

Manchester City Council Report for Information

Report to: Resources and Governance Scrutiny Committee – 11 January 2022
Executive – 17 January 2022

Subject: Provisional local government finance settlement 2022/23 and budget assumptions

Report of: Deputy City Treasurer

Summary

This report updates on the main announcements from the provisional local government finance settlement 2022/23 announced 16 December 2021, with a focus on the impact on Manchester City Council and its budget for 2022/23. It also outlines the main budget assumptions behind the Medium-Term budget position 2022/23 to 2024/25.

Recommendations

The Resources and Governance Scrutiny Committee is recommended to note the report

The Executive is recommended to note the report.

Wards Affected: None directly

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.

Manchester Strategy outcomes	Summary of the contribution to the strategy
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 provisional local government finance settlement 2022/23 and the impact on Manchester City Council.

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.

Executive – 17 February 2021 Subject: Revenue Budget 2021/22

Resources and Governance Scrutiny Committee – 9 November 2021 Subject:
Spending Review and budget update

Provisional local government finance settlement: England, 2022 to 2023

1. Introduction

- 1.1. The finance settlement is the annual determination of funding for local government from central government. The provisional 2022/23 settlement was announced 16 December, following the three-year Spending Review announced in October 2021. The settlement has been front loaded and includes a number of one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.
- 1.2. The Local government funding reform work will be restarted in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023-24. This will potentially impact on how funding between different local authorities is distributed.
- 1.3. A prudent estimate was made of the funding available following the Spending Review and reported to Scrutiny Committees and Executive in November 2021. Whilst a balanced budget was proposed for 2022/23 the Council was facing a budget gap of £63m in 2023/24 rising to nearly £80m in 2024/25. The strategy was to use any additional funding from the Finance Settlement to help close the budget gap in future years and reduce the need for very significant cuts in 2023/24 and beyond.
- 1.4. This report sets out the key elements of the Provisional Finance Settlement and confirms that the c£7.7m savings and mitigations, as reported to Resources and Governance committee on 9 November, are sufficient to deliver a balanced budget next year.
- 1.5. The final budget position for 2022/23 and beyond will be confirmed at February Executive. This will be after the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.
- 1.6. This report is in two parts. The first focuses on the forecast financial impact of the provisional finance settlement on the Council's budget. The second outlines the impact on the Council's budget and the next steps.

Part One: Provisional Finance Settlement Announcements

2. Summary of key announcements

- 2.1. The key points are as follows:
 - It is a one year settlement with a more fundamental review of local government funding starting in 2022.
 - The headline announcement was an additional £3.5bn of funding would be “made available” to councils, a 4% real terms increase. Of this £1.4bn

relates to Council Tax and assumes that every local authority will raise their council tax by the maximum permitted.

- The council tax referendum thresholds are largely as expected: 1.99% maximum “core” increase, 1% adult social care precept, £5 maximum for district councils and £10 maximum for Police and Crime Commissioners. There is a new £5 maximum precept increase for the lowest-funded fire authorities.
- The £3.5bn also includes £1.6 billion of the additional grant funding announced at the Spending Review. Of this £70m will be used to apply inflation to Settlement Funding Assessment (SFA), £636m for additional social care grants, and £822m for a new one-off “Services” Grant.
- The distribution of the Adult Social Care grant takes into account the ability of the local authority to raise council tax via the precept.
- The “Services” Grant has been created to fund general responsibilities including the national insurance increase. This is likely to be redistributed from 2023-24 in line with the planned “fair funding review”. The remaining £100m is for cyber resilience and supporting families with the details yet to be announced.
- The 2022-23 settlement rolls forward many aspects of the current year’s settlement and all existing social care grants have been baselined.
- There is a further New Homes Bonus payment (Year 12, £333m), on top of the final “legacy” payment of £221m. This is now the final year.
- Compensation for under-indexing the business rates multiplier of £375m.
- The 100% Business Rates growth retention pilot will continue for a further year.
- The first £162m of the National Insurance / levy funded support from Department of Health to support Market Sustainability and Fair Cost of Care has been announced. This is distributed using the existing Adult formula and is for the Fair Pricing reforms with some conditions attached on its use.
- The Better Care Fund has been uplifted for inflation.
- Whilst it is anticipated the Public Health Grant will receive a real-term uplift; this is yet to be confirmed.

