Manchester City Council
Report for Resolution

Report to: Executive – 15 February 2023

Subject: Medium Term Financial Strategy and 2023/24 Revenue Budget

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out the Framework for the Our Manchester Strategy and Corporate Plan priorities which provide the strategic context for the 2023/24 Budget. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget.

The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2023/24. 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 Capital Strategy and Budget 2023/24-2025/26 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

(i) Consider the directorate Revenue Budget Reports 2023/24 and Capital Strategy elsewhere on the agenda in the context of the overarching framework of this report

(ii) 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 section 9

(iii) Note that the financial position has been based on the final Local Government Finance Settlement announced on 6 February together with any further announcements at that date;

(iv) Note the anticipated financial position for the Council for the period of 2023/24 which is based on all proposals being agreed (para 5.23, Table two);

(v) 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 (section 6);

(vi) 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 2023/24

(vii) Note that the Capital Strategy and Budget 2023/24 to 2025/26 will be presented alongside this report

(viii) Make specific recommendations to Council to approve in the budget for 2023/24:

a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 2.99% and Adult Social Care precept increase of 2% (para 6.37 – 6.41);
b. the contingency sum of £0.6m (para 6.61);
c. corporate budget requirements to cover levies/charges of £70.060m, capital financing costs of £39.507m, additional allowances and other pension costs of £8.566m and insurance costs of £2.004m (para 6.56 - 6.60, 6.62, and 6.67 - 6.69);
d. the inflationary pressures and budgets to be allocated in the sum of £22.586m; 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 6.70 – 6.71);
e. the estimated utilisation of £13.146m in 2023/24 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 (Appendix 5, para 4.43); and
f. The planned use of, and movement in, reserves as identified in Table fourteen of the report and in Appendix 5 subject to the final call on reserves after any changes are required to account for final levies etc.

(ix) Approve the gross and net Directorate cash limits as set out in paragraph 6.91
(x) Approve the in-principal contribution to the Adults aligned budget, subject to the extension of the S75 Agreement with Manchester Foundation Trust, which will be considered by Executive in March 2023 (para 6.83);
(xi) Approve the in-principal contribution to the Better Care Fund (BCF), subject to the extension of the BCF S75 Agreement with Manchester ICS, which will be considered by Executive in March 2023 para 6.83);
(xii) 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 I,.7 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;
(xiii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources to administer the Council Tax Support Fund, Household Support Fund and Energy Bill Support Scheme: Alternative Funding Grant (para 6.44 – 6.46)
(xiv) Recommend that Council approve and adopt the budget for 2023/24.

Wards Affected: None directly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The proposed 2023/24 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report considers the medium-term financial plan for 2023/24 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 provides the framework for Revenue and Capital planning from 2023/24. 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 2023/24, if all proposals are agreed, are set out within the report. Elsewhere on the agenda are

- the Directorate Reports,
- 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 2023/24.

The latest financial position for the current financial year, 2022/23, 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 – 16 February 2022, Revenue Budget 2022/23
Executive – 16 November 2022, Revenue Budget Update
Resources and Governance Scrutiny Committee – 10 January 2023, Provisional local government finance provisional settlement 2023/24 and budget

<u>Structure</u>
The structure of the report is as follows:

Appendix 2:	Savings Proposals 2023/24 to 2025/26
Appendix 3:	Investment Proposals 2023/24 to 2025/26
Appendix 4:	Legal Background to Setting the Revenue Budget and Council Tax
Appendix 5:	Reserves Strategy and schedule
Appendix 6:	Sales, Fees and Charges overview

1 Introduction and Background

1.1 The Our Manchester Strategy ambitions, and Corporate Plan are the touchstone for decisions taken about what to prioritise and set the framework for the Medium Term Financial and Capital Strategies.

1.2 The financial position set out in this report is based on the 2023/24 final Local Government Finance Settlement which was received 19 December 2022. The final settlement is expected in February 2023. There are not expected to be any significant changes. It is proposed that any minor revisions to the budget will be reported to budget Council and transferred to or from the smoothing reserve.

1.3 As reported to Resources and Governance 10 January 2023, the final finance settlement was at the positive end of expectations. It provided additional unringfenced inflationary funding, new and increased Social Care Grants and additional one-off resources through the continuation of New Homes Bonus and the 100% Business Rates Pilot. The additional funding announced, alongside the proposed savings and cuts will enable a balanced budget to be delivered in 2023/24.

