

Manchester City Council Report for Resolution

Report to: Executive – 16 February 2022

Subject: Medium Term Financial Strategy 2022/23 and 2024/25

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets the strategic and financial context which supports the 2022/23 Budget. The 2022/23 Budget will be a one-year budget, following the Government's decision to announce a three-year Spending Review in October 2021 followed by a one-year Local government finance settlement 2022/23 announced 7 February 2022. The proposed 2022/23 budget will continue to reflect the priorities set out in the Corporate Plan. The full detail for 2022/23 can be found in the accompanying 2022/23 Revenue Budget Report.

This report sets out the Strategic Framework for Our Manchester Strategy and Corporate Plan priorities. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget

Recommendations

The Executive is requested to consider the Revenue Budget Reports 2022/23 and Capital Strategy 2022-2024 elsewhere on the agenda in the context of the overarching framework of this report.

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 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
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2021/22. The Framework is aligned to the priorities of 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 – as detailed in the report.

Financial Consequences – Revenue and Capital

This report provides the framework for Revenue and Capital planning from 2022/23.

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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 January 2022 Provisional local government finance settlement 2022/23 and budget assumptions

1. Introduction

- 1.1. A Medium-Term Financial Strategy report to Executive 17 February 2021 included a three-year budget forecast, indicating an annual shortfall in the region of £40m a year from 2022/23. This was based on assumptions of a flat government settlement and cost pressures including inflationary increases and demography.
- 1.2. As reported to Executive 17 January 2022 the settlement was at the positive end of expectations. It provided additional unringfenced funding, increased Social Care Grant and additional one-off resources through the continuation of New Homes Bonus. The additional funding announced, alongside the proposed savings and mitigations of £7.7m previously proposed will enable a balanced budget to be delivered in 2022/23.
- 1.3. The Medium-Term Financial Plan and Capital Strategy have been updated to reflect the 2022/23 budget position including the current and anticipated financial impacts of the COVID-19 pandemic.
- 1.4. The Our Manchester Strategy ambitions, and Corporate Plan are the touchstone for decisions taken about what to prioritise and set the framework for the Medium Term Financial and Capital Strategies.
- 1.5. There continues to be progress in growing the Manchester economy however there is still a long way to go to tackle the legacy of deprivation that remains. The need to restructure the City's economy and eliminate the level of exclusion which a high proportion of residents still experience through unemployment, low skills and low paid unstable work helped shape the Our Manchester Strategy and remains the priority.
- 1.6. The report elsewhere on the agenda 'Revenue Budget 2022/23' sets out the position in more detail. The service budget reports include the detail on the savings proposals and budget pressures.
- 1.7. This report sets out the strategic and statutory context for setting the budget including:
 - The Our Manchester Strategy
 - Progress to date on delivering the Our Manchester Strategy, building on the recent State of the City analysis
 - The Corporate Plan
 - A summary of the financial position and context
 - The required statutory assessment of the robustness of the proposed budget and adequacy of proposed reserves
 - Other fiduciary and statutory duties
 - Financial Governance

2. The Our Manchester Strategy

- 2.1. The priorities for the city are set out in the Our Manchester Strategy, first developed in 2015 and launched in 2016 as the city's overarching 10-year vision. In May 2020, the Executive agreed for a reset of the Our Manchester Strategy 2016 - 2025 to be undertaken as part of the Council's COVID-19 recovery planning.
- 2.2. Over the first five years of the Strategy, Manchester made significant progress against some of its aims reported annually in the State of the City. However, significant challenges remain, and were exacerbated by COVID-19 and the wide ranging social and economic impacts. Whilst the strategic objective for Manchester to be in the top flight of world class cities by 2025 remains, it was necessary to reset the Strategy's priorities for the next five years, acknowledging but also looking beyond the COVID-19 context challenges to ensure we can still achieve our ambition for the city.
- 2.3. A reset process, overseen by the Our Manchester Forum, a partnership board of 40 leaders from Manchester's public, private and voluntary sectors from across the city was carried out in summer 2020. A final version of the reset *Our Manchester Strategy – Forward to 2025*, was adopted by Full Council in March 2021.
- 2.4. To achieve our vision, our communities expressed a desire to see a renewed focus on:
 - *Our young people* - providing investment, support, opportunity and hope for the future of the city
 - *Our economy* - fulfilling opportunities for our residents to create and attract a talented, globally competitive and diverse workforce
 - *Our health* - tackling physical and mental inequalities and ensuring fair access to integrated services
 - *Our housing* - creating a choice of housing in liveable neighbourhoods across all of the city
 - *Our environment* - pioneering zero carbon solutions and improving green space
 - *Our infrastructure* – active, integrated, affordable and green transport system and improved digital connections
- 2.5. These findings were incorporated into the existing five themes of the original Our Manchester Strategy:
 - A Thriving and Sustainable City
 - A Highly Skilled City
 - A Progressive and Equitable City
 - A Liveable and Low Carbon City
 - A Connected City

- 2.6. Each theme now has two priority actions (We Wills) streamlined from the original Strategy, and the crosscutting priorities of equality inclusion and sustainability.
- 2.7. The above has been reflected in the refreshed Corporate Plan.

3. Progress on Delivering the Our Manchester Strategy

- 3.1. Progress will continue to be annually reported in the State of the City report and via the Our Manchester Strategy Delivery Plan that is currently being developed.
- 3.2. The following section is structured in terms of the five themes of the Strategy and provides overview of thematic progress as reported in State of the City 2021 with a particular focus on the cross-cutting priorities of equality, inclusive economy and tackling poverty, and climate change

A Thriving and Sustainable City

- 3.3. The latest ONS population estimates suggest that Manchester has had a 31% growth in population between 2001 and 2020. Manchester's population continued to grow during 2021 to an estimated 579,600 residents, projected to reach 627,000 by 2025, but with significant uncertainties around the economic recovery. In recent years there has been a shift towards the 25–39-year-old age bracket linked to more young people staying in the city after they finish education.
- 3.4. Manchester's ambitions for a strong recovery from COVID-19 are set out in the city's *Powering Recovery: Manchester Economic Recovery and Investment Plan* published in November 2020, including support for key sectors and business case propositions. The Council is working with key partners and with Government to implement the plan. This builds on the priority of developing a more inclusive economy across the city set out in the 2019 '*Developing a More Inclusive Economy – Our Manchester Industrial Strategy*' with a focus on people, place and prosperity.
- 3.5. Manchester's economy was on a strong and consistent trajectory of growth prior to the pandemic. Employment in the city had risen by 15% since 2015, reaching 410,000 in 2019. The city continued to diversify its economy towards knowledge-intensive sectors, with a fifth of the workforce employed in the financial, professional and scientific sectors. COVID-19 has changed the economic landscape nationally with sectors such as finance and professional services and digital and construction proving resilient locally. There have been significant ongoing challenges to overcome in the culture, hospitality, retail and tourism sectors. For example, only 2 of 52 planned major conferences took place in Manchester in 2020.
- 3.6. Major developments in the city centre include NOMA, St Mary's Parsonage, St Johns and Great Jackson Street. Key successes include the Oxford Road Corridor, which continues to attract new occupants to the cluster of science

and technology businesses, academics, clinicians and world-leading health institutions and will provide ongoing employment opportunities for residents.

