

## **Manchester City Council Report for Resolution**

**Report to:** Executive – 16 February 2022

**Subject:** Revenue Budget 2022/23

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

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### **Summary**

This report sets out the budget proposals for 2022/23 based on the outcome of the Final Local Government Finance Settlement, released 7 February 2022. For Manchester there was minimal change from the Provisional Local Government Finance Settlement. The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2022/23. This report should be read in conjunction with the suite of reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Medium-Term Financial Strategy 2022/23 to 2024/25, the Capital Strategy and Budget 2022/23-2024/25 and the Treasury Management Strategy; all contained elsewhere on this agenda.

### **Recommendations**

The Executive is requested to:

- (i) Note that the financial position has been based on the final Local Government Finance Settlement announced on 7 February together with any further announcements at that date;
- (ii) Note the anticipated financial position for the Council for the period of 2022/23 which is based on all proposals being agreed (para 3.1, Table Five);
- (iii) Note the resources available are utilised to support the financial position to best effect, including use of reserves and prior years dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (para 4.2 to 4.29);
- (iv) Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2022/23
- (v) Note that the Capital Strategy and Budget 2022/23 to 2024/25 will be presented alongside this report
- (vi) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in the Medium-Term Financial Strategy report elsewhere on this Agenda
- (vii) Make specific recommendations to Council to approve in the budget for 2022/23:
  - a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 1.99% and Adult Social Care precept increase of 1% (para 4.20);

- b. the contingency sum of £1.060m (para 4.34);
  - c. corporate budget requirements to cover levies/charges of £67.853m, capital financing costs of £39.507m, additional allowances and other pension costs of £7.316m and insurance costs of £2.004m (para 4.30 - 4.33 and 4.35 - 4.39);
  - d. the inflationary pressures and budgets to be allocated in the sum of £23.661m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources (para 4.40 – 4.42);
  - e. the estimated utilisation of £9.183m in 2022/23 of the surplus from the on-street parking and bus lane enforcement reserves, after determining that any surplus from these reserves is not required to provide additional off-street parking within the District (para 5.11); and
  - f. the planned use of, and movement in, reserves as identified in Section 5 of the report and in Appendix 4 subject to the final call on reserves after any changes are required to account for final levies etc.
- (viii) Approve the gross and net Directorate cash limits as set out in paragraphs 4.43 to 4.53 and Appendix 1 (savings and Efficiency proposals);
  - (ix) Approve the in-principal contribution to the Adults aligned budget subject to the extension of the S75 Agreement which will be considered by Executive in March 2022 para 4.46);
  - (x) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments (Appendix 3);
  - (xi) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care. In addition, reference must be made to the recently announced £150 rebate scheme on the 2022/23 Council Tax demand notice, and in the accompanying council tax leaflet, in line with Government regulation (para 4.18 - 4.24);
  - (xii) Recommend that Council approve and adopt the budget for 2022/23.

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**Wards Affected:** None directly

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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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.
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<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
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A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report considers the medium-term financial plan for 2022/23 onwards that will underpin all of the Council's priorities as determined through 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**

This report sets out a number of proposals which are subject to consideration by Executive following that by Scrutiny Committees. The implications for the Council's revenue budget for 2022/23, if all proposals are agreed, are set out within the report. Elsewhere on the agenda are

- the Medium-Term Financial Strategy,
- the Directorate Reports including a joint report for Health and Social Care,
- the Housing Revenue Account Budget,
- the Dedicated Schools Grant and the Capital Strategy and Budget Report and
- the Treasury Management Strategy and Borrowing Limits and
- Annual Investment Strategy.

These reports together underpin the detailed financial spend of the Council for the forthcoming year and provide a framework for Revenue and Capital planning for 2022/23.

The latest financial position for the current financial year, 2021/22, is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

#### **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](#)  
[Executive – 17 November 2021 Subject: Spending Review and budget update](#)  
[Resources and Governance 11 January 2022 Budget assumptions focussing on inflation and demand growth](#)  
[Executive – 17 January 2022 Provisional local government finance settlement 2022/23 and budget assumptions](#)

**Structure**

The structure of the report is as follows:

Section 1	Introduction and background
Section 2	Financial Context
Section 3	Summary Position
Section 3	Underpinning Financial Assumptions
Section 4	Financial Reserves
Section 7	Consultation
Section 8	Conclusion

Appendix 1:	Savings and Efficiency Proposals 2021/22
Appendix 2:	Sales, Fees and Charges Income
Appendix 3:	Legal Background to Setting the Revenue Budget and Council Tax
Appendix 4:	Reserves Schedule

## **1. Introduction and background**

- 1.1. The Final Local Government Finance Settlement 2022/23 was released on 7 February 2022, there was a small improvement of £26k from the provisional settlement received 17 December 2021. In line with the one-year finance settlement this report sets out a balanced one-year budget for 2022/23 along with the estimated position for 2023/24 and 2024/25. The longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability in the Medium-Term Financial Strategy (MTFS) elsewhere on this meeting agenda. The MTFS sets out the risks and uncertainties faced and the approach to ensuring financial resilience.
- 1.2. The financial considerations contained within this report are based on the Final Local Government Finance Settlement 2022/23 and announcements on grant allocations. It also contains the outcome of the key decisions on council tax and business rates surpluses and bases that have been made under delegated powers by the Deputy Chief Executive and City Treasurer in consultation with the Leader. Due to the timing of the Final Settlement and other government announcements there are small differences from the position reported in the directorate reports elsewhere on the agenda relating to the announcement of Public Health Grant (£1.510m) and a small increase in the Lower Tier Services Grant following the final settlement (£26k).
- 1.3. Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny Committees and make recommendations on what should be included in the final budget.
- 1.4. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Single Council Business Plan 2022/23 describes in more detail the action being taken to deliver the Corporate Plan. The budget proposals for 2022/23 will continue to reflect the priorities set out in the Corporate Plan.
- 1.5. The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position considering both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures and to invest in Council priorities. It brings together the priorities agreed with residents, any recent funding announcements, and the Council's statutory duties.

## **2. Financial Context**

- 2.1. Prior to COVID-19 the Council had established a Medium-Term Financial Plan and Balance Sheet strategy with capacity to manage financial shocks and provide investment to priority areas where necessary. This included, for example using commercial dividend income at least a year in arrears and smoothing the budget investment in social care over a three year period. However, the depth and breadth of the pandemic could not have been foreseen and the Council, like many other authorities across the country, is facing a significant long-term financial challenge.

- 2.2. At the time the 2021/22 budget was set there was considerable uncertainty about the position post 2021/22, including potential changes to the business rates regime and funding allocation formula. The underlying budget gap was estimated at c£40m for 2022/23 rising to c£50m by 2024/25, as a result of income shortfalls and cost pressures, including inflationary increases and demography.
- 2.3. Considerable work has taken place throughout 2021/22 to review the assumptions in the 2022/23 budget position and the position has improved. This is due to the late announcements of further government support to businesses through business rates, a review of the estimates of ongoing higher levels of demand for services following COVID-19 which has enabled some of the budget to be released and the announcements in the Government Spending Review in October and subsequent Provisional Finance Settlement.
- 2.4. Whilst the spending review covered a three year period to 2024/25, the Provisional Finance Settlement is for one year only and some of the funding allocated is on a one-off basis with a risk it may reduce in future years. 2022/23 is also using the last of the commercial dividend reserve. A significant budget gap remains from 2023/24 which must be resolved on an ongoing basis to ensure financial sustainability. The plan for achieving this is set out in Medium-Term Financial Strategy report elsewhere on the agenda.

*Position reported to Executive 17 January*

- 2.5. A prudent estimate was made of the funding available following the Spending Review and reported to November Scrutiny Committees and Executive on 17 November 2021. At this point a balanced budget was proposed for 2022/23 the Council was facing a budget gap of £57m in 2023/24 rising to £78m in 2024/25. The report identified that “should further funding than that estimated be forthcoming as part of the Finance Settlement it is recommended that this is used over more than one financial year to reduce the requirement for future budget cuts”.
- 2.6. The budget report considered at 17 November Executive set out the funding proposals for unavoidable cost pressures to cover the rising costs of inflation for example, specific service pressures that had been identified and £7.7m of efficiency measures in order to deliver a balanced budget. Of these measures £4,017m relates to new savings proposed, these are listed at Appendix 1 and detailed in the directorate reports. A further £3.716m relates to the following mitigations:
- The Adult Social care budget has been adjusted by £2m for the overestimated impact of the pandemic on care home places. There remains £9.3m to meet the estimated costs of ongoing COVID-19 related demand.
  - Homelessness - It is not expected that the planned £1.7m per annum demand 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. To manage risk in this area a £1.5m homelessness contingency reserve remains as well as the £7m which was added to the initial 2021/22 budget to reflect the additional impact of COVID-19 on demand for

homelessness services, in anticipation of the impact of the removal of the universal credit uplift and the tenant eviction ban ending.