1.4 In line with the one-year finance settlement this report sets out a balanced one-year budget for 2023/24 along with the estimated position for 2024/25 and 2025/26. The longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability over the long term. This report sets out the risks and uncertainties faced and the approach to ensuring financial resilience.

1.5 The financial considerations contained within this report are based on the final Local Government Finance Settlement 2023/24 and associated 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 Executive Member for Finance and Resources.

1.6 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.

1.7 The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Summary Council Business Plan 2023/24 describes in more detail the action being taken to deliver the Corporate Plan. The budget proposals for 2023/24 will continue to reflect the priorities set out in the Corporate Plan.

1.8 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 The Our Manchester Strategy

2.1 The first part of this report sets out the strategic and statutory context for setting the budget.

2.2 The priorities for the city are set out in the Our Manchester Strategy, first developed in 2015 and launched in 2016 as the city's overarching 10-year vision. In May 2020, the Executive agreed for a reset of the Our Manchester Strategy 2016 - 2025 to be undertaken as part of the Council's COVID-19 recovery planning.

2.3 Over the first five years of the Strategy, Manchester made significant progress against some of its aims reported annually in the State of the City. However, significant challenges remain and were exacerbated by the COVID-19 pandemic which resulted in major social and economic challenges for the city's communities. Whilst the strategic objective for Manchester to be in the top flight of world class cities by 2025 remains, it was necessary to reset the Strategy's priorities for the next five years, acknowledging the impact of the pandemic but also looking forward to ensure we can still achieve our ambition for the city.

2.4 A reset process, overseen by the Our Manchester Forum, a partnership board of 35 leaders from Manchester's public, private and voluntary sectors from across the city was carried during summer 2020. A final version of the reset *Our Manchester Strategy – Forward to 2025*, was adopted by Full Council in March 2021.

2.5 To achieve our vision, our communities expressed a desire to see a renewed focus on:

- *Our young people* - providing investment, support, opportunity and hope for the future of the city
- *Our economy* - fulfilling opportunities for our residents to create and attract a talented, globally competitive and diverse workforce
- *Our health* - tackling physical and mental inequalities and ensuring fair access to integrated services
- *Our housing* - creating a choice of housing in liveable neighbourhoods across all of the city
- *Our environment* - pioneering zero carbon solutions and improving green space
- *Our infrastructure* – active, integrated, affordable and green transport system and improved digital connections

2.6 These findings were incorporated into the existing five themes of the original Our Manchester Strategy:

- A Thriving and Sustainable City
- A Highly Skilled City
- A Progressive and Equitable City

- A Liveable and Low Carbon City
- A Connected City

2.7 Each theme now has two priority actions (We Wills) streamlined from the original Strategy, and the crosscutting priorities of equality inclusion and sustainability. Progress will continue to be monitored via the Our Manchester Forum and will be reported in the annual State of the City report.

2.8 The above has been reflected in the refreshed Corporate Plan.

3 Corporate Plan

3.1 Our Corporate Plan describes the Council's contribution to delivering the Our Manchester Strategy – Forward to 2025, over the medium-term. As this reflects the Council's medium-term priorities, the nine overall themes set out in the table below remain the same as for 2022/23. The more detailed priorities which underpin the nine themes have been updated to reflect the context looking ahead to 2023/24. Key changes which have been reflected in our updated priorities include:

- The addition of references to the importance of cross-cutting action to support residents through the Cost-of-Living crisis and the new Anti-Poverty Strategy.
- Highlighting the work on our next Economic Strategy which aims to ensure that the city's economy continues to grow and is more inclusive, and the implementation of our ambitious Housing Strategy for the next ten years.
- Greater focus on engaging children and young people as we move from Our Year 2022 to being a UNICEF Child Friendly City.
- Strengthening our work on tackling inequalities across Council services, with city wide partners, and delivering on our workforce equalities strategy.