- 3.7. In November 2021, it was confirmed that Manchester had successfully bid for £19.8 million Levelling Up Government funding for Culture in the City, including HomeArches – three arches at the back of HOME with artist workspaces, and Campfield – two dilapidated heritage buildings. This will provide employment opportunities in the green economy in the construction phase and in the creative industries once complete.

A Highly Skilled City

- 3.8. The Work and Skills Strategy is currently being refreshed to align with the Our Manchester Strategy and the ambition for a more inclusive economy for all of Manchester's residents and communities
- 3.9. Creating a highly skilled workforce is fundamental to creating an inclusive economy in Manchester. Supporting our residents to increase their skills helps people have the opportunity to access high quality jobs in the economy.
- 3.10. A more inclusive economy means employees paid at least the Real Living Wage, fair contracts for work, and investment in the city through social value. However, provisional ONS figures for 2020 show around 15% of employees working in Manchester and around 24% of employees living in Manchester were paid less than the Real Living Wage, which was £9.30 at that time. The Living Wage Foundation report that Manchester now has 95 accredited Living Wage employers headquartered in the city, including the Council. The Council is also leading work to ensure more businesses across the city commit to paying the Living Wage, and to encourage residents to look for employment that pays a living wage. As part of a pilot project with our Anchor Institutions we are aiming for Manchester to become an accredited living wage city in April 2022.
- 3.11. There is a direct link between low wages and low skills. The city's skills profile has transformed over the last 17 years as the economy has grown. In 2005, 24% of our residents had no qualifications, this figure was 8% in 2020 – though still too high. Conversely, in 2005, 27% of residents had a degree level qualification – by 2020 this figure was 48%, higher than the England population.
- 3.12. The COVID-19 pandemic severely impacted on worklessness in the city. The claimant count for Manchester residents doubled between March 2020 and April 2021 from 4.6% to 9.2% and has not significantly reduced since (the national rate increased from 3% to 6.5%).
- 3.13. The Manchester College and its higher education arm UCEN Manchester deliver a significant volume of post-16 technical education – over 5,200 16 to 18-year-olds, 6,000 adults and 1,300 higher-education students enrol every year. The College's vision has been supported by the LTE Group's ambitious £140million estates strategy, supported by the Council. The new estate will

provide students of all ages with state-of-the-art, industry-standard facilities from which high-quality technical education can be delivered to support the city's young people and residents gain professional and technical skills needed across the city.

- 3.14. Improving the education and attainment of young people is key to making longer-term progress towards a more inclusive economy. When Ofsted inspections last took place in March 2020, 90% of Manchester schools and 98% of early years settings were good or better, both figures being better than the national average. Working with partners, there is a continued focus on bringing education results for Manchester children at least in line with national levels.
- 3.15. The Council supported most schools to remain open to vulnerable pupils and those with special educational needs during the pandemic and provided over 3,000 laptops. The Council also gifted thousands of books to schools, including a book for Year 6 children transitioning from Year 6 in 2020 and 2021. Despite remote learning and home schooling, there are likely to be attainment setbacks in future years. Manchester has launched 'Our Year 2022' to support children and young people across the city. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care continue to be a top priority. Capital investment in schools will continue with investment in the primary and secondary estate to create new places and to provide permanent accommodation where schools are currently using temporary facilities.
- 3.16. Digital exclusion and digital skills are a significant issue, with estimated at least 27,000 adults digitally excluded for a variety of reasons. Employers continue to report significant digital skill shortages in the city; highlighted with the increased need for digital activity during COVID-19. A number of projects are in place to tackle digital exclusion issues, including donation of over 1,000 digital devices with internet connections and helping over 2,000 residents to access data and wifi, and the launch of the city-wide Digital Strategy to address key skills, connectivity and infrastructure issues. The cross-sectoral Digital Inclusion Working Group, which now has more than 70 members, has been crucial in helping to deliver the Digital Inclusion Action Plan, which co-ordinates the delivery of a diverse programme of activity to drive digital inclusion across the city.

A Progressive and Equitable City

- 3.17. Manchester's aspires to be a truly equal and inclusive city, where everyone can thrive at all stages of their life and can quickly and easily reach support to get back on track when needed. Inclusion and equality were consistently a top priority for respondents to the Our Manchester Strategy reset engagement activity.
- 3.18. Despite the strong progress made connecting more Manchester residents to the opportunities of economic growth in recent years, COVID-19 has exacerbated existing economic, social and health inequalities in the city. This

has disproportionately impacted on certain groups and the intersectionality of inequalities is a key area of focus for the city to ensure that the communities disproportionately affected by the pandemic are supported. Housing, employment (education and skills) and health will all play critical roles in this recovery.

- 3.19. Those disproportionately affected by the sharp increase in unemployment included young people aged 16-24, older people aged 50+ have been those from black, Asian and minority ethnic backgrounds, and people with disabilities. The Employment Partnership is focusing on tackling unemployment and skill shortages and provide immediate employment support for residents.
- 3.20. Poverty is a very significant issue across the city. In March 2020, an estimated 46,700 Manchester children were living in poverty, after housing costs are considered, which is an increase of 1,550 since March 2019. While the city's Family Poverty Strategy is taking some practical steps to mitigate the effects of poverty, the main drivers are national welfare reforms, and national Government decisions to make ten years of disproportionate cuts to public services and the voluntary and community sector in the city. The Family Poverty Strategy will be refreshed in 2022 to align with the *Our Manchester Strategy* and to reflect the impacts of COVID on our communities. Digital exclusion is also linked to poverty; for example, the affordability of purchasing broadband at home and data on mobile devices.
- 3.21. Over £380m (60%) of our budget spent on vulnerable adults, children and our homeless. Whilst the Council cannot mitigate the impact of the cuts to services, changes to welfare reforms and the current pressures on household income from inflation and fuel prices, strong emphasis is placed on protecting residents most in need. Budget provision to provide discretionary housing payment support has been protected. Specific targeted support includes:
- Council Tax Support Scheme (reductions to council tax for vulnerable households) - £36m
 - No recourse to public funds support - £991k
 - Carers hardship fund - £100k
 - Welfare payments to families – up to £260 per family – 2,000 families referred
 - Discretionary Council Tax support - £220k
 - Discretionary Housing Payments - £3m (£1m MCC top up)
 - Skills and Training support - £8.6m
 - Neighbourhood Investment Fund - £640k
- 3.22. The 2022/23 budget includes additional ongoing investment of £700k to provide additional targeted support to residents. For 2022/23 this, along with funding carried forward from 2021/22, will be used to continue the free school meals programme over the Easter break as government funding for this has now ended.