**Table One: Savings and mitigations reported to 17 November Executive**

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
Savings identified in Corporate Core directorate	1,017	1,017	1,017
1% workforce saving target linked to revised budgeting for staff	2,000	2,000	2,000
Corporate Budget saving from historic pension costs and prepayment of pension contributions	1,000	1,000	1,000
<b>Sub total savings</b>	<b>4,017</b>	<b>4,017</b>	<b>4,017</b>
Mitigations:			
Adults reduction in COVID pressures	2,000	2,000	2,000
Homelessness demand management	1,716	3,765	6,237
<b>Total savings and mitigations</b>	<b>7,733</b>	<b>9,782</b>	<b>12,254</b>

- 2.7. The Provisional Finance Settlement was at the positive end of expectations and enables a balanced budget to be proposed, without the need to identify further efficiencies beyond the £7.8m presented to November scrutiny committees. However, the funding for local government is 'front loaded' with all the funding announced as part of the spending review being received in 2022/23 with no further increases in line with inflation or demographic pressures for the following two years. This puts further pressure on 2023/24 and 2024/25 financial years and significant budget cuts will need to be delivered over the Spending Review period to set a balanced budget.
- 2.8. The report to 17 January 2022 Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures, emerging risks and new priorities, and that, in line with the previously agreed approach, this is used across a three-year period.
- 2.9. The report also noted that the final budget position for 2022/23 and beyond would be updated to take account of the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and information on the waste and transport levies received from GMCA.
- 2.10. The final Finance Settlement was released 7 February 2022, for Manchester there was a small improvement of £26k from the provisional settlement to the final. The table below reflects the impact of the final Finance Settlement and the proposed use of additional funds, as set out in the 17 January 2022 report to Executive. The paragraphs which follow set out the proposed application of the investment funding made available through the settlement followed by an overview of other changes since the January Executive.

**Table Two: Impact of settlement announcements on budget gap**

	2022/23	2023/24	2024/25
	£,000	£,000	£,000
<b>Forecast Shortfall / (surplus) reported to Executive 17 November 21</b>	<b>(60)</b>	<b>57,139</b>	<b>78,204</b>
Net Changes following settlement	(479)	(16,209)	(16,607)
Application of additional smoothing		(4,076)	(4,000)
<b>Revised forecast Shortfall / (surplus) to Executive 17 January 22</b>	<b>(539)</b>	<b>36,854</b>	<b>57,597</b>

*Investment Priorities*

- 2.11. The draft budget position brought to Executive in January reflected a tighter estimated financial position and included £7.8m efficiencies and funding for unavoidable and specific budget pressures only. There was not the capacity to support the other budget pressures and priorities that had been identified. The following reflect these pressures, resident priorities and those in the updated Corporate Plan.
- 2.12. *Improving Basic Services and Street Cleaning* – £0.7m has been made available to support a range of additional measures to ensure the city remains a clean and attractive place to live and work and reflect current gaps in provision.
- 2.13. *Investment in Youth Provision* - £0.5m. Over the last three years c.£1.4M per annum has been invested into core youth and play activities in community settings. A Needs Assessment is currently being undertaken to prioritise how the limited funding will be prioritised from 2023 onwards, however, data analysed from quarterly performance returns has revealed that the investment should be strengthened, particularly in those areas that have medium to high needs.
- 2.14. To address this, it is proposed that this Youth and Play Commissioning Fund is increased by £500K per annum to:
- strengthen the universal youth and play offer to ensure access for children and young people across the city.
  - support capacity building of grassroots groups and leadership training for youth work in community based organisations.
- 2.15. *Delivering the Council and city zero carbon action plan* - £800k. To support the continued delivery of our zero carbon ambition, which has seen the development of a £192m investment programme in climate change mitigations. This new investment includes an additional £0.7m of revenue per year to support for the 6 key areas where further progress needs to be made in the delivery of the Zero Carbon Action Plan. This includes additional capacity to develop a funded programme for housing investment and retrofit, a city-wide energy and infrastructure plan, embed awareness and behaviour



change across the council and to maximise the benefits from the 10% procurement weighting for low carbon measures. All making direct contribution to the Climate Change Action Plan 2020-25. Further details are available in Appendix Four of the Neighbourhood Directorate Budget Report also on the agenda.

- 2.16. A further £100k is available to support other priorities. This could include work with the food system, or support to schools, where a small amount of funding could enable greater progress. Proposals for the use of this funding will be bought back to this Committee along with the updated climate change action plan in June.
- 2.17. *Supporting the delivery of neighbourhood priorities* – Whilst existing funding is in place to support the work of community groups in local wards a key issue that has emerged through the recent ward visits is the lack of funding to address small local priorities, such as a minor improvement to a park. In order to address this, it is proposed to allocate a small amount of funding of £20k per ward that can be used for agreed capital or revenue priorities that would make a real difference to the ward. The use would be agreed with the neighbourhood team who would ensure any proposals are aligned with other capital and revenue developments within the ward. The learning from 2022/23 will be used to inform how the funding could best be used in future years.
- 2.18. *Support to residents* – A further £0.7m has been identified to provide welfare related support to Manchester residents. Whilst the council cannot mitigate the combined impact of the removal of the £20 universal credit payment, inflation and energy prices and the planned national insurance increase, an amount of funding has been identified to provide targeted additional support.
- 2.19. Free school meals provision has been available for all the school holidays during 2021/22 but there is no further funding to extend this beyond that point. Therefore, it is proposed to use the above funding to extend this support to the Easter Holidays to all children and young people who are entitled to free school meals attending schools and early year settings (including those with no recourse to public funds).
- 2.20. Schools and other educational settings have worked in partnership with the Council on previous grant schemes. We are satisfied that this approach is the best way to capture most children and young people in the city. When determining the number of children and young people entitled and paid during earlier grant schemes the Council has also included “No recourse to public funds” households.
- 2.21. To continue with the same allocation of £15 per child or young person will cost up to £1.2 million. This will be funded from the additional £0.7m to provide discretionary welfare support to residents, the remaining balance of Household Support Grant funding that will be advanced to schools during this financial year.
- 2.22. *Talent and Diversity Team* – ongoing funding to support the newly formed Talent and Diversity team that was established in 2021/22.

- 2.23. *Violence Against Women and Girls* - as part of the Council's response to the issues and concerns around gender based misogyny and violence additional funding is being provided to fund a MCC lead post to co-ordinate, engage on and lead the overall delivery of this work
- 2.24. *New Protect Duty* – A small amount of funding is required for Manchester's contribution to a shared GM post to support the work of the 10 local authorities in this area.
- 2.25. The above proposals are summarised in the table below:

**Table Three: Summary of proposed Investments**

	<b>Total 22/23</b>	<b>Total 23/24</b>	<b>Total 24/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Improving basic services and street cleaning	700	1,700	1,700
Investment in Youth Provision	500	500	500
Zero Carbon investment	800	800	800
Neighbourhood Priorities	700	700	700
Support to Residents	700	700	700
Preventing Violence Against Women and Girls	200	200	200
Talent & Diversity Team	200	200	200
Contribution to GMCA for new protect duty	20	20	20
<b>Total proposed investments</b>	<b>3,820</b>	<b>4,820</b>	<b>4,820</b>

*Other changes since Executive 17 January 2022*

- 2.26. In addition to the investment proposals set out above there are a number of other changes to be reflected in the final budget position. These are outlined in the paragraphs below and summarised in table three which sets out the amounts and the impact on the budget.
- 2.27. *Collection Fund decisions* – the Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, has delegated powers to make the following key decisions:
- agree the 2021/22 estimated council tax surplus or deficit by 15 January 2022;
  - set the 2022/23 council tax base by the 31 January 2022;
  - agree the 2021/22 estimated business rates surplus or deficit by 31 January; and
  - set the 2022/23 Business rates base by the 31 January 2022.
- 2.28. The position reported on 17 January 2022 included estimates for these amounts based on the in year monitoring. The final decisions are made in January as they must be based on the most recent data available. Section 4 of

this report provides more information on the key assumptions and decisions made on the level of income expected from these two important sources of Business Rates (£344m) and Council Tax (£209m). The key decisions for Business Rates and Council Tax all have statutory deadlines in January which have to be met. The report to December Resources and Governance Scrutiny Committee *Setting of the Council Tax Base and Business Rates Shares* provides further information on how this is calculated and the decision making process.