3.2 Our updated Corporate Plan priorities going forward are, in no particular order of importance:

Theme	Priority
1. Zero carbon Manchester *Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide*	• Deliver the Council's role in reducing citywide CO2 emissions, influence city-wide partners to take urgent action, and deliver specific Council owned actions within the Manchester Climate Change Framework.
	• Prepare for and support the delivery of the new GM Clean Air Plan.
	• Deliver activities to reduce the Council's own direct CO2 emissions by at least 50% by 2025.
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents*	• Deliver key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by

participate in and benefit from, and contributing to reductions in family poverty	challenges to the international, national, and local economy.
	• Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	• Support more people to benefit from economic opportunities by equipping them with the skills to succeed and ensure that they are in good quality, secure work. Help to mitigate the impact of poverty by taking actions to reduce the number of people experiencing poverty, in particular given the effects of the cost-of-living crisis. Including people in work on low incomes, young people, older people, those from Black, Asian and Minority Ethnic groups, and people with long term health conditions and / or disabilities.
3. Young people *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better*	• All children to have access to and be fully included in high-quality education, making sure they attend a school graded 'good' or better.
	• Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring they are engaged, their views and needs are understood and responded to; increasing access to youth, play, leisure, employment, training, and cultural opportunities.
	• Reduce number of children needing a statutory service.
4. Healthy, cared-for people *Work with partners to enable all people to be healthy and well, narrowing the gaps between the healthiest and the least healthy. Support those who need it most, working with them to improve their lives*	• Take actions to improve population health outcomes and tackle health inequalities across the city, including those exacerbated by factors such as the cost-of-living crisis.
	• Support the next phase of health and social care integration in the city, including plans to enable the continued development of Manchester Local Care Organisation (MLCO).
	• Enable delivery through the MLCO of the Adult Social Care (ASC) transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence and managing demand, building on the ASC improvement programme, and embedding this into the MLCO Operating Model.
	• Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
5. Housing	• Support delivery of significant new housing in the city.

Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes	• Ensure inclusive access to housing by the provision of enough safe, secure, and affordable homes for those on low and average incomes and taking into account cost-of-living impacts. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Delivering in Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods, with local services, that Mancunians can be proud of*	• Place a greater emphasis on getting the basics right and invest in improving service standards.
	• Bring services together for people in places, enabling an integrated model of neighbourhood working across core public sector services including Health and Social Care (through the Integrated Neighbourhood Teams), Greater Manchester Police, Housing, and Children's services.
7. Connections *Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks*	• Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling.
	• Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	• Effective community involvement and engagement with our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	• Greater accountability, partnership working and delivery of services that more closely meet the diverse needs of our communities and people.
	• As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	• Implement the Corporate Peer Review action plan, transform the Corporate Core, deliver the Future Shape of the Council programme, along with budget reductions and savings.
	• Effectively manage our resources via budget management and planning, within our legal framework, and to support managers and performance management.
	• Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning.

3.3 The Summary Council Business Plan 2023/24 describes in more detail the activities taking place to deliver the Corporate Plan and is attached in Appendix 1. Each service will develop a bespoke service plan which describes the achievements, priorities and activities of the services which collectively make up the Council. The service plans also describe the delivery against these cross-cutting priorities:

- Service improvement
- Zero carbon
- Equality, Diversity and Inclusion
- Taking a place-based approach to priorities, decision making and delivery
- Workforce planning
- Financial management
- Performance

4 Financial Context

4.1 The Council's net revenue budget is funded from four main sources which are Business Rates, Council Tax, government grants and use of reserves. Over the last 12 years central government funding has reduced and business rates retention has been introduced, so the ability to grow and maintain the amount of resources raised locally has become even more important for financial sustainability and is integral to the Council’s financial planning.

4.2 The budget for 2023/24 follows over a decade of austerity which began with the 2011/12 Budget. From 2010/11 to 2023/24 the Council’s Spending Power (as defined by government) has reduced by £19.1m (3.1%) compared to an England average increase of 8.1%. The drop in spending power per head, (based on the ONS 2020 Mid-Year Estimate population data), is £34.34 per head (compared to an England average increase of £79.09 per head), a difference of £113.43 per head.

