

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

**Report to:** Executive – 17 November 2021

**Subject:** Spending Review and budget update

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

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### **Purpose of the report**

This report updates on the main announcements from the Spending Review 27 October 2021 with a focus on the implications for local government funding, what this means for the Council's budget position and the proposed budget process.

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 is structured as follows:

Main Report - Spending Review Announcement and Medium-Term Revenue Budget.  
Appendix One - Summary of all Spending Review Announcements.

### **Recommendations**

Executive is recommended to:

1. Note the Spending Review announcements and the forecast medium term revenue budget position; and
  2. Consider the content of this report and comment on the proposed budget changes outlined in section 7.
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**Wards Affected:** All

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

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

<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	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

### **Financial Consequences – Revenue**

The report sets out the announcements in the Spending Review that relate to local government funding and the potential impact on Manchester City Council. The detail and actual levels of funding will not be known until at least the Finance Settlement expected mid to late December 2021.

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.

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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.

The full suite of Autumn Budget and Spending Review documents can be found online at [Autumn Budget and Spending Review 2021: documents - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/collections/autumn-budget-and-spending-review-2021)

## **1. Introduction**

- 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 Although there was no individual local authority level information provided this report sets out how the announcements may impact on the City Council's budget position and gives an overview of other key public spending announcements.
- 1.3 This report focuses on the forecast financial impact of the announcements and the Council's medium term revenue budget position.

## **Part One – Spending Review Announcements**

## **2. Economic Context**

- 2.1 The overall economic picture is one of an improving fiscal position, albeit from a very difficult place as the economy emerges from the pandemic. The Office for Budget Responsibility's (OBR) economic forecasts show an improvement compared to those in March 2021. They are now forecasting that the pandemic will result in economic scarring equivalent to 2% of GDP (rather than the 3% forecast in March 2021).
- 2.2 Economic growth is now forecast to be 6.5% in 2021, followed by 6.0% in 2022, 2.1% in 2023. However, from 2024 onwards, GDP is forecast to grow below its long-term trend of 2%.
- 2.3 There is still an exceptionally large budget deficit with high levels of debt, however this has also improved since the March forecast. The budget deficit is expected to reduce by almost half to £183bn in 2021/22 (£51bn lower than in the March forecast). Borrowing reached £320bn (15.2% of GDP) in 2020/21.
- 2.4 The Consumer Price Index (CPI) dropped significantly in 2020 (during the pandemic), and has now bounced-back, with an expected peak of over 4% in the next 6 months. The OBR is expecting CPI inflation to reach 4.4% next year. The OBR forecasts that CPI will have returned to its target level (2%) by 2023 or 2024.
- 2.5 Total departmental spending is set to grow in real terms at 3.8% a year on average over this Parliament – a cash increase of £150 billion a year by 2024/25 (£90 billion in real terms).

### **3. Local Government Finance Announcements**

3.1 Core spending power for local authorities is estimated to increase by an average of 3% in real terms each year over the three-year period. Core Spending power is the Government's preferred measure of the resources available to councils and includes the estimated level of Council tax assuming the full precepts are taken.

3.2 The spending power increase includes:

- £4.8bn extra for Local government over the spending review period, with £1.6bn of new grant funding in 2022/23 followed by flat cash thereafter. This includes an additional £200m for the Supporting Families programme, and £37.8m funding to tackle cyber security challenges and invest in cyber resilience. It will also be expected to fund the increased national insurance costs that councils will face as an employer. It is not yet known how the funding will be allocated to individual councils.
- £3.6bn for the previously announced adult social care reforms including the proposed cap on the cost of care.
- A council tax referendum limit of 2% and Adult Social Care precept of 1% per year.

3.3 The Local Government Departmental Expenditure Limit (LG DEL) will rise by £3.6 billion by 2024/25, (an average annual real terms increase of 9.4% from 2021/22 to 2024/25). This includes £2bn in 2024/25 related to the income from the health and social care levy, intended to fund the reforms set out in the adult social care reform paper released in September 2021.

	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>
Total LG DEL	9,100	10,800	12,100	12,700
Growth above 2021/22 (£m)		1,800	3,000	3,600
This includes:				
ASC Reform		200	1,400	2,000
Other Funding		1,600	1,600	1,600

3.4 The other main announcements impacting Local Government Funding can be summarised as follows:

- Spending on rough sleeping increased to £639m per annum by 2024/25.
- Specific announcements for Children and Families, the most significant being 'Start for Life' hubs.
- £34.5m has been allocated to further strengthen local delivery and transparency. This funding will help strengthen local government's procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and help local councils meet new transparency requirements.