- 2.29. The net impact of the four decisions is a £4.1m improvement for 2022/23, this is mainly as a result of continued housebuilding growth, which did not slow as predicted during the pandemic, and government announcements around Business Rates support. Over £3.4m of this is one off income arising from a greater Collection Fund surplus than originally estimated at the time the 2021/22 budget was set. Therefore, in line with the strategy of reducing the savings needed in future years and avoiding financial cliff edges as funding ends, it is proposed this is used to extend the life of the airport dividend reserve, by drawing down less than originally planned in lieu of the improved collection fund position.
- 2.30. *Inflation* - In light of the current increases to fuel costs and price inflation it is deemed prudent to increase the inflation allowance by £700k.
- 2.31. *Airport Reserve* – The balance at the start of this financial year was £44m. The original 2021/22 budget planned for £5m of this to be used in 2021/22 with the £39m balance used in 2022/23. The settlement announcements and improved Collection Fund position now allow the reserve to be reprofiled and used over the MTFS period to reduce the level of savings required in these years, before our commercial income begins to recover.
- 2.32. Other changes net to a £344k improvement in 2022/23 and include an increase in the amount of 2021/22 forecast underspend available to support 2022/23 (£210k) and updated levy budgets (£134k).

**Table Four: Proposed changes since January Executive**

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
<b>Forecast Shortfall / (surplus) reported to Executive 17 January 22</b>	<b>(539)</b>	<b>36,854</b>	<b>57,597</b>
Remove unallocated investment funding	(4,000)	(4,000)	(4,000)
Add total proposed investments	3,820	4,820	4,820
Collection Fund Key Decisions	(4,131)	(760)	(518)
Increase inflation contingency	700	700	700
Revisions to Airport reserve use	4,494	(717)	(918)
Other changes	(344)	(116)	(134)
Total proposed changes	539	(73)	(50)
<b>Current Position</b>	<b>0</b>	<b>36,782</b>	<b>57,547</b>

### 3. Summary position

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

**Table Five: Summary budget position**

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
<b>Resources Available</b>				
Business Rates Related Funding	260,465	235,553	323,847	341,840
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	141,548	31,510	16,491
<b>Total Resources Available</b>	<b>742,232</b>	<b>690,599</b>	<b>649,351</b>	<b>660,902</b>
<b>Resources Required</b>				
<i>Corporate Costs:</i>				
Levies / Statutory Charge	66,580	67,871	69,862	74,500
Contingency	600	1,060	860	860
Capital Financing	39,507	39,507	39,507	39,507
Transfer to Reserves	117,594	24,638	0	0
<i>Sub Total Corporate Costs</i>	<i>224,281</i>	<i>133,076</i>	<i>110,229</i>	<i>114,867</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	8,316	7,316	7,316	7,316
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	4,551	28,212	37,656	51,808
Directorate Budgets	503,080	519,991	528,928	542,454
<i>Subtotal Directorate Costs</i>	<i>517,951</i>	<i>557,523</i>	<i>575,904</i>	<i>603,582</i>
<b>Total Resources Required</b>	<b>742,232</b>	<b>690,599</b>	<b>686,133</b>	<b>718,449</b>
<b>Shortfall / (surplus)</b>	<b>0</b>	<b>0</b>	<b>36,782</b>	<b>57,547</b>

### 4. **Underpinning Financial Assumptions**

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

#### **Resources Available**

##### *Business Rates Related funding*

- 4.2. In 2021/22 and 2022/23 this is made up of Business Rates Income, Business Rates Top-up or tariffs and Section 31 Grants from government. The Council has been part of a pilot scheme to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The pilot set a growth baseline above which the ten Greater Manchester authorities retain 100% of growth for the length of the pilot. Business rates funding is adjusted to take into account assessed need with either a payment to government where income is above need (tariff) or receipt of a grant where it is below (top up). This is designed to ensure there is sufficient funding available to the local authority. On commencement of the 100% pilot the Council became a tariff authority (paying money to the government) rather than a top-up authority as it was under the 50% scheme. The provisional Finance Settlement confirmed that the 100% Business Rates Growth Retention Pilot will continue for 2022/23. There is no confirmation of what will happen beyond next year.
- 4.3. Under the 100% pilot agreement, Revenue Support Grant and Public Health grant funding is rolled into the business rates system rather than receiving them as separate grants. For budget planning it has been assumed the Council will revert to a 50% share from 2023/24 onwards. This means the share of Business Rates Income retained locally is reduced and the Council would again receive Revenue Support Grant and Public Health grant. The level of these grants is assumed flat at 2022/23 notional amounts (Revenue Support Grant £60.063m and Public Health £55.246m). The table below shows the various funding elements each year.

**Table Six: Business Rates related income**

	100% retention		50% retention	
	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Business Rates Baseline (per MHCLG)	329,127	329,127	167,136	170,646
Difference from baseline	(8,295)	(34,413)	9,426	9,376
<b>Forecast Share of Business Rates Income</b>	<b>320,832</b>	<b>294,714</b>	<b>176,562</b>	<b>180,022</b>
Revenue Support Grant	0	0	60,083	60,083
Public Health	0	0	55,246	55,246
Business Rates Top Up / (Tariff)	(38,333)	(35,031)	16,279	16,620
Business Rates S31 Grants (non-COVID)	129,903	77,216	29,357	29,869
Surplus adjustment relating to 2019/20	818	0	0	0
Deficit related to S31 Grant Extended Retail Relief	(139,075)	(107,714)	0	0
Estimated Surplus relating to 2021/22		15,103		

Surplus adjustment relating to 2020/21		4,945		
Estimated deficit relating to 2020/21 (total £41.039m spread over 3 years)	(13,680)	(13,680)	(13,680)	0
<b>Business Rates related income</b>	<b>260,465</b>	<b>235,553</b>	<b>323,847</b>	<b>341,840</b>
Memo: Smoothing via reserves:				
Extended Retail Relief	139,075	83,961		
Compensation for irrecoverable losses	10,288	1,895	7,036	
Business Rates Reserve (S31 COVID Additional Relief Fund S31)		23,753		
<b>Business Rates related income</b>	<b>409,828</b>	<b>345,162</b>	<b>330,883</b>	<b>341,840</b>

\*The reliefs that were granted to the retail, leisure and hospitality sectors as a result of the COVID-19 pandemic result in a reduction in business rates due but are fully funded by section 31 grant. A grant was received in 2020/21 and carried forward in reserve to offset the deficit in 2021/22. A further scheme was announced in 2022/23 resulting in a similar position on grant carry forward.

- 4.4. Business rates income would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2022/23. The government have introduced a number of grant schemes as well as new reliefs to reduce or remove rate bills. The most significant being Extended Retail Discount based at 100% relief in 2020/21, 66%-100% in 2021/22 and 50% in 2022/23. The support for business is very welcome, however it has introduced more complexity into an already complicated system and makes the underlying and ongoing position difficult to forecast. At over £300m a year small percentage changes can have a big impact on the income received from business rates. The pandemic has also impacted on collection rates, appeals being lodged and other economic related reliefs such as that for empty properties. A collection rate of 94% in 2022/23 has been assumed.
- 4.5. The business rates base was formally decided on 31 January 2022 taking account of the latest data available, government announcements and fully reviewing all assumptions.
- 4.6. The **business rates baseline** sets the level of business rates yield government expects billing authorities to generate. This baseline was set in 2013/14, when the business rates retention scheme was implemented, and has been index linked to inflation each year since or frozen as per government announcements. This would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2022/23 at £329.127m.
- 4.7. **Difference from baseline** – Manchester has grown above the government set baseline every year since 2013/14, although the pandemic has had a negative impact on collection rates and brought increased complexity due to the scale and range of reliefs.