2.2. This report goes onto outline the impact of the funding announcements on:

- the aligned budget with the Manchester Local Care Organisation (MLCO).
- Ongoing funding that can be built into the budget model
- The proposed use of one-off resources, including that to help close the budget gap in future years.
- The updated position regarding budget savings options and the funding of budget pressures

2.3. The second part of the report details:

- The overall Medium-Term budget position and main assumptions
- The strategy to close the remaining budget gap
- Budget Process for Health and Social Care
- The next steps

3. Implications for the MLCO Budget

- 3.1. It is proposed that the additional funding via the 'social care levy' or Market Sustainability and Fair Cost of Care Fund and the uplifting of the Better Care Fund for inflation are passed directly to the aligned budget for the MLCO. These are **£1.8m** and **£0.9m** respectively, totalling £2.7m.
- 3.2. The 2022/23 Market Sustainability and Fair Cost of Care Fund is designed to ensure local authorities can prepare their care market for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances. The Government expects local authorities will carry out activities including:
- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
 - engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
 - strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
 - use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.
- 3.3. A further £600m is available for distribution in 2023/24 and another £600m in 2024/25. This is conditional upon the conclusion of the cost of care exercise, a publication of a provisional 3-year market sustainability plan on how councils intend to move to a sustainable rate fee and a grant spending report.
- 3.4. The Market Sustainability and Fair Cost of Care funding is only a small proportion of that which will be raised via the £5.4bn 'social care levy'. The table below shows the latest information available on how this will be utilised including the which £3.6bn will be directed through Local Government and the £1.7bn for wider reform.

Table One: Adult Social Care Reform Funding

Adult Social Care Reform Funding								
£5.4bn over 3 years on adult social care reform								
£3.6bn over 3 years directly to local government for the cap, means test, and fair cost of care		£1.7bn over 3 years to improve wider social care system						
£2.2bn over 3 years for the cap and means test 22/23: £0m 23/24: £800m 24/25: £1.4bn	£1.4bn over 3 years for fair cost of care: 22/23: £162m 23/24: £600m 24/25: £600m	Funding commitments made in the <i>People at the Heart of Care</i> adult social care reform white paper:*						
		At least £300m to integrate housing	At least £150m for technology and digitisation	At least £500m for workforce training and qualifications	Up to £25m to support unpaid carers	£30m for innovation of support and care	At least £5m to help people understand care and support available	More than £70m to improve the delivery of care and support services

4. Implications for the Council's Budget

Additional Ongoing Funding

- 4.1. Following the Provisional Finance Settlement an additional £18.5m per annum is available on an ongoing basis to that assumed (rising slightly each year). This has been built into the budget position, along with a risk allowance of £3m for the impact of the likely funding reforms. This includes:

Share of additional £1.6bn announced in the Spending Review

- 4.2. An additional £1.6bn a year was announced in the Spending Review, starting in 2022/23, although only £1.5bn has been distributed as part of the Settlement. As the method of allocation was unknown, a prudent assumption of an extra £16m for MCC had been assumed, based on the Adult Social Care Formula. The settlement has the Council is receiving £22.2m, an improvement of **£6.2m**.
- 4.3. The £22.2m is allocated over three grants as follows:
- A new one off 2022/23 Services Grant - £12.3m
 - Additional Social Care Funding - £8m
 - Inflation to Settlement Funding Assessment - £1.9m
- 4.4. The one-off Services Grant of £12.3m is allocated based on the Settlement Funding Assessment and is unringfenced, including funding for the increase in

employer National Insurance Contributions. The funding will remain in the national funding total for local government in 2023/24 and 2024/25, but the allocation methodology is likely to change. Given the risks associated with the Fairer Funding reforms a reduced amount of £8.3m has been built into the budget on an ongoing basis.

- 4.5. The distribution of the £8m social care grant is allocated using the adult social care relative needs formula, with 12.6% used to adjust for the funding that could potentially be raised through the adult social care precept in 2022/23. This will help fund the additional funding of £13.4m for demography, increases to the National Minimum Wage, inflation, pay award and the National Insurance increase, that has already been added to the adult social care budget.
- 4.6. The final £1.9m for inflation to Settlement Funding Assessment (SFA) will be added to the Revenue Support Grant (RSG) and can be used for any purpose.

Continuation of the 2021/22 Adult Social Care Grant

- 4.7. In addition, all the existing Social Care funding received up to 2021/22 has been baselined. This includes the **£6.3m** Adult Social Care grant the Council received in 2021/22 which can now be built into the budget on a permanent basis.

