

# **Executive Minute Extracts – 16 February 2022**

## **Exe/22/15 Revenue Budget Monitoring Update**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined the projected outturn position for 2021/22, based on expenditure and income activity as at the end of December 2021 and future projections.

The Leader advised that the current budget monitoring forecast was estimating an underspend of £1.170m for 2021/22, based on activity to date and projected trends in income and expenditure, and includes the financial implications of COVID 19, government funding confirmed to date and other changes.

In relation to the delivery of the £40.717m of savings identified as part of the budget process the majority were on track for delivery. However, £2.482m (6%) of these were considered high risk and were unlikely to be delivered in this financial year and a further £5.287m (13%) were medium risk, in terms of the likelihood of delivery. Officers were working to ensure all savings are achieved or mitigated.

The report set out the following virements that had been applied in relation to COVID 19 and other virements between directorates as well as COVID 19 related grants received:-

### **COVID 19 related virements:-**

- £131k virement from Coroners;
- £200k from Homelessness; and
- £350k virement from HR/OD.

These adjustments brought the 2021/22 transfer to smoothing reserve to £10.590m.

### **Other virements between directorates included:-**

- £2.124m ICT budget centralisation to enable better analysis over the whole spend on IT Hardware, Phones and Printing

### **COVID 19 related Grants (where the Council was acting as principal and were added to Directorate budgets):-**

- £1.805m – Workforce recruitment and retention fund;
- £666k – COVID Adult Social Care Omicron Support Fund;
- £185k – Community Vaccine champions programme;
- £0.729m – Protect and vaccinate;
- £0.689m – Homeless prevention grant top up; and
- £0.999m – Additional Restriction Grant Omicron (ARGO).

### **COVID 19 related Grants (where the Council was principal for the discretionary element of the funding and as agent for the remainder):-**

- Test and Trace Support Payments (October - December), for adults who were self-isolating. £254k added to Directorate budgets, and £169k treated as agency as the council was acting on behalf of government and has no discretion over the use of funds.
- New Burdens 4 restart and ARG grant schemes, £85k added to the directorate budgets and £97k treated as agency to help meet the costs of delivering the Restart Grant Scheme and the ARG Top Ups from 14 October 2020 to the end of March 22.

**COVID 19 related Grants (where the Council was agent for the fund):-**

- £6.090m – Business Support - Omicron Hospitality and Leisure grant;
- £23.993m – COVID Additional Relief Fund (CARF); and
- £91.515m – Section 31 extended retail relief.

Since the Period 6 Revenue Monitoring report there had been additional non COVID-19 grant notifications which are now reflected in the revised budget as Follows:-

- £1.456m – Afghanistan Resettlement Education Grant;
- £3.870m. – Holiday activities and food programme 2022; and
- £200k – delivery of the Serious Violence Action Plan

Approval was also sought on the following allocations from corporate budgets:-

- Home to school transport - £120k to address the implications of the increases in fuel costs are now starting to impact on the provision of the Home to School Transport service;
- Unitary Charge Inflation – Street Lighting, £59k to address higher inflation (RPIX), lower interest earned on reserves and increased spend to save recharges than were assumed in the original model; and
- Biffa pay award, £556k to cover the estimated pay award, increase to the contract price and retention of HGV drivers

Taking into account the forecast financial implications of COVID 19, confirmed and anticipated government funding and any other known budget changes the budget forecast was an underspend of £1.170m for 2021/22. There remained significant uncertainties and risks to the position as COVID 19 restrictions eased, these were being monitored closely.

Whilst the position for 2021/22 and 2022/23 looked manageable, the financial position from 2023/24 was much more challenging. The Medium-Term Financial Strategy elsewhere on the agenda set out the financial context for ensuring future financial sustainability.

**Decisions**

The Executive:-

- (1) Note the forecast outturn position which is showing a £1.170m underspend.

- (2) Approve the proposed revenue budget virements as set out in the report.
- (3) Approve additional COVID 19 grants to be reflected in the budget.
- (4) Approve the use of other unbudgeted external grant funding (non COVID 19).
- (5) Approve the allocation of budgets from corporate inflation.

