in the Adult Social Care and Population Health Budget 2021/22 report elsewhere on this agenda.

4.22. The impact of these changes on the 2021/22 position are shown in the table below. More detail on the setting of the Council Tax base and the calculation of the deficit are set out below the table:

Table 6 Net Council Tax Income Increase

| | 2020/21 £000 | 2021/22 £000 |
|------------------------------------|-------------------------|-------------------------|
| General Increase | 3,242 | 3,394 |
| Adult Social Care Increase | 3,259 | 5,117 |
| Increase to Tax Base | 3,907 | 1,118 |
| Change in prior year surplus | (2,450) | (7,237) |
| Total Increased Council Tax | 7,958 | 2,392 |

Setting the Council Tax Base

- 4.23. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to set the tax base for Council tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 4.24. This calculation was based on data available on 31 December 2020 and the decision must be made between 1 December 2020 and 31 January 2021. The Council has to notify the precepting authorities of its calculation for 2021/22 by 31 January 2020. The tax base for tax setting purposes for the year 2021/22 was agreed on 7 January 2021 at 119,649.3. This compares to the base of

118,864.6 an increase of 0.7% and is due to an increase in the number of properties in the city, partly offset by an increase in the amount of council tax support awarded.

- 4.25. The base assumes that the number of Council Tax support claims will increase by an additional 1,500; this will be a significant increase of 12.8% from April 2020.

Declaring the Council Tax Surplus or Deficit

- 4.26. Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to council taxes. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to agree the declared council tax surplus or deficit and this key decision approving the £2.984m deficit was made on 21 January 2021.
- 4.27. The 2020/21 Council Tax position has been estimated based on information available at the end of December 2020. An overall deficit of £2.984m is estimated of which Manchester's proportion is £2.482m. This deficit is split into two elements. The first part relates to the difference between the council tax surplus declared in January 2020 and the lower surplus calculated as part of the 2019/20 outturn as a result of the reduced collection rate at the start of the pandemic. The total part of that deficit is £2.488m of which the Council's proportion £2.072m is included in the 2021/22 budget.
- 4.28. The second part of the deficit relates to the in-year position and this is estimated at £496k due to the need to increase the bad-debt provision above the earlier assumption; with the Council's share being £410k.
- 4.29. The Government announced in the settlement that it would fund 75% of irrecoverable losses relating to the in year position. However, the definition of irrecoverable losses relating to council tax does not include any loss as a result of reduced collection rates, as a result the Council is not entitled to any compensation under this scheme. The omission of collection rate has been raised with government through the Council's consultation response.
- 4.30. The Government also announced that any in year loss has to be spread over 3 years, this is therefore included in the budget at £137k per annum for 2021/22 to 2023/24.

Table 7 Council Tax Position

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed Budget 2021 / 22 £'000 |
|-------------------------|--|---|--|
| Council Tax requirement | 169,437 | 169,437 | 179,066 |
| 2018/19 Surplus | 583 | 583 | 0 |

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed Budget 2021 / 22 £'000 |
|---------------------------|--|---|--|
| 2019/20 Surplus / Deficit | 4,445 | 4,445 | (2,072) |
| 2020/21 Deficit | 0 | 0 | (137) |
| | 174,465 | 174,465 | 176,857 |

The Band D Council Tax Rate

- 4.31. Table 6 below shows the proposed changes to the Band D Council tax rate if the proposed increases are agreed by the Council and GMCA. The decision on the level of increase in the Council element will be considered at Council on 5 March following consultation on the proposed 3% social care precept. Decisions on the GMCA elements will be made by the GMCA on 12 February.
- 4.32. This includes the 4.99% increase for the Council and the indicative £10 Band D equivalent for the GM Police and Crime Commissioner precept. No other precept increases are anticipated for the GMCA.

Table 8 Proposed Band D Council Tax Impact on Manchester Band D Council Tax

| Precepting Authority | 2020/21 £ | 2021/22 £ | Increase % |
|--|----------------------|----------------------|-----------------------|
| Council (including Adult Social Care Precept) | 1,425.46 | 1,496.59 | 4.99% |
| GM Mayoral Police and Crime Commissioner Precept | 208.30 | 218.30 | 4.8% |
| GM Mayoral General Precept (including Fire) | 90.95 | 90.95 | 0% |
| Total | 1,724.71 | 1,805.84 | 4.7% |

Other Non Ring-Fenced Grants and Contributions

- 4.33. The following table lists the other non ring-fenced grants and contributions expected. There are also number of direct grants which are held within the Directorate cash limit budgets, as shown in table ten and detailed in the directorate reports.

Table 9 Other Non Ring-Fenced Grants and Contributions

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|--|--|---|---|
| Better Care Fund (Improved) | 30,815 | 30,815 | 30,815 |
| Children's and Adult's Social Care Grant | 17,564 | 17,564 | 23,877 |
| Lower Tier Services Grant | 0 | 0 | 1,236 |
| New Homes Bonus | 8,864 | 8,864 | 8,330 |
| Contribution from MHCC | 4,000 | 4,000 | 4,000 |
| GMCA Rebate | | 7,681 | 0 |
| Education Services Grant | 1,260 | 1,260 | 1,200 |
| Housing Benefit Admin Subsidy | 2,514 | 2,514 | 2,514 |
| Fortuitous Income (one off) | 0 | 924 | 0 |
| R&B additional grants (New Burdens) | 0 | 468 | 0 |
| Council Tax Support Admin Subsidy | 863 | 856 | 856 |
| Care Act Grants | 162 | 95 | 95 |
| Business Rates Returned Levy | 600 | 0 | |
| COVID 19 Emergency funding | 0 | 46,582 | 22,229 |
| Local Council Tax Support grant | | | 5,709 |
| COVID grant for Sales, fees and charges losses | 0 | 10,200 | 4,481 |
| Loan Income from Airport | 0 | 0 | 14,901 |
| Total Non Ring-fenced Grants | 66,642 | 131,823 | 120,243 |

4.34. More detail on the non ring-fenced grants and contributions is set out below. Other grants and contributions are contained within the Directorate budgets and detailed in the directorate reports elsewhere on this agenda:

- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was provided to ensure that councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. This grant is being used to fund priorities and pressures within Adult Social Care and is currently included in the Health and Social Care Pooled Budget. The full detail is set out in the Manchester Local Care Organisation - Adult Social Care Business Plan.
- **Children and Adults Social Care Grant** - The Social Care Grant for adult and children's service was again confirmed in the 2021/22 Local Government Finance Settlement. The national grant has increased by £300m, £240m of this has been equalised to account for each authority's ability to generate income from the ASC Council Tax precept. The Council will receive an additional £6.3m. £3.3m is being used on a one-off basis to fund care pressures. The full detail is contained within the Adult Social Care and Population Health Budget 2021/22 report.
- **Lower Tier Services Grant** – This is a new one off un-ringfenced grant which will allocate £111m to local authorities with responsibility for lower

tier services. The proposed grant methodology is two-fold. £86m will be allocated based on relative needs (last assessed in 2013/14). The balance includes a one-off minimum funding floor to ensure that no authority sees an annual reduction in Core Spending Power (CSP). This funding is in response to the current exceptional circumstances and is a one-off. The Council will receive £1.2m which is supporting the overall budget position in 2021/22.

- **New Homes Bonus (NHB)** - This is paid to local councils to reflect and incentivise housing growth. The Government has proposed a new round of NHB payments (year 11 payments) in 2021/22 which will not attract new legacy commitments in future years. The allocations for 2021/22 will be funded through a £622m top slice of Revenue Support Grant (RSG). The methodology will be the same as in 2020/21 with payments calculated as new housing and houses brought back into use (above a payments baseline of 0.4%), multiplied by the average band D council tax payment, with an additional payment made for affordable homes. Legacy payments associated with year 8 (2018/19) and year 9 (2019/20) will also be paid. The base budget reflected the expected legacy payments (£4.7m). The additional grant announced is worth £4.1m and is being used to support the overall budget position. The Government is inviting views on a replacement for NHB
- **Contribution from Manchester Health and Care Commissioning (MHCC)** - This relates to the agreement of a longer-term joint funding strategy with the CCG which includes the ongoing £4m contribution to the MHCC Pooled Budget.
- **GMCA Rebate** - This relates to rebates received from GMCA relating to both returned business rates income (£3.861m) and reserves released by the Waste Authority (£3.820m). These will be received in 2020/21 and held in reserve to support the revenue budget in 2021/22.
- **Education Services Grant** - This relates to retained funding from DSG to fund statutory duties at an increased rate of £13.15 per pupil.
- **Housing Benefits Administration Subsidy and Council Tax Support Administration Funding** - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.
- **Care Act Grants** - Funding allocations for adult social care duties previously announced.
- **Business Rates Returned Levy** - There was a redistribution of the surplus held in the national levy account in 2019/20. The national amount had been estimated at £45m which when finalised equated to £0.6m for Manchester; paid in 2020/21 only.

- **COVID-19 Emergency Funding** – The tranches of non-ringfenced funding announced by the Government to provide Council's financial support for the impact of the pandemic.
 - **Local Council Tax Support grant** - indicative allocations from Government provide the Council with £5.709m of funding, however, this is based on Council Tax Support claimant data to 31 September and is likely to be revised to reflect updated claimant levels.
 - **COVID Grant for Sales, fees and charges losses** – further compensation provided specifically to Council's for 75% of qualifying income losses. This is based on the estimated financial impact, claimed retrospectively through claims to MHCLG. The total claimable is estimated at £10.2m this year and £4.5m relating to quarter one of 2021/22.
 - **Loan Income from Manchester Airport Group** - Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).
 - **Support for Leisure Centres** - £0.1bn funding has been identified nationally to provide support to council leisure centres most in need. Manchester has bid for £1.3m and is expected to receive the outcome of the bid by late February.
- 4.35. **Public Health Grant** is not reflected in the table above because for the Council Public Health expenditure is not currently grant funded but is now met from retained business rates. The 2021/22 allocations have not yet been announced by government, therefore the 2020/21 amount of £52.857m is assumed. It has been indicated that there is unlikely to be an inflationary increase. Should this change the Council's business rates tariff payment to the government will be revised accordingly. Public Health is included in the MHCC pooled budget which is currently being reviewed for 2021/22 in light of changes to the Health and Social Care integration arrangements.
- 4.36. The Directorate's budgets are reliant upon a range of government grants which fund specific responsibilities, these are reflected in directorate gross budgets. At this stage there are still some assumptions included for 2021/22 and budgets will be updated in year as grant announcements are made.
- 4.37. This includes the following significantly high value grants in 2021/22:
- **Dedicated Schools Grant (Childrens)** £339.59m allocation for schools, excluding those that have transferred to Academies. This now includes the Teacher's Pay and Pensions Grants.
 - **Pupil Premium Grant (Childrens)** – £23.69m to support disadvantaged pupils and decrease the attainment gap between them and their peers.