- £4.7bn for school's core budget and £2.6bn (capital) for Special Educational Needs and Disabilities to help councils provide places locally, rather than children having to travel to get the support they need.

3.5 **Business Rates** - The Chancellor announced that the Government would provide a package of business rates measures to support businesses in England. For 2022/23 this includes:

- A new relief for eligible retail, hospitality, and leisure properties with 50% relief on rates bills up to £110,000 per business.
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier).
- The extension of the current Transitional Relief and Supporting Small Business schemes.
- The scope of the discount for 2022/23 will return to pre-Covid-19 eligibility for retail properties. Hospitality and leisure properties will continue to remain in scope.

3.6 Local Government will be reimbursed for the reliefs through Section 31 grant. In addition, the government will provide New Burdens funding to cover matters such as IT costs and additional staff costs.

3.7 The final report for the Review of Business Rates was also published at the Budget. The Budget and the Review commits, in the longer term, to making improvements to the business rates system, including:

- More frequent revaluations, moving to a three yearly cycle starting from the next revaluation in 2023.
- New changes to support delivery of the more frequent revaluations, including new duties on ratepayers to provide the VOA with information.
- A new relief to support investments in property improvements.
- New exemption and relief to support green technologies.

3.8 **Council Tax** announcements are as follows:

- Core referendum limit will stay 2% a year.
- Social care precept will be up to 1% per year.
- Police and Crime Commissioners increase up to £10 per year.

3.9 In conclusion additional government funding is welcome; however, it is not expected this will meet all the extra cost and demand pressures anticipated over the period, especially as there is no planned increase after 2022/23 and no explicit funding to address the existing pressures on adult social care services. There remains concern that the money allocated to social care from the Health and Care Levy will be insufficient to fund the planned reforms. Finally, there has

been no increase in public health funding to address the health inequality issues highlighted by the pandemic.

3.10 The Spending Review was also silent on whether local government will receive a three-year financial settlement and whether and when local government finance reforms, such as the fair funding review and changes to business rates retention will be implemented. As individual local authority funding allocations will not be known until the Finance Settlement is received, expected in mid-December, a number of assumptions on how they may impact on Manchester have been made.

#### **4. Other Spending review Announcements**

4.1 The other spending review announcements which will directly impact Manchester are summarised below.

4.2 Changes which directly impact on household income:

- National Minimum Wage will increase to £9.50 per hour.
- The public sector pay freeze will end.
- Universal Credit uplift - reduced the taper from 63% to 55%, UC (Universal Credit) claimants will be able to keep an additional 8p for every £1 of net income earned. A £500 per year increase to the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced (known as Work Allowances).
- Government will continue the temporary increase in the surplus earnings threshold to £2,500 for UC claimants until April 2023, when the threshold will reduce to £300.
- Workers leaving the furlough scheme and making a UC claim will be prioritised through the Job Finding Support scheme.

4.3 Funding Announcements which benefit Manchester:

- The £4.8 billion **Levelling Up Fund** -The successful bids include 'The Culture in the City Project' - Almost £20m to transform two listed buildings into technology and creative industry spaces in Manchester.
- **City Region Sustainable Transport** awards totalling £5.7bn were also announced. This includes £1.07bn to Greater Manchester over five years to transform local transport networks, for schemes such as next generation Metrolink tram-train vehicles.
- **Community Renewal Fund** - GMCA (Greater Manchester Combined Authority) have been awarded £4.360m over 8 schemes

4.4 Appendix One provides a summary of all the Spending Review announcements.

## **Part Two – Medium Term Revenue Budget**

### **5. Budget Context**

5.1 Since 2010 the Council has had consecutive budgets that have seen it close an aggregate funding gap of £419m as it has contended with funding cuts and inflationary and demographic pressures.

5.2 In this time, the Council has borne the brunt of local government cuts and if it had seen funding cuts in line with an average Council it would have £85m a year more in funding than it currently has.

5.3 The Council has therefore worked hard to reach a balanced budget each year through sound medium term financial planning and monitoring of those plans.

### **6. Current Forecast Budget position**

6.1 The table below shows the estimated budget position for 2022/23 to 2024/25 taking into account the estimated impact of Spending Review Announcements.