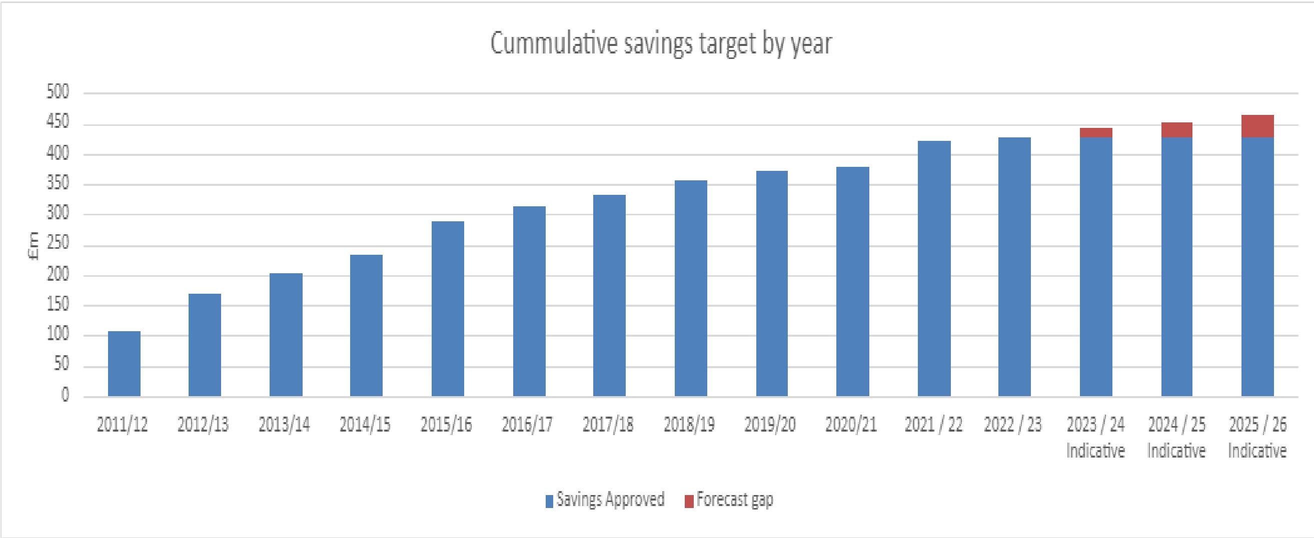
4.3 Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local authorities with a low council tax base who are more dependent on government grant funding. Manchester has almost 90% properties in council tax bands A-C which constrains the ability to raise funds from this source.

4.4 At the national level the final settlement proposals provide an increase in Core Spending Power of 9.4% and c£5.1bn additional of funding will be “made available” to councils. Of this £2.0bn relates to Council Tax and assumes that every local authority will raise their council tax by the maximum permitted.

Impact of austerity on Council finances

4.5 The Council has had to make budget cuts of £428m from 2010/11 to 2022/23 inclusive to balance its budget. In addition to these cuts, this report includes further savings proposals totalling £36.2m over the next three years. There has been a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years’ cuts have been less severe but local government spending is still much lower in real terms than it was in 2010.

Chart 1: Cumulative Savings target by year



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

- **Business Rates -** Manchester has been part of the Greater Manchester business rates 100% retention pilot since 2017/18. This was originally agreed for three years, and has subsequently been extended for a year at a time with the final finance settlement confirming this will continue for 2023/24. This means that the Council retains 100% of the additional business rates growth achieved since the start of the Business Rates Retention scheme in 2013. The Council has retained an additional £67.5m to date, with a further £10.0m share forecast in 2022/23. Overall, £338.3m has been retained by GM authorities since 2017/18, with £74.8m forecast for 2022/23;
- **Council Tax -** The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of 2% to 3% a year for the past 7 years. Over 60% of the new housing in 2022/23 is banded in council tax band C and above with 54% (852 dwellings) being delivered in city centre wards. Despite the growth in house building in the city, the Council still has one of the lowest tax base of all metropolitan councils resulting in the lowest proportion of its funding coming from council tax.
- **Investment Income -** The Council has always been prudent in its commercial investments with the most significant being the shareholdings in Manchester Airport Group (MAG). This dates back to when Manchester Airport was a municipal airport. The Greater Manchester authorities now have a 64.5% share (with the Council having 35%, and 50% of the voting rights. The airport has enabled significant regeneration within Manchester and across the city region. In 2019/20, prior to the pandemic, the Council earned £71m from all of its various shareholdings. Income at this level is not expected to resume until after

2026/27. The interest from the loans to MAG advanced in 2018/19 and 2020/21 continue to contribute a net £12m each year to support the revenue and capital financing budgets.

