

## Manchester City Council Report for Information

**Report to:** Economy Scrutiny Committee – 11 November 2021

**Subject:** Growth & Development Directorate Budget 2022/23

**Report of:** Strategic Director Growth & Development

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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

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.

### 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.
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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 | Providing the leadership and focus for the sustainable growth and transformation of the City Centre and our neighbourhoods and highways  |
| A highly skilled city: world class and home-grown talent sustaining the city's economic success                   | Ensuring residents are connected to education and employment opportunities across the City.  |
| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities    | Creating places where residents actively demonstrate the principles of Our Manchester unlocking the potential of our communities through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups. |
| A liveable and low carbon city: a destination of choice to live, visit, work                                      | Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy, and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.                                     |
| A connected city: world class infrastructure and connectivity to drive growth                                     | Ensuring residents, neighbourhoods, businesses, and goods connect to local, national, and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.                                  |

**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.

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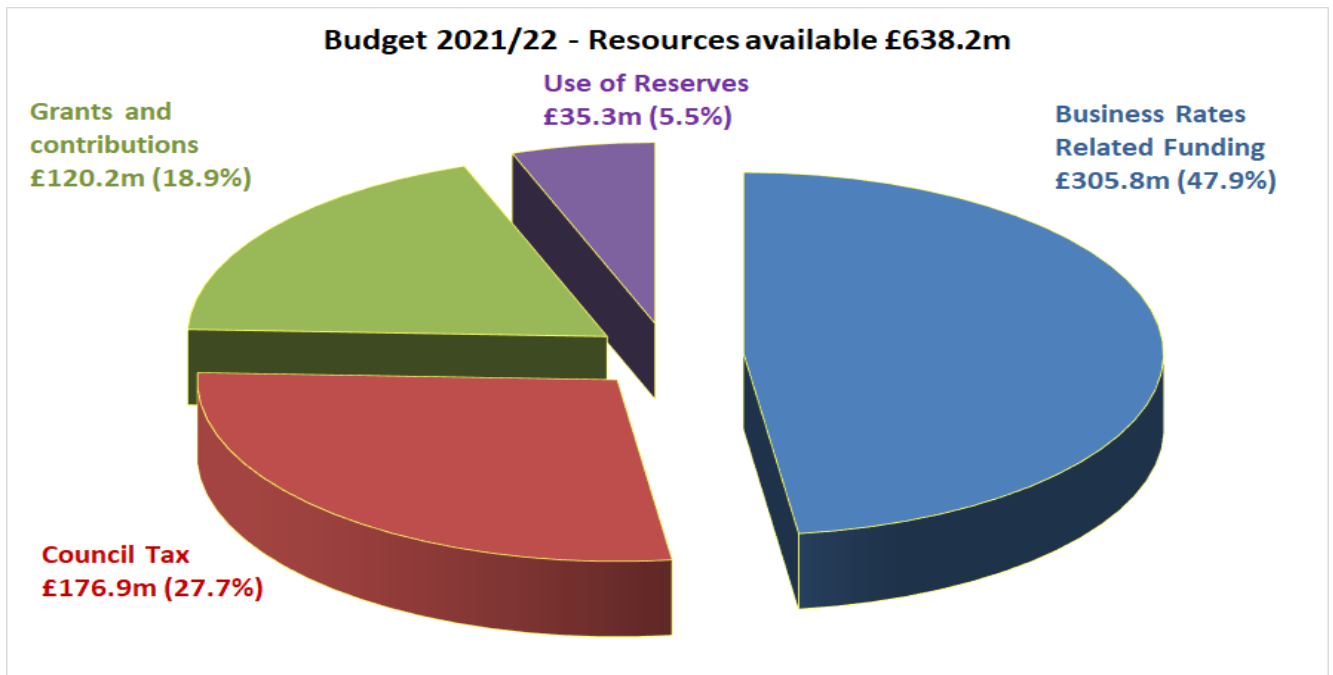
**Background documents (available for public inspection):**

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.

Growth and Development Directorate Budget Report 2021/22 – Executive 17<sup>th</sup> February 2021

## 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<br/>2021 / 22<br/>£'000</b> | <b>2022 / 23<br/>£'000</b> | <b>2023 / 24<br/>£'000</b> | <b>2024 / 25<br/>£'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 service budget position is attached for the Committee's consideration. 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<br>Corporate Services<br>Revenue and Benefits / Customer and Welfare Support<br>Business Units   |
| 9 Nov 21  | Communities and Equalities Scrutiny Committee     | Sport, Leisure, Events<br>Libraries Galleries and Culture<br>Compliance and Community Safety<br>Housing Operations including Homelessness<br>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<br>Parks<br>Ground's maintenance  |
| 11 Nov 21 | Economy Scrutiny Committee                        | City Centre Regeneration<br>Strategic Development<br>Housing and residential growth<br>Planning, Building Control and licensing<br>Investment Estate<br>Work and skills<br>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.