- 3.23. Strong progress has been made to improve Children's Services in recent years, and there has been a significant reduction in referrals made over the last two years due to improvements in partnership working across the city. Although there is still a high number of Looked After Children in the city, those numbers have been relatively stable in the last two years. There continue to be poor outcomes for many Looked After Children, despite improvements in the offer for Care Leavers.
- 3.24. Economic improvements have not been matched by similar improvements in health outcomes. Rates of premature death from cancer, heart and lung diseases remain amongst the highest in the country. Life expectancy rates in Manchester have fallen for both men (3.1 years) and women (1.9 years) more rapidly than national rates (1.3 years) in 2020. Tackling inequalities is a key theme of the Our Manchester Strategy, the Council's Corporate Plan, the Locality Plan for health and social care and the Manchester Population Health Plan¹.
- 3.25. The city's health and social care infrastructure has been hugely challenged by the pressures of COVID-19, but there have also been significant improvements made to how health and social care teams work together that will help to advance integrated working in future. The Manchester Local Care Organisation joins up the care that Mancunians get to help keep them out of hospital, taking a strength-based approach to help them live independently. The introduction of Integrated Neighbourhood Teams is also transforming how residents experience their community-based health and adult social care.
- 3.26. The Marmot report 'Build Back Fairer in Greater Manchester: Health Equity and Dignified Lives' was published in 2021 highlights how levels of social, environmental and economic inequalities in society are damaging health and wellbeing. It explores how these inequalities have been exposed and magnified by the COVID-19 pandemic and its impacts. An action plan is being developed to make progress in the key areas to address inequalities in Manchester: communities and places; housing; transport and the environment; early years, education and young people; income; poverty and debt; work and unemployment and public health.
- 3.27. The number of households experiencing homelessness in Manchester has remained high during the past year, and there remain significant pressures on services that are working to prevent and tackle homelessness in the city. The number of households in temporary accommodation has increased significantly, from 406 at the end of March 2015 to 2,546 at the end of March 2021, and 2020/21 saw 9,608 people present as homeless. Demand for the service continues to be fuelled by loss of accommodation in the private-rented sector and increasing difficulties in finding affordable housing. In 2020/21, the Housing Solutions Service successfully prevented 789 individuals and families from becoming homeless through a variety of interventions.

¹ <http://www.manchester.gov.uk/healthplan>

- 3.28. During 2020/21, the range of responses to tackle rough sleeping in the city was increased, and included the Housing First service accommodating 88 people in new homes with intensive wrap-around support, the Rough Sleeper Initiative relieving 710 people and preventing a further 439 people from rough sleeping, 512 cold weather placements provided the opportunity to be linked into long-term accommodation and support pathways, and over 420 people accommodated through the A Bed Every Night initiative.

A Liveable and Zero Carbon City

- 3.29. Manchester's future success is dependent on the city being a great place to live and visit. The city's different neighbourhoods need the right mix of housing that people can afford, good schools, parks, sports and cultural facilities, roads and transport links, and streets and public spaces free of litter and antisocial behaviour.
- 3.30. Despite the challenges presented by the pandemic, 4,260 new homes were completed in 2020/21, including 446 affordable homes. Demand for housing from the most vulnerable in the city has not diminished following the crisis; if anything, demands from our most vulnerable residents have become even more acute, with the numbers of people on the housing register and in temporary accommodation continuing to grow. There are significant growth areas in progress including Victoria North and the Eastern Gateway. 'This City' is developing a pioneering accessible-rent product that will be affordable to some of our lowest-income residents.
- 3.31. Volunteers and voluntary-sector organisations became more important than ever during the pandemic. The Council has worked in partnership with MHCC, One Manchester and Young Manchester to invest over £1million in a COVID-19 Recovery Fund. The Fund is aimed at enabling voluntary-sector organisations to work together to strengthen their support for Manchester residents including for mental health and wellbeing and to victims of domestic violence and abuse.
- 3.32. The Council has adopted a science-based carbon budget for Manchester of 15 million tonnes of CO₂ between 2018 and 2100, and committed the city to becoming zero carbon by 2038 at the latest. The Council declared a Climate Emergency in July 2019 which recognised the need for the Council, and the city as a whole, to do more to reduce CO₂ emissions and mitigate the negative impacts of climate change. It also demonstrated the Council's commitment to be at the forefront of the global response to climate change and to lead by example.
- 3.33. The Council's Climate Change Action Plan 2020-25 was developed to ensure that all aspects of the Climate Emergency Declaration were converted into clear actions. The Plan builds on over a decade of previous activity which has seen the Council's direct CO₂ emissions reduce by 54.7% between 2009/10 and 2019/20. During 2020/21, the first year of the Plan, the Council's direct CO₂ emissions fell by 21% compared to the previous year, keeping the Council within its allocated carbon budget. Reducing city wide carbon

emissions across the city has been more challenging and will be set out in the forthcoming framework review by Manchester Climate Change Agency. More detail on the projects and initiatives that have been delivered to progress our zero-carbon ambitions can be found in the progress reports published on the Council's website.

- 3.34. The reports on the Environment and Climate Change Scrutiny Committee February agenda set out the priorities for the Council's Action Plan for 2022/23 with the underpinning investment strategy. This identifies over £61m capital investment to 2024/25 and £4m revenue investment into this work. The 2022/23 budget includes recommended investment of an additional £800k a year to ensure that the priorities in the plan can be delivered.