### **Exe/22/16 Capital Programme Budget Monitoring 2021/22**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which informed of the progress against the delivery of the 2021/22 capital programme to the end of December 2021, the latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in September 2021 and the proposed financing of capital expenditure for 2021/22 and affordability of the Capital Programme.

The Leader commented that the revised capital budget sat at £502.2m, with a further £652.8m budgeted to be spent across 2022-2025, taking total Council led capital investment in the city to £1,155.0m.

The latest forecasted expenditure for 2021/22 for Manchester City Council was £328.2m compared to the current approved budget of £502.2m. Spend as of 31 December 2021 was £173.3m. It was reported that the programme was subject to continual review to establish whether the forecast remained achievable.

Whilst the intention was for the Council to progress the programme as stated, some projects and their sources of funding might require re-profiling into future years. The total approved programme was forecasted to be £1,139.1m over the next four years.

### **Decision**

The Executive note the report.

### **Exe/22/17 2022/23 Budget Overview and Section 25 Report**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which sets the strategic and financial context which supported the 2022/23 Budget.

A Medium-Term Financial Strategy report to Executive in 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.

As reported to Executive on 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 would enable a balanced budget to be delivered in 2022/23.

The Medium-Term Financial Plan and Capital Strategy had been updated to reflect the 2022/23 budget position including the current and anticipated financial impacts of the COVID-19 pandemic.

The report went on to set out the strategic and statutory context for setting the budget, which included:-

- 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; and
- Financial Governance.

## **Decision**

The Executive note the Medium Term Financial Strategy 2022/23 and 2024/25

### **Exe/22/18 Medium Term Financial Plan and 2022/23 Revenue Budget**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the budget proposals for 2022/23 based on the outcome of the Final Local Government Finance Settlement, which had been released on 7 February 2022.

The budget report considered at the 17 November 2021 meeting of Executive set out the funding proposals for unavoidable cost pressures to cover the rising costs of inflation and specific service pressures that had been identified, resulting in £7.7m of efficiency measures required to deliver a balanced budget. Of these measures £4,017m relates to new savings proposed, these were listed at Appendix 1 of the report. A further £3.716m related to the following mitigations:

- The Adult Social care budget had been adjusted by £2m for the overestimated impact of the pandemic on care home places. There remained £9.3m to meet the estimated costs of ongoing COVID-19 related demand.
- Homelessness - It was not expected that the planned £1.7m per annum demand increase that was originally budgeted for 2022/23 would be required and this had now been removed from the budget assumptions, although the position would be kept under review. To manage risk in this area a £1.5m homelessness contingency reserve remained 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.

Whilst the Provisional Finance Settlement was at the positive end of expectations and enabled a balanced budget to be proposed, the funding for local government was '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 put further pressure on 2023/24 and 2024/25 financial years and significant budget cuts would need to be delivered over the Spending Review period to set a balanced budget:-

<b>Impact of settlement announcements on budget gap</b>			
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
<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>

The report to 17 January 2022 Executive set out that the funding announced for 2022/23 made available £12m to fund additional pressures, emerging risks and new priorities, and that, in line with the previously agreed approach, this was used across a three-year period. In addition, the draft budget position reflected a tighter estimated financial position and included £7.8m efficiencies and funding for unavoidable and specific budget pressures only. The following reflected these pressures, resident priorities and those in the updated Corporate Plan:-

<b>Summary of proposed Investments</b>			
	<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>

In addition to the investment proposals set out above there were a number of other changes to be reflected in the final budget position:-

<b>Proposed changes since Executive meeting on 17 January 2022</b>			
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<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>

The report explained that the Council's net revenue budget was funded from five main sources: Business Rates, Council Tax, government grants, dividends, and use of reserves. In recent years the on-going reductions in central government funding had increased the importance of growing and maintaining local income and local funding sources, which was now integral to the Council's financial planning

The table below summarised 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.

<b>Summary budget position</b>				
	<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>

<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>

The report presented in more detail the main elements that had been part of the Local Government Finance Settlement, which had been outlined in the January report.

The assumption on the Council Tax was that the Council would apply a 1.99% Council Tax increase in the basic amount, and a further 1% increase to provide extra funding for Adult Social Care, equating to a 2.99% Council Tax increase overall.