**Table 1: Forecast budget position**

	<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>

*\*2022/23 onwards reflects an indicative 2.99% increase in the CT rate, including 1% ASC precept*

### *Government Funding assumptions*

6.2 As the Spending Review does not contain any detail on how funding will be allocated, or clarity of what is assumed to continue in the base, a number of assumptions have been made. It should be noted that the actual Finance Settlement may be very different to what has been assumed. The assumptions include the following:

- A £16m share of the of £1.6bn Core funding. This is a prudent estimate based on the social care funding formula. It is highly unlikely all the funding will be distributed on a single formula basis.
- New Homes Bonus - no detail has been published so only the previously announced £3.1m legacy funding has been included with no further funding assumed.
- All one-off grants received in 2021/22 to cover the increased costs of COVID-19 will end.
- The Improved Better Care Funding and Better Care Fund will continue.
- Public health funding will be flat cash in real terms (as announced as part of the SR).

### *Local Resources*

6.3 Local resources include Council Tax, Business Rates and commercial income, the main assumptions are as follows:

- Significant commercial income does not resume until after 2024/25.
- After the 2021/22 budget was set the estimated business rates appeal requirement was reduced due to the change in policy not to allow appeals related to the impact of COVID-19 (material change in circumstances) and fully refunded retail reliefs were extended. This has led to a one-off (2022/23) business rates surplus of £12.1m.
- Council Tax has been assumed to increase in line with the Spending Power assumptions of 1.99% for core council tax and 1% for the Adult Social Care precept in each of the next three years.
- An estimated Council Tax surplus of £6.9m (one off 2022/23) due to growth in the tax base with the delivery of new homes in Manchester, a lower number of student exemptions and fewer Council Tax Support claimants than originally estimated. The ongoing impact of the growth in the council tax base is forecast at c£4.2m a year.
- A decision on the future of the Business Rates pilots has not been made yet so it has been assumed the 100% business rates retention pilot will end and that the Council will revert to the national 50% business rates retention regime.

## *2021/22 Estimated Impact of COVID 19 on Service Delivery*

6.4 As part of the 2021/22 budget setting process £13.7m additional ongoing funding was included in the budget for the ongoing impact of COVID-19. The budget monitoring process has identified that the following amounts were not required due to either an overestimation of the impact of alternative funding being available. These have now been removed from the budget on a permanent basis:

- Adults Personal protective equipment (PPE) (£2.5m) as it has been agreed the anticipated costs are being covered by the Clinical Commissioning Group.
- Children's Services (£1.2m) recurrently due to a positive reduction in demand. This is linked to the preventative actions and investments targeted on the front door, edge of care and approach to permanency.

### *Inflation and Oncosts*

6.5 Inflation has been rising and the following provisions have been made within the draft Revenue Budget:

- The ongoing impact of the potential 2021/22 pay award (£0.8m) and assumed 3% increase per year (£7.5m a year).
- An uplift to National Living Wage of 6.6% to £9.50 per hour was announced as part of the Spending Review. An additional £2.5m in 2022/23 has been allowed for over the £3.1m already included in the 2022/23 budget.
- National Insurance increase of 1.25% (£1.5m).
- The full year effect of electricity price increases forecast at £7.2m next year reducing to £5.5m thereafter.
- Increased allowance to cover general contract inflation and gas of £4m (above existing £4m per year). This is net of additional income which could be achieved through a review of Sales, Fees and Charges. A 2.5% increase would raise around £2m and reflect the increases in costs of providing the services charged for.

### *Use of Reserves*

6.6 In line with the approach outlined in the Revenue Monitoring reports to Executive, budgets that have been added for 2021/22 and have subsequently not been required have been transferred to a reserve in 2021/22 to support the medium-term budget position and reduce the budget gap. The Revenue Monitoring on the agenda for the Executive provides full details and to date this totals £11.6m. This largely relates to some COVID budget pressures not impacting as severely as initially forecast. The 2021/22 budget is currently forecasted to be £1.353m underspent. Any underspend will be carried forward to support the 2022/23 budget.

- 6.7 The 2021/22 Medium Term Financial Strategy to February 2021 Executive outlined that £50.6m of risk-based reserves had been identified as available to support the future budget position. Whilst the £50m identified could be applied across 2023/24, the reserves will need to be replenished at a later stage and this is not recommended. However, an element of the reserves can be used to smooth the budget position in advance of future savings or commercial income returning, or to support some of the transformation required to support further budget cuts.
- 6.8 The £1.353m relating to the 2021/22 projected underspend will be used to support the revenue budget in 2022/23. The £11.6m recovered from the 2021/22 budget will be used to reduce the forecast budget gap for 2023/24.