- 4.8. The Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, agrees under delegated powers to determine the Business Rates base for 2022/23 including the calculation of the Council's business rate income and the major preceptors share. Further, the Council is required to notify the Secretary of State and the Greater Manchester Combined Authority of the calculations, in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013. The City Council's business rates income used for budget setting purposes for the year 2021/22 shall be **£294.714m**; the decision was made on the 31 January 2022.
- 4.9. The main reason this is lower than the government set baseline of £329.127m is the 50% Extended Retail Relief, which reduces income by £44.736m, which will be reimbursed via a section 31 grant.
- 4.10. The **business rates Top up / (tariff)** - In the Finance Settlement, it was announced that Revenue Support Grant would increase by an inflationary increase of 3.1%. As the Council is part of a 100% business rates pilot that is reflected in a reduction of £1.792m in the tariff which is payable to government.
- 4.11. **Business rates Surplus / Deficit** - Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate deficit is delegated to the Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council. The decision was taken on 31 January 2022.
- 4.12. The Council's 99% share of the 2021/22 Business Rates Deficit declared is £87.666m. This is made up of three elements as follows:
- A deficit as a result of the reliefs granted in response to the COVID-19 pandemic totalling £107.714m, namely Extended Retail Relief supporting retail, hospitality and leisure businesses, and COVID Additional Relief supporting other businesses impacted by the pandemic. Of this £3.665m relates to 2020/21 and £104.049m to 2021/22. These reliefs result in a reduction in business rates due but is fully funded by section 31 grant. The accounting arrangements for the Collection Fund mean the deficit due to these reliefs impacts a year in arrears in 2022/23, so the S31 grants will be transferred to reserves and drawn down in 2022/23 to cover the resulting deficit.
  - An estimated surplus of £15.103m relating to 2021/22 that was declared at the end of January 2022.
  - A reduction in deficit of £4.945m relating to 2020/21 which represents the difference between the Council's share of the estimated deficit for 2020/21, declared in January 2021, compared to the outturn position as at 31 March 2021.
- 4.13. In addition, there is a further deficit adjustment of £13.680m, which relates to 2020/21, and was declared in full last year. This represents one third of the 2020/21 deficit as estimated on 31 January 2021, and totalled £41.039m. The

Council was mandated to spread this deficit equally over a three-year period between 2021/22 and 2023/24 at £13.680m per year.

- 4.14. **Compensation for irrecoverable losses** – In 2021/22 the Government agreed to fund local authorities for 75% of irrecoverable losses in rates income relating to 2020/21 once additional section 31 grants have been taken into account - an amount of £19.219m is expected, transferred to reserves and drawn down over 3 years from 2021/22 to 2023/24.
- 4.15. **Business Rates Grants** – Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government. This includes grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief; and relief introduced in response to the pandemic, namely Extended Retail Relief, which applied 100% relief in 2020/21, 66% - 100% in 2021/22 and 50% in 2022/23; and COVID Additional Relief in 2021/22. In 2021/22 this has reduced rates yield by £129.903m. The £77.216m for 2022/23 covers £44.736m relating to Extended Retail Relief, supporting the recovery of retail, hospitality and leisure businesses, and £32.480m for existing pre COVID-19 reliefs. All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot.

**Table Seven: Forecast Business Rates Grants**

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Multiplier Cap 2021/22	16,738	30,170	18,539	18,832
Small Business Rates Relief	16,139	17,247	8,671	8,853
Extended Retail Discount / Nursery Relief	80,296	44,736	0	0
COVID Additional Relief Fund (CARF)	23,753	0	0	0
EZ Relief (100% retained)	811	430	441	450
Adjustment to Top up/Tariff in relation to multiplier cap	(7,834)	(15,367)	1,707	1,734
<b>Total Business Rates Grants</b>	<b>129,903</b>	<b>77,216</b>	<b>29,358</b>	<b>29,869</b>

- 4.16. In addition, the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. This reduces in 2022/23 as businesses in the Manchester Airport EZ are time barred from relief awards after 31 March 2022.
- 4.17. The estimate for 2022/23 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ringfenced reinvestment within this EZ and will fund the costs of the enterprise zone growth manager and the borrowing costs associated with developments.



## *Council Tax*

4.18. The Finance Settlement set out the maximum increases that can be applied to 2022/23 council tax without referenda. These are:

- Council element – 1.99%
- Adult Social Care – 1.0%
- Police and Crime Commissioner - £10
- Fire and rescue - £5
- Mayoral Combined Authority precept - No limit.

4.19. The Council collects council tax for its own requirements but also on behalf of the Greater Manchester Combined Authority (GMCA) and Police and Crime Commissioner through a precept. The decision on these precepts is for the GMCA and Police and Crime Commissioners, this report focuses on the increase to the Council element of the council tax charge.

4.20. The changes to the council tax receivable by the Council for 2022/23 are set out below:

- Referendum criteria – The Spending Review confirmed the general referendum threshold at 2% for the Council's other expenditure, (excluding adult social care). This will generate an additional £3.8m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 1%. This will generate an additional £1.9m
- The assumed council tax collection rate has been increased from 94.5% to 95.5% in 2022/23 increasing forecast income by £1.9m. By 2023/24 collection is assumed to be back at the usual pre-pandemic level of 96.5%.
- An increase in the council tax base of 5.5% (from the previous year's approved position) reflecting housing growth within the City and lower than anticipated Council Tax Support Scheme (CTSS) numbers. This brings an additional £10m income.

4.21. In addition, there is a forecast Council Tax surplus in 2022/23 of £12.4m relating to the differences between forecast and actual income for 2020/21 (£3.457m) and the forecast position for 2021/22 (£8.939m). The housebuilding sector in Manchester has remained buoyant despite the challenges of COVID-19. Almost half of the 2020/21 completions occurred in the final quarter of the year, after the tax base for 2021/22 was set. This trend has continued into 2021/22. The main reasons for the Council's surplus of £8.9m are as follows:

- £5.3m due to increased tax base following delivery of new homes, above that forecast, in Q4 of 2020/21 and to December 2021. The new build properties now have a greater proportion in Band D and above than seen previously.
- A revised estimate of student exemptions, reducing from 15,009 to 14,000. This could be in part due to impact of the pandemic but also changing models of student accommodation across the city with a growth in dedicated student housing blocks. This increased income by £1.2m.

- An overall reduction CTSS numbers, largely driven by a reduction in those of pensionable age. Numbers decreased by 2,864 from December 2021 to December 2022, rather than increasing by 1,500 which was assumed in the budget, increasing net income by £2.8m; and
- Adjustments to reliefs, premiums and bad debt provision decreasing income by £0.4m;

4.22. The table below shows the movements in forecast Council Tax income each year.

**Table Eight: Breakdown of incremental changes to Council Tax Income 2022/23 to 2024/25**

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
General rate Increase	9,381	3,801	6,003	6,306
Adult Social Care Increase		1,910	0	0
Change to assumed collection rate		1,910	1,988	0
Increase to Tax Base		10,019	2,060	4,135
<b>Changes to annual surplus / deficits:</b>				
19/20 Final Council Tax deficit	(2,072)	2,072		
20/21 Estimated Council Tax deficit - spread over 3 years	(137)	0	0	137
20/21 Final Council Tax surplus		3,457	(3,457)	
21/22 Estimated Council Tax surplus		8,939	(8,939)	
<b>Total Increased Council Tax</b>	<b>7,173</b>	<b>32,107</b>	<b>(2,346)</b>	<b>10,577</b>

4.23. On 3 February the Chancellor announced a new support package “to help households with rising energy bills. Households living in properties in Band A-D will be eligible for a £150 rebate in their council tax bills. Government will refund local authorities for the cost of the rebate and associated administration costs. Local authorities will also receive a share of £144m discretionary funding to help people with their energy bills who are not eligible for the £150 rebate (for instance, because they live in properties in bands E-H, or are exempt from council tax). Information is awaited on how the discretionary fund will be allocated between local authorities.

4.24. The payment will operate outside of the council tax system, using council tax lists to identify eligible households. The rebate does not affect council tax setting and the calculation of bills and the presentation of charges will not be impacted. Detailed guidance will be published in the week beginning 7 February, and regulations will be laid before the 11 March. The detail available at the time of writing the reports is contained in the Corporate Core report elsewhere on the agenda.

*Grants and other External Funding*

- 4.25. The following table lists the other **non ring-fenced grants and contributions** expected. There are also number of direct grants which are held within the Directorate cash limit budgets.