The assumption for the Council Tax collection rate had been increased from 94.5% to 95.5% in 2022/23 increasing forecast income by £1.9m. By 2023/24 collection was assumed to be back at the usual pre-pandemic level of 96.5%.

The report examined the future funding uncertainties facing the Council. The City Treasurer had examined the major assumptions used within the budget calculations and had 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 were set out in the report.

The details of the business rate calculations, forecasts and assumptions were set out in the report, as well as the financial changes arising from the business rate related grants and funding the government had provided to support businesses, and the reliefs provide to business badly affected by the measures to control the COVID-19 pandemic.

The report provided a breakdown of the other non-ringfenced grants and contributions included in the budget. The most significant grants and contributions were described in detail in the report.

<b>Non Ring-Fenced Grants and Contributions</b>				
	<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>
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>

The report also examined the use of resources and the proposed revenue expenditure by the Council in 2022/23. The forecast of levy payments the Council would have to make to other authorities in 2022/23 was:-

<b>Levy Payments and Payment to GMCA</b>				
	<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>
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>

The waste disposal levy was paid over to Greater Manchester Combined Authority (GMCA) and this contributed towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2021/22 levy costs were to increase by £1.225m, due to changes in costs, recycling rates and market prices for recyclates and energy. The budget had been uplifted to reflect the increased costs. The final amount would be confirmed following the meeting of the GMCA on 11 February 2022. As such, a contingency provision of £1.69m was being proposed, which included:-

- £0.6m as an unallocated contingency to meet future unforeseen expenses. This was 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 were based on 7% above pre-COVID levels. Any increase above this would result in the council being liable for a higher charge.

The proposed Insurance costs of £2.004m related to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

The capital financing budget of £39.507m was to cover the costs of borrowing. For 2022/23 the forecast breakdown included:-

- 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

Specific transfers to reserves totalling £13.545m in 2020/21 and £24.638m in 2021/22 were also proposed

Allowances of £8.316m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £4.551m for 2022/23, broken down into:-

<b>Inflationary pressures and budgets to be allocated</b>				
	<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	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>

The report explained that the Council held a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held had been carried out as part of the budget setting process and the planned use of reserves in 2022/23 to support revenue expenditure was as follows:-

<b>Use of reserves supporting the revenue budget</b>				
	<b>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>
<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>

Where reserves were used to support the Council's overall budget position or corporate expenditure such as levies, these were shown gross as part of the Resources required. The use of these reserves totalled £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).

No new Airport Dividend from the Manchester Airport Group was being budgeted for in 2022/23. The reserve balance from previous years receipts was £44m at the start of 2021/22 and it was proposed that this was used over five years, to partly mitigate the loss of dividend income.

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2022/23 reports that were also being considered at the meeting (Minute Exe/22/19 to 22/23 below). The overall position was:

<b>Directorate budgets</b>				
	<b>2021 / 22</b>		<b>2022 / 23</b>	
	<b>Net Budget</b>	<b>Gross Budget</b>	<b>Net Budget</b>	<b>Gross Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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>

The budget assumptions that underpinned 2022/23 to 2024/25 included 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 contributed to the scale of the budget gap it was important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

Although a balanced budget could be delivered for 2022/23, the future financial position remained challenging, and the resilience of the Council had been reduced by the need to use its reserves to support the budget position. The focus going forward would be on identifying savings and mitigations to keep the Council on a sustainable financial footing. It was proposed that budget cuts and savings of £60m over the next three years would developed for member consideration and £30m of risk-based reserves had been identified as available to manage risk and timing differences.

## **Decisions**

The Executive:-

- (1) 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;
- (2) Note the anticipated financial position for the Council for the period of 2022/23 which is based on all proposals being agreed;

- (3) 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;
- (4) Note that the Capital Strategy and Budget 2022/23 to 2024/25 have been presented alongside this report (Minute Exe/22/25 below)
- (5) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves.
- (6) Recommend to Council to approve, as elements of the budget for 2022/23:
  - 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%;
  - the contingency sum of £1.060m;
  - 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;
  - 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 Leader;
  - 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; and
  - the planned use of, and movement in, reserves after any changes are required to account for final levies etc.
- (7) Approve the gross and net Directorate cash limits;
- (8) 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;
- (9) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with 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;
- (10) 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 regulations;
- (11) Recommend that Council approve and adopt the budget for 2022/23.