Section 31 Business Rates Grants

- 4.8. The government has announced the freezing of the business rates multiplier in 2022/23. Local authorities will therefore be compensated via a section 31 grant. This and associated changes to other Section 31 grants total **£6m**, rising to £6.7m in 2023/24. There are emerging signs of potential pressure on business rates collection with the latest Omicron wave, and the likely need to pay a 2021/22 share of business rates to fund Greater Manchester wide initiatives funded from business rates as part of the 100% Business Rates Growth Retention Pilot. It is therefore recommended the 2022/23 allocation is used to offset these future risks and held in the business rates reserve. Future years funding has been built into the budget position.

One off funding (£8.1m)

- 4.9. There are two sources of funding which will end after 2022/23. These are:
- The New Homes Bonus grant 2022/23 of £333m of which Manchester's receipt is **£6.8m**. This was due to be reformed, however a further one-year payment is being made based on the October council tax return for new housing and houses being brought back into use, with the threshold over which the bonus is paid remaining at 0.4% growth in the Council Tax base. The Government has not yet responded to its consultation on new homes bonus reform.
 - The **£1.3m** Lower Tiers services grant is set to continue for one more year.

- 4.10. As these are one-off there is a need to avoid creating additional pressures for 2023/24 when they drop out of the funding base. In line with the strategy outlined in the November budget report, it proposed to add the £8.1m to the budget smoothing reserve to be applied equally to help close the budget gap in 2024/25 and 2025/26.

Summary position

- 4.11. The tables below show the impact of the provisional settlement and proposed use of additional funds, as set out in the preceding paragraphs.

Table Two: Summary of additional funding

	National Total	Forecast Additional Income		
	2022/23	2022/23	2023/24	2024/25
	£,000	£,000	£,000	£,000
Share of £1.5bn announced in the Spending Review:				
2022/23 Services Grant	822,000	12,324	12,324	12,324
Additional Social Care Funding	636,400	8,047	8,047	8,047
Settlement Funding Assessment Increase	72,500	1,795	1,795	1,795
Less increased resources already assumed following Spending Review £1.5bn announcement		(16,000)	(16,000)	(16,000)
Settlement risk adjustment			(3,000)	(3,000)
Sub total	1,530,900	6,166	3,166	3,166
Other Ongoing Funding:				
Continuation of £300m 21/22 social care grant	300,000	6,313	6,313	6,313
Compensation for under-indexing the business rates multiplier	375,100	6,022	6,730	7,128
Sub total	675,100	12,335	13,043	13,441
One Off Funding:				
New Homes Bonus Scheme	333,000	6,774	0	0
Lower Tier Services Grant	111,000	1,302	0	0
Sub total One	444,000	8,076	0	0
Total additional income	2,650,000	26,577	16,209	16,607

- 4.12. The Provisional Finance Settlement and the proposals set out above, if approved, will reduce the 2023/24 budget gap from £57m to £38m and 2024/25 from £78m to £59m.

Table Three: Impact of settlement on budget gap

	Forecast Impact on budget position		
	2022/23	2023/24	2024/25
	£,000	£,000	£,000
Forecast Shortfall / (surplus) reported to Resources and governance 9 November	(60)	57,139	78,204
Additional resources following settlement	(26,577)	(16,209)	(16,607)
Transfer to Business Rates reserve (Collection fund risk)	6,022	0	0
Transfer one off funds to smoothing reserve to support future years budget	8,076	(4,076)	(4,000)
Spreading of additional funding to support pressures over three years	8,000	(4,000)	(4,000)
Budget to support known budget pressures	4,000	4,000	4,000
Revised forecast Shortfall / (surplus)	(539)	36,854	57,597

Investment proposals – additional pressures and priorities

- 4.13. The figures in this note are provisional and may change as further work is completed. The position will need to be updated again in January. This will include for the most up to date position for business rates and council tax collection and the key decisions made on the collection fund position and the council tax and business rates base for 2022/23. In addition, the final Finance Settlement, once received in February may change slightly.
- 4.14. Further considerable uncertainty remains around the position after the next financial year as consultation on the long-planned reforms to Local Government Funding will resume in Spring 2022. Expected changes include:
- Implementation of the ‘fair funding’ review of local authority financing. This will update the assessment of need and change the distribution of funding across Local Authorities. With the total funding envelop for Local Government remaining at 2022/23 levels, despite proposals for a transition to any new formula there will inevitably be gainers and losers from the changes.
 - The Business Rates Reset will revise baselines for Business Rates income. This means all growth from 2013/14 will be removed from individual Local Authorities and redistributed on a basis yet to be determined.
 - Review of New Homes Bonus – the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