## **7. 2022/23 budget approach**

- 7.1 Work has taken place to address emerging underlying pressures across services and review mitigating actions around forecast future increases in demand. The detail is included in the budget reports to individual scrutiny committees, with a summary below. The impact on the forecast position shown in table two.

### *Emerging Pressures*

- 7.2 The following budget pressures have been identified:
- 7.3 Corporate Core £1.264m net pressure (Gross pressure of £2.319m less savings £1.055m). As part of the work to review the budget the directorate has identified budget pressures, some offsetting savings measures and the need to reallocate some resources to reflect the changing priorities in the Directorate. There is a net budget increase of £1.264m which largely reflects two areas of cost which cannot be absorbed from within Corporate Services namely the reduction in court summons fees of £0.5m due to the reduction in summons due to the reduction in levels of Council Tax support residents had to pay in 2021/22 and changes to debt collection, and the additional costs associated with Gorton Hub. Full details are available in the budget report to Resources and Governance committee 9 November 2021.
- 7.4 Neighbourhood Services -£464k pressures relating to CCTV (£264k) to cover increased contract costs for monitoring arrangements and Winter Services (£200k) for increased costs of service provision.
- 7.5 Childrens centres maintenance of £400k - In 2012, the Council took the decision to withdraw from the direct provision of day-care services to move to a new model, with the Council acting as commissioner of day-care services. As the estate is not in good condition maintenance costs are higher than day care providers anticipated and can afford. A review of the current arrangements with tendered day-care has been concluded and Executive have agreed a capital investment of £3m to improve the condition of these buildings. However, this is a

3-year programme and current projections indicate an ongoing budget shortfall. It is proposed that this pressure is funded going forward.

*Measures to Mitigate Pressures*

- 7.6 In addition to the £3.7m of COVID-19 pressures already taken out of the budget (referenced at paragraph 5.4), a review of demand assumptions versus actual activity has led to two further recommended changes:
- £2m from Adult Social Care is released on a permanent basis. This still leaves an additional £9m in the budget to deal with ongoing demand from COVID-19 which is deemed to be sufficient to meet the ongoing impact.
  - £7m was added to the Homelessness budget in 2020/21. In addition, a £1.5m contingency remains and further funding has been announced as part of the SR. It is unlikely that the further planned £1.716m per annum increase will be required and this has now been removed from the budget, although the position will be kept under review.
- 7.7 Review staff budgeting and vacancy factors. With the exception of senior graded posts (SS1 and above) positions are currently budgeted at the top of grade less a vacancy factor. This factor is 2.5% in the majority of service areas, higher vacancy factors are adopted in a limited number of service areas (where appropriate). A 1% increase to the vacancy factor would more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover and would generate budget savings of c.£2m - with services having the flexibility to delete long term vacancies as an alternative to increasing the vacancy factor. This will be allocated to budgets once more detailed work has been concluded in December. This is in addition to workforce budgeting saving already assumed within the Core.
- 7.8 Historic pension costs are continuing to reduce. In addition, there are some legacy financing charges which are no longer required. The relevant corporate budgets can be reduced by £1m.

**Table 2: Emerging pressures and impact on Forecast**

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
<b>Current forecast gap / (surplus)</b>	<b>4,528</b>	<b>63,743</b>	<b>85,498</b>
<b>Further Potential Changes:</b>			
Core Pressures Identified	2,319	2,352	4,134
Neighbourhoods Pressures Identified	464	464	464
Children's Centres Maintenance	400	400	400
<i>Total pressures</i>	<i>3,183</i>	<i>3,216</i>	<i>4,998</i>
<b>Potential Total gap / (surplus) after pressures</b>	<b>7,711</b>	<b>66,959</b>	<b>90,496</b>

<b>Proposed savings / demand reduction:</b>			
Core Savings	(1,055)	(1,055)	(1,055)
Adults	(2,000)	(2,000)	(2,000)
Homelessness demand management	(1,716)	(3,765)	(6,237)
Staffing budgets	(2,000)	(2,000)	(2,000)
Corporate Budgets	(1,000)	(1,000)	(1,000)
<i>Total proposed 22/23 savings</i>	<i>(7,771)</i>	<i>(9,820)</i>	<i>(12,292)</i>
<b>Potential Total gap / (surplus) after pressures and savings</b>	<b>(60)</b>	<b>57,139</b>	<b>78,204</b>

7.9 As shown above the proposed adjustments result in a small surplus for 2022/23 of £60k. If there is a requirement for further additional investment this will need to be funded from additional savings or a better-than-expected settlement.

