

## **Manchester City Council Report for Information**

**Report to:** Children and Young People Scrutiny Committee – 10 November 2021

**Subject:** Children and Education Services Directorate Budget 2022/23

**Report of:** Strategic Director for Children's and Education Services

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### **Purpose of Report**

Following the Spending Review announcements and other updates the Council is forecasting an estimated shortfall of £4m in 2022/23, £64m in 2023/24 and £85m by 2024/25. This report sets out the high-level position. Officers have identified options to balance the budget in 2022/23 which are subject to approval.

The position will be clearer in December 2021 when the Local Government Finance Settlement is received although that is unlikely to provide detailed funding allocations for after 2022/23. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £40m per annum for 2023/24 and 2024/25. In addition, £50.6m of risk-based reserves have been identified as available to manage risk and timing differences.

This report sets out the high-level position. Appended are the priorities for the services in the remit of this committee, details on the initial revenue budget changes proposed by officers and the planned capital programme.

This report which for ease of reference is structured as follows.

Section 1	Summary of Council Budget
Appendix One	Children and Education Services Context and Priorities
Appendix Two	Budget Revenue Overview, Approved Savings and Pressures
Appendix Three	Capital Budget

### **Recommendations**

The committee is recommended to:

1. Note the forecast medium term revenue budget position.
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The report contains draft savings options, for comment, prior to a draft budget report being prepared for February 2022 Executive. Budget options outlined in the report are

deemed to be deliverable and there is a level of confidence that most of the options are “the right thing to do” and have been developed in line with the Directorate budget strategy. The need for further savings options is to be reviewed once the outcome of the financial settlement is known.

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**Wards Affected:** All

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

<b>Manchester Strategy Outcomes</b>	<b>Summary of the Contribution to the Strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city’s sustainability and growth.
A highly skilled city: world class and home-grown talent sustaining the city’s economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the city; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership; build the resilience of children and families needed to achieve their potential and be integrated into their communities.
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

### **Financial Consequences Revenue**

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2022/23 budget preparation.

### **Financial Consequences – Capital**

None directly arising from this report.

**Background documents (available for public inspection):** None

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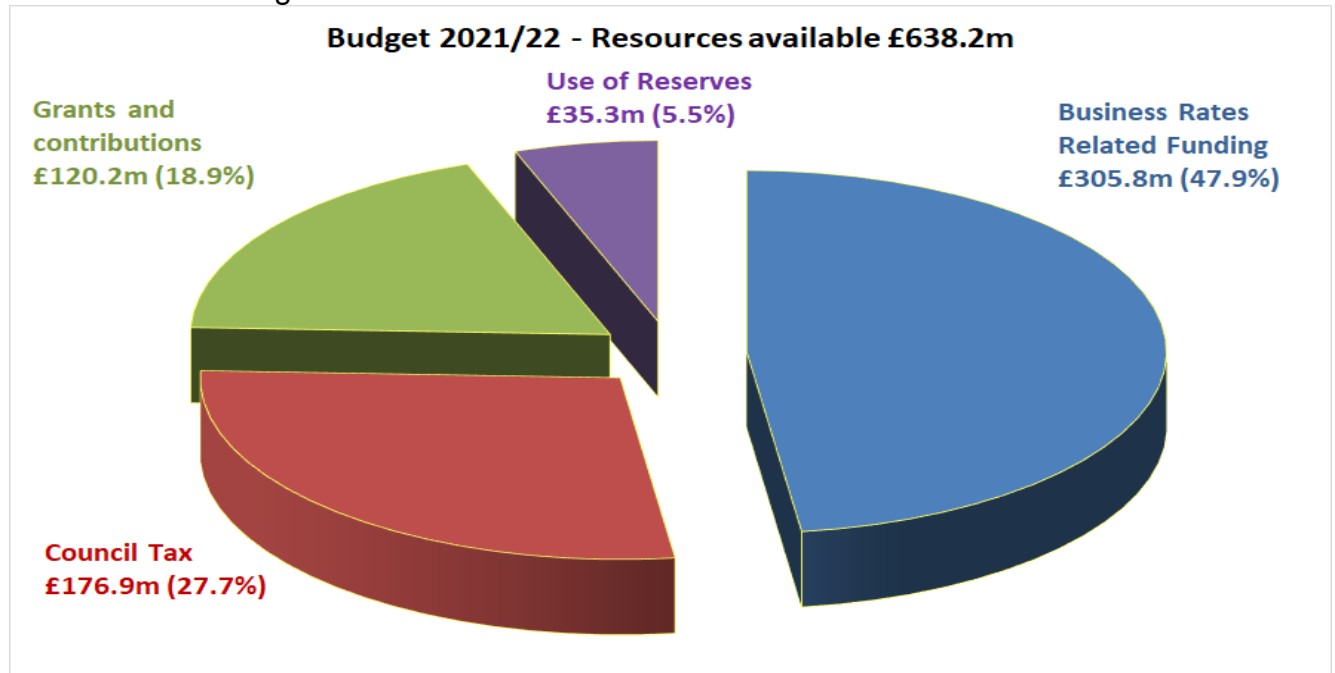
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## 1. Context and Background