- Social Care Reform and the adequacy of the £3.6bn of funding to be made available across three years for implementation.
- 4.15. The funding announced for 2022/23 makes available £12m to fund additional pressures and emerging risks. Given the scale of the remaining budget gap for 2023/24 and 2024/25 and the risks set out above it is recommended that this is not all committed in 2022/23. Creating recurrent spending commitments for 2023/24 would increase the ongoing gap that would have to be closed by further saving. It is therefore recommended that this is used across a three-year period, for example at £4m a year.
- 4.16. Full detail of suggested priorities for funding will be presented to the Executive in February 2022. This could include priorities such as anti-poverty measures, waste and street cleaning. The suggested approach to funding over three years initially would give sufficient time to consider how any ongoing commitments could be mainstreamed into the base funding position.

Part Two: Impact on the Council's Budget

5. Summary position

- 5.1. The table below summarises the Medium-Term budget position after the impact of the settlement announcements and a full review of all the resources available and expenditure commitments.

Table Four: Summary budget position

	Revised 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available				
Business Rates Related Funding	156,416	337,398	324,082	342,441
Council Tax	176,857	205,528	204,116	214,567
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	41,783	26,811	11,573
Total Resources Available	638,183	689,242	642,383	653,955
Resources Required				
<i>Corporate Costs</i>	123,097	140,794	113,378	118,016
<i>Directorate Costs</i>	515,086	547,909	565,859	593,536
Total Resources Required	638,183	688,703	679,237	711,552
Shortfall / (surplus)	0	(539)	36,854	57,597

6. Underpinning Financial Assumptions

- 6.1. This section of the report sets out the main assumptions which underpin the forecast medium term budget.

Local Resources

- 6.2. 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 at the earliest.
- 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, estimated at £10.2m.
- Council Tax has been assumed to increase in line with the Provisional Finance Settlement referenda limits 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.

2021/22 Estimated Impact of COVID 19 on Service Delivery

- 6.3. As part of the 2021/22 budget setting process £24m 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

- 6.4. Inflation is continuing to rise 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.

Proposed measures to deliver a balanced budget

- 6.5. As set out in the reports to Scrutiny Committees in November 2021 a range of measures were 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. The reports set out emerging pressures of £3.2m and proposed mitigating measures of £7.7m. These are subject to formal approval as part of the 2022/23 budget setting process and are set out below.

Budget Pressures

- 6.6. The pressures of £3.2m are summarised in table five and detailed in the paragraphs which follow:

Table Five: Budget Pressures

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
Core Pressures Identified	2,319	2,352	4,134
Neighborhoods Pressures Identified	464	464	464
Children's Centre's Maintenance	400	400	400
Total pressures	3,183	3,216	4,998

- 6.7. 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.

- 6.8. 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.
- 6.9. 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.

Budget Mitigations

- 6.10. The mitigations of £7.8m are summarised in table six and detailed in the paragraphs which follow:

Table Six: Budget Mitigations

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
Proposed savings and mitigations:			
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
Total proposed mitigations	7,771	9,820	12,292

- 6.11. The mitigations of £7.8m are as follows:

- **£2m** from Adult Social Care that has not been needed 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 and demographic changes.
- £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 Spending Review. It is unlikely that the further planned **£1.7m** per annum increase that was originally budgeted for 2022/23 will be required and this has now been removed from the budget assumptions, although the position will be kept under review.
- Core savings to mitigate pressures **£1.055m** as follows:

- 1% increase in vacancy factor across Corporate Services to reflect actual levels of staff turnover £463k.
 - Capital Programmes - increased fee income and increased efficiencies from shared management arrangements with Northwards £230k
 - A reduction in supplies and services, printing, and mobile telephony costs £230k
 - Legal services increased fee income for works undertaken £82k
 - Registrars and Coroners - increased income from increased ceremonies £50k
 - Review staff budgeting and vacancy factors. 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**
 - 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**.
- 6.12. A full breakdown of how the above will be allocated will be included in the February Scrutiny and Executive budget reports.

Further Budget Pressures

- 6.13. The £3.2m budget pressures identified did not include provision for any of the other known pressures and commitments facing the Council. The Provisional Finance Settlement does give some limited capacity to consider the priorities of improving the cleanliness of neighbourhoods, support to the anti-poverty agenda and tackling climate change. Further work is being carried out in advance of the February budget committee cycle on the expenditure required in these areas.