**Table Nine: Non Ring-Fenced Grants and Contributions**

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
COVID-19 related unringfenced grants	32,419	0	0	0
Better Care Fund (Improved)	30,815	31,748	31,748	31,748
Children's and Adult's Social Care Grant	23,877	31,924	31,924	31,924
Market Sustainability and Fair Cost of Care Fund	0	1,800	1,800	1,800
2022/23 Services Grant	0	12,324	12,324	12,324
Settlement Risk	0	0	(6,000)	(8,000)
Lower tier services grant	1,236	1,328	0	0
New Homes Bonus Grant	8,330	9,857	0	0
Loan Income	14,901	6,913	6,913	6,913
Contribution from MHCC	4,000	4,000	4,000	4,000
Education Services Grant	1,200	1,200	1,200	1,200
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Council Tax Support Admin Subsidy	856	856	856	856
Care Act Grant - Prison only from 16/17	95	95	95	95
<b>Total Non Ring-fenced Grants</b>	<b>120,243</b>	<b>104,559</b>	<b>87,374</b>	<b>85,374</b>

- 4.26. More detail on the non ring-fenced grants and contributions is set out below.
- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was provided to ensure that councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. This grant is being used to fund priorities and pressures within Adult Social Care. In 2022/23 it has been inflated by 3%, with distribution of funding unchanged giving the Council a receipt of **£31.748m**.
  - **Children and Adults Social Care Grant** – This was introduced in recognition of the increased pressures in Social Care. The national grant increased by £300m in 2021/22 which has been built into the base. A further increase of £636m has been confirmed for 2022/23 of which Manchester receives £8.047m bringing the total 2022/23 receipt to **£31.924m**.
  - **Market Sustainability and Fair Cost of Care Fund** – This is the first part of the Adult Social Car Reform Funding. The 2022/23 funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local

circumstances. The Council will receive **£1.8m** and the detail is contained in the Health and Social Care budget report elsewhere on the agenda.

- **2022/23 Services Grant £12.3m** - This is a new one-off unringfenced grant from 2022/23 and includes funding for the increase in employer National Insurance Contributions. The funding is in the Government's baseline budgets, but the allocation to individual local authorities is not guaranteed beyond 2022/23 and the Government intend to work closely with local government on how to best allocate this funding from 2023/24 onwards.
- **Settlement Risk adjustment** This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms and the fact the new Services Grant is only announced for 2022/23. An estimated adjustment of **£6m** has been made for the year of expected reforms, 2023/24, increasing to **£8m** the following year as transition funding would unwind. This is a local estimate and the budget will be updated once the level of grant funding for future years is known.
- **Lower tier services grant** - This was a new un-ringfenced grant in 2021/22 which has been continued for 2022/23 only at £111m. The Council will receive **£1.3m** which is supporting the overall budget position in 2022/23. This grant will not continue after 2022/23.
- **New Homes Bonus (NHB) Grant** - This is paid to local councils to reflect and incentivise housing growth. The Government has proposed a new round of NHB payments (year 12 payments) in 2022/23 which will not attract new legacy commitments in future years. The allocations for 2022/23 will be funded through a £333m top slice of Revenue Support Grant (RSG). The methodology will be the same as in 2021/22 with payments calculated as new housing and houses brought back into use (above a payments baseline of 0.4%), multiplied by the average band D council tax payment, with an additional payment made for affordable homes. The Council will receive £6.774m. A legacy NHB payment associated with year 9 (2019/20) of £3.083m will also be received giving a total 2022/23 receipt of **£9.857m**. The Government has consulted on a replacement for NHB and their proposals are awaited.
- **Loan Income** £6.913m- Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).
- **Contribution from MHCC** - This relates to the agreement of a longer-term joint funding strategy with the CCG which includes the ongoing **£4m** contribution to the Adult Social Care aligned budget.
- **Education Services Grant £1.2m** - This relates to retained funding from DSG to fund statutory duties.
- **Housing Benefit Admin Subsidy (£2.514m) and Council Tax Support Admin Subsidy (£856k)**- allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.
- **Care Act Grant £95k**- Funding allocations for adult social care duties previously announced.

4.27. **Public Health Grant** is not reflected in the table above as during the 100% Business Rates pilot this is met from retained business rates. The 2022/23 allocations have been announced and the Council's share is £55.246m, up £1.520m from £53.726m in 2021/22. This increase will be reflected in a

reduced business rates tariff payment to the government. The additional resources have been passported to Adults Social Care and population Health budget.

- 4.28. The Directorate's budgets are reliant upon a range of government grants which fund specific responsibilities, these are reflected in directorate gross budgets. At this stage there are still some assumptions included for 2022/23 and budgets will be updated in year as grant announcements are made. The total grants included in the budget assumptions for each Directorate are summarised in the table below.

**Table Ten: Specific Government Grants within Directorate budgets**

	Revised 2021/22	2022/23
	£'000	£'000
Children and Young People	373,344	380,440
Adult Social Care	5,166	5,166
Corporate Core	183,635	184,215
Neighbourhoods Directorate	13,899	13,993
Growth and Development	8,470	8,462
<b>Total Directorate Grants</b>	<b>584,513</b>	<b>592,275</b>

#### *Use of Reserves*

- 4.29. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £141.5m in 2022/23, of which £109.6m relates to Business Rates grant. The full detail is shown in the reserves section later in this report.

#### **Resources Required**

#### *Levies / statutory charge*

- 4.30. The following table sets out the forecast **levy payments and payment to GMCA**.

**Table Eleven: Levy Payments and Payment to GMCA**

	Revised 2021 / 22	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000	£'000
GMCA - Waste Disposal Authority*	28,731	29,956	31,747	32,704
Transport Levy	37,525	37,573	37,773	37,973
Statutory Charge to GMCA	0	0	0	3,481
Environment Agency	230	248	248	248
Port Health	78	84	84	84

Probation (residuary charge for debt)	7	7	7	7
Magistrates (Residual debt)	9	3	3	3
<b>Net Cost of Levies</b>	<b>66,580</b>	<b>67,871</b>	<b>69,862</b>	<b>74,500</b>

- 4.31. The Transport Levy is to cover the costs of the GMCA transport policies. The final amount will be decided as part of the GMCA budget process. It has been assumed the total level will be frozen for 2022/23 although as the costs are allocated on a per capita basis the amounts will vary with the differential population growth between the GM local authorities.
- 4.32. The statutory charge from GMCA is to cover costs that cannot legally be included in the transport levy. The 2024/25 estimate is the council's contribution for bus reform.
- 4.33. The waste disposal levy is paid over to Greater Manchester Combined Authority (GMCA) and this contributes towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2021/22 levy costs are to increase by £1.225m, due to changes in costs, recycling rates and market prices for recyclates and energy. The budget has been uplifted to reflect the increased costs. The final amount will be confirmed following the meeting of the GMCA on 11 February 2022 and may vary slightly.

#### *Contingency*

- 4.34. The required contingency amount includes:
- £0.6m as an unallocated contingency to meet future unforeseen expenses. This is deemed to be reasonable amount and should be considered in conjunction with the Council's policy on reserves.
  - £460k in relation to risks associated with the waste levy, the estimated tonnages submitted to inform the levy are based on 7% above pre-COVID levels. Any increase above this would result in the council being liable for a higher charge.

#### *Capital Financing Budget*

- 4.35. The capital financing budget of £39.507m is to cover the costs of borrowing. For 2022/23 the forecast breakdown is as follows; this included:
- Costs of £90.4m as follows:
    - Interest costs of £31.3m,
    - Minimum Revenue Provision (MRP) of £33.0m, being the provision for the repayment of debt incurred to fund an asset, spread over the useful economic life of the asset,
    - Debt Management Expenses of £0.2m, and
    - Contributions to the Capital Fund Reserve of £25.9m.
  - Partly offset by interest receivable of £50.9m.

- 4.36. The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement are reported elsewhere on this agenda. These provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £539m for the three year period up to and including 2024/25, based on the current approved capital programme. To avoid the additional capital financing costs of this and any future capital investment becoming an additional call on the revenue budget the Capital Financing reserve has been established to cover the future increase in interest and MRP costs.

*Transfers to Reserves*

- 4.37. The planned transfers to reserves total £13.545m in 2020/21 and £24.638m in 2021/22. The full breakdown of these amounts is shown in the Reserves Section of this report.

*Allowances and Insurances*

- 4.38. Additional **allowances for former staff and teachers' pension costs** total £8.316m in 2021/22 relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time. This budget also includes the annual saving from pre-paying the councils pension contributions. A £1m reduction is proposed in this area as part of the mitigations to balance the 2022/23 budget relating to:

- Reduced budget for historic pension costs linked to reducing numbers of participants (£0.5m)
- Increase to saving target for pension contribution pre-payment as the associated interest costs are lower than originally forecast (£0.5m)

- 4.39. **Insurance costs** of £2.004m relates to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

*Inflationary Pressures and Budgets to be Allocated*

- 4.40. The main assumptions are shown in the table below and detailed in the paragraphs which follow.