## **Exe/22/19 Children and Education Services Budget 2022/23**

The report of the Strategic Director for Children's and Education Services explained how the budget proposals for the Directorate had been developed.

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. Overall, savings of £12.359m for the Children and Education Services directorate were agreed, and had mostly been achieved.

Appended to the report were details of the initial revenue budget changes proposed by officers and the planned capital budget and pipeline priorities as well as information on the 2022/23 Dedicated Schools Grant.

The net impact of the changes had resulted in proposed budget increases of £10.319m in 2022/23, a further £3.666m in 2023/24 and additional £2.319m 2024/25. It was also proposed to invest a further £500k into youth provision. The planned use of this funding would be developed with the purpose of strengthening youth provision in every ward and to ensure the ongoing operation of the Woodhouse Park active lifestyle Centre

It was noted that the report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee had endorsed the budget proposals (Minute CYP/22/07)

### **Decision**

The Executive approve the Directorate budget proposals as set out in the report.

## **Exe/22/20 Health and Social Care - Adult Social Care and Population Health Budget 2022/23**

The report of the Executive Director for Adult Social Services and Director of Public Health explained how the budget proposals for the Directorate had been developed.

The report examined the elements of the Council's own budgets that were within and outside of the pooled budget arrangements for the MLCO. The key changes and pressures that had been addressed in 2022/23 were set out, as were the savings proposals where such had been possible:-

It was reported that the finance settlement included the following changes and increased the funding available for adults social care by £11.306m.

- The Council's spending power included the assumption that the 1% social care precept would be raised. A 1% increase would generate c£1.9m. This combined with, improvements to Council Tax collection rates and an increase in the tax base due to new house building growth, meant that this increased the amount attributable to the ASC precept to a total increase of £3.259m; and

- The additional £1.6bn of national funding included £8.047m for social care and the costs for the 1.25% national insurance increase

In addition, direct funding of £2.7m had been received and would be passed on directly to the Adults Social Care budget as follows:-

- £0.9m for inflation on the Better Care fund; and
- £1.8m via the 'social care levy' to fund the fair cost of care and associated preparatory work

Once the one off capacity funding of £2.690m from 2021/22 was removed, there would be a net increase in external funding of £11.438m.

In addition there was a small increase in the overall core funding allocated to the Adults and Social Care budget to mainly cover the cost of the National Insurance increase.

It was reported that £10.656m of investment had also been identified to cover the inflation and pay award costs of £5.516m and £5.5m of system support towards the Better Outcomes Better Lives (BOBL) programme, which was partially offset by the removal of the one off capacity funding of £2.690m, which had been removed from the 2022/23 budget. This brought the total additional investment into the aligned budget to £21.095m, before the BOBL and vacancy factor savings of £9.386m were removed, giving a net increase to the Adults and Social Care budgets of £11.709m.

It was noted that the budget report had also been considered at a recent meeting of the Health Scrutiny Committee and the committee had endorsed the proposals in the report (Minute HSC/22/09).

## **Decisions**

The Executive:-

- (1) Approve the Directorate budget proposals as set out in the report.
- (2) Note the aspiration for the Council to ensure that all care contracts pay their staff the Real Living Wage and to use the opportunity of the market sustainability review to help deliver on this

## **Exe/22/21 Neighbourhoods Directorate Budget 2022/23**

The report of the Strategic Director (Neighbourhoods) explained how the budget proposals for the Directorate had been developed.

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. Overall, savings of £6.683m had been identified for 2021/22 within the Neighbourhoods Directorate and most of these were on track to be achieved. A further £493k savings had been profiled for 2022/23.

Appended to the report were details of the initial revenue budget changes proposed by officers and the planned capital budget and pipeline priorities.

In addition, and as part of the 2021/22 budget setting process, ongoing demographic funding for Homelessness had been included for 2022/23 at £1.7m, increasing to £6.7m by 2024/25. In addition, a further £7m was added to the initial 2021/22 budget to reflect the additional impact of covid-19 on demand for homelessness services. Whilst the £7m had been utilised, this had been in response to the pandemic and action taken in 2021/22. It was expected that the changes to the service and additional government grant funding around the rough sleeper initiative (yet to be allocated to Councils) would mean that the budget would be sufficient for 2022/23, and that demand reductions and therefore budget reductions would be possible in future years.

It was therefore not expected that the further planned £1.7m per annum increase that was originally budgeted for 2022/23 would be required and this had 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 was proposed.

The Directorate Budget had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee (Minute CESC/22/09), and also at a meeting of the Environment and Climate Change Scrutiny Committee (Minute ECCSC/22/07).

The Executive noted that at the Environment and Climate Change Scrutiny Committee, the following amendment had been proposed:-

- That a Capital Budget of £1m be established for the Executive Member for Environment, with this budget specifically used to support work and initiatives to tackle air pollution across the city. This budget could be funded by levying a Section 106 charge of £1000 for all new build homes for sale in Manchester (excluding social housing and a reduced charge for affordable housing).

It was also noted that the Committee had recommended that funding be provided to permanently fund the Climate Change Officer posts.

## **Decisions**

The Executive:-

- (1) Approve the Directorate budget proposals as set out in the report.
- (2) Recommend Council agree that funding be provided to permanently fund the Climate Change Officer posts.
- (3) Supports the intention of the proposed amendment and requests that Officers set out within the report for Resources and Governance Budget Scrutiny how part of the £192m directed towards tackling climate change is proposed to be spent on improving air quality.

## **Exe/22/22 Growth and Development Directorate Budget 2022/23**

The report of the Strategic Director (Growth and Development) explained how the budget proposals for the Directorate had been developed.

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. Overall, savings of £1.408m related to the Growth and Development Directorate had been identified and of these £1.108m were on track to be achieved. The only exception was the £393k savings from holding/deleting Planning and Building control vacancies.

It was explained that whilst the service redesign was expected to be completed in the first quarter of 2022, it would take time to implement the changes and recruit to all the posts. To allow for service delivery, and succession planning it was necessary to amend the structure and invest in some areas, therefore it was anticipated that ongoing savings of c£150k would be realised from reduced staffing costs across planning and building control. This would require alternative savings of £243k to be identified and delivered in 2022/23. To allow the Strategic Director time to review service options it was planned that the ongoing savings requirement of £243k would be managed through a combination of staff savings from vacant posts while posts were recruited to and income in 2022/23 whilst longer term ongoing options were developed.

Appended to the report were details of the initial revenue budget changes proposed by officers, the impact of which would result in a proposed net budget for 2022/23 of (£9.752m), and the planned capital budget and pipeline priorities.

It was noted that the report had also been considered at a recent meeting of the Environment Scrutiny Committee where the committee had endorsed the budget proposals (Minute ESC/22/06)

### **Decision**

The Executive approve the budget proposals as detailed in the report.

## **Exe/22/23 Corporate Core Budget 2022/23**

The report of the Deputy Chief Executive and City Treasurer and City Solicitor explained how the budget proposals for the Directorate had been developed.

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. This included budget cuts of £7.187m in the Corporate Core with £6.635m to be delivered in 2021/22 and the remaining £1.153m in 2022/23.

In addition to the £1.153m already approved savings, the report detailed further proposed changes to the 2022/23 budget, which resulted in a total saving for the Corporate Core of £1.636m.

In addition to the Corporate Core, the report provided details of budget proposals in regards to both Operational Property and Facilities Management Service that transferred in from the Growth and Development Directorate during 2021/22.. As part of the £48m savings over the three years 2021/22 - 2023/24, £5.935m related to Commercial and Operations activities, with £5.76m included as part of the 2021/22 budget. Due to the majority of these being through traded services, there had been adverse implications from COVID, and the following savings have not been achieved in 2021/22: -

- £4.1m income from car parks due to ongoing restrictions and reduced numbers of individuals working in the City Centre; and
- £225k advertising income from the proposed screen in Piccadilly Garden.

As part of the 2021/22 budget, additional support was provided to allow for reduced income due to COVID. Operations and Commissioning received one off budget support of £3.136m to support the reduction in car parking income This was one off support in 2021/22 and has been removed in 2022/23.

It was also reported that to support the opening of The Factory the following agreements are being put in place between the operator, MIF, and the Council

- a 10 year funding agreement which started in 2020/21 for £1.5m per annum incorporating the funding support that was previously provided to MIF;
- a grant agreement, to be met from the Council's existing MIF reserve (and reimbursed when fund raising was received) to assist the Factory Trust with its fundraising costs; and
- the establishment of a sinking fund with each partner making an annual contribution of £252k per annum in relation to the lease, with the Council acting as corporate landlord

It was noted that the report had also been considered at a recent meeting of the Resources and Governance Scrutiny Committee where the committee had endorsed the budget proposals (Minute RGSC/22/08)

## **Decisions**

The Executive:-

- (1) Approve the budget proposals as detailed in the report.
- (2) Note the development of the funding agreement between the Council and MIF as set out in Appendix 1.
- (3) Support the initial underwriting of the Factory Trust fundraising costs by way of a grant agreement, to be met from the Council's existing MIF reserve and reimbursed when fund raising is received, and delegate to the Deputy Chief

Executive and City Treasurer and City Solicitor to finalise the grant agreement, including any conditions for drawdown and repayment.

- (4) Approve lease arrangements to the MIF with delegation to finalise the details to the Deputy Chief Executive and City Treasurer and City Solicitor.
- (5) Agree to continue the support to families to provide free school meals for the 2022 Easter Holiday at £15 per pupil per week. funded in line with the arrangements set out in Appendix 1 of the report.
- (6) Note the Chancellors announcement on the proposal for a £150 council tax rebate for all band A-D properties.
- (7) Delegate to the Deputy Chief Executive and City Treasurer in consultation with the Leader of the Council the finalising the detail of the administration of the council tax 'rebate' £150 payment.
- (8) Delegate to the Deputy Chief Executive and City Treasurer in consultation with the Leader of the Council responsibility for designing and implementing the discretionary support scheme.

#### **Exe/22/24 Housing Revenue Account 2022/23 to 2024/25**

A joint report by the Strategic Director (Growth and Development), the Strategic Director (Neighbourhoods) and the Deputy Chief Executive and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2022/23 and indicative budgets for 2023/24 and 2024/25.

The report set out the requirements placed on the Council with respect to the HRA budget:-

- The Council had to formulate proposals on income and expenditure for the financial year which sought to ensure that the HRA would not show a deficit balance;
- To keep a HRA in accordance with proper practice to ensure that the HRA is in balance taking one year with another; and
- The HRA must, in general, balance on a year-to-year basis so that the costs of running the Housing Service must be met from HRA income.

The HRA Budget Position for 2021/22, which as of December 2021, was forecasting that net expenditure would be £11.621m lower than budget, linked to delays in capital projects. Although the expenditure was lower than originally forecast, it was still more than the annual income and the forecast in-year deficit of £5.073m would be drawn down from the HRA reserve. The main reasons for in year changes were detailed in the report.

Government guidance allowed Local Authorities to increase rents by a maximum of CPI plus 1% for the five-year period 2020/21 to 2024/25. The CPI rate used was based on the September figure in the preceding year, and as at September 2021 CPI

was 3.1% and therefore this report sought approval to increase tenants' rents for all properties by 4.1% from April 2021.

In light of the current economic climate and the potential impact the proposed 4.1% rent increase might have on the most vulnerable tenants it was proposed that £200k was earmarked to provide a hardship fund to provide targeted support to those most affected by the increase in living costs, the proposed rent increase and the ongoing impacts of COVID. In addition to the hardship fund it was also noted that the proposed 4.1% rent increase would be covered in full for those residents in receipt of 100% housing benefit entitlement which is approximately 2,800 tenants and a further c.1,900 tenants receiving partial housing benefit support.

In order to ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2022/23 garage rents be increased by 4.5%, which would see an increase in the rental of between 7p and 21p per week.

The report also explained the other key changes in the HRA budget for 2022/23, and the full budget was presented as set out below.-

	<b>2021/22 (Forecast)</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	£000	£000	£000	£000
<b>Income</b>				
Housing Rents	(61,646)	(63,713)	(65,807)	(67,120)
Heating Income	(533)	(681)	(771)	(861)
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)
Other Income	(932)	(975)	(958)	(952)
Funding from General HRA Reserve	(5,073)	(12,576)	(7,703)	(12,856)
<b>Total Income</b>	<b>(91,558)</b>	<b>(101,319)</b>	<b>(98,612)</b>	<b>(105,163)</b>
<b>Expenditure</b>				
Operational Housing Management	14,327	12,845	11,817	11,938
Operational Housing - R&M	12,035	11,193	11,417	11,645
PFI Contractor Payments	30,980	32,573	34,410	34,326
Communal Heating	533	1,019	1,044	1,065
Supervision and Management	5,296	5,229	5,208	5,277
Contribution to Bad Debts	400	640	661	674
Hardship Fund	0	200	0	0
Depreciation	18,435	18,991	19,359	19,567
Other Expenditure	1,302	1,391	1,416	1,439
RCCO	5,487	14,508	10,577	16,537
Interest Payable and similar charges	2,763	2,730	2,702	2,695
<b>Total Expenditure</b>	<b>91,558</b>	<b>101,319</b>	<b>98,611</b>	<b>105,163</b>

Total Reserves (exc. Insurance):				
<b>Opening Balance</b>	<b>(115,118)</b>	<b>(110,045)</b>	<b>(97,469)</b>	<b>(89,766)</b>
Funding (from)/to Revenue	5,073	12,576	7,703	12,856
<b>Closing Balance</b>	<b>(110,045)</b>	<b>(97,469)</b>	<b>(89,766)</b>	<b>(76,910)</b>

It was noted that the proposed HRA budget 2023/24 and indication of the 2023/24 and 2024/25 budgets had also been considered by the Resources and Governance Scrutiny Committee at its February 2022 meeting where the committee had noted the proposals in the report (Minute RGSC/22/95).

## Decisions

The Executive:-

- (1) Note the forecast 2021/22 HRA outturn as set out in the report.
- (2) Approve the 2022/23 HRA budget as set out above and note the indicative budgets for 2023/24 and 2024/25.
- (3) Approve the proposed 4.1% increase to dwelling rents and garage rents, and delegate the setting of individual property rents to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.
- (4) Approve the establishment of a £200,000 hardship fund to support vulnerable tenants, and to delegate the design and operation of the fund to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.

## **Exe/22/25 Capital Strategy and Budget 2022/23 to 2024/25**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which presented the capital budget proposals before their submission to the Council.

The Capital Strategy had been developed to ensure that the Council could take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability.

The capital programme 2021/22 to 2025/26 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the report on Capital Programme Monitoring 2020/21, also being considered at this meeting (Minute Exe/22/16 above).

Details on the projects within the programme were set out in the report and the full list of the proposed projects was appended to the report.

If agreed, then the proposals contained in the report would create a capital programme of £329m in 2021/22, £533.1.8m in 2022/23, £135.1 in 2023/24 and £36.3m in 2024/25, summarised as follows:-

<b>Forecast Budgets</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>	<b>Total 22/23- 24/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Manchester City Council Programme</b>						
Highways	40.9	64.7	0.6		<b>106.2</b>	<b>65.3</b>
Neighbourhoods	35.7	62.7	15.5	0.9	<b>114.8</b>	<b>79.1</b>
The Factory and St John's Public Realm	42.7	46.4			<b>89.1</b>	<b>46.4</b>
Growth	64.3	95.7	61.3	5.0	<b>226.3</b>	<b>162.0</b>
Town Hall Refurbishment	53.8	86.1	68.1	42.2	<b>250.2</b>	<b>196.4</b>
Housing – General Fund	17.1	27.4	37.0	2.7	<b>84.2</b>	<b>67.1</b>
Housing – HRA	24.7	39.4	31.9	14.6	<b>110.6</b>	<b>85.9</b>
Children's Services (Schools)	31.1	37.1	1.0		<b>69.2</b>	<b>38.1</b>
ICT	6.4	6.8	1.0		<b>14.2</b>	<b>7.8</b>
Corporate Services	12.3	11.0	0.6	0.5	<b>24.4</b>	<b>12.1</b>
<b>Total (exc. Contingent budgets)</b>	<b>329.0</b>	<b>477.3</b>	<b>217.0</b>	<b>65.9</b>	<b>1,089.2</b>	<b>760.2</b>
Contingent Budgets	0.0	55.8	38.1		<b>93.9</b>	<b>93.9</b>
<b>Total Programme</b>	<b>329.0</b>	<b>533.1</b>	<b>255.1</b>	<b>65.9</b>	<b>1,183.1</b>	<b>854.1</b>

The proposed funding for the programme in 2022/23 was:-

<b>Fund</b>	<b>Housing Programmes</b>		<b>Other Programmes</b>	<b>Total</b>
	<b>HRA</b>	<b>Non-HRA</b>		
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	0.0	10.7	335.3	<b>346.0</b>
Capital Receipts	2.0	3.9	16.8	<b>22.7</b>
Contributions	0.0	0.4	30.8	<b>31.2</b>
Grant	0.0	10.6	72.9	<b>83.5</b>
Revenue Contribution to Capital Outlay	37.4	1.8	10.5	<b>49.7</b>

<b>Grand Total</b>	<b>39.4</b>	<b>27.4</b>	<b>466.3</b>	<b>533.1</b>
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Based on the current forecasts for expenditure, prudential borrowing of up to £538.9m over the period would be needed to support the Council's programme in line with the new schemes and previous planning and profile approval. A number of these schemes would be on an invest to save basis and would generate revenue savings.

The proposed funding for the programme across the forecast period was as follows:-

	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grant	86.0	83.5	63.5	0.0	<b>233.0</b>
External Contribution	25.3	31.2	0.2	0.0	<b>56.7</b>
Capital Receipts	16.0	22.7	13.1	2.7	<b>54.5</b>
Revenue Contribution to Capital Outlay	32.4	49.7	33.5	15.1	<b>130.7</b>
Borrowing	169.3	346.0	144.8	48.1	<b>708.2</b>
<b>Total</b>	<b>329.0</b>	<b>533.1</b>	<b>255.1</b>	<b>65.9</b>	<b>1,183.1</b>

The proposed capital programme described within the report was affordable within the existing revenue budget based on the estimated capital financing costs associated with delivering the programme.

There were risks associated with the delivery of the capital strategy, specifically regarding delays to the programme or treasury management risks. Measures were in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy. Reports would be provided throughout the year to Council, Executive and other relevant committees providing updates on the progress of the capital programme and the risks associated with its delivery and funding.

## **Decisions**

The Executive:-

- (1) Approve and recommend the report to Council, including the projects for Executive approval in section 6, and note that the overall budget figures may change subject to decisions made on other agenda items.
- (2) Note the capital strategy.
- (3) Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2021/22.
- (4) Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Leader to make alterations to the schedules for the capital programme 2021/22 to 2024/25 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

- (5) Approve the proposed write off two long-term debtors, (EoN Reality £1.1m and Band on the Wall £0.2m) and delegate to the Deputy Chief Executive and City Treasurer to set out the terms and accounting treatment for the write offs.

### **Exe/22/26 Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2022/23 and Prudential Indicators for 2022/23 to 2024/25.

The Treasury Management Strategy Statement set out the risk framework under which the Council's treasury management function would operate by detailing the investment and debt instruments to be used during the year the Strategy detailed the risk appetite of the Authority and how those risks would be managed.

The suggested strategy for 2022/23 was based upon the treasury officers' views on interest rates, supplemented with The forecasts provided by the Council's treasury advisor, Link Asset Services. The strategy covered:-

- Prudential and Treasury Indicators for 2022/23 to 2024/25;
- Impact of 2012 HRA reform;
- Current Portfolio Position;
- Prospects for Interest Rates;
- Borrowing Requirement;
- Borrowing Strategy; and
- Annual Investment Strategy.

The Executive noted the proposed Annual Investment and Borrowing Strategies set out in the report, and agreed to commend them to the Council.

### **Decisions**

The Executive:-

- (1) Recommends the report to Council.
- (2) Delegates authority to the Deputy Chief Executive and City Treasurer, in consultation with the Member of the Executive with responsibility for Finance and HR, to approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget and submit these changes to Council.