- **Universal Free Schools Meals Grant (Childrens)** £3.8m which provides funding for all government funded schools to offer free school meals to eligible pupils in reception, year 1 and year 2.
- **Homelessness Prevention Grant (Homelessness)** £3.285m, this combines the Flexible Homelessness Support Grant and Homelessness Reduction Grant. The purpose of the grant is to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The additional funding of £723k for Manchester is allocated via a new formula that takes into account the relative homelessness pressures faced by LA's.
- **Rough Sleeper Initiative (RSI) Funding** £0.734m to fund joint initiatives and services to work together as the RSI partnership, with the objective of preventing people from rough sleeping and finding accommodation for people already rough sleeping.
- **Government Benefit Subsidy (Corporate Core)** total £180.8m **Housing Benefit Subsidy** the money government pays local authorities in the form of a subsidy to administer Housing Benefits and other financial matters; includes rent rebates paid and rent allowances awarded.
- **Discretionary Housing Payments (Corporate Core)** £2.538m allocation of the Government's contribution to assist the claimants with the welfare entitlement that resulted from the Housing Benefits welfare reform.
- **Community Safety Prevention Grant (Neighbourhoods)** £0.795m to support the Community Safety partnership which aims to make the city a safer place in which to live, visit and work. This grant contributes towards achieving the priorities of changing offender behaviours, protecting vulnerable people as well as reducing crime and anti-social bahavious.
- **Learning and Skills (Growth and Development) total** £8.242m for MAES (Manchester Adult Education Service) to connect the education, work and skills agenda across the Council.
- **Talk English (Growth and Development)** - £0.902m, funding allocated to 30 authorities to deliver English language courses and other activities that connect learners to the places, spaces and people in their local area.

4.38. The total grants included in the budget assumptions for each Directorate are summarised in the table below. Further details are set out in the Budget Reports elsewhere on this agenda.

Table 10 Specific Government Grants within Directorate budgets

| | 2020 / 21 £'000 | Indicative 2021/22 £'000 |
|------------------------|----------------------------|---|
| Children's | 358,258 | 376,847 |
| Adult Social Care | 5,095 | 5,095 |
| Homelessness | 3,286 | 4,009 |
| Corporate Core | 184,309 | 184,322 |
| Neighbourhoods | 5,419 | 2,266 |
| Growth and Development | 9,162 | 9,162 |
| Total | 565,529 | 581,701 |

Dividends and Use of Airport Reserve

- 4.39. The Airport Dividend from Manchester Airport Group for 2019/20 was planned to be used £14.910m in year, £47.090m a year in arrears and £8.729m two years in arrears. No dividend was receivable in 2020/21 and it is unlikely, with the impact of COVID-19 that any dividend will be paid in 2021/22. Therefore, no dividend has been budgeted for in 2021/22. The reduction in dividend income is partially offset by the use of the Airport Dividend reserve of £8.909m in 2020/21 and £5.387m in 2021/22. The majority of the reserve will be applied to the budget to meet the anticipated budget shortfall in 2022/23 as part of the measures set out in the Medium Term Financial Strategy.
- 4.40. The original budget for other dividends was £0.9m relating to Manchester Central (£0.5m) NCP Manchester Central (£300k) and Manchester Piccadilly (£100k). No dividends have been assumed for 2021/22 due to the economic situation.

Use of Reserves to Support the Revenue Budget

- 4.41. Use of reserves to support the corporate revenue budget is £34.461m in 2020/21 and £187.141m in 2021/22. The full detail is shown in the Reserves Section later in this report. It should be noted that the 2021/22 amount includes £139.075m relating to Business Rates Section 31 grant for Extended Retail relief.

Resources Required

- 4.42. The following table sets out the forecast levy payments and payment to GMCA.

Table 11 Levy Payments and Payment to GMCA

| | Original Budget 2020/21 £'000 | Revised Budget 2020/21 £'000 | Proposed 2021/22 £'000 |
|-------------------------------|--|---|---------------------------------------|
| Transport Levy | 37,476 | 37,476 | 37,525 |
| GM Waste Disposal Authority * | 30,051 | 30,051 | 28,731 |
| Environment Agency | 224 | 230 | 230 |
| Probation (Residual Debt) | 15 | 7 | 7 |

| | Original Budget 2020/21 £'000 | Revised Budget 2020/21 £'000 | Proposed 2021/22 £'000 |
|-----------------------------------|--|---|---------------------------------------|
| Magistrates Court (Residual Debt) | 9 | 9 | 9 |
| Port Health Authority | 71 | 78 | 78 |
| Statutory Charge to GMCA | 3,481 | 0 | 0 |
| Net Cost of Levies | 71,327 | 67,851 | 66,580 |

* Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. This is to recognise that the actions within the Directorate to reduce the levels of waste delivered impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

- 4.43. The Transport Levy is to cover the costs of the GMCA transport policies. As part of the GMCA budget process it has been agreed that the amount will be frozen for 2021/22 although as the costs are allocated on a per capita basis the amounts will vary with the differential population growth between the GM local authorities. This accounts for the £49k increase.
- 4.44. The GM Waste Levy is to cover the costs of waste disposal which are administered by the GMCA. The costs are allocated on the basis of a prescribed formula, the terms of which are set out in a specific agreement signed by all GM authorities. The assumptions have been updated based on the most up to date tonnage forecasts. The final amount will be confirmed following the meeting of the GMCA on 12 February 2021 and may vary slightly. An additional sum of £1.3m has been included within the Council's corporate contingency in 2020/21 to cover any potential increased charge in year linked to behaviour change due to the pandemic.
- 4.45. The statutory charge from GMCA is to cover costs that were previously met from the levy. The funding for transport functions has now been split between the Transport Levy and a Statutory Charge. There was a one-off increase to the statutory charge in 2020/21 and in the light of the financial pressures the GM local authorities are facing GMCA have agreed not to collect this in 2021/22.

Contingency

- 4.46. The required contingency amount includes:
- £1.254m in relation to risks around the waste levy and collection as outlined above.
 - Whilst a pay freeze has been assumed in line with government policy a £2.8m contingency is being held until the pay negotiations for local government have been concluded
 - £0.6m as an unallocated contingency to meet future unforeseen expenses. This is deemed to be reasonable amount and should be considered in conjunction with the Council's policy on reserves.

Capital Financing Budget

- 4.47. The capital financing budget of £39.507m is to cover the costs of borrowing. In 2021/22 this is forecast to include:
- Interest costs of £22.8m,
 - Interest receivable of £43.9m,
 - Minimum Revenue Provision (MRP) of £31.1m, being the provision for the repayment of debt incurred to fund an asset, spread over the useful economic life of the asset,
 - Debt Management Expenses of £3.5m. and
 - Contributions to the Capital Fund Reserve of £26.0m.
- 4.48. The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement also on this agenda provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £928.8m by the end of 2023/24 based on the current approved capital programme. To avoid this and any future capital investment becoming an additional call on the revenue budget the Capital Financing reserve has been established to cover the future increase in interest and MRP costs.
- 4.49. The Capital Financing budget has been reduced by £5m from 2021/22 as £5m of loan interest receivable is being used to directly support the revenue budget.

Transfers to Reserves

- 4.50. The planned transfers to reserves total £195.613m in 2020/21 and £1.557m in 2021/22. The full breakdown of these amounts is shown in the Reserves Section of this report.

Directorate Costs

Allowances and Insurances

- 4.51. Additional allowances for former staff and teachers' pension costs total £9.066m in both 2020/21 and 2021/22 relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time.
- 4.52. Insurance costs of £2.004m for both financial years relate to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

Inflationary Pressures and Budgets to be Allocated

- 4.53. The main assumptions are shown in the table below and detailed in the following paragraphs.

Table 12 Inflationary pressures and budgets to be allocated

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|---|--|---|---|
| Non-Pay Inflation | 2,361 | 0 | 1,981 |
| Pay Inflation | 6,520 | 0 | 0 |
| Pension Contribution | (800) | 0 | 0 |
| Apprenticeship Levy 0.5% | 900 | 970 | 999 |
| Capacity for further pressures including Domestic Violence Prevention | 1,000 | 0 | 0 |
| Digital City work | 250 | 0 | 250 |
| Electricity and gas savings | 0 | 0 | |
| Contribution to Cemeteries Reserve | 40 | 0 | 0 |
| Total | 10,271 | 970 | 3,230 |

Note: The allocation relating to the Health and Social Care pooled budget are not included in the table above as they have been included within Adult Social Care cash-limit budget as follows: National Living Wage £1.9m and Non-Pay Inflation £1.6m.

4.54. This includes the following:

- Non-Pay inflation - provided for increased running costs each year as a result of inflation. An allowance of 2% inflation has been made for 2021/22. The full year budget provision is £1.981m for 2021/22.
- Pay inflation – previously this was assumed to increase in line with the Chancellor's commitment of national living wage of £10.50 by 2024/25 - aligned to the Local Government pay scale. No allowance has been made for a pay award in 2021/22 in line Government Policy regarding the pay freeze. A contingency of £2.8m is being held pending the outcomes of the national pay negotiations for local government
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- Capacity for further pressures - £1m was made available in the 2020/21 budget for pressures arising from the review of domestic violence funding. The budget has been mainstreamed at £100k this year increasing to £330k from 2021/22. Investment will support earlier identification and intervention working with key partners and agencies.
- Digital City work - a budget of £250k. Being a Smart City by 2025 means being strong with digital technology companies and is a key enabler to delivering the carbon agenda. Work is underway to scope a role profile for a Digital Strategist role that will be the custodian for this work. Consideration needs to be given to the best way of filling this role and the required capacity that can be drawn on to support the role and link the infrastructure, ICT, data and Corporate Core within the Council. This has been funded from the Council Tax surplus.