**Table Twelve: Inflationary pressures and budgets to be allocated**

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Non Pay Inflation	0	10,804	14,235	18,235
Sales Fees & Charges Inflation	0	(2,000)	(2,000)	(2,000)
Electricity Inflation	0	7,200	5,500	5,500
Pay Inflation	3,302	10,929	18,611	26,531
Pension Contribution Increase 1% estimate	0	0	0	2,200

Apprentice Levy (0.5%)	999	1,029	1,060	1,092
Digital City work	250	250	250	250
<b>Total</b>	<b>4,551</b>	<b>28,212</b>	<b>37,656</b>	<b>51,808</b>
<b>Year on year Impact</b>	<b>(1,544)</b>	<b>23,661</b>	<b>9,444</b>	<b>14,152</b>

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

- Non-Pay inflation - provided for increased running costs each year as a result of inflation. Increased allowance to cover general contract inflation and gas of £8.8m in 2022/23 followed by £4m increase 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.
- The full year effect of electricity price increases forecast at £7.2m next year reducing to £5.5m thereafter.
- Pay inflation – An allowance for 2021/22 pay award is being held until the pay negotiations for local government have been concluded. The budget from 2022/23 reflects an assumed 3% increase per year (c£7.5m a year)
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- An assumes 1% increase to the pension contribution rate from 2024/25. This will be informed by the actuarial valuation.
- Digital City work - a budget of £250k to support the ambition of being a Smart City by 2025. This means being strong with digital technology companies and is a key enabler to delivering the carbon agenda.

4.42. An element of the inflationary funding will relate to the Section 75 aligned budget. The table below shows the indicative allocations on a pro rata basis.

**Table Thirteen: Indicative inflationary allocations to the Section 75 aligned budget**

	<b>Revised 2021 / 22</b>	<b>2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Non Pay Inflation	0	3,520	5,383	7,143
Pay Inflation	955	2,591	4,227	5,863
<b>Total</b>	<b>955</b>	<b>6,111</b>	<b>9,610</b>	<b>13,007</b>

#### *Directorate cash limit budgets*

4.43. Each Directorate must manage their budget within the cash limit. This is reviewed each year and for the period of the current Medium Term Financial Strategy includes the approved savings, recommended budget mitigations and other adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated on the basis of need. The 2022/23 changes and recommended revised cash limit budgets are shown in the table below. The paragraphs which follow set out the main changes by directorate.



**Table Fourteen: Change from 2021/22 Cash Limit budget to 2022/23 Cash Limit budget**

	Revised net budget 2021/22	Savings*	Changes relating to 21/22 budget setting	New pressures / Investments	Proposed net budget 22/23
	£'000	£'000	£'000	£'000	£'000
Children's	118,701	(292)	9,893	718	129,020
Adult's Social Care	219,031	(3,886)	11,655	294	227,094
Corporate Core	82,895	(2,654)	(124)	4,418	84,535
Neighbourhoods (inc Homelessness)	91,486	(946)	(4,315)	2,869	89,094
Growth and Development	(9,033)	(59)	(700)	40	(9,752)
<b>Total</b>	<b>503,080</b>	<b>(7,837)</b>	<b>16,409</b>	<b>8,339</b>	<b>519,991</b>

\*The Corporate savings of £1m, (detailed at paragraph 4.38) bring the 2022/23 total savings to £8.837m. The proposals are listed at Appendix 1

- 4.44. The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures and investments. Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

#### *Children's Services*

- 4.45. Overall the Children's budget will increase by £10.319m to £129.020m. The changes include:
- Savings (£292k) which includes:
    - Savings agreed in 2021/22 (net £152k increase). This reflects the full year impact of 2021/22 placements and the reversal of one off savings approved in 2021/22 only.
    - Workforce budget saving (£444k). This is the Children's share of the £2m council saving and relates to a 1% increase to the vacancy factor to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover
  - Children's Investment mainstreamed (£7135m) to address pressures and provide the capacity to invest in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability.
  - Demographic Growth (£2.293m) - Changing levels of demand through population growth and complexity of need are calculated and provision made within the budget, overall, the population of children in the city is expected to increase by 3%. The 2023/24 and 2024/25 demographic changes total £2.357m and £2.419m, respectively.
  - Annual Fostering Uplift (£465k) - Children Services has worked to deliver a more attractive offer to foster care, an effective marketing campaign, develop skills within the in-house fostering service and plan for conversion

of external foster carers to become internal foster carers as part of the new procurement framework arrangement being developed in the North West. An external commission to review the current offer to in-house foster carers compared to external agencies was completed by 31st January 2019. The current offer from Manchester City Council's Fostering Agency is increasingly positive and comparable to external agencies. In order to maintain this the service is seeking to uplift in-house foster care offer by 2.1% to be applied April 2022 onwards. Alongside this there is a continued focus on Special Guardianship Orders, this will be achieved through increased confidence in the 'offer' and 'conversion' from long-term fostering arrangements.

- Early Years pressure (£400k) - In 2012, as part of the austerity cuts, 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 condition of the estate has deteriorated 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.
- National Insurance increase of 1.25% (£318k).

#### *Adult Social Care*

- 4.46. There is a Section 75 agreement between Manchester Foundation Trust (MFT) and MCC which allows for the delegation of Adult Social Care responsibilities to the Chief Executive of the Manchester Local Care Organisation (MLCO). The S75 agreement includes an aligned budget for community health and Adult Social Care which is planned to continue for 2022/23. Overall, the planned contribution to the aligned budget and the population health budget will increase by **£13.219m**, including an indicative £5.156m of inflationary budget held centrally, as referenced at paragraph 4.42 . This includes:
- 4.47. Additional government funding in addition to council budgets has funded the following specific areas and totals £14.639m:
- The costs for the National Living Wage (NLW) increase (£5.731m 22/23, £5.6m 23/24, £6.0m 24/25). An uplift to National Living Wage of 6.6% to £9.50 per hour was announced as part of the Spending Review.
  - Increased demand associated with population growth (£2.2m 2022/23, £2.2m 2023/24, £2.6m 2024/25).
  - £2.150m increase in recurrent budget through the mainstreaming of adults' investment to support the ongoing delivery of the ASC Improvement Plan. This was previously funded from reserves.
  - The additional funding via the 'social care levy' or Market Sustainability and Fair Cost of Care Fund of £1.8m to fund the work required to implement the Fair Cost of Care and to contribute to an increase paid to providers
  - The uplifting of the Improved Better Care Fund for inflation by £0.9m which will be used to fund some costs currently met by one-off funding as detailed later in the report.

- Public Health Grant uplift of £1.510m for 2022/23.
  - National Insurance increase of 1.25% (£294k).
- 4.48. There is £10.656m of investment to cover the inflation and pay award costs of £5.516m and £5.5m of system support towards the BOBL programme, which is partially offset by the removal of the one off capacity funding of £2.690m, which has been removed from the 2022/23 budget.
- 4.49. This brings the total additional investment into the aligned budget to £22.605m, before the BOBL and vacancy factor savings of £9.386m are removed, giving a net increase to the Adults and Social Care budgets of £13.219m.

### *Corporate Core*

- 4.50. Overall the Core budget will increase by **£1.640m** to £84.535m. Full details are set out in the Core report elsewhere on the agenda. The changes include:
- Savings of **£2.654m** as set out in Appendix One as follows:
    - The 2022/23 impact of savings approved in 2021/22 (£1.153m)
    - New proposed savings to offset emerging pressures as reported to November Executive (£1.017m)
    - Workforce budget saving (£484k). This is the Core share of the £2m council saving and relates to a 1% increase to the vacancy factor to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover
  - A net reduction of **£124k** relating to 21/22 budget setting:
    - One off COVID-19 budget support being removed (£0.598m)
    - Mainstreaming of staff costs previously funded through Our Manchester reserve (£474k)
  - New Pressures / Investments totalling **£4.418m**:
    - National Insurance increase of 1.25% (£417k)
    - Pressures as reported to November Executive (£2.281m) and detailed in the Corporate Core budget report also on the agenda. These were partly offset by £1.17m savings and efficiencies also identified in that report.
    - £1.720m proposed investment following the financial settlement as detailed in paragraphs 2.11 to 2.25 of this report:
      - £0.8m to support delivery of both the council and city zero carbon action plan.
      - £0.7m welfare related support to Manchester residents.
      - HR Organisational Development - £200k to provide additional capacity in HROD, to support ongoing development of talent and diversity across the council.
      - New Protect Duty – £20k of funding is required for Manchester's contribution to a shared GM post to support the work of the 10 local authorities in this area.