A connected city

- 3.35. An integrated, attractive and affordable transport network is needed to enable residents to access jobs and stay healthy through active travel. Owing to the pandemic, there was an 18% decrease in journeys into the city centre across all modes between 2019 and 2020 and a significant impact on the volume of patronage on public transport and highways usage. In early 2021, a refreshed Greater Manchester Transport Strategy 2040 was adopted, along with a five-year delivery plan of infrastructure priorities and a refreshed City Centre Transport Strategy, which prioritises walking as the main way of moving around the city centre and a shift to more sustainable transport.
- 3.36. During 2020, Manchester temporarily met the national legal limits for all its air pollutants due to decreased traffic volumes during the pandemic. The measures proposed in the Greater Manchester Clean Air Plan, including encouraging users to switch to less polluting vehicles, will secure permanent compliance and ensure that everyone in Manchester can breathe cleaner air and enjoy pollution-free neighbourhoods.
- 3.37. Manchester Airport is a key asset for the future growth of the city and the wider Greater Manchester, North West region and beyond. The pandemic significantly reduced passenger numbers to just over 7 million during 2020, compared to 29.4million in 2019, though in recent months passenger numbers have increased significantly. The Council has supported the Airport to continue to function and work towards an effective recovery in 2021. The Airport's future growth is being supported by a £1 billion transformation programme, with the first phase of work, the extension of Terminal 2, opening in July 2021. Reducing carbon emissions associated with the airport is part of the Climate Change Action Plan 2020-25.
- 3.38. Social Value and Ethical Employment - Underpinning our commitment to inclusive growth and climate change is the Council's commitment to ethical employment, ethical procurement and social value.
- 3.39. *Ethical employment* - Manchester City Council is accredited by the Living Wage Foundation, which means that all our staff are paid at least the equivalent to the Real Living Wage and it is a requirement for our supply chain

that is included in the city council's commissioning & procurement processes. The Council has an ambition for the city to become a Real Living Wage place to ensure that more of the city's businesses are Real Living Wage employers and more of our residents earn the RLW or above. A core group of anchor institutions of different sizes and representing different sectors has started this work, with a view to submitting a plan to become a Real Living Wage place to the Foundation in Spring of this year. This aligns /is supported by the GM Good Employment Charter and the recent Civic Universities Agreement signed by the 5 GM universities with GMCA.

3.40. Manchester City Council is considered to be a champion of *ethical procurement* and tailors procurement practices to ensure that contracts are awarded to suppliers that reflect the council's values whilst complying with the requirements of procurement law relating to fair, transparent and open competition.

3.41. To support this, the Council has committed to:

- The Prompt Payment Code ensuring fair payment for goods and services throughout the supply chain
- Unite's Construction Charter in order to achieve the highest standards in respect of direct employment status, health & safety, standard of work, apprenticeship training, and appropriate nationally agreed terms and conditions of employment
- The Unite Charter for Ethical Procurement Standards in the Voluntary and Community Sector.
- The Unison Ethical Care Charter
- As a Local Authority Champion for the Care Leaver Covenant and Procurement Toolkit, promoting the Care Leaver Covenant and Procurement Toolkit with all our partners and throughout our supply chain.
- Support the Armed Forces Community via the Armed Forces Community Covenant which is a public sector pledge from Government, businesses, charities and organisations to demonstrate their support for the armed forces community

3.42. The Council has reviewed and refreshed its approach to *Social Value* as a result of the effects of the pandemic. The previous commitments to priority cohorts were reviewed in 2021 and a decision was made to prioritise high impact 'Manchester First' interventions so that the response to COVID-19 ensures that offers and interventions are prioritised that will have the greatest impact on the city. At the same time, with particular reference to the council's zero carbon aims, the Council reflects this in procurements by including an explicit 10% weighting for environment. Through work within the city anchor institutions and major employers are encouraged to follow the same approach within their own supply chain

4. Corporate Plan

- 4.1. Our Corporate Plan priorities were refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the Council and city-wide focus on the importance of Equality, Diversity and Inclusion. The plan also reflects the priorities for the Council's internal transformation, including new work on the Future Shape of the Council that will support the delivery of future budget savings and managing pressures. As the Corporate Plan sets out the long-term priorities for Manchester City Council they have not substantially changed for 2022-23, with only some minor changes.
- 4.2. Our Corporate Plan priorities going forward are, in no particular order of importance:

Theme	Priority
1. Zero carbon Manchester <i>Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide</i>	<ul style="list-style-type: none"> Deliver the Council's roles in reducing citywide carbon dioxide emissions and improving air quality
	<ul style="list-style-type: none"> Deliver the Manchester Climate Change Action Plan and key activities to reduce the Council's own direct CO₂ emissions by at least 50% by 2025
2. Growth that benefits everyone <i>Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty</i>	<ul style="list-style-type: none"> Deliver key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national, and local economy.
	<ul style="list-style-type: none"> Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	<ul style="list-style-type: none"> Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. Young people <i>From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure</i>	<ul style="list-style-type: none"> All children to have access to and be fully included in high-quality education
	<ul style="list-style-type: none"> Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice

<p><i>they attend a school graded 'good' or better</i></p>	<p>of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.</p> <ul style="list-style-type: none"> • Reduce number of children needing a statutory service.
<p>4. Healthy, cared-for people <i>Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives</i></p>	<ul style="list-style-type: none"> • Take actions to improve population health outcomes and tackle health inequalities across the city. • Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation. • Enable delivery through the MLCO of the Adult Social Care transformation programme – ‘Better Outcomes, Better Lives’ – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model. • Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
<p>5. Housing <i>Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes</i></p>	<ul style="list-style-type: none"> • Support delivery of significant new housing in the city, including through an effective recovery from COVID-19. • Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
<p>6. Neighbourhoods <i>Work with our city’s communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of</i></p>	<ul style="list-style-type: none"> • Enable all our diverse neighbourhoods to be clean, safe and vibrant. • Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
<p>7. Connections <i>Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks</i></p>	<ul style="list-style-type: none"> • Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling. • Facilitate the development of the city’s digital infrastructure, to enable delivery of transformed public services

	and a more economically inclusive and resilient city.
8. Equality <i>Deliver on our equality, diversity and inclusion commitments to support Manchester's vision to be a progressive and equitable city.</i>	<ul style="list-style-type: none"> Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	<ul style="list-style-type: none"> As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council <i>Support our people to be the best and make the most of our resources</i>	<ul style="list-style-type: none"> Delivery of the Future Shape of the Council change programmes, along with budget reductions and savings.
	<ul style="list-style-type: none"> Effectively manage our resources, via budget management and planning, within our legal framework, and to support to managers and performance management
	<ul style="list-style-type: none"> Carry out the work required to transform our Corporate Core.

4.3. The Single Council Business Plan 2022/23 describes in more detail the action being taken to deliver the Corporate Plan and is attached in Appendix 1. Each service will develop a bespoke service plan which describe in more detail the achievements, priorities and activities of the services which collectively make up Manchester City Council. The service plans also describes the delivery against our cross-cutting priorities of service improvement, zero –carbon, embedding impact on place, and equality, diversity and inclusion.