5. Financial Reserves

- 5.1. The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A full review of all the reserves held has been carried out as part of the budget setting process.
- 5.2. The reserves include:
- Reserves that have been identified to directly support the proposed budget position as part of the Council's risk management approach or where it is appropriate to meet corporate costs.
 - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
 - PFI Reserves – held to meet costs across the life of the PFI schemes
 - Reserves to offset risk and manage volatility such as the Insurance Fund Reserve
 - Reserves held to support capital schemes
 - Reserves to support economic growth and public sector reform
 - Grants and contributions which fall across more than one year – following local authority accounting standards these are held in a reserve
 - Schools reserves – direct schools funding which the Council cannot utilise
- 5.3. The Medium Term Financial Strategy elsewhere on the agenda, sets out the overall approach to the management of risk and the use of reserves to ensure that the Council remains financially sustainable over the longer term.

Transfer to Reserves

- 5.4. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Required. The transfer to these reserves totals £199.474m in 2020/21 (or £29.5m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is taken into account). The 2021/22 total is £1.557m. These include: Transfers to reserves which are reflected in of £199.474m in 2020/21 and £1.557m in 2021/22 Budget relate to:
- COVID-19 smoothing related transfers:
 - Transfer the amount of section 31 grants received in 2020/21 relating to extended business rates retails reliefs granted for the retail, hospitality and leisure sector due to the COVID-19 pandemic to the business rates reserve to fund the resultant deficit in the Collection Fund that due to accounting arrangements will not be recognised until 2021/22 £139.075m
 - Local Guarantee Scheme - £30.864m income due in 2020/21 which will be carried forwards to part offset the 2020/21 Business Rates deficit which will be spread over three financial years 2021/22 to 2023/24.
 - Transfer to Social Care Reserve of £0.92m and £1.557m in 2021/22 as approved as part of the 2019/20 budget.
 - Transfer GMCA Rebates for waste (£3.820m) and Business Rates (£3.861m) to the budget smoothing reserve in 2020/21 for use in 2021/22

- Minimum Revenue Provision (MRP) saving transferred to the Town Hall Reserve £2.4m in 2020/21 only. It was previously agreed that savings from the changes in the MRP policy from 2017/18 would be used to fund the revenue costs associated with the cost of the town hall project across the life of the project.
- Transfer additional Business Rates income £6.270m to the Business Rates Reserve in 2020/21
- Transfer £10.667m to the Manchester International Reserve to support future years' expenditure, as approved in the 2020/21 budget process.
- Replenish general fund reserve in 2020/21 £1.597m.

Table 13 Transfers to reserve

| | Original Budget 2020 / 21 £'000 | Revised Budget 2020 / 21 £'000 | Proposed 2021 / 22 £'000 |
|---|--|---|---|
| COVID-19 related: | | | |
| Transfer to Business Rates Reserve (Extended Retail Relief) | 0 | 139,075 | 0 |
| Local Income Guarantee Scheme Grant | 0 | 30,864 | 0 |
| Town Hall Reserve (MRP Saving) | 2,400 | 2,400 | 0 |
| Other: | | | |
| Social Care Reserve | 920 | 920 | 1,557 |
| Waste reserves rebate from GMCA | 0 | 7,681 | 0 |
| Additional Business Rates Income to BR reserve | 2,679 | 6,270 | 0 |
| Transfer to Factory reserve | 10,667 | 10,667 | 0 |
| Transfer to General Fund Reserve | 1,597 | 1,597 | 0 |
| Total | 18,263 | 199,474 | 1,557 |

- 5.5. The following section shows an analysis of the planned use of reserves in 2020/21 and 2021/22 to support revenue expenditure.

Reserves used to support the overall budget 'bottom line' position

- 5.6. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £184.7m in 2021/22 (or £35.3m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is considered). These include:
- 5.7. **Covid-19 Emergency Funding Tranche 1** - This grant of £18.589m was received in March 2020, it funded £389k of COVID related spend in 2019/20 with balance of £18.2m carried forwards to be applied against COVID-19 pressures in 2021/22.
- 5.8. **Business Rates Reserve** - This reserve is set aside to mitigate business rates income risk due to the volatility of the assumptions and the future reset of the business rates base. The planned drawdowns in 2021/22 total

£155.633m and mainly relate to smoothing the collection fund deficits as the results of the pandemic as follows:

- Section 31 grant for Extended retail relief £139.075m
- Section 31 grant for the Local Tax income guarantee scheme £10.288m
- Use of funds which were originally planned to be shared with GMCA (business rates pilot growth) now used to partly offset the business rates deficit in 2021/22 £6.270m.

- 5.9. **Budget Smoothing Reserve** - This reserve hold funds made available from rebates from GMCA. The budgeted drawdowns (£3.585m in 2020/21 and £11.266m in 2021/22) will support the overall budget position.
- 5.10. **Bus Lane Enforcement Reserve** - An amount of £3.092m for 2020/21 and £5.092m in 2021/22 is to be used to contribute towards the costs of the transport levy.
- 5.11. **Capital Fund** – proposed use of the Capital Fund to support the revenue budget of £7.763m for 2021/22 as part of the measures to close the budget deficit arising from COVID-19.
- 5.12. **Airport Dividend Airport Dividend Reserve** - Pre COVID- 19 the budget position had prudently only used £15m of the annual dividend received in year and placed the remainder (£55m) in the airport reserve for use in future years. It would not be prudent to assume any dividend income will be received until at least 2023/24. The reserve balance at the start of 2020/21 is £55.8m. It is proposed this is used over three years as shown below, to partly mitigate the loss of dividend income.

| | 2020 / 21 £'000 | 2021 / 22 £'000 | 2022 / 23 £'000 |
|--|--------------------|--------------------|--------------------|
| Revised proposed use of Airport reserve £55.8m | 11,853 | 4,913 | 39,043 |

Reserves applied to support specific spend within Directorate Cash Limit Budgets

- 5.13. Where reserves are directly applied to specific costs or risks within the Directorate Cash Limit budgets these are shown gross and net in the Directorate cash limit budget total.
- 5.14. One-off income and social care grants have been used to spread investment over 2-3 financial years. The 2021/22 drawdown is £16.9m. These reserves end the ongoing costs have been built into the Council's Revenue Budget Requirement from 2022/23 and included within the overall budget shortfall in future years. During that period opportunities to reduce the expenditure or top up the reserves from future one off funding will also be explored. These reserves are set out in detail following Table 14.

- 5.15. A further £57.5m is also being applied in 2021/22 to fund specific costs within Directorate budgets, (note £12.6m of this relates to COVID-19 specific grants being spent across years). Again, further detail is set out after Table 14.
- 5.16. This brings the total forecast reserves use in 2021/22 to £259.1m (or £97.2m excluding the COVID-19 grants).
- 5.17. Appendix 3 shows the annual movement and projected balances to April 2025. Earmarked reserves are forecast to reduce from £359m at the start of this year to £98m. The Medium-Term Financial Strategy elsewhere on the agenda considers the adequacy of reserves.

Table 14 Planned use of reserves

| Planned use of Reserves | 2020 / 21 £'000 | 2021 / 22 £'000 |
|--|----------------------------|----------------------------|
| Reserves directly supporting the revenue budget: | | |
| COVID-19 Emergency Funding tranche 1 | 18,200 | |
| Business Rates Reserve | 675 | 155,633 |
| Budget smoothing reserve | 3,585 | 11,266 |
| Bus Lane (supporting Transport Levy) | 3,092 | 5,092 |
| Capital Fund - Supporting the revenue budget | | 7,763 |
| Airport Dividend Reserve | 11,853 | 4,913 |
| Sub Total reserves directly supporting the revenue budget | 37,405 | 184,667 |
| Smoothing prior to mainstreaming in 2022/23 | | |
| Anti Social Behaviour Team | 540 | 540 |
| Social care Reserve – to fund investment into Children’s Social Care | 7,757 | 7,446 |
| Adult Social Care - to fund investment into the Improvement Plan | 4,766 | 6,150 |
| Our Manchester Reserve | 771 | 2,802 |
| Sub Total to be mainstreamed | 13,834 | 16,938 |
| Bus Lane and Parking reserves | 6,401 | 4,694 |
| Other Statutory Reserves | 817 | 308 |
| Balances Held for PFI's | 95 | 349 |
| Reserves held to smooth risk / assurance: | | |
| Transformation Reserve | 1,708 | 333 |
| Other Reserves held to smooth risk / assurance | 3,840 | 6,717 |
| Reserves held to support capital schemes: | | |
| Capital Fund | 21,154 | 13,137 |
| Investment Reserve | 2,531 | 1,819 |
| Manchester International Festival Reserve | 0 | 1,060 |
| Eastlands Reserve | 2,619 | 5,248 |
| Enterprise zone reserve | 75 | 1,061 |
| Other reserves held to support capital schemes | 0 | 0 |
| Reserves held to support growth and reform: | | |
| Clean City Reserve | 435 | 0 |
| Better Care Reserve | 866 | 3,375 |
| Town Hall Reserve | 2,273 | 3,075 |
| Other Reserves to support growth and reform | 0 | 1,150 |

| Planned use of Reserves | 2020 / 21 £'000 | 2021 / 22 £'000 |
|--|--------------------|--------------------|
| Direct grants for Grants COVID-19 responsibilities | 0 | 12,588 |
| Grants and Contributions used to meet commitments over more than one year | 3,708 | 1,958 |
| Small Specific Reserves | 982 | 671 |
| School Reserves | 259 | 0 |
| | 99,001 | 259,149 |

5.18. Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.