## **8. Longer term approach**

8.1 It is likely that detailed local authority funding allocations will only be published for 2022/23 in the Finance Settlement and considerably uncertainty remains on the position after the next financial year. The main sources of local authority funding, business rates and council tax, remain extremely volatile and the potential reforms to local authority funding are still anticipated. These reforms include the move to the 'Fairer Funding' formula to allocate funding and changes to the Business Rates Retention scheme. In addition, the Business Rates reset planned for 2023/24 will mean that the additional business rates growth generated since the last reset in 2013 will be lost. Whilst there is some intelligence around the changes the government plan to make however there is no certainty around impact; whether they will be implemented in 2023/24; or deferred further.

8.2 The other risk facing the Council will be the call for significant capital investment to meet the growing list of priorities. This could lead to growing pressures on the capital financing and revenue budget if external borrowing is not restricted. Further work is required on the capital pipeline to ensure that the limited borrowing capacity compliments leveraging in external funding and is used to best affect.

8.3 Finally, the potential delay in the return of significant commercial income until after 2024/25 leaves the City Council in a weaker financial position unless proactive action is taken.

8.4 The above factors, along with the large number of risks facing local government as a whole, mean early work on the 2023/24 budget is required and has been planned. This will include:

- As part of the Future shape change programme work has started on defining the financial and operational benefits that each workstream will deliver. This work will inform a programme of savings to be developed. The move to a 'digital first' approach within the Council will be one of the areas where further savings will be identified.
- The continued work on Public Service Reform and management of demand / prevention will be important, particularly in limiting future demand growth.
- Work to identify invest to save approaches and budget efficiencies.

8.5 A programme of work will be developed around the above to enable the presentation of a balanced set of options early in the next municipal year. The work will target budget cuts and savings of £40m per annum for 2023/24 and 2024/25.

8.6 This report has set out the estimated budget position for the next three years and the potential scale of budget cuts required. The assumptions are based on a prudent view of the Spending Review announcements and funding available. A range of measures have been identified to ensure a balanced budget for 2022/23 and to put the Council on as firm a footing as possible for 2023/24 and beyond. Should further funding than that estimated be forthcoming as part of the Finance Settlement it is recommended that this is used over more than one financial year to reduce the requirement for future budget cuts. It should also be noted that £50m of reserves are potentially available to smooth the budget position that have not yet been applied. The reserves should only be used as part of a clear strategy to achieve a sustainable balanced budget and not to just plug a gap.

## **9. Budget consultation**

9.1 At this point it is not anticipated that formal consultation on specific proposals will be required for 2022/23.

9.2 There is a statutory requirement to consult with business rates payers. A public consultation on any proposed council tax increases would take place in late January/early February.

## **10. Budget setting timeline**

10.1 At the November meetings all scrutiny committees will receive a short update on the Council's budget and a high-level update on the three-year position following the Spending Review. The reports have been tailored to the remit of each scrutiny as shown in the table below.

<b>Date</b>	<b>Meeting</b>	<b>Services Included</b>
9 Nov 21	Resources and Governance Scrutiny Committee	Chief Executives 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

10.2 The 2021/22 budget will be subject to further scrutiny and formal approval as follows:

- Council Tax and Business Rates decision reports will go to Resources and Governance Scrutiny Committee on 8 December.
- The joint process to be considered at Health Scrutiny Committee on the 9 December.
- 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 and 2024/25 discussed with Executive members.

## 11. **Conclusion**

- 11.1 As stated in the report it is not possible to accurately quantify what funding will be available until the Settlement is received. Even then it is possible some funding will be announced later in the year. Although the Spending Review covered three years, it is likely the settlement will be for 2022/23 only.
- 11.2 Areas where there remain significant uncertainties include:
- Allocation methods of both the £1.6bn annual grant and £3.6bn social care funding pot are not known.
  - Uncertainty around existing grants – New Homes Bonus, Lower Tier Services Grant, Social Care Grant.
  - No announcements on Business Rates reforms, reset or Fairer Funding Review. This may become clear in Finance Settlement. It seems unlikely there will be changes in 2022/23.
  - Changes to Business Rates Retention – unlikely in 2022/23 but not clear after that. There has been no decision on the continuation of business rates pilots.
  - Cost of reforms and new responsibilities.
- 11.3 This report outlines a prudent approach to the Medium-Term budget with proposed savings and demand management of £7.7m next year then an additional £40m each year for the next three years. There is likely to be a one-year Settlement, the position for 2022/23 and beyond is still extremely challenging. The strategy outlined will allow a balanced budget to be forecast for the next three years, whilst also maintaining risk reserves to achieve a sustainable position for the future.