- Net income from the commercial estate is budgeted at c£13m per annum, the majority of this is considered secure and stable.

5 Context and Strategy for delivering a balanced budget in 2023/24

A Changing National Context

5.1 The three-year Spending Review was published in October 2021 to set the expected spending envelope for 2022/23 to 2024/25. The local government share of the spending review was 'front loaded' to 2022/23, with no further increases for inflation or demographic pressures for the following two years. The Spending Review also announced significant Social Care Reforms to be implemented from October 2023 with additional associated funding of £3.6bn over three years, which was widely considered by the sector to be inadequate for the size of the reforms.

5.2 The Medium-Term Financial Strategy (MTFS), approved in February 2022, recognised that significant budget cuts would need to be delivered over the Spending Review period to set a balanced budget in future years. When the three-year MTFS was presented in February 2022 the budget gap was forecast at £37m, in 2023/24, increasing to £58m by 2024/25, reflecting the flat cash funding position set out in the spending review.

5.3 Since then, the national funding outlook for Local Government has become more volatile. There have been several key ministerial changes and significant shifts in government policy. In addition, the Russian invasion of Ukraine in February 2022 contributed to rapidly increasing inflation, from a forecast 2022/23 average CPI of 2.3% to an October 2022 peak of 11.1%.

5.4 Throughout Summer 2022 government advised that despite the 40 year high levels of inflation there would be no additional funding for Local Government to assist with these pressures. This was confirmed by the Truss government mini-budget 23 September 2022 which prioritised lowering taxes to stimulate the economy. This was followed by a period of market instability and rhetoric around 'Austerity Round Two' from politicians, commentators and research institutes such as the Institute for Fiscal Studies and IMF.

5.5 A review of the Council's budget assumptions was undertaken in August 2022. In the absence of any firm information a rollover settlement was assumed for 2023/24 with the impact of changes to the local government "fair" funding reforms being moved to 2024/25. The update also recognised the ongoing impact of the 2022/23 pay award and other inflationary pressures.

5.6 An emergency financial statement was delivered by the new Chancellor, Jeremy Hunt MP, on 17 October 2022, which reversed the majority of the tax changes announced on 23 September. Despite levels of inflation being significantly higher than forecast at the time of the Spending Review in

October 2021, the government continued to communicate that there would be no increase in the overall funding envelope over the spending review period. The Chancellor also committed to public debt falling as a share of the economy over the medium term which indicated that government departments were likely to have to find further efficiencies and cuts to some areas of spending.

5.7 An updated position was reported to Executive on 16 November 2022, based on the latest Government position and updated for the 2022/23 pay award and increased inflationary pressures. Inflationary and pay award increases were 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 of largely unavoidable costs to be funded. The forecast gap was £28m in 2023/24 increasing to £69m in 2024/25 and £96m by 2025/26. The Scrutiny meetings which took place in November 2022 took these pressures into account and were presented with savings options of £21.1m next year increasing to £42.3m by 2025/26, alongside the proposed application of more than £48m of smoothing reserves to support the spending position. This reduced the forecast gap to £7m in 2023/24, rising to £37m in 2024/25 and £54m by 2025/26. It was anticipated that further cuts and savings may be required depending on the outcome of the final settlement.

5.8 The Autumn Statement was announced on 17 November 2022 followed by a local government finance policy statement on 12 December 2022 and the provisional finance settlement published on 19 December 2022. The public sector finances “black hole” outlined by the Government is to be dealt with over 4 years, with the first two years (2023-25) addressed through mainly tax increases and the final two years (2025-27) through public sector spending cuts.

5.9 The Policy statement and final settlement did, however, set out a welcome change in direction which included:

- Funding for inflationary pressures. As previously reported Inflationary and pay award increases were estimated at a cumulative £58m for 2022/23 and 2023/24. This compares to a usual budget allowance of c£16m for that period, therefore resulting in an additional £42m of largely unavoidable costs to be funded. CPI is currently over 10% and is predicted to average 7.4% next year
- New Social Care grants to support hospital discharge and the care market. These are ringfenced with conditions
- Adult Social Care Reforms are delayed at least 2 years and the funding repurposed for social care pressures including demography, real living wage and support for the Social care market
- Confirmed current 100% business rates retention areas will continue for 2023/24

5.10 In addition, the referendum limit for Council Tax increases was increased to 5% for local Authorities with Adult Social Care responsibilities. The government figures assume the full increase will be taken. The Provisional Finance Settlement, and the Final Settlement announced on 8 February 2023, are for one year only, setting the proposed funding allocations for

2023/24, accompanied by a fairly full set of policy principles for 2024/25 for planning purposes. It provides some breathing space before funding risks re-emerge from 2025/26, when public sector spending cuts are expected as part of the four-year plan outlined by the Government.