5. **Financial Context**

5.1. The Council's net revenue budget is funded from four main sources which are Business Rates, Council Tax, government grants, dividends 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 amount of resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

5.2. The budget for 2022/23 follows over a decade of austerity which began with the 2011/12 Budget. From 2010/11 to 2022/23 the Council's Spending Power (as defined by government) has reduced by £87m (14.2%) compared to an England average reduction of 1.9%. The drop in spending power per head, (based on the ONS 2020 Mid-Year Estimate population data), is £159.54 per head (compared to an England average reduction of £18.86 per head).

5.3. Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local

authorities with a low council tax base who are more dependent on government grant funding. Manchester has over 90% properties in council tax bands A-C which constrains the ability to raise funds from this source.

- 5.4. At the national level the settlement proposals state that an additional £3.7bn of funding will 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.

Impact of austerity on Council finances

- 5.5. The Council has had to make budget cuts of £420m from 2010/11 to 2021/22 inclusive, after taking into account the impact of inflation and rising demand, and a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years’ cuts have been less severe but local government spending is still much lower in real terms than it was in 2010.

Chart 1: Cumulative Savings target by year



- 5.6. Prior to the COVID-19 pandemic the growth in the City was starting to generate significant additional revenues. In order to become more resilient and self-reliant the Council has adopted an approach through its strategic planning to maximise the revenues available to it. These include:

- **Business Rates** - Manchester has been part of a business rates 100% retention pilot since 2017/18 and it has been confirmed this will continue for 2022/23. This means that the Council retains 100% of the additional business rates growth achieved since the start of the Business Rates Retention scheme in 2013. Additional locally retained growth to date is £65.6m, made up of £16.5m in 2017/18, £14.5 in 2018/19, £13.5 in 2019/20 and £8.4m in 2020/21 with collection being significantly impacted by the pandemic. The 2021/22 benefit is forecast at £12.7m.
- **Council Tax** - The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of 2%

to 3% a year for the past 5 years. Over 60% of the new city centre housing is at a council tax band of C or above compared with 20% in the rest of the city, contributing to increasing the council tax base which is essential to the longer-term financial sustainability of the Council. Despite the challenges of the pandemic demand for housing in the city continues to be strong.

- **Investment Income** - The Council has always been prudent in accounting for dividends and has limited share holdings. The shareholding in Manchester Airport Group has allowed significant regeneration, both directly in the south of the city, but also across the city region. Where Councils have such long-term, well established interests, the dividend inevitably forms part of the revenue base and therefore any market changes, such as COVID-19, which impact on the dividend income have a subsequent impact on the Council's financial position. This is not irresponsible or speculative investment and should not be considered as such when the government is supporting income losses. A regional thriving Airport is vital to the "levelling up" of Greater Manchester and beyond.
- The Council's investments generated dividend income of £71m in 2019/20, this is not expected to resume until after 2024/25. Proceeds from loans to the airport advanced in 2018/19 and 2020/21 are contributing a net £12m each year to support the revenue budget. Net income from the commercial estate is budgeted at c£13m per annum, the majority of this is considered secure and stable.

Update on the Finance Settlement and the Three-Year Financial Position

- 5.7. The savings approved and largely achieved in 2021/22 have left the council in a robust position for 2022/23. As stated above, at the time the 2021/22 budget was set it was forecast that the council faced a budget gap of c£40m a year from 2022/23. A balanced budget is now proposed which includes savings and mitigations of £7.7m, as outlined to Executive 17 January 2021. The improved position has arisen from improved local resources and a better than anticipated local government finance settlement for 2022/23.
- 5.8. Local income from Council Tax and Business Rates has proved resilient, and the government has announced funding and reliefs to support businesses which have an associated positive impact on the council's position.
- 5.9. The Finance Settlement contained measures which improved the budget position
 - *Funding for the Manchester Local Care Organisation budget*
 - Additional funding via the Market Sustainability and Fair Cost of Care Fund (£162m nationally, £1.8m MCC)
 - Uplifting of the Better Care Fund for inflation £0.9m
 - *Share of additional £1.6bn announced in the Spending Review:*

- A new one off 2022/23 Services Grant - (£822m nationally, £12.3m MCC)
- Additional Social Care Funding - (£636m nationally , MCC £8m)
- Inflation to Settlement Funding Assessment - (£73m nationally, £1.9m MCC)
- *One off Funding:*
 - Continuation of New Homes Bonus grant 2022/23 (£333m nationally, MCC £6.8m)
 - Lower Tiers services grant is set to continue for one more year (£111m nationally, MCC £1.3m)

Strategy for Delivering a Balanced Budget in 2022/23

- 5.10. Despite the pressures being faced the Council remains determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within available resources but also on where funding should be invested to deliver on resident priorities and working with partners to jointly develop new ways of delivering services such as prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances - and in so doing reducing the need for more costly support in the future. The difficult balance has to be maintained between protecting investment to generate growth (and grow the revenues available to the Council), provide high quality universal services and to protect the most vulnerable.
- 5.11. Underpinning the budget strategy is a prudent approach to investment income and the use of fortuitous or one-off grants and income received. This has been used to support investment in key services over a longer time frame to avoid sudden budget cliff edges in funding leading to the requirement to make budget cuts. Key to this has been:
- Income from the 100% Business Rates Growth Retention Pilot and one-off grant funding has been smoothed, typically over a three-year period to enable on going investment into core services such as social care.
 - Loan interest received has been used to directly offset the costs of borrowing, with any additional income used to establish a Capital Financing Reserve as part of the capital fund. The ambitious capital programme, including the refurbishment of Our Town Hall as well as the need to deliver priorities such as the affordable housing strategy will require additional borrowing of £539m to 2024/25. The Capital Financing Reserve will be deployed to ensure there are no additional pressures on the revenue budget as a result of this activity.
 - The majority of airport dividend income has always been used in arrears. Smoothing reserves are also in place to support volatile income such as planning fees. These measures are designed to withstand economic shocks and recessions.
 - Risks are regularly reviewed, and mitigations put in place. As an example, an additional risk reserve has been created to mitigate against the potential impact of Brexit.