- 1.1. On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement (expected in December) sets out the distribution to individual local authorities.
- 1.2. The medium-term financial plan remains challenged by uncertainty. There are potential changes to how local government funding is distributed, the Business Rates Retention scheme, and Adult Social Care Reform and associated funding.
- 1.3. The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions and use of reserves. In recent years as central government funding has reduced and business rates retention has been introduced the ability to grow and maintain the resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.
- 1.4. The following chart shows the current breakdown of resources available.



## 2. Current budget position

- 2.1 The indicative medium-term position is shown in the table below, full details are provided in the Spending Review and budget update report to Resources and Governance scrutiny committee 9 November 2021.

	<b>Approved 2021 / 22 £'000</b>	<b>2022 / 23 £'000</b>	<b>2023 / 24 £'000</b>	<b>2024 / 25 £'000</b>
<b>Resources Available</b>				
Business Rates Related Funding	156,416	318,969	315,557	333,520
Council Tax	176,857	205,528	204,116	214,567
Grants and other External Funding	120,243	83,040	76,957	74,957
Use of Reserves	184,667	49,857	22,737	7,573
<b>Total Resources Available</b>	<b>638,183</b>	<b>657,394</b>	<b>619,367</b>	<b>630,617</b>
<b>Resources Required</b>				
<i>Corporate Costs</i>	121,096	112,156	113,378	118,016
<i>Directorate Costs</i>	517,087	549,766	569,732	598,099
<b>Total Resources Required</b>	<b>638,183</b>	<b>661,922</b>	<b>683,110</b>	<b>716,115</b>
<b>Shortfall / (surplus)</b>	<b>0</b>	<b>4,528</b>	<b>63,743</b>	<b>85,498</b>

- 2.2 The budget assumptions that underpin 2022/23 to 2025/26 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is set which adequately reflects ongoing cost and demand pressures.
- 2.3 Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix 2. If these proposals are supported a balanced budget will be achieved. In addition, £50.6m of risk-based reserves have been identified as available to manage risk and timing differences.

### **3. Scrutiny of the draft budget proposals and budget reports**

- 3.1 The reports have been tailored to the remit of each scrutiny as shown in the table below. This Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees the final budget proposals in February 2022.

Date	Meeting	Services Included
9 Nov 21	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
9 Nov 21	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
10 Nov 21	Health Scrutiny Committee	Adult Social Care and Population Health
10 Nov 21	Children and Young People Scrutiny Committee	Children and Education Services
11 Nov 21	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
11 Nov 21	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control and licensing Investment Estate Work and skills Highways

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

4.1 The proposed next steps are as follows:

- The Local Government Finance Settlement is expected mid to late December. The outcome will be reported back to January Resources and Governance Scrutiny Committee (11 January) and Executive (19 January) along with an update on the budget position.
- February Scrutiny Committees (8-10 February) and Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – 28 February
- March Council - approval of 2022/23 budget - 4 March
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members.