Smoothing prior to mainstreaming

5.19. **Anti-Social Behaviour Team Reserve** - The Resources and Governance Budget Scrutiny meeting of 25 February 2019 supported an amendment to allocate a budget of £1.5m over three years, to increase the capacity of the Council to tackle anti-social behaviour in neighbourhoods. This was approved by Council 8 March 2019. This budget will be mainstreamed at £495k from 2022/23.

5.20. **Social Care Investment Reserve** – This is made up of two elements:

- The budget strategy for Children's and Education Services was to put the Directorate onto a sustainable footing given the local and national pressures being faced by Children's Social Care Services. Additional resources of £7.135m per annum over three years were approved to address the pressures across all budget areas to provide the capacity that will enable a longer term approach by investing in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability. The reserve drawdowns reflect the last 2 years of funding are provided to support the 2020/21 and 2021/22 budget position. The £7.135m will be mainstreamed from 2022/23.
- The remaining forecast drawdowns of £0.622m in 2020/21 and £311k in 2021/22 relate to small grants which have been carried forward from future years.

5.21. **Adult Social Care Reserve** - This is made up of three elements:

- The 2019/20 budget recognised there was a need to provide a stable funding base for adult social care. Additional grant funding received was combined with a number of other resources to create a reserve to use over a three-year period. In 2020/21 and 2021/22 £2.150m each year will support the programme of improvement work which is underway in order to improve the delivery of the assessment, care and support planning and statutory safeguarding offer and the delivery of the in-house provider services. The £2.150m will be mainstreamed from 2022/23
- Test and Trace Grant £3.1m relating to year 2 of the programme; and
- The remaining 2021/22 forecast drawdown of £4.0m relates to the use of underspends planned to be carried forward from 2020/21 (Public Health

£1.5m and Residential and Nursing £2.5m) as part of the 2021/22 Adult Social Care budget savings strategy.:

- 5.22. **Our Manchester Reserve** - Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives. The staffing element is expected to be mainstreamed from 2022/23.

Other Use of Reserves within Directorate Cash Limits

- 5.23. **Bus Lane and Parking Reserve** - There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of highway and environmental improvements or for financial support to off street parking. The expected balance on these reserves at the 1 April 2021 is £11.573m. It is estimated that £10.174m will be added to these reserves during 2021/22 and £5.092m used to support the transport levy and £4.694m to fund eligible spend with the Neighbourhoods directorate. This would leave a balance of £11.961m at the 31 March 2022.
- 5.24. **Transformation Reserve** - An amount of £1m over three years (2020/21 to 2022/23 at £0.333m per year was approved last year to support volunteer engagement, provide programme management capacity and specialist support for the transformation programme. This reserve will also fund the Voluntary Severance costs of the time limited efficiency scheme in 2020/21, currently estimated at £1.375m
- 5.25. **Capital Fund** - This is used to fund activity and contribute to schemes which are being brought Capital Programme and to fund high priority strategic development opportunities in the city for those that do not attract external funding.
- 5.26. **Investment Reserve** - This is used to fund housing and regeneration activities, including staffing costs to provide the capacity to deliver the Affordable Housing Strategy and other relevant priorities.
- 5.27. **Manchester International Festival (MIF) Reserve** - From 2021/22 the Council has committed to maintaining funding of £1.5m per annum to support the Factory /Manchester International Festival as part of the commitment to match the revenue support from Arts Council England (ACE), currently c£9m each year. It is proposed that £0.5m per annum will be retained in the mainstream budget with the remaining requirement held in reserve to cover ten years of funding.
- 5.28. **Eastlands Reserve** - This reserve will be used for various projects including English Institute of Sport and Sport England. The reserve also reflects Manchester City Football Club income contribution.
- 5.29. **Clean City Reserve** – The remaining balance was used in 2020/21 to support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.

- 5.30. **Better Care/Integration Reserve** - The reserve is a joint resource between Manchester City Council and Manchester Health and Care Commissioning to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is currently managed with the pooled budget.
- 5.31. **Town Hall Reserve** - The refurbishment of the Town Hall has revenue implications such as the cost of alternative accommodation and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities. It has previously been approved that savings in Minimum Revenue Provision (MRP) be used to fund the revenue costs.
- 5.32. **Direct grants for Grants COVID-19 responsibilities** - As reported in the period 9 Global monitoring elsewhere on the agenda grants totalling £56m have been received from government for specific responsibilities relating to the COVID-19 pandemic. Whilst the majority of the funding will be used in this financial year the costs incurred will go beyond 31 March and it is anticipated that £12.6m of these grants will be carried forwards to fund eligible costs in 2021/22. These are:
- Contain Outbreak Management Fund £3.102m
 - Test and trace service £8.852m
 - Clinically extremely vulnerable individuals advised to shield £0.502m
 - Reopening High Streets Safely Fund £132k
- 5.33. The forecast movements on reserves would result in year end balances as shown in the table below and detailed by reserve in Appendix 3.

Table 15 Forecast reserves position

| | Opening Balance 1 April 2020 £'000 | Forecast Opening Balance 1 April 2021 £'000 | Forecast Opening Balance 1 April 2022 £'000 | Forecast Opening Balance 1 April 2023 £'000 | Forecast Opening Balance 1 April 2024 £'000 | Forecast Opening Balance 1 April 2025 £'000 |
|-----------------------|---|---|--|--|--|--|
| HRA Reserves | 111,871 | 116,848 | 97,657 | 83,669 | 86,064 | 84,994 |
| School Reserves | 15,993 | 15,734 | 15,734 | 15,734 | 15,734 | 15,734 |
| Earmarked Reserves | 348,706 | 515,389 | 277,655 | 157,178 | 124,994 | 97,782 |
| General Fund | 21,353 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |

6. Directorate Cash Limit Budgets

- 6.1. Each Directorate has to manage their budget within the cash limit. This is reviewed each year and for the period of the current Medium Term Financial Strategy includes the recommended budget cut proposals, the ongoing impact of COVID-19 and other adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated on the basis of need. The changes and recommended revised cash limit budgets are shown in the table below. Full details of the budget cuts proposals are included at Appendix One.

- 6.2. The table also shows the recommended contribution for Adult Social Care to the pooled budget arrangements for 2021/22. Unlike the city council cash limits this also includes the funding for inflation and to meet the increased workforce and commissioning costs of the increases to the national minimum wage. The arrangements for the Health and Social Care pooled budget in 2021/22 are currently being finalised with the Adult Social Care budgets likely to be included in a separate S75 agreement with the Manchester Foundation Trust and managed by the Manchester Local Care Organisation.

Table 16 Change from 2020/21 Cash Limit budget to 2021/22 Cash Limit budget

| | Revised Budget 2020 / 21 £'000 | Savings £'000 | COVID- 19 Adj. £'000 | Growth / Other Adj. £'000 | Proposed 2021 / 22 £'000 |
|---|---|--------------------------|-------------------------------------|--|---|
| Children's | 125,093 | (12,359) | 3,800 | 2,227 | 118,761 |
| MHCC Pooled Budget | 213,997 | (11,597) | 13,464 | 3,047 | 218,911 |
| Adult Social Care - Services out of scope of Pooled Budget | 4,856 | | | | 4,856 |
| Homelessness | 15,521 | (2,335) | 6,823 | 7,486 | 27,495 |
| Corporate Core | 70,461 | (5,719) | 1,209 | (450) | 65,501 |
| Neighbourhoods | 65,353 | (6,683) | 5,635 | 230 | 64,535 |
| Growth and Development | 8,856 | (2,024) | 3,750 | 0 | 10,582 |
| Total | 535,117 | (40,717) | 3,701 | 12,540 | 510,641 |

Children's Services

- 6.3. Overall the cash limit budget will reduce by £6.3m to £118.8m. This includes:
- £12.359m of budget cuts as set out in Appendix One
 - £3.8m additional funding to meet the anticipated costs of increased demand pressures following the impact of COVID-19
 - £2.227m to meet the estimated increase in the number of Looked After Children linked to population growth. Full details of the above can be found in the Children's Services budget report.
- 6.4. Full details can be found in the Children's Services budget report elsewhere on the agenda.

MCC Pooled Budget

- 6.5. Overall, the planned contribution to the Health and Social Care pooled budget will increase by £4.9m. This is £11m growth after the budget virement for Homelessness is taken into account. This includes:
- £11.597m of budget cuts as detailed in Appendix 1. The target was originally £20m which has been reduced to take into account the investment from the proposed 3% adult social care precept, and use of £3.3m of the social care grant to meet care budget pressures.

- £13.464m to cover the estimated ongoing costs from COVID-19. This is to cover the full year effect of the cost of discharges (£9.3m), costs for Personal Protective Equipment (£2.5m), social work capacity (£0.8m) and population health (£0.8m)
- £3.047m of Other Adjustments -
 - Increased demand associated with population growth (£2.831m);
 - The costs of non-pay inflation and an allowance for the National Living Wage (NLW) increase (£3.621m). This figure has been adjusted for the changes to NLW (to increase to £8.91 an hour, up 2.2%. Previously expected to be £9.21) and for the public sector pay freeze. If the position on public sector pay changes then any pay award will be funded.
 - £2.690m balance of the social care grant, allocated for investment as detailed in the Adult Social Care and Population Health Budget 2021/22
 - Less the budget transfers to the Homelessness budget totalling £6.1m including £5.922m for the Homelessness Commissioning function and £173k for the Homelessness Assessment and Care workers function.

6.6. Full details can be found in the Adult Social Care and Population Health Budget 2021/22 report elsewhere on the agenda.

Homelessness

6.7. Overall the cash limit budget has increased by £12m to £27.5m. The actual growth is £8.2m after the budget virement has been taken into account. This includes:

- £2.335m of budget cuts as set out on Appendix one.
- £6.823m COVID-19 adjustments - This includes the potential homelessness related economic impact of Covid-19 on individual households, such as unemployment and debt arrears.
- £7.486m Other adjustments
 - £1.391m to support the ongoing increase in the numbers of people sleeping rough due to the economic impact of the pandemic and the lifting of the eviction embargo, funding 5 additional properties for temporary accommodation.
 - £6.095m Budget transfers from Adult Social Care budget including £5.922m for the Homelessness Commissioning function and £173k for the Homelessness Assessment and Careworkers function.