5.12. The proposed approach to delivering a balanced budget in 2022/23 and place the Council on a more sustainable footing over the three-year period is as follows:

- To deliver a balanced budget for 2022/23 a report to RAGOS 9 November set out an initial gap of £4.5m, emerging pressures of £3.2m and proposed mitigations of £7.7m. The mitigations are now considered adequate to provide a balanced position. They are detailed in the budget report elsewhere on this agenda.
- In relation to the one off funding it is recognised 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 £8.1m of one off settlement resources to the budget smoothing reserve to be applied equally to help close the budget gap in 2024/25 and 2025/26.
- The report to Executive in January 2022 set out that the funding announced for 2022/23 made available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, this would be used across a three-year period. The full detail of the suggested priorities for funding is included in the budget report elsewhere on this agenda.
- To use the balance sheet risk reserves to smooth the underlying budget position. It is planned to use the majority of the remaining airport dividend reserve in 2022/23, which has reduced the need for higher savings that year, to continue to resource the Future Shape of the Council transformation programme. This has the objectives of improving the council's longer-term resilience, providing a framework for future savings decisions, changing and modernising how we work and improving outcomes for residents.
- The further planned use of reserves to support the budget position and mitigate any future budget risks, £30m of risk based reserves have been identified for this purpose.

5.13. The resulting three-year budget position is set out in the table below.

Table 1: Three year budget position

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
Resources Available			
Business Rates Related Funding	235,553	323,847	341,840
Council Tax	208,965	206,620	217,197
Grants and other External Funding	104,559	87,374	85,374
Use of Reserves	141,522	31,510	16,491
Total Resources Available	690,599	649,351	660,902
Resources Required			

<i>Corporate Costs</i>	133,076	110,229	114,867
<i>Directorate Costs</i>	557,523	575,904	603,582
Total Resources Required	690,599	686,133	718,449
Shortfall / (surplus)	0	36,782	57,547

*the large use of reserve figures in both 2021/22 and 2022/23 largely relate to business rates accounting. This reflects the fact that government reimbursement for business rates relief is accounted for in the year it relates to, the associated deficit in income is accounted for in the following year. The government grants are carried forward in reserve for a year to smooth the deficit.

Approval of the 2022/23 Revenue Budget

5.14. Taking into account all of the uncertainty above, the Council will be publishing a balanced one-year revenue budget for 2022/23 which is aligned to the Finance Settlement. The report to Executive 17 January 2022 set out the draft budget position following the January Scrutiny Committee process and associated budget consultation. This has now been updated following the key decisions on the Council Tax and Business Rates base and position and all other changes since January and is shown in the table below:

5.15. The full detail of the Council's budget is set out in the following reports which are also on the agenda:

- The Revenue Budget Report 2022/23
- Budget Reports aligned to scrutiny committee remits
- Capital Strategy and Budget
- Housing Revenue Account
- Treasury Management Strategy and Annual Investment Strategy

5.16. The table below shows which scrutiny committees have considered which business plans. The reports have been tailored to the remit of each scrutiny as shown in the table below.

Table 2: Scrutiny Reports

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 working
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 Youth and Play
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

Position for 2023/24 and beyond

- 5.17. Considerable uncertainty remains beyond 2023/24. In particular, the fact the current Finance Settlement is for 2022/23 only, the main sources of local authority funding in business rates and council tax are volatile and there are considerable reforms planned to local authority funding.
- 5.18. The main funding streams available to local authorities are outdated and no longer fit for purpose. Calls are increasingly being made by the business sector to reform business rates. This income made up over half of the council's original net budget for 2021/22 and is increasingly volatile, reducing due to the economic situation as well as appeals and business reliefs being provided to support certain business sectors.
- 5.19. The potential reforms to local government finance could be the most significant changes to the funding of local authorities since 2013-14 when the business rate retention system was introduced. Consultation on the long-planned reforms to Local Government Funding is expected to 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. The current drivers were last updated in 2013 and whilst the review is long overdue, it could lead to significant redistribution of available funds. The outcome for the council is impossible to predict as it is dependent on a complicated interaction of factors. 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. Re-setting business rates baselines in 2023/24 in a sustainable way would be made even more difficult as income is unlikely to have settled following the pandemic.

- There were plans to introduce reforms to the administration of the business rates system, with the intention of increasing stability and certainty. This was intended to remove the volatility of appeals from local authorities. It is not yet known if this element of the planned reform will be revived.
 - Review of New Homes Bonus – A further one year extension of the scheme was announced for 2022/24. From 2023/24 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.
- 5.20. Officers have estimated the scale of the gap at £37m in 2023/24 increasing to £58m by 2024/25 based on reasonable assumptions around the likely level of resources available and forecast spending requirements. This is subject to change as more information becomes available. The size of the budget gap over the medium term is significant and compounded by uncertainty around funding levels. 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.
- 5.21. The above factors, along with the large number of risks facing local government, 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 and reduced duplication.
- 5.22. 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 focus on identifying options to close a total gap of c£60m over the three years to 2024/25. This is in addition to the savings already agreed as part of the 2021/22 and 2022/23 budget processes.

Reserves

- 5.23. The Council holds reserves and these have been built up over time. The Council uses its reserves to support the budget strategy with some reserves earmarked to smooth some of the impact of funding changes and to invest in delivery capacity. It is important that a robust position is held on reserves and these are replenished as part of the budget strategy. The forecast impact on the Council's reserve position is set out below. This incorporates an indicative use of a further £30m in 2023/24 which is available to support the future budget position. The only unearmarked reserve is the General Fund reserve.

5.24. Earmarked reserves have reduced as the Council has sought to protect its services during the pandemic and are planned to stabilise at around £155m over the medium term.

Table 3: Summary reserves position

	Opening Balance 1 April 2021	Forecast Opening Balance 1 April 2022	Forecast Opening Balance 1 April 2023	Forecast Opening Balance 1 April 2024	Forecast Opening Balance 1 April 2025
	£'000	£'000	£'000	£'000	£'000
Ring-fenced Reserves outside the General Fund:					
HRA Reserves	117,234	98,043	84,055	86,450	85,380
School Reserves	21,479	14,559	14,559	14,559	14,559
Earmarked Reserves:					
Airport Dividend Reserve	43,953	39,040	14,189	9,397	4,479
Insurance Fund	18,064	17,564	17,064	13,564	13,064
Business Rates - COVID-19	161,959	116,645	7,036	(0)	0
Grant reserves - COVID-19	29,222	(0)	0	(0)	(0)
Statutory Reserves	17,495	17,544	18,559	20,265	21,971
Balances Held for PFI's	2,204	2,171	1,855	1,716	1,518
Reserves held to smooth risk / assurance	85,885	67,801	69,511	27,479	19,525
Reserves held to support capital schemes	149,144	130,473	127,089	101,738	83,398
Reserves held to support growth and reform	32,747	22,389	9,140	5,411	1,427
Grants and Contributions used to meet commitments over more than one year	10,834	9,367	7,908	6,083	6,083
Small Specific Reserves	6,507	6,102	5,656	5,010	4,842
Sub-Total Earmarked Reserves	558,014	429,096	278,007	190,663	156,308
General Fund	26,803	27,973	25,003	25,003	25,003

6. Fiduciary and Statutory Considerations

6.1. In setting the budget the Council has a duty to ensure:

- it continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated

- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
 - it continues to provide support to members and officers responsible for managing budgets
 - it prepares its annual statement of accounts in an accurate and timely manner
- 6.2. In coming to decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
- 6.3. In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the proposals which are set out in the Directorate reports.
- 6.4. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:
- the robustness of the estimates made for the purposes of the calculations; and
 - the adequacy of the proposed financial reserves.
- 6.5. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.
- 6.6. Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
- 6.7. Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the

resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.