7. Strategy to close the remaining budget gap

- 7.1. As outlined above a significant budget gap of £36.9m remains in 2023/24, rising to £57.6m in 2024/25 and considerable uncertainty on funding after 2022/23. The potential delay in the return of significant commercial income until after 2024/25 also leaves the City Council in a weaker financial position unless proactive action is taken.
- 7.2. 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.

7.3. 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 c£40m per annum for 2023/24 and 2024/25.

8. Budget Smoothing Reserve

8.1. As part of the 2021/22 budget setting process £50m of reserves were ring-fenced to support the medium-term budget, although as this would have reduced the amount of unringfenced reserves to £98m, they would need to be replenished in future years. The £50m was to smooth the impact of funding reductions and loss of commercial income and had not been specifically applied to the revenue budget. It included the use of all the service transformation reserve and most of the capital fund.

8.2. The improved settlement position means consideration should be given to reducing the amount held to support the revenue budget to £30m and putting the reserves into a more sustainable position. It is recommended that £30m is still held given the scale of the remaining budget gap from 2023/24 and the uncertainty that remains around commercial income and dividends.

9. Budget Process for Health and Social Care

9.1. The section 75 agreement between MCC and Manchester Foundation Trust (MFT) includes a Financial Framework which sets out the approach to the management of an 'aligned' budget across MCC and MFT for the services in scope of the Manchester Local Care organisation (MLCO). The MLCO is hosted by MFT. The Adult Social Care (ASC) budget constitutes the Council's contribution to the aligned budget.

9.2. In April 2022 Manchester Health and Care Commissioning (MHCC) – the CCG in Manchester, will cease to exist with responsibility for health commissioning moving to the newly formed Greater Manchester Integrated Care System (ICS). ASC within the MLCO will be working with colleagues to ensure that this change is beneficial for Manchester residents and that we are continuing to strengthen the MLCO and maximise opportunities for integration including in our collective commissioning of the external market. The NHS funding regime is also going to look substantially different with a move away from the old payments by results system.

9.3. Ideally there would be a fully integrated budget process to support the MLCO position. Due to the uncertainty around the NHS reforms, the move to the Integrated Care System, what this means for existing CCG funding and responsibilities, alongside the fundamental changes to the NHS planning round, this is not going to be possible for 2022/23. The intention is to move to a fully integrated budget process for 2023/24 when funding streams should be clearer.

9.4. For 2022/23 a workshop will be held in January to review the following areas of work:

- Community Health - Confirm options for 2021/22 Waste Reduction Programme (WRP) and look at the impact of measures on urgent care, primary care, long term conditions and population health. Start discussion on the 2022/23 WRP target.
- Adult Social Care – To carry out a detailed review of how pressures can be met, the position on Better Outcomes Better Lives (BOBL) and the fair price for care work.
- Cross cutting – to consider options for corporate costs and the evaluation of care models

10. Next Steps

Budget Consultation

10.1. It is not anticipated that formal consultation on specific proposals will be required for 2022/23. There is a statutory requirement to consult with business rates payers. In addition, a public consultation on the proposed council tax increases will open 11 January and close on 8 February. The responses will be reported to Executive alongside the budget papers on 16 February.

Formal budget approval

10.2. 2022/23 budget will be subject to further scrutiny and formal approval as follows:

- 8-10 February 2022 - February Scrutiny Committees (see below)
- 16 February 2022 - Executive Proposed budget
- 28 February 2022 - Resources and Governance Budget Scrutiny
- 4 March 2022 - March Council 2022/23 Budget approval
- New Municipal Year – early options around 2023/24 and 2024/25 discussed with Executive members

10.3. At the February meetings all scrutiny committees will receive a short update on the Council's budget and a high-level update on the three-year position. The reports will be tailored to the remit of each scrutiny as shown in the table below.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units

8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

11. Conclusion

- 11.1. Overall the settlement announcements were towards the positive end of expectations, although the collection fund position is still to be finalised. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.
- 11.2. The funding outlined in this provisional settlement confirms that the 2022/23 budget can be balanced without additional savings in addition to those already approved. It also brings some one-off capacity for the funding of emerging pressures and some smoothing of future years.
- 11.3. The pandemic and planned funding reforms make it difficult for government to set out a multi-year settlement, however this is the fourth one-year settlement in a row for councils which continues to hamper longer term financial planning. The one-off nature of the £12.3m services grant and the future of New Homes Bonus increase the uncertainty.
- 11.4. Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.
- 11.5. The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £40m per annum for 2023/24, 2024/25 and 2025/26 are developed for member consideration. £40m equates to just under 8% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.