6.8. Full details can be found in the Homelessness Budget report elsewhere on the agenda.

Corporate Core

6.9. Overall the cash limit budget has reduced by £4.96m to £65.5m. The changes include:

- £5.719m of budget cuts as set out in Appendix one.
- £1.209m COVID-19 adjustments for pressures as follows:
 - £113k Elections - additional costs will be incurred in order to ensure that the election is Covid secure, this will include the purchase of additional screens and enhanced cleaning.
 - The Coroners Service will have a backlog of Jury cases in 2021/22 and the forecast cost implications of these are £131k
 - £0.965m - for COVID-19 related income losses including court summons income, communications, legal services and registrars. Note this will be partly reimbursed through the governments Sales, Fees and Charges support scheme.
- £450k of Other Adjustments:
 - Reduced revenue budget of £0.5m for the Manchester International Festival; to be funded via the reserve rather than the revenue budget.
 - Additional budget support of £50k has been provided to support young people obtaining employment as part of the Kickstart programme. This will enable the young people on placements to be paid the Manchester Living Wage.

6.10. Full details can be found in the Corporate Core Budget report elsewhere on the Agenda.

Neighbourhood Directorate

6.11. Overall the cash limit budget has reduced by £0.8m to £64.5m. This includes:

- £6.683m of budget cuts as set out at Appendix One.
- £5.635m COVID-19 pressures including:
 - Leisure Centres - financial support following the shortfall of income for the external operator due to the initial closure of facilities and subsequent reduced capacity. A bid of £1.3m has been made to Sport England and it is proposed a further £1.2m is made available from Council resources. Work is ongoing with the contractor to identify any options for mitigating any additional pressures.
 - £1.599m estimated income shortfalls in trading services. £2.836m for the Highways service for assumed ongoing reductions to parking income, specifically reduced off street parking income following lockdown and fees and permit income
- £230k other Adjustments relates to an increase in the investment into a new approach to Domestic Violence support, from £100k to £330k. Investment will support earlier identification and intervention working with key partners and agencies.

6.12. Note it is expected the COVID-19 related trading income and parking losses will be partly reimbursed through the governments Sales, Fees and Charges support scheme. The Leisure losses are not eligible for this scheme because they are provided by an external operator.

- 6.13. Full details can be found in the Neighbourhoods Budget Report elsewhere on the Agenda.

Growth and Development

- 6.14. Overall the cash limit budget increased by £1.7m to £10.6m. This includes
- £2.024m of savings as set out in Appendix one.
 - £3.750m for ongoing COVID-19 related budget pressures, relating to reduced income assumptions as follows:
 - £0.751m Planning Building Control and Licensing
 - £2.999m Investment Estate income, This is mainly due to tenants not being in a position to pay their rents because their businesses have been impacted by Covid-19.
- 6.15. Note it is expected the COVID-19 related Planning Building Control and Licensing losses will be partly reimbursed through the governments Sales, Fees and Charges support scheme. The investment estate losses are not eligible for this scheme because the government classes them as commercial income.
- 6.16. Full details can be found in the Growth and Development budget report elsewhere on the Agenda.
- 6.17. The cash limit budgets, incorporating these changes, for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £28.731m in 2021/22 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

Table 17 Gross and Net Budgets Directorates Cash Limit Budgets 2021/22

| | Gross Proposed Budget 2021/22 £'000 | Net Proposed Budget 2021/22 £'000 |
|--|--|--|
| Children's | 509,879 | 118,761 |
| Health and Social Care Pooled Budget contribution for ASC | 273,383 | 218,911 |
| Adult Social Care - Services out of scope of Pooled Budget | 7,781 | 4,856 |
| Homelessness | 56,087 | 27,495 |
| Corporate Core | 323,773 | 65,501 |
| Neighbourhoods | 168,588 | 64,535 |
| Growth and Development | 58,508 | 10,582 |
| Total | 1,397,999 | 510,641 |

7. Workforce Implications

- 7.1. In response to the pandemic the council's workforce has transitioned almost overnight to a new way of working, at a pace of change that would normally

take years to achieve. The Our People Strategy is being reviewed to ensure it reflects the strategic priorities of the Council. Some of the key actions are:

- A refreshed focus on health and wellbeing, especially mental health.
- The commitment to ensure that our workforce reflects our diverse communities, and this is strengthened through the Workforce Equality Strategy.
- A comprehensive management development offer that provides managers with the basic skills, tools, and training to ensure they know what is expected of them, whilst supporting their own staff to develop and increase talent across the council.
- A coordinated staff engagement programme supporting the workforce through corporate and directorate-based engagement that is clearly connected to the staff surveys, Listening in Action, and corporate reward and recognition.
- Commitment to develop the digital skills of our staff to ensure they can access and benefit from the full range of support, and rewards and benefits. The ambition for our workforce will mirror that for our residents.

- 7.2. The budget proposals will also have a direct workforce impact. In order to support the delivery of the required budget there will be a need to deliver savings of £5.442m from the workforce. This will require an indicative FTE reduction of 161 positions – split between vacant and occupied posts as detailed within the table below. It should be noted that this is an indicative FTE reduction and the exact number and split between vacant and occupied posts will be determined as the workforce savings proposals are implemented. The detailed proposals are set out within the individual Directorate Budget Reports.
- 7.3. To support the achievement of the workforce savings an Efficiency Early Release Scheme (comprising Efficiency Severance and Early Retirement) was approved by Personnel Committee in November 2020. The scheme has now closed. The progress of the scheme in achieving savings is being kept under close review but will be dependent on the numbers of staff accepting their offers and the ability of the organisation to facilitate workforce movement where required. It should also be noted that the applications relate to both mainstream and non-mainstream funded positions and generally only mainstream funded positions contribute to the budgeted workforce savings target. However, non-mainstream funded positions are still considered for release where they serve to alleviate what would otherwise be cost pressures to the Council.
- 7.4. As set out earlier in the report the voluntary severance costs associated with the scheme are being met from reserves in 2020/21. The capital costs will be met from the allowance within the LGPS with any additional costs also being met from reserves.

Table 18 Workforce numbers savings proposals

| Directorate | 2020/21 Budgeted Posts | 2020/21 Saving Proposals Gross FTE Impact (Indicative) | | | | | |
|--|------------------------------|---|--------------|----------------|--------------|--------------|--------------|
| | | Vacant Posts | | Occupied Posts | | Total | |
| | FTE | FTE | £'000 | FTE | £'000 | FTE | £'000 |
| MHCC Pooled Budget | 1,529.11 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 |
| Adult Social Care – Services out of scope of Pooled Budget | 52.50 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 |
| Homelessness | 276.00 | 3.0 | 89 | 4.0 | 159 | 7.0 | 248 |
| Children and Education Services | 1,316.00 | 8.5 | 191 | 5.5 | 247 | 14.0 | 438 |
| Corporate Core | 1,733.25 | 53.8 | 1,978 | 61.8 | 2,015 | 115.6 | 3,993 |
| Neighbourhoods (including Highways) | 1,470.00 | 0.0 | 0 | 2.0 | 64 | 2.0 | 64 |
| Growth and Development | 650.40 | 22.4 | 699 | 0.0 | 0 | 22.4 | 699 |
| Total | 7,027.26 | 87.7 | 2,957 | 73.3 | 2,485 | 161.0 | 5,442 |

- 7.5. The progress of Health and Social Care Integration has continued with further new models of delivery implemented across the locality. The Manchester Health and Care Commissioning (MHCC) partnership will need to be reviewed as the NHS further progresses national work to change the model of commissioning health services. This will fundamentally change the role of CCGs and has already seen the establishment of the Manchester Partnership Board to oversee strategic commissioning of health and social care within the Manchester Locality. A more local review of the progress towards an integrated HSC system has also seen the development of a set of proposals to 'supercharge' the MLCO – and the impacts of this, and the changes for Manchester CCG will likely result in further changes to our partnership delivery models.

8. Equality Impact Assessments

- 8.1. The Council will continue to use its Equality Impact Assessment (EIA) framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within the City.
- 8.2. The Council's Equality Impact Assessment (EIA) framework was adjusted in 2020 and consists of a two-tiered equality analysis methodology:
- A brief Equality Relevance Assessment tool helps services to assess whether there is any relevance to equality stemming from their functions, where this is not immediately clear.

- Where there is a demonstrable relevance to equality issues, services are required to complete a more detailed Equality Impact Assessment, to establish the nature of any impacts arising and to help inform what action can be taken to avoid a disadvantageous impact.
- 8.3. Services are well into the process of completing and approving their budget-related equality analyses where these are relevant. Quality assurance, guidance and coordination is being provided to manage the process.
- 8.4. As EIAs are completed, officers are conducting a read-across the findings to produce a cumulative assessment. This will seek to assess the effects that the combined proposals will have on the various characteristic groups in Manchester, and stress-test the gathered mitigations from the EIAs to ensure that they are viable in the round.
- 8.5. A report outlining the EIA process in more detail is being considered by the Communities and Equalities Scrutiny Committee at its meeting of 11 February. The cumulative impact document has been requested by Resources and Governance Scrutiny Committee at its March meeting.

9. Consultation

- 9.1. A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.
- 9.2. The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

10. Conclusion

- 10.1. The last few years have been challenging for the Council given the high proportion of cuts which have had to be made to the Council's budget at a time when the demand for services such as Children and Adults Social Care has been rising. The impact of COVID-19 has been profound and whilst a high proportion of the costs have now been recognised and funded for 2021/22 with further compensation for the impact on sales, fees and charges, the loss of commercial income has not been recognised. This has led to a significant budget gap in 2021/22 and in future years.
- 10.2. The budget cuts required over the next year will be challenging to deliver at a time when capacity is stretched and total £40.7m. Proposals have been identified and officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.

- 10.3. The Council remains committed to the priorities within the Our Manchester strategy and the Council's revised corporate plan. The draft budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as Public Health.
- 10.4. Whilst a balanced budget can be delivered for 2021/22, the future financial position remains challenging, and the resilience of the Council has been significantly reduced by the need to use its reserves to support the budget position.