- 6.8. The report must be sent to the Council’s External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Council’s Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.
- 6.9. The CFO does not consider that Manchester City Council is in Section 114 territory.

7. Budget Calculations: report on robustness of estimates and adequacy of proposed financial reserves

- 7.1. The Council’s CFO’s report in relation to the robustness of the estimates and adequacy of the reserves is set out below.

Robustness of the Estimates

- 7.2. The Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.
- 7.3. The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The CFO has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

Risk	Mitigation
Non-Delivery of Savings	Robust monitoring arrangements are in place to enable early corrective action to be taken if savings are not deliverable as planned. Within Health and Social Care, the Better Outcomes Better Lives programme involved an independent review of demand management to develop a realistic savings and

	<p>transformation programme and strengthened the governance in place.</p> <p>As evidenced throughout the years of austerity the Council has a solid record of identifying and delivering financial savings whilst maintaining focus on delivery of the councils priorities.</p>
<p>Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions</p>	<p>Additional government funding for social care, the council tax precept and other Council resources have been used to provide more funding in these areas based on a reassessment of demand. The profile of future demand has been reviewed and updated for 2022/23 including identifying and funding the estimated ongoing impact of COVID-19. The underlying data which drives these costs is closely monitored throughout the year to enable early corrective action to be taken.</p>
<p>Volatility of resource base including business rates and council tax</p>	<p>As the Council continues to be reliant on locally raised resources it is more susceptible to any downturn in the economy.</p> <p>A thorough review of the Collection Fund has been carried out as part of the budget setting process 2022/23 and calculations of future income are robust and evidence based. The position on all these income streams is closely reviewed bi-monthly and reported to the Senior Management Team and Executive Members.</p> <p>To mitigate the risk a business rates reserve has been established to help smooth income over financial years.</p>
<p>Delivery of a balanced budget beyond 2022/23</p>	<p>Longer term scenario planning has started to address the uncertainty beyond 2022/23. The Council will be implementing a full Transformation Programme to ensure delivery of the Corporate Plan, improve future resilience and provide the framework for future budget decisions. The estimated three-year position and approach is set out in the main body of this report. Given the level of future uncertainty and risk, £30m of earmarked reserves have been identified to smooth any future budget shocks.</p>
<p>Overspend on significant capital projects</p>	<p>The Capital Strategy has been developed to ensure capital expenditure and investment decisions are in line with Council priorities and take account of stewardship, value for money, prudence, risk, sustainability and affordability.</p> <p>There are strong governance arrangements for decision-making. All capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications. An independent review of the capital programmes function was carried out to provide further assurance around delivery and cost control</p>

	<p>which was reported back to Resources and Governance Scrutiny Committee in September 2021.</p> <p>The capital programme is monitored monthly, with quarterly reports to Executive. There are programme and risk management arrangements in place for individual projects. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. The monitoring is used to support future actions, including the estimation of future costs and mitigations as necessary.</p>
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- 7.4. The Council has a well-developed corporate risk register and a financial risk register that is reviewed monthly. Each Service Head has carried out an individual risk assessment of their budgets incorporated into the Risk Registers contained within the Business Plans.
- 7.5. It is the opinion of the CFO that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's budget monitoring procedures are very well embedded and are designed to monitor high level risks and volatile budgets. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. This is considered to be a prudent provision.
- 7.6. The CFO considers that the assumptions on which the budget has been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance and the £30m reserves earmarked to support the future budget position. This means the CFO is confident the overall budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.
- 7.7. The Council has arrangements to fulfil its statutory duties particularly the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied they can continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

- 7.8. The General Fund Reserve is the only un-ring-fenced reserve and is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against financial risks and can be used to a limited degree to "smooth" expenditure across years. It is estimated that the balance on the reserve at 1 April 2022 will be £28m, of which £3m will be applied to support the 2022/23 budget giving a remaining balance of £25m. The level of the

General Fund reserve held has been risk assessed by the CFO and is felt to be prudent recognising earmarked reserves are held to mitigate specific risks such as the level of volatility in Council funding streams (such as business rates) and general uncertainty over the levels of funding available going forwards. However the General Fund is seen as being at the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

- 7.9. The Council also has several earmarked reserves which are detailed in the 2022/23 budget report elsewhere on the agenda and summarised in Table 3 of this report. They show a 2022/23 opening balance of £117m for the HRA, £21m for Schools. The opening earmarked reserves include £191m relating to grants received to support COVID-19, largely to reimburse reduced business rates income. Excluding these the opening earmarked reserves are £367m.
- 7.10. The level of reserves required is robustly assessed as part of the budget setting process and monitored as part of the monthly reporting process to senior managers and members, as well as being reviewed as part of the closure of accounts. Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however the Council is a complex organisation with a wide range of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be precisely quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains an adequate level of reserves.

8. Financial Governance

Leadership and Governance

- 8.1. The Council's governance arrangements are set out in full in the Annual Governance Statement. Arrangements for revenue and capital budget planning, monitoring and delivery are believed to be robust. The Council complies in full with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The S151 duties lie with the CFO who is also the Deputy Chief Executive, is a full member of the Senior Management Team and fully involved in the Council's governance and decision-making processes.

Assessment of value for money in the delivery of services

- 8.2. Manchester continues to lead the way in terms of transformation, delivering efficient services and creating the conditions for all of our communities to benefit from economic growth. The Council has maintained its reputation for innovation and reform through a number of key mechanisms:
- Using the commitment to social value to ensure communities see the benefit from investments. This has included commitments from suppliers to employ staff who live locally, no use of zero hours contracts and

agreements to reduce energy consumption and carbon emissions in the City.

- Working alongside partners in the Greater Manchester Combined Authority the Council has worked hard to make the most of the opportunities to focus on local priorities through the Spatial Framework, Local Industrial Strategy, digital opportunities and in tackling homelessness.
- focused on doing things differently for example developing the population modelling toolkit, creating a more meaningful definition of affordability to support the emerging Local Plan and Housing Strategy and supporting the implementation of the Manchester Living Wage across supply chains.
- Continuing with the integration of public services to improve the offer to residents. The benefits are already being seen of the approach to integrating health and social care through improvements in the number of years men in the city can expect to live in good health.