### *Neighbourhood Services*

- 4.51. Whilst overall the cash limit budget has reduced by £2.4m to £89.1m this reflects the removal of £4.960m COVID-19 budget support. Without this the budget for Neighbourhood Services has actually increased by £2.6m with the proposals below. Full details are set out in the Neighbourhoods report elsewhere on the agenda The changes include:
- Savings approved in 2021/22 (£0.946m) as set out at Appendix One.
  - One off COVID-19 budget support being removed (£4.960m). This support was part funded through government grants which have now ended. The support within Neighbourhoods budgets included:
    - Off street car parking (£3.136m) to reflect the reduced number of car park users.
    - Markets (£717k) reflecting closures and reduced footfall
    - Leisure (£600k) to offset lost income due to reduced users
    - Catering (£172k)
    - Smaller amounts totalled £335k across Leisure, Libraries, pest control and Compliance Services.
  - Mainstream the costs of the Anti Social Behaviour team as reserve funding ends (£495k)
  - Pressure relating to the waste contract (£150k)
  - New pressures and investments (£2.869m) including:
    - CCTV (£264)
    - Winter services (£200k)
    - increased budget for the 1.25% National Insurance increase (£305k)
    - Additional funding to support ward priorities and micro issues to be addressed (£0.7m)
    - Improving basic services – with focus on street cleaning (£0.7m)
    - Youth Investment (£0.5m)
    - Ending Violence Against Women and Girls (£200k)

### *Growth and Development*

- 4.52. Overall the cash limit budget has reduced by £0.7m. The directorate has a 2022/23 net income target of £9.8m. Full details are set out in the Growth and Development report elsewhere on the agenda The changes include:
- Budget cuts as set out at Appendix One (£59k)
  - Reductions relating to one off COVID-19 budget support being removed (£0.7m)
  - Increased budget for the 1.25% National Insurance increase (£40k)
- 4.53. The recommended revised cash limit budgets are shown in the table below. Full details are included in the directorate budget reports elsewhere on this agenda.

**Table Fifteen: Directorate budgets**

	2021 / 22		2022 / 23	
	Net Budget	Gross Budget	Net Budget	Gross Budget
	£'000	£'000	£'000	£'000
Children Services	118,701	151,932	129,020	162,251
Adults Services	219,031	225,562	227,094	233,625
Corporate Core	82,895	331,348	84,535	332,988
Neighbourhoods (Incl. Highways)	91,486	227,880	89,094	225,488
Growth and Development	(9,033)	38,737	(9,752)	38,018
<b>Total</b>	<b>503,080</b>	<b>975,459</b>	<b>519,991</b>	<b>992,370</b>

## **5. Financial Reserves**

- 5.1. The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A full review of all the reserves held has been carried out as part of the budget setting process.
- 5.2. The reserves include:
- Reserves that have been identified to directly support the proposed budget position as part of the Council's risk management approach or where it is appropriate to meet corporate costs.
  - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
  - PFI Reserves – held to meet costs across the life of the PFI schemes
  - Reserves to offset risk and manage volatility such as the Insurance Fund Reserve
  - Reserves held to support capital schemes
  - Reserves to support economic growth and public sector reform
  - Grants and contributions which fall across more than one year – following local authority accounting standards these are held in a reserve
  - Schools reserves – direct schools funding which the Council cannot utilise
- 5.3. The Medium Term Financial Strategy elsewhere on the agenda, sets out the overall approach to the management of risk and the use of reserves to ensure that the Council remains financially sustainable over the longer term.
- 5.4. It is planned that reserves will be utilised over the course of the Medium Term Financial Strategy to support the budget smoothing and to allow investment in priorities. The overall level of reserves is therefore forecast to reduce over time as a result of these plans.

### *Transfer to reserves*

- 5.5. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Required. The 2022/23 planned transfers to reserves total £24.638m including:
- £12m set aside following the provisional settlement announcements, available to fund pressures over three years as outlined to 17 January Executive. The planned investments are detailed earlier in this report
  - £16.6m transfer to business rates reserves. This is made up of £4.9m additional rates related income following Government's announcement to continue the 100% retention pilot in 2022/23; an additional £6.4m linked to indexation of Section 31 grants, mainly due to the reimbursement from the move from RPI to CPI and the significant disparity between the two in September 2021; and £5.3m from other income increases linked to increased collection and reduced appeals.
- 5.6. The following section shows an analysis of the planned use of reserves in 2021/22 and 2022/23 to support revenue expenditure.

**Table Sixteen: Use of reserves supporting the revenue budget**

	Planned use of Reserves			
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
<b>Reserves directly supporting the council wide revenue budget:</b>				
Business Rates Reserve	155,632	109,609	7,036	0
Budget smoothing reserve	11,266	0	15,590	7,481
Bus Lane (supporting Transport Levy)	5,092	4,092	4,092	4,092
Capital Fund - Supporting the revenue budget	7,763			
General Fund		2,970	0	0
Airport Dividend Reserve	4,913	24,851	4,792	4,918
<b>Sub Total</b>	<b>184,666</b>	<b>141,522</b>	<b>31,510</b>	<b>16,491</b>
<b>Reserves directly supporting directorate budgets</b>				
Adult Social Care	3,350	9,834	4,815	0
Children's Social Care	7,446	2,095	0	0
Anti Social Behaviour Team	540	0	0	0
Our Manchester Reserve	1,654	1,403	0	0
<b>Sub Total</b>	<b>12,990</b>	<b>13,332</b>	<b>4,815</b>	<b>0</b>
Bus Lane and Parking reserves	4,650	5,091	4,400	4,400
Other Statutory Reserves	197	197	197	197
Balances Held for PFI's	84	368	191	251
<b>Reserves held to smooth risk / assurance:</b>				
Transformation Reserve	333	333	335	1

Other Reserves held to smooth risk / assurance	4,077	11,195	24,939	1,549
<b>Reserves held to support capital schemes:</b>				
Capital Fund	13,826	20,000	29,886	20,000
Investment Reserve	906	1,463	1,876	1,504
Manchester International Festival Reserve	1,060	1,107	1,154	1,204
Eastlands Reserve	5,173	5,118	4,389	2,550
Enterprise zone reserve	1,061	1,061	1,061	668
<b>Reserves held to support growth and reform:</b>				
Better Care Reserve	5,682	9,295	0	0
Town Hall Reserve	2,383	2,330	3,699	3,984
Other Reserves to support growth and reform	639	221	30	0
<b>Grants and Contributions used to meet commitments over more than one year</b>	32,152	1,493	1,825	0
<b>Small Specific Reserves</b>	1,070	566	766	288
<b>School Reserves</b>	6,920	0	0	0
	<b>277,870</b>	<b>214,692</b>	<b>111,073</b>	<b>53,087</b>

*Reserves directly supporting the Council Wide budget*

- 5.7. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals **£141.5m** in 2022/23 (or £31.9m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is considered). These include:
- 5.8. *Airport Dividend Airport Dividend Reserve* - It is not deemed to be prudent to assume any dividend income will be received until after 2024/25. The reserve balance from previous years receipts is £44m at the start of 2021/22. It is proposed this is used over five years, to partly mitigate the loss of dividend income.
- 5.9. *Business Rates Reserve* - This reserve is set aside to mitigate business rates income risk due to the volatility of the assumptions and the future reset of the business rates base. It is also used to smooth grants and deficits between years. The planned drawdowns mainly relate to smoothing the collection fund deficits as the results of the pandemic as follows:
- Section 31 grant for Extended retail relief £139.075m in 2021/22 and £83.961m in 2022/23.
  - Section 31 grant for the Local Tax income guarantee scheme £10.288m in 2021/22, £1.895m in 2022/23 and the final amount of £7.036m in 2023/24
  - Use of funds from business rates pilot growth to partly offset the business rates deficit in 2021/22 £6.270m.
  - Section 31 grant for COVID Additional Relief Fund in 2022/23 of £23.753m

- 5.10. *Budget Smoothing Reserve* - This reserve hold funds to be used over the medium term budget. There are three elements as follows:
- £11.266m in 2021/22 funded from prior year rebates from GMCA, this will support the overall budget position.
  - Budgets that were added for 2021/22 and have subsequently not been required have been transferred to the smoothing reserve in 2021/22 to support the medium-term budget position and reduce the budget gap. The Revenue Monitoring elsewhere on this agenda provides the detail. To date this totals £11.690m largely relating to some COVID budget pressures not impacting as severely as initially forecast.
  - £4m a year drawdown in both 2023/23 and 2024/25 to fund investments following the settlement as outlined earlier in this report
  - £3.481m in 2024/25 is the Council's forecast contribution to bus reform, funded from GMCA rebates received in previous years.
- 5.11. *Bus Lane Enforcement Reserve* - An amount of £5.092m in 2021/22 reducing to £4.092m from 2022/23 is to be used to contribute towards the costs of the transport levy.
- 5.12. *Capital Fund* – This planned use of the Capital Fund to support the revenue budget of £7.763m for 2021/22 was part of the measures to close the budget deficit arising from COVID-19.
- 5.13. General Fund – Planned reserve use of £2.870m relates to:
- £1.170m is the forecast 2021/22 underspend as reported to Executive in the monitoring report elsewhere on this agenda
  - A further £1.8m to support the 2022/23 budget whilst maintaining the General Fund reserve balance at the reasonable level of £25m.

*Reserves applied to support specific spend within Directorate Cash Limit Budgets*

- 5.14. Where reserves are directly applied to specific costs or risks within the Directorate Cash Limit budgets these are shown gross and net in the Directorate cash limit budget total. **£73.1m** is being applied in 2022/23 to fund specific costs within Directorate budgets, Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.
- 5.15. *Amounts directly supporting directorate budgets:*
- *Adult Social Care Reserve* - This is made up of the following planned drawdowns:
    - Delayed discharge (£1m) in 2021/22 - This relates to the costs of supporting clients discharged from health, following a full care assessment.
    - Fire Safety requirements (£200k in 2021/22 and £391k in 2022/23). This will ensure properties are compliant with fire safety regulations and remove the need for staff to be on site throughout the night, unless a specific care need requires their presence.



- System Support (£5.5m). In 2022/23 the BOBL programme savings were planned to increase by £8.8m to £14.9m. Work carried out indicates that £9.4m of this will be achievable and carried forward system support funding of £5.5m will be used to meet the gap.
- Carers Offer (£777k) in 2022/23. The original support from GM finishes in March 22 and a new pathway for support has been developed with the Carers Manchester VCS Network.
- The remaining balances are earmarked at £3.166m in 2022/23 and £3.565m in 2023/24 to provide further support to the social care market, underwrite the New Care Models, whilst ongoing evaluation of funding continues with partner organisations and to mitigate against the risk of inadequate funding being available from central government following the work to support and reform the care market.
- Children's Services – This is made up of the following elements:
  - Pressures and capacity (£7.135m) reserve investment over three years from 2019/20 was approved to address pressures and provide the capacity to invest in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability. The 2021/22 reserve drawdown reflects the last year of funding to support the 2021/22 budget position. The £7.135m will be mainstreamed from 2022/23.
  - Social Care Improvement (£311k) in 2021/22 was previously approved supporting social workers.
  - Use of reserve to support savings in 2022/23 (£1.409m). The 2021/22 budget planning process acknowledged that not all the options could be fully realised in 2021/22-2022/23 and it was approved that the reserves can be used on a one-off basis to smooth out transition reductions in budget.
  - Placement risk (£686k) The remaining balance is earmarked in 2022/22 in relation to the emerging risk of increased need for children to require a specialist intervention and becoming looked after; leading to placement costs being over and above those factored in the budget already.
- Anti-Social Behaviour Team costs of £0.540m have been funded from reserve for three years. The final drawdown was in 2021/22, the costs have been mainstreamed in 2022/23.
- *Our Manchester Reserve* - Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives. The final reserve balance of £1.403m will be used in 2022/23. The staffing element of £474k has been mainstreamed from 2022/23.

5.16. *Bus Lane and Parking Reserve* - There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of highway and environmental improvements or for financial support to off street parking. The expected balance on these reserves at the 1 April 2022 is £12.240m. It is estimated that £10.295m will be added to these reserves during 2022/23 and £4.092m used to support the transport levy and £5.091m to fund eligible spend with the Neighbourhoods directorate. This would leave an estimated balance of £13.352m at the 31 March 2023.

- 5.17. *Transformation Reserve* - An amount of £1m over three years (2020/21 to 2022/23 at £0.333m per year was previously approved to support volunteer engagement, provide programme management capacity and specialist support for the transformation programme.
- 5.18. *Capital Fund* - This is used to fund activity and contribute to schemes which are being brought Capital Programme and to fund high priority strategic development opportunities in the city for those that do not attract external funding.
- 5.19. *Investment Reserve* - This is used to fund housing and regeneration activities, including staffing costs to provide the capacity to deliver the Affordable Housing Strategy and other relevant priorities.
- 5.20. *Manchester International Festival (MIF) Reserve* - The amount of the Council's contribution was agreed as part of the original funding package to attract government investment for The Factory in Manchester. Prior to this the funding for MIF was £1m per annum from the revenue budget with an additional £0.5m in each festival year. As part of the 2020/21 budget setting process a reserve was established from the associated business rates growth from the St Johns quarter to cover the majority of the 10-year grant agreement. This means that a reduced amount of £0.5m per annum is funded from the revenue budget and £1m per annum from the reserve. The reserve will also be used to support any cashflow support required for the Factory Trust and commercial fund raising campaigns. The reserve would be reimbursed when fund raising is received.
- 5.21. *Eastlands Reserve* - This reserve will be used for various projects including English Institute of Sport and Sport England. The reserve also reflects Manchester City Football Club income contribution.
- 5.22. *Enterprise zone reserve* - This reserve holds rates income collected above the pre-determined baseline for the two Corridor Enterprise Zones (EZ). The reserve is used to fund investment within this EZ and the EZ manager post.
- 5.23. *Better Care/Integration Reserve* - The reserve is a joint resource between Manchester City Council and Manchester Local Care Organisation to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is currently managed as part of the aligned budget. use of this reserve will be subject to the approval of the Deputy Chief Executive and City Treasurer in consultation with the Accountability Board Finance subgroup and the MLCO Director of Finance.
- 5.24. *Town Hall Reserve* - The refurbishment of the Town Hall has revenue implications such as the cost of alternative accommodation and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities. It has previously been approved that savings in Minimum Revenue Provision (MRP) can be used to fund the revenue costs.

- 5.25. The forecast movements on reserves would result in year end balances as shown in the table below and detailed by reserve in Appendix 4. The Medium-Term Financial Strategy elsewhere on the agenda considers the adequacy of reserves.

**Table Seventeen: Forecast 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
<b>Ring-fenced Reserves outside the General Fund:</b>					
HRA Reserves	117,234	98,043	84,055	86,450	85,380
School Reserves	21,479	14,559	14,559	14,559	14,559
<b>Earmarked Reserves:</b>					
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
<b>Sub-Total Earmarked Reserves</b>	<b>558,014</b>	<b>429,096</b>	<b>278,007</b>	<b>190,663</b>	<b>156,308</b>
<b>General Fund</b>	<b>26,803</b>	<b>27,973</b>	<b>25,003</b>	<b>25,003</b>	<b>25,003</b>

## 6. Consultation

- 6.1. A public consultation ran from 11 January 2022 to 8 February 2022. There is no programme of specific cuts or plans to reduce council services to balance the budget this year. The consultation asks for views on:
- Whether the spending we are considering remains in line with the priorities that thousands of residents helped us set in previous years.
  - A council tax rise of 1.99% which we're considering in order to prevent further cuts to services.
  - A possible further 1% council tax rise to help fund social care for the most vulnerable adult

- 6.2. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities. The consultation can be found at [www.manchester.gov.uk/budget](http://www.manchester.gov.uk/budget). The results will be shared at the Budget Resource & Governance Scrutiny Committee on 28 February 2022.

## **7. Conclusion**

- 7.1. Overall the settlement announcements were towards the positive end of expectations and mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget. These are in addition to savings previously approved of 2022/23 of £4.8m bringing total savings and mitigations to £12.5m.
- 7.2. 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 brought some one-off capacity for the funding of emerging pressures and some smoothing of future years.
- 7.3. The Council remains committed to the priorities within the Our Manchester strategy and the Council's revised corporate plan. The budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as Public Health and the receipt of the final Finance Settlement.
- 7.4. Whilst a balanced budget can be delivered for 2022/23, the future financial position remains challenging, and the resilience of the Council has been reduced by the need to use its reserves to support the budget position.
- 7.5. Officers have estimated the future resources available based on the information available. This results in forecast gap of £38m in 2023/24 increasing to £59m in 2024/25.
- 7.6. The focus now is 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 the next three years are developed for member consideration. £30m of risk-based reserves have been identified as available to manage risk and timing differences