11. Recommendations

- 11.1. Detailed recommendations appear at the front of this report.

Appendix 1 - Savings and Efficiency Proposals 2020/21

Adults Services

| Service Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total | FTE's |
|-----------------|---------------------------------------|------------|---------------|--------------|--------------|------------|---------------|----------|
| Adults Services | Better Outcomes Better Lives | Amber | 6,097 | 7,003 | 5,300 | 0 | 18,400 | 0 |
| Adults Services | Health and Social Care System Support | Green | 5,500 | (5,500) | 0 | 0 | 0 | 0 |
| Adults Services | To be identified | | 0 | 1,823 | (1,823) | 0 | 0 | 0 |
| Total | | | 11,597 | 3,326 | 3,477 | 0 | 18,400 | 0 |

Children Services

| Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total | FTE's |
|---------------------|--|------------|------------|------------|------------|------------|-------|-------|
| Children's Services | Placement Stability | Amber | 627 | 415 | 0 | 0 | 1,042 | 0 |
| Children's Services | Re-commission – Lyndene | Amber | 462 | 0 | 0 | 0 | 462 | 0 |
| Children's Services | Multi-Agency Arrangements | Red | 1,000 | 0 | 0 | 0 | 1,000 | 0 |
| Children's Services | Leaving Care | Green | 1,767 | 0 | 0 | 0 | 1,767 | 0 |
| Children's Services | Market Development | Red | 400 | 376 | 0 | 0 | 776 | 0 |
| Children's Services | Unaccompanied Asylum-Seeking Children | Green | 515 | 0 | 0 | 0 | 515 | 0 |
| Children's Services | Commissioning Review | Amber | 300 | 0 | 0 | 0 | 300 | 0 |
| Children's Services | Pace Beds | Green | 28 | 0 | 0 | 0 | 228 | 0 |
| Children's Services | Improving Permanence | Green | 160 | 159 | 0 | 0 | 319 | 0 |
| Children's Services | Stability Team and Wrap Around Support | Green | 300 | 0 | 0 | 0 | 300 | 0 |
| Education | Premises | Green | 129 | 0 | 0 | 0 | 129 | 0 |
| Education | Attendance | Green | 70 | 0 | 0 | 0 | 70 | 0 |
| Core | Business Support | Amber | 130 | 0 | 0 | 0 | 130 | 0 |
| Children's Services | Adoption Services | Green | 357 | 0 | 0 | 0 | 357 | 0 |
| Education | SLA Schools | Amber | 30 | 0 | 0 | 0 | 30 | 0 |

| Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total | FTE's |
|---------------------|---|------------|---------------|---------------|----------------|---------------|---------------|-----------|
| Children's Services | Families First | Green | 445 | 0 | 0 | 0 | 445 | 0 |
| Children's Services | Section 17 | Green | 50 | 0 | 0 | 0 | 50 | 0 |
| Children's Services | No Recourse to Public Funds | Amber | 600 | 0 | 0 | 0 | 600 | 0 |
| Children's Services | Workforce Development | Green | 140 | 0 | 0 | 0 | 140 | 0 |
| Children's Services | Legal - Fees reduction | Amber | 260 | 0 | 0 | 0 | 260 | 0 |
| Education | Schools Quality Assurance | Red | 300 | (150) | 0 | 0 | 150 | 0 |
| Education | Free Travel | Green | 400 | 0 | 0 | 0 | 400 | 0 |
| Core | Strategic Business Support | Amber | 80 | 0 | 0 | 0 | 80 | 1.5 |
| Children's Services | CAMHS | Amber | 148 | 0 | 0 | 0 | 148 | 0 |
| Children's Services | Early Years – Core offer, Speech & Language | Amber | 200 | 100 | 100 | 100 | 300 | 12.5 |
| Children's Services | Managing Demand | Red | 1,000 | 0 | 0 | 0 | 1,000 | 0 |
| Children's Services | Troubled Families | Amber | 1,150 | (1,150) | 0 | 0 | 0 | 0 |
| Education | DSG reserve | Green | 1,000 | (1,000) | 0 | 0 | 0 | 0 |
| Children's Services | Children's Services Reserve | Green | 311 | (311) | 0 | 0 | 0 | 0 |
| Children's Services | Children's Services Reserve | Green | 0 | 1,409 | (1,409) | 0 | 0 | 0 |
| Total | | | 12,359 | (152) | (1,309) | 100 | 10,998 | 14 |

Corporate Core

| Service | Description of Saving | RAG Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total | FTE's |
|-------------------------|--|------------|---------------|---------------|---------------|---------------|-------|-------|
| Legal Services | Staff Reduction | Green | 96 | 0 | 0 | 0 | 96 | 3.0 |
| Legal Services | Increased income and other budget reductions | Green | 49 | 25 | 0 | 0 | 74 | 0.0 |
| Coroners and Registrars | Staff Reduction | Green | 198 | 0 | 0 | 0 | 198 | 7.0 |

| Service | Description of Saving | RAG Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total | FTE's |
|--|---|------------|--------------|------------|------------|------------|--------------|--------------|
| Executive | Travel/subsistence expenses reductions | Green | 15 | 0 | 0 | 0 | 15 | 0.0 |
| Comms | Staff Reduction | Amber | 137 | 0 | 0 | 0 | 137 | 4.0 |
| Comms | Reduce printing costs, increase recharges and postage | Green | 163 | 0 | 0 | 0 | 163 | 0.0 |
| Procurement, Commissioning and Commercial Governance | Staff Reduction | Red | 122 | 0 | 0 | 0 | 122 | 2.0 |
| Procurement, Commissioning and Commercial Governance | Increase income and reduce supplies and services | Amber | 36 | 0 | 0 | 0 | 36 | 0.0 |
| Revenues and Benefits | Staff Reduction | Red | 160 | 0 | 0 | 0 | 160 | 5.5 |
| Revenues and Benefits | Reduce Discretionary Housing Payments | Red | 1,000 | 0 | 0 | 0 | 1,000 | 0.0 |
| Financial Management | Staff Reduction | Amber | 843 | 0 | 0 | 0 | 843 | 20.0 |
| ICT | Staff Reduction | Amber | 400 | 0 | 0 | 0 | 400 | 10.0 |
| ICT | Savings on system running costs and telephony | Amber | 300 | 300 | 0 | 0 | 600 | 0.0 |
| HR/OD | Staff Reduction | Amber | 306 | 237 | 0 | 0 | 543 | 13.0 |
| Audit | Staff Reduction | Amber | 118 | 0 | 0 | 0 | 118 | 3.0 |
| Shared Service Centre | Staff Reduction | Green | 252 | 0 | 0 | 0 | 252 | 8.8 |
| Customer Services | Staff Reduction | Amber | 614 | 0 | 0 | 0 | 614 | 19.3 |
| City Policy | Staff Reduction and special projects budget | Amber | 270 | 0 | 0 | 0 | 270 | 4.0 |
| PRI | Staff Reduction | Red | 500 | 0 | 0 | 0 | 500 | 13.0 |
| Reform and Innovation | Staff Reduction | Red | 140 | 0 | 0 | 0 | 140 | 3.0 |
| Totals | | | 5,719 | 562 | 0 | 0 | 6,281 | 115.6 |

Homelessness Services

| Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total £000 | FTE's |
|-----------------------------------|--|------------|--------------|------------|------------|------------|--------------|------------|
| Singles Accommodation | New Provision Rough Sleepers, utilising established schemes and ensuring there is move on available through the system | Amber | 1,400 | 0 | 0 | 0 | 1,400 | 0.0 |
| Homelessness Commissioning | Realign service provision to support move on from single rough sleeper provision funded via investment | Amber | 621 | 0 | 0 | 0 | 621 | 0.0 |
| Homelessness Commissioning | Budget reductions in Homelessness Commissioned services with minimal impact on service delivery | Amber | 66 | 0 | 0 | 0 | 66 | 0.0 |
| Homeless Management | As part of 2020/21 funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources | Amber | 89 | 0 | 0 | 0 | 89 | 3.0 |
| Homeless Management | Management reductions for G10 and above | Amber | 108 | 0 | 0 | 0 | 108 | 2.0 |
| Families Specialist Accommodation | Full service redesign linked to VS/VR offer | Amber | 51 | 0 | 0 | 0 | 51 | 2.0 |
| Total | | | 2,335 | 0 | 0 | 0 | 2,335 | 7.0 |

Growth and Development

| Service | Description of Saving | RAG Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total £000 | FTE's |
|--|--|------------|---------------|---------------|---------------|---------------|---------------|-------------|
| Operational Property | Reduce office costs through reduced estate | Green | 610 | 591 | 304 | -905 | 600 | 0.0 |
| Operational Property | Reduce staff resources – 1.4fte's (Vacant) | Green | 36 | 0 | 0 | 0 | 36 | 1.4 |
| Facilities Management | Reduce staff resources – 10fte's (Vacant) | Green | 270 | 0 | 0 | 0 | 270 | 10.0 |
| Investment Estate | Revise Surveyors Fee Scales | Green | 75 | 0 | 0 | 0 | 75 | 0.0 |
| Investment Estate | Maximise income generation from assets | Green | 300 | 0 | 0 | 0 | 300 | 0.0 |
| Investment Estate | Increased ground rent - long leasehold | Amber | 0 | 0 | 300 | 0 | 300 | 0.0 |
| Planning, Licensing and Building Control | Hold/delete 11 vacant posts | Amber | 393 | 0 | 0 | 0 | 393 | 11.0 |
| Housing and Residential Growth | Additional income from housing redevelopment | Green | 190 | 0 | 0 | 0 | 190 | 0.0 |
| Work and Skills | Reduction in commissioning activity | Green | 150 | 0 | 0 | 0 | 150 | 0.0 |
| Total | | | 2,024 | 591 | 604 | -905 | 2,314 | 22.4 |

Neighbourhoods

| Service Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total £000 | FTE's |
|--------------|--------------------------------------|------------|---------------|---------------|---------------|---------------|---------------|-------|
| Compliance | Outsource the Animal Welfare Service | Amber | 64 | 0 | 0 | 0 | 64 | 2 |
| Compliance | Increase income from fines & advice | Amber | 80 | 0 | 0 | 0 | 80 | 0 |

| Service Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total £000 | FTE's |
|----------------------------------|---|------------|------------|------------|------------|------------|------------|-------|
| Compliance | Use EU exit funding to fund 3 posts for 1 year | Amber | 137 | -137 | 0 | 0 | 0 | 0 |
| Compliance | Source volunteers to work a 4 day week | Amber | 20 | 0 | 0 | 0 | 20 | 0 |
| Parks, Leisure, Youth and Events | Prioritise £12m capital investment to generate income streams | Red | 127 | 100 | 100 | 100 | 427 | 0 |
| Parks, Leisure, Youth and Events | Develop a strategy for Leisure collaborations | Red | 0 | 155 | 0 | 0 | 155 | 0 |
| Operations and Commissioning | Bereavement Services above inflation increase in fees & charges | Green | 85 | 0 | 0 | 0 | 85 | 0 |
| Operations and Commissioning | Renewal of small format advertising contract | Green | 1,300 | 0 | 0 | 0 | 1300 | 0 |
| Operations and Commissioning | Piccadilly Gardens community scheme | Red | 225 | 225 | 0 | 0 | 450 | 0 |
| Operations and Commissioning | Dawson Street large format advertising screen | Amber | 50 | 0 | 0 | 0 | 50 | 0 |
| Highways | Off street parking | Green | 4,100 | 0 | 0 | 0 | 4100 | 0 |
| Highways | Reduction in claims for accidents & trips | Green | 100 | 150 | 0 | 0 | 250 | 0 |
| Highways | Charge 50% of Development Specialist to capital | Green | 40 | 0 | 0 | 0 | 40 | 0 |
| Highways | Bring in a new service to recover costs for damaged highway items | Amber | 25 | 0 | 0 | 0 | 25 | 0 |

| Service Area | Description of Saving | Rag Impact | 20/21 £000 | 22/23 £000 | 23/24 £000 | 24/25 £000 | Total £000 | FTE's |
|--------------|---|------------|--------------|------------|------------|------------|--------------|----------|
| Highways | Increase charges for permits | Green | 25 | 0 | 0 | 0 | 25 | 0 |
| Highways | Recharge developers for oversail of the highway | Green | 50 | 0 | 0 | 0 | 50 | 0 |
| Highways | Additional winter gritting service to 3rd parties | Amber | 25 | 0 | 0 | 0 | 25 | 0 |
| Highways | Charge remaining 50% of Gully/Drainage staff to capital | Green | 66 | 0 | 0 | 0 | 66 | 0 |
| Highways | Increase fees to cover costs on external schemes | Green | 164 | 0 | 0 | 0 | 164 | 0 |
| Total | | | 6,683 | 493 | 100 | 100 | 7,376 | 2 |

Appendix 2

Legal Background to Setting the Revenue Budget and Council Tax

1. INTRODUCTION

- 1.1 The council tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.
- 1.2 All dwellings are listed in one of eight valuation bands and the amount of council tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

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

- 1.3 There are three main stages in setting the council tax:-

- STAGE 1 - The Council calculates its own **council tax requirement**, (i.e. its net revenue expenditure), including levies issued to it but not precepts.
- STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.
- STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Greater Manchester Combined Authority Mayoral Police and Crime Commissioner (GMCA MPCC) Precept and the Greater Manchester Combined Authority Mayoral General Precept (including Greater Manchester Fire and Rescue Services).

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

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

- (aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates
- (b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus
- (c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;
- (d) any amount of reserves/balances intended to be used towards meeting revenue expenditure

2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.

2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.

2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.

2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)

3. **THE LEVEL OF THE COUNCIL TAX REQUIREMENT**

3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -

- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
- the amount of the council tax requirement must ensure a balanced budget.

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

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

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

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

4.2 **Section 31B Calculation**

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

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

where - R is the council tax requirement, and
T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2020/21 to be 118,864.8. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

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

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

4.5 The proportions for each band are as follows:-

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

5. **COUNCIL TAX REFERENDUMS**

- 5.1 The Localism Act 2011 (“LA 2011”) abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.
- 5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 4.0%, (including 2.0% for adult social care) is deemed “excessive” in 2021/22. The Council element is only increasing by 1.99% in 2020/21 not 2.0%. All figures are based on an increase in an authority’s “**basic amount of council tax**” between 2017/18 and 2020/21. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.
- 5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State’s principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. GMCA MPCC or GMCA MF) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority’s increase.
- 5.4 If an authority determines that it has set an excessive increase, it must also make “substitute calculations” to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority’s increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. **STAGE 3 - SETTING THE COUNCIL TAX**

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

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

7. CONSTITUTIONAL ARRANGEMENTS

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.
- 7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 12 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -
 - (a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

- 8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.
- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

Appendix 3 – Reserves

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| Schools Reserve | 15,734 | 0 | 0 | 15,734 | 15,734 | 15,734 | 15,734 | |
| General Fund Reserves | | | | | | | | |
| Statutory Reserves | 16,471 | (10,094) | 10,174 | 16,551 | 17,762 | 19,197 | 20,632 | |
| Earmarked Reserves | 498,918 | (249,055) | 11,241 | 261,105 | 139,416 | 105,797 | 77,150 | |
| General Fund Reserve | 25,000 | 0 | 0 | 25,000 | 25,000 | 25,000 | 25,000 | |
| Total General Fund | 540,389 | (259,149) | 21,415 | 302,655 | 182,178 | 149,994 | 122,782 | |
| Housing Revenue Account Reserves: | | | | | | | | |
| Housing Revenue Account General Reserve | 78,355 | (16,957) | 0 | 61,398 | 47,210 | 49,405 | 48,135 | |
| Major Repairs Reserve | 2,434 | (2,434) | 0 | 0 | 0 | 0 | 0 | |
| HRA PFI Reserve | 10,000 | 0 | 0 | 10,000 | 10,000 | 10,000 | 10,000 | |
| HRA Residual liabilities fund | 24,000 | 0 | 0 | 24,000 | 24,000 | 24,000 | 24,000 | |
| Housing Insurance Reserve | 2,059 | 0 | 200 | 2,259 | 2,459 | 2,659 | 2,859 | |
| Total HRA | 116,848 | (19,391) | 200 | 97,657 | 83,669 | 86,064 | 84,994 | |
| TOTAL RESERVES | 672,971 | (278,540) | 21,615 | 416,046 | 281,581 | 251,792 | 223,510 | |
| SCHOOLS RESERVE | | | | | | | | |
| LMS Reserve | 15,734 | 0 | 0 | 15,734 | 15,734 | 15,734 | 15,734 | School balances assumed year-end position. These are not MCC resource and so cannot be used by MCC. |
| Sub Total Schools | 15,734 | 0 | 0 | 15,734 | 15,734 | 15,734 | 15,734 | |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| STATUTORY RESERVES | | | | | | | | |
| Bus Lane Enforcement Reserve | 10,341 | (5,992) | 4,695 | 9,044 | 8,697 | 8,350 | 8,003 | Ring-fenced reserve which can only be applied to specific transport and highways related activity. |
| On Street Parking | 1,232 | (3,794) | 5,479 | 2,917 | 4,810 | 6,789 | 8,768 | Ring-fenced reserve which can only be applied to specific transport and highways related activity. |
| Ancoats Square Reserve | 2,709 | (118) | 0 | 2,591 | 2,473 | 2,355 | 2,237 | Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years. |
| Spinningfields Commuted Sum | 618 | (9) | 0 | 609 | 600 | 591 | 582 | Funds received as part of an agreement to cover maintenance costs. |
| Great Northern Square Maintenance Fund | 249 | (20) | 0 | 229 | 209 | 189 | 169 | Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square. |
| Education Endowments | 17 | 0 | 0 | 17 | 17 | 17 | 17 | For future payments for school prizes |
| Landlord Licensing Reserve | 159 | (111) | 0 | 48 | 0 | 0 | 0 | Smoothing reserve |
| Art Fund Reserve | 21 | 0 | 0 | 21 | 0 | 0 | 0 | For art purchases |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|---------------------------------------|---------------------|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Manchester Safeguarding | 69 | 0 | 0 | 69 | (0) | (0) | (0) | Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG |
| Hulme High Street | 283 | 0 | 0 | 283 | 283 | 283 | 283 | |
| St Johns Gardens Contingency | 773 | (50) | 0 | 723 | 673 | 623 | 573 | Contribution from St Johns Gardens tenants for maintenance works |
| Sub Total Statutory | 16,471 | (10,094) | 10,174 | 16,551 | 17,762 | 19,197 | 20,632 | |
| EARMARKED RESERVES | | | | | | | | |
| BALANCES HELD FOR PFI'S | | | | | | | | |
| Street Lighting PFI | 223 | (223) | 0 | 0 | 0 | 0 | 0 | Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors |
| Temple PFI | 612 | (84) | 11 | 539 | 456 | 363 | 233 | Established to fund the requirements of the PFI scheme over 25 years |
| Wright Robinson PFI Reserve | 1,369 | (42) | 40 | 1,367 | 1,344 | 1,298 | 1,230 | PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant. |
| Total held for PFI's | 2,204 | (349) | 51 | 1,906 | 1,800 | 1,661 | 1,463 | |
| Reserves directly supporting the revenue budget | | | | | | | | |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|---|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Adult Social Care | 13,431 | (9,252) | 0 | 4,179 | 0 | 0 | 0 | To support Adult and Social Care Improvement Plan |
| Social Care Reserve | 7,395 | (7,446) | 1,557 | 1,506 | 0 | 0 | 0 | To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets |
| Crime and Disorder | 540 | (540) | 0 | 0 | 0 | 0 | 0 | To fund the Anti Social Behaviour Team |
| Budget smoothing Reserve | 14,747 | (11,266) | 0 | 3,481 | 3,481 | 3,481 | 0 | Planned use to smooth the impact of previous funding reductions on the revenue budget |
| Total held to support the revenue budget | 36,113 | (28,504) | 1,557 | 9,166 | 3,481 | 3,481 | 0 | |
| RESERVES HELD TO SMOOTH RISK / ASSURANCE | | | | | | | | |
| Risks | | | | | | | | |
| Planning Reserve | 2,704 | (353) | 0 | 2,351 | 1,875 | 1,395 | 911 | Used to smooth the volatility of planning fee income to avoid budget pressures if fee income drops |
| Transformation Reserve | 7,775 | (333) | 0 | 7,442 | (1,041) | (1,376) | (1,376) | To support costs of future service change. |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|-----------------------------|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Airport Dividend Reserve | 43,953 | (4,913) | 0 | 39,040 | 0 | 0 | 0 | The income in the reserve is from the Manchester airport dividend which is then used a year in arrears to support the Medium Term Financial Plan |
| Land Charges Fees Reserve | 252 | (50) | 0 | 202 | 152 | 102 | 52 | To smooth the budget impact, planned to utilise in 2020/21 |
| Pension Risk Fund | 518 | (518) | 0 | 0 | 0 | 0 | 0 | To fund external pension liabilities |
| Inspirit Pension Reserve | 15 | 0 | 5 | 20 | 25 | 30 | 35 | Relates to potential pension liabilities |
| Highways Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Funds received as part of developer agreements that will be utilised for highways schemes in future years |
| Insurance Fund | 18,089 | (500) | 0 | 17,589 | 14,089 | 13,589 | 13,089 | The insurance fund has been established to fund risks that are self insured. |
| Fleet Maintenance Reserve | 21 | 0 | 25 | 46 | 71 | 1 | 1 | Reserve created for smoothing the impact of vehicle repair and maintenance costs. |
| Children's Services Reserve | 903 | (88) | 0 | 815 | 102 | 0 | 0 | The reserve is being held for any unexpected issues arising from Academy transfers given the level of uncertainty around any costs falling to the LA within a short timescale. |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|-------------------------------------|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Taxi Licensing Reserve | 396 | (274) | 0 | 122 | 122 | 122 | 122 | This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute. |
| Newton Heath Market Reserve | 22 | 0 | 0 | 22 | 22 | 22 | 22 | To fund the future market provision |
| Rogue Landlord Reserve | 10 | 0 | 0 | 10 | 10 | 10 | 10 | This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards. |
| Selective Licensing Reserve | 194 | (181) | 0 | 13 | 13 | 13 | 13 | Costs for administering the reputable landlord initiative and ensure compliance |
| Investment Estate smoothing Reserve | 533 | 0 | 0 | 533 | (0) | (0) | (0) | To manage budget pressures due to the volatility in investment income. |
| Homelessness Reserve | 1,500 | (1,500) | 0 | 0 | 0 | 0 | 0 | To offset potential increases in need / demand |
| Emergency Planning | 214 | (100) | 0 | 114 | 14 | 14 | 14 | To support emergency planning |
| Business Rates Reserve | 196,818 | (158,123) | 0 | 38,695 | 14,196 | 3,418 | 2,928 | To mitigate Business Rates income risk due to the volatility of assumptions |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|---|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| Cleopatra Reserve | 663 | (663) | 0 | 0 | 0 | 0 | 0 | |
| TOTAL Risk/Smooth | 274,580 | (167,596) | 30 | 107,014 | 29,650 | 17,340 | 15,821 | |
| RESERVES HELD TO FUND CAPITAL SCHEMES AND OTHER SPECIFIC PROJECT RELATED COSTS | | | | | | | | |
| Investment Reserve | 10,396 | (1,819) | 0 | 8,577 | 6,730 | 4,854 | 3,350 | To deliver priority regeneration projects. |
| Enterprise zone Reserve | 2,062 | (1,061) | 1,500 | 2,501 | 2,940 | 3,379 | 4,211 | To underwrite the borrowing costs for development in the Oxford Road Corridor |
| Capital Fund Reserve | 81,459 | (20,900) | 2,890 | 63,449 | 33,330 | 19,216 | 2,477 | Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city . |
| Capital Financing Reserve | 34,730 | 0 | 0 | 34,730 | 34,730 | 34,730 | 29,170 | To reflect increase in borrowing costs due to the Council's capital investment |
| Manchester International Festival | 12,160 | (1,060) | 0 | 11,100 | 9,993 | 8,839 | 7,635 | To fund agreed future Manchester International Festivals / Factory grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle. |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| Eastlands Reserve | 4,092 | (5,248) | 5,118 | 3,963 | 4,163 | 4,892 | 7,460 | This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport. |
| Total to fund capital scheme and other specific relates costs | 144,899 | (30,088) | 9,508 | 124,319 | 91,886 | 75,910 | 54,303 | |
| RESERVES TO SUPPORT GROWTH AND REFORM | | | | | | | | |
| Integration Reserve | 5,037 | (3,375) | 0 | 1,662 | 1,556 | 1,171 | 1,171 | The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan. |
| Town Hall Reserve | 11,457 | (3,075) | 0 | 8,382 | 5,834 | 1,711 | 0 | To fund commitments for the Town Hall Complex Programme |
| Troubled Families Reserve | 2,255 | (1,150) | 0 | 1,105 | 0 | 0 | 0 | This was set up to support the scaling up on the community budgets work and to manage risk of Troubled Families grant ending. |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|---|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Our Manchester Reserve | 3,017 | (2,802) | 0 | 215 | 215 | 215 | 215 | Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives |
| TOTAL | 21,766 | (10,402) | 0 | 11,364 | 7,605 | 3,097 | 1,386 | |
| GRANTS USED OVER ONE YEAR | | | | | | | | |
| English Partnership (Homes and Communities Agency) | 139 | 0 | 0 | 139 | 139 | 139 | 139 | HCA approval required to Fund Development appraisal and Eastland's Project team |
| Contain Outbreak Management Fund (COVID-19) | 8,852 | (8,852) | 0 | 0 | 0 | 0 | 0 | The government made payments to Local Authorities from the Contain Outbreak Management Fund to support proactive containment and intervention measures |
| Clinically extremely vulnerable individuals (COVID-19) | 502 | (502) | 0 | 0 | 0 | 0 | 0 | Government grant being used to provide support, such as access to food deliveries and signposting to local support services, to those most at risk from COVID-19 |
| Other Grants and Contributions - Neighbourhood Services | 13 | (13) | 0 | 0 | 0 | 0 | 0 | Various local Environment scheme and initiatives i.e. 'clean up campaigns' |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Other Grants and Contributions- Growth and Development | 90 | 0 | 0 | 90 | 90 | 90 | 90 | Unspent grants received in previous year |
| Fraud Fund | 136 | (136) | 0 | 0 | 0 | 0 | 0 | Unspent grant received in previous year |
| Deprivation of Liberty Grant | 149 | 0 | 0 | 149 | 149 | 149 | 149 | Unspent grant received in previous year |
| Asylum Seekers | 288 | (96) | 0 | 192 | 92 | 0 | 0 | This will fund the Local Authority Asylum Support Officer (LAASLO) project. |
| Collection Initiatives Reserve | 2,474 | (1,345) | 0 | 1,129 | 0 | 0 | 0 | Small reserves on Corporate Core |
| MAES Reserve | 1,197 | (500) | 0 | 697 | 197 | (303) | (340) | To fund Manchester Adult Education Services (MAES) |
| Brexit Reserve | 446 | 0 | 0 | 446 | 446 | 446 | 446 | To fund BREXIT related costs that fall across more than one year |
| TOTAL | 14,286 | (11,444) | 0 | 2,842 | 1,113 | 521 | 484 | |
| SMALL SPECIFIC RESERVES | | | | | | | | |
| Nuclear Free Zone | 38 | (5) | 0 | 33 | 28 | 23 | 18 | General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|
| Carbon Reduction Reserve | 225 | (225) | 0 | 0 | 0 | 0 | 0 | To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan |
| Highways Commuted Sum | 2,634 | (89) | 0 | 2,545 | 2,456 | 2,367 | 2,278 | To support highways schemes |
| New Smithfield Market - Car Boot | 20 | (45) | 55 | 30 | 40 | 50 | 60 | Used to fund repairs and maintenance of facilities for traders. |
| Cemeteries Replacement | 441 | 0 | 0 | 441 | 0 | 0 | 0 | To purchase land for burials |
| Councils with ALMOs Group (CWAG) Reserve | 71 | (10) | 0 | 61 | 51 | 41 | 31 | Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC |
| Graves and Memorials | 97 | 0 | 0 | 97 | 97 | 97 | 97 | Money held in trust for repair and development costs for gravestones |
| Trading Standards Reserve | 133 | 0 | | 133 | 133 | 133 | 133 | Specific grants such as Tobacco control, control of migration etc. |
| Housing Compliance Reserve (Fixed Penalty Notices) | 484 | (75) | 0 | 409 | 331 | 331 | 331 | Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance. |

| Reserve | Closing Balance 2020/21 £000 | Withdrawals £000 | Additions £000 | Closing Balance 2021/22 £000 | Closing Balance 2022/23 £000 | Closing Balance 2023/24 £000 | Closing Balance 2024/25 £000 | Purpose |
|--|------------------------------------|---------------------|-------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| Community Safety Reserve | 315 | 0 | 0 | 315 | 315 | 315 | 315 | A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police. |
| Litter Reserve (Fixed Penalty Notices) | 76 | 0 | 0 | 76 | 76 | 76 | 76 | Revenue collected from enforcement activity is ring-fenced to functions related to litter. |
| Great Ancoats Management Improvement Reserve | 286 | 0 | 0 | 286 | 286 | 286 | 286 | Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion. |
| Social Value Fund | 222 | (222) | 40 | 40 | 40 | 40 | 40 | New Reserves for Social Funding income from successful tenders |
| Other Small Specific Reserves | 28 | 0 | 0 | 28 | 28 | 28 | 28 | Small specific reserves |
| Total Small Specific Reserves | 5,070 | (671) | 95 | 4,494 | 3,881 | 3,787 | 3,693 | |
| TOTAL EARMARKED RESERVES | 498,918 | (249,055) | 11,241 | 261,105 | 139,416 | 105,797 | 77,150 | |
| Total General Fund Reserves | 556,123 | (259,149) | 21,415 | 318,389 | 197,912 | 165,728 | 138,516 | |