8.3. This proposed budget and business plan is a continuation of commitment to the delivery of the Our Manchester Strategy and how it has been used as a framework for prioritising the deployment of resources.

8.4. The Council's external auditors are required to provide a Value for Money conclusion following the guidance issued by the National Audit Office November 2017 which specified the criteria for auditors to evaluate. At the last review the external auditors were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. An unqualified Value for Money conclusion was issued. The VFM conclusion for year ended March 2021 is yet to be concluded as the audit process has not been completed.

Financial Management Code

8.5. The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities. The Code builds on the CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 with the first full year of compliance being 2021/22.

8.6. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the CFO and their professional colleagues in the leadership team. It is for all the Senior Management Team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

8.7. The FM Code applies a principle-based approach. The principles are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- 8.8. Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and demonstrate how the Council will meet requirements.
- 8.9. Standard F - The authority has carried out a credible and transparent financial resilience assessment - The CIPFA Financial Resilience Index has been developed to enable organisations to identify pressure points. It contains nine measures of financial sustainability to reflect risk including three which assess the adequacy of reserve levels, level of debt, interest payable, size of council tax base, level of business rates growth above baseline, fees and charges ratio and % budget spent on social care. The results show the Council to be relatively well placed on earmarked reserves and in a reasonably comfortable mid position on the others. The only ratio classed as high risk relates to the low council tax base which is well understood. This is mitigated by attempts to grow other income streams and highlighting the importance of council tax equalisation in all funding discussions and consultation with the government.
- 8.10. The index is not intended to represent the entire story on the financial sustainability of a Local Authority but provides some indicators of potential risk. In addition, the CFO has examined the major assumptions used within the budget calculations and associated risks as reported at Section 7.
- 8.11. Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. - This report sets out the longer term financial strategy and how financial sustainability is being maintained. It is also demonstrated by the Section 25 statement within this report.
- 8.12. Standard H - The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities - as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. This includes information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing. The Council takes a

highly prudent approach to investments, both treasury and otherwise, with a view to minimising risk. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary. CIPFA have recently issued revised a revised Code, which local authorities must implement for the 2023/24 financial year.

- 8.13. Standard 1 - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan. Whilst the suite of budget reports are focussed on 2022/23 to align with the central governments Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:
- Five-year Capital Strategy (and financing arrangements) and asset management plans
 - Three-year financial position and strategy for delivering a balanced budget set out in this report
 - Five-year reserve strategy with three years published in the budget report elsewhere on the agenda
 - Financial and scenario planning over the next spending review period
- 8.14. Sustainable service plans have been produced over the life of the MTFP including tracking delivery and an assessment of success in delivery of savings. Officers have satisfied themselves that the new savings and mitigations identified for 2022/23 of £7.8m are deliverable. A detailed risk rated savings tracker is monitored monthly and discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT). Updates are also provided monthly to Executive Members. The bi-monthly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations, linking financial and performance data.
- 8.15. The strengthening of the arrangements for the Manchester Local Care Organisation or MLCO, which has responsibility for community-based health care and adult social care, includes the establishment of the Accountability Board which will include the Council's Chief Executive and S151 Officer and monitors finance and performance on a monthly basis.
- 8.16. Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'*. The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester ten year ambitions.
- 8.17. The second standard within this section is 'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.' The Council undertakes VFM analysis which includes annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. This was paused during 2021 to enable a focus on real time reporting. Benchmarking is also carried out on various bespoke

thematic pieces of analysis and reporting. The corporate Performance, Research & Intelligence (PRI) service provide bespoke analysis and support to make the best use of data to informs decision making.

- 8.18. Additionally, the governance process for investment and funding decisions for the Council's capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

Budget Scrutiny

- 8.19. The Scrutiny Committee meetings on the 9-10 February 2022 will review the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 28 February 2022 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 4 March.

Equalities Duties

- 8.20. In considering the budget for 2022/23 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
- 8.21. The Council will continue to use its Equality Impact Assessment 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. The completion of equality analyses, to assess the implications of the business planning process for protected groups, is now a well-established approach and work has been continuing to ensure it is fully embedded and used effectively. As previously reported to this committee, the Council has a two-tiered equality analysis methodology:
- A brief Equality Relevance Assessment tool (ERA) helps services to assess whether there is any relevance to protected groups and / or the Equality Duty 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 (EqIA), to establish the nature of any impacts arising and to help inform what action can be taken to avoid a disadvantageous impact.

- 8.22. The standard EqIA template was amended in 2020 to streamline the process and allow for swift decision-making whilst retaining due regard for equality. The Council took the opportunity to add several characteristics to the template, in addition to those protected by the Equality Act 2010 (the Act). These additional characteristics reflect a greater breadth of inequalities than those addressed by the Act, and touch upon the provisions of Section 1 of the Act, the Socioeconomic Duty (which was not enacted). The additional characteristics are:
- Ex-armed forces personnel and their families
 - Children, families and other people living in poverty
 - People with continuing health conditions
 - People with caring responsibilities
 - Trans people, non-binary people and other consideration of gender identity (a broader definition than 'gender reassignment' as protected by the Act)
 - Homeless people
 - Any other group identified as relevant to the activity (must specify)
- 8.23. The inclusion of poverty in the budget-related assessment template is particularly useful as it is recognised that some of the characteristic groups most likely to be impacted by budget reductions / service changes are also some of those most likely to be living in poverty. The EqIA template allows for a high-level assessment of poverty impact, and where it is identified that this is a distinct issue related to their proposals, a more in-depth analysis will be undertaken using a fuller Budget Impact on Family Poverty Assessment template. This tool assesses poverty in relation to place and service, as well as focusing on key groups, including workless families, people in receipt of Housing Benefit or Universal Credit and lone parents.
- 8.24. The Family Poverty Strategy and been recently reviewed, as detailed in Appendix One to Manchester's support for families living in poverty, Economy Scrutiny Committee – 9 September 2021 and Executive 15 September 2021. In response to this, a new Poverty Strategy for the city will be developed in 2022 to include all households; those with and without children, and people with protected characteristics, in line with the evidence presented.
- 8.25. The budget setting process is also being further integrated with the Council's Corporate Plan and Business Planning process. The work that will be carried out on individual business cases will be complimented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. Each Directorate will need to review how the use of their budget as a whole, not just that of budget savings/reductions, might mitigate or positively impact on equality, anti-poverty, and how social value can be maximised.

9. Conclusion

- 9.1. Overall, the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.
- 9.2. 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.
- 9.3. 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 £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences