

Manchester City Council Report for Information

Report to: Communities and Equalities Scrutiny Committee – 8 November 2022
Health Scrutiny Committee – 9 November 2022
Children and Young People Scrutiny Committee – 9 November 2022
Environment and Climate Change Scrutiny Committee – 10 November 2022
Economy Scrutiny Committee – 10 November 2022

Subject: Revenue Budget Update - Cover Report

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out the financial challenge facing the Council, the latest forecast position, and the next steps. The Council is forecasting an estimated budget shortfall of £44m in 2023/24, £85m in 2024/25, and £112m by 2025/26. After the use of c£16m smoothing reserves in each of the three years, this gap reduces to £28m in 2023/24, £69m in 2024/25 and £96m by 2025/26.

This report sets out the high-level position. Officers have identified potential savings options to reduce the budget gap totalling £42.3m over three years.

Even after these proposals there remains a budget gap of £7m to close to get to a balanced budget in 2023/24 and further savings options will be developed between now and January 2023 and be reported back to Scrutiny committees in February. Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2023.

Recommendations

The Committee is recommended to:

- (1) To consider and comment on the forecast medium term revenue budget
 - (2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee
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Wards Affected: All

<p>Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city</p>
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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.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments

Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA).

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council’s activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city’s economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2023/24 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

[Revenue Budget Report - Executive Meeting February 2022](#)

[Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting February 2022](#)

[Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26](#)

[Resource and Governance Scrutiny – 6 September 2022](#)

1. Context and Background

- 1.1. The Council's budget has seen considerable reductions since the programme of austerity started in 2010/11, which saw a significant reduction to central government support for local authorities, in which Manchester has been one of the hardest hit places in the country. Over the last 12 years the Council has had to make £428m of cuts and savings to cope with Government funding cuts and unavoidable cost pressures such as inflation and a growing population. Prior to 2015/16 reductions were made pro rata to government funding, without taking into account the size of the council tax base. This meant that the Council has had disproportionate budget reductions. Even if Manchester had received only the average cut to council funding between 2010/11 and 2022/23, we would still have £77m a year more to spend on services.
- 1.2. The national funding outlook for Local Government continues to be volatile. A further statement on government spending and tax rates was expected on the 31 October 2022. Following the appointment of a new Prime Minister on 24 September, a budget statement will now be on 17 November 2022 and will be a full Autumn Statement, accompanied by an independent forecast from the Office of Budgetary Responsibility. The statement is expected to set out in detail plans to reduce debt and a medium-term plan to grow the economy.
- 1.3. In addition to uncertainty of national finances, the Council is facing unprecedented levels of inflation across pay, utilities and prices. The Institute of Fiscal Studies (IFS) has warned an extra £18bn a year would be needed to keep pace with inflation across public services. For the Council the inflationary and pay award increases are estimated at a cumulative £58m for 2022/23 and 2023/24. This compares to a usual budget allowance of c£16m for that period, resulting in an additional £42m p.a. of unavoidable costs to be funded.
- 1.4. Despite levels of inflation being significantly higher than forecast at the time of the Spending Review in October 2021, the government has indicated there will be no increase in the overall funding envelope over the spending review period. The Chancellor has committed to public debt falling as a share of the economy over the medium term which indicates that government departments are likely to have to find further efficiencies and cuts to achieve this aim.
- 1.5. Councils' 2023/24 funding from central government will be confirmed in the Provisional Finance Settlement, expected late December 2022.

2. Medium Term Budget position

- 2.1. The final budget position for 2023/24 and future years will be confirmed at February 2023 Executive. This will be after the key decisions confirming the Council Tax and Business Rates tax base to be used to determine the collection fund position have been made in January and the Final Finance Settlement is received.

- 2.2. The indicative medium-term position is shown in the table below, showing the planned use of reserves and the level of savings proposals identified to date. Full details on the overall financial position are provided in the budget update report to Resources and Governance Scrutiny Committee on 8 November 2022.

Table 1: Medium term forecast summarising current budget proposals and use of reserves

	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000
Resources Available			
Business Rates / Settlement Related Funding	353,367	344,090	346,503
Council Tax	211,450	219,348	228,187
Grants and other External Funding	101,872	89,374	80,461
Dividends	0	0	0
Use of Reserves	13,714	11,703	6,222
Total Resources Available	680,403	664,515	661,373
Resources Required			
<i>Corporate Costs</i>	116,763	116,403	113,122
<i>Directorate Costs</i>	607,087	633,744	660,191
Total Resources Required	723,850	750,147	773,313
Shortfall	43,447	85,632	111,940
Use of Smoothing and Airport Reserve	(15,641)	(16,177)	(15,738)
Gap after use of Smoothing Reserves	27,806	69,455	96,202
Savings options identified to date	(21,135)	(32,738)	(42,320)
Shortfall	6,671	36,717	53,882

- 2.3. This position assumes Council Tax increases of 1.99% a year and an Adult Social Care precept of 1% a year. A 1% increase in Council Tax generates c.£2m additional income. The position also reflects the use of smoothing reserves to support the budget position of around £16m a year for the next three years. Use of reserves cannot be viewed as a long-term strategy to balance the budget and must be used in a planned way to avoid financial cliff edges while achievable long-term savings are developed and delivered.
- 2.4. The budget assumptions that underpin 2023/24 to 2025/26 include the commitments made as part of the 2022/23 budget process to fund known ongoing demand pressures.
- 2.5. In addition, a review of emerging pressures and budget assumptions has been completed and provision has been made to address these where they are unavoidable, including inflation and pay awards. Whilst this contributes to the scale of the budget gap it is important that a realistic budget is set which reflects ongoing cost and demand pressures. Additional resources have also been earmarked to provide £3.55m of targeted support to residents as part of

the Council response to the cost-of-living crisis to help protect our most vulnerable residents. Further details are set out in the Corporate Core Budget Report to Resources and Governance Scrutiny Committee.

- 2.6. This report sets out the priorities and officer proposals for the services within the remit of this committee. To date saving options totalling £42m over three years have been brought forward by officers for member consideration. As far as possible these are aimed at protecting the delivery of council priorities and represent the least detrimental options.
- 2.7. Following these savings proposals there remains a forecast shortfall of almost £7m next year increasing to £37m the year after. The measures contained within the Scrutiny Reports are officer options for consideration by the committee and deemed the 'least worst' options to close the budget gap. However, unless there is significant additional funding for local government, further and more severe budget cuts will be required.
- 2.8. Officers are working to identify further measures to bring forward in January along with the outcomes of the Finance Settlement. The target is a further £3m to £4m of savings deliverable in 2023/24 with a full-year effect of at least £8m. Work will then have to start on identifying the more difficult cuts that will be required to close the 2024/5 and beyond budget gap.

3. Workforce Implications

- 3.1. The indicative workforce reduction linked to the savings proposals is 70 Full-Time Equivalent (FTE) over the three years. 53 of these posts relate to the Corporate Core directorate. At this stage, it is anticipated that this will be managed via natural turnover and vacancies and that there will be no requirement for any formal voluntary early retirement or voluntary severance scheme.

4. Equality and Anti-Poverty Impact Assessments

- 4.1. Consideration has been given to how the individual proposed savings could impact on different protected or disadvantaged groups. All proposals are therefore being reviewed for their likely impact on these groups and where applicable, proposals will be subject to completion of an individual Equality Impact Assessment (EqIA).

5. Consultation

- 5.1. There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels and the savings and cuts measures put forward by officers will open on Monday 7 November and run until 7 January 2023. The provisional results from the consultation will be reported to Executive in February. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 27 February to ensure they are fully considered before the final budget is set.

5.2. None of the budget options set out to date require formal statutory consultation.

6. Scrutiny of the draft budget proposals and the budget reports

6.1. The reports have been tailored to the remit of each scrutiny as shown in the table below. Each Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2023.

Date	Meeting	Services Included
8 Nov 22	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 Nov 22	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
9 Nov 22	Health Scrutiny Committee	Adult Social Care Public Health
9 Nov 22	Children and Young People Scrutiny Committee	Children and Education Services
10 Nov 22	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 Nov 22	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

7. Next Steps

7.1. The proposed next steps are as follows:

- 8-10 November - Scrutiny Committees
- 7 November - Budget consultation launched to close 7 January
- 6 December – RAGOS – Update on Autumn Statement (expected 17 November) and Council Tax and Business Rates Key Decisions report

- Late December - The Local Government Finance Settlement expected
- 10 January - Resources and Governance Scrutiny Committee - settlement outcome, update on the budget position and consultation responses.
- 11-13 January - Further options to Scrutiny Committees.
- 18 January - Executive -settlement outcome, update on the budget position and consultation responses
- 7-9 February - Scrutiny Committees
- 15 February - Executive receive proposed budget
- 27 February - Resources and Governance Budget Scrutiny.
- 3 March - Council approval of 2023/24 budget