Impact of the Final Local Government Finance Settlement

5.11 As outlined in the 10 January report to Resources and Scrutiny the broad approach in the settlement is based on:

- A uniform roll-over of the core funding elements with inflationary increases to Revenue Support Grant and business Rates related income.
- New grants and expectations for Social care
- Increased Council Tax referendum limits

5.12 The national funding announcements outlined above equate to the below for Manchester:

5.13 Increases to Core Funding Include:

- Revenue Support Grant (RSG) and Business Rates income increased by 10.1%, an increase from expectations of £25.2m. £19.1m of this reflects the decision to reflect a CPI increase of 10.1% through a 3.74% increase to the multiplier and 6.36% increase on the indexation grant. A combined 2.6% increase had been assumed in line with the SR assumptions. The remaining £6.2m is from inflating RSG at 10.1%.
- New Homes Bonus initiative has continued for one more year with the design unchanged, the Council had budgeted £5m, an additional £1.6m will be received.
- Services Grant decreased by 41% nationally. Services Grant had been expected to reduce by c£200m (c25%) nationally which was reflected in the Council's assumption of a £9.324m receipt, down from £12.324m. It has actually reduced to £7.230m, a further reduction of £2.094m.
- Lower Tier Grant has ended as expected, Manchester received £1.328m in 2022/23.

5.14 The increased Social Care funding totals £25.7m in 2023/24 rising to £38.7m in 2024/25. The grant conditions associated with this additional funding are expected early 2023 and will be heavily focused on how the social care system will support the NHS. The funding is over three grants as follows:

- ASC Discharge Fund £4.451m increasing to £7.420m aimed at reducing delayed transfers of care. The funding will need to be pooled with the NHS.
- Market Sustainability and Improvement Grant - Additional £4.4m rising to £7.5m. This grant is intended to assist local authorities to make tangible improvements to adult social care.

- Social Care Grant £18.8m rising to £25.7m - for adults and children's social care services. This is the funding originally identified for social care reforms which have been deferred.
- The original budget assumptions included a £2m grant uplift ft for Improved Better Care Fund (iBCF) which has not materialised.

5.15 The settlement increased the Council Tax referendum limit for Councils with Social care responsibilities from 3% to 5% with the general precept being 2.99% and the social care precept 2%. If this flexibility is taken by the Council, it would raise £4.055m next year and a further £4.5m in 2024/25. The government has assumed in its settlement calculations that all eligible local authorities will take the maximum increase allowed without a referendum. If Council Tax is not increased at this level the revenue stream is permanently lost and has a cumulative compounding impact as the base grows in future years.

Strategy for setting a balanced budget

5.16 Despite the pressures being faced the Council remains determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within available resources but also provides an opportunity to review where these resources should be invested to deliver on resident priorities. This includes working with partners to jointly develop new ways of delivering services such as prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances - and in so doing reducing the need for more costly support in the future. A difficult balance has to be maintained between protecting investment to generate growth (and grow the revenues available to the Council), providing high quality universal services and protecting the most vulnerable.

5.17 Underpinning the budget strategy is a prudent approach to investment income and the use of fortuitous or one-off grants and income received. This has been used to support investment in key services over a longer time frame to avoid sudden budget shortfalls in funding, resulting in making steep budget cuts. Key to this has been:

- Income from the 100% Business Rates Growth Retention Pilot and one-off grant funding has been smoothed, typically over a three-year period, to enable on going investment into core services such as social care.
- With the exception of some of the loan interest from MAG, loan interest received is used to directly offset the costs of borrowing, with any additional income going into the Capital Financing Reserve. The capital programme, including the refurbishment of Our Town Hall as well as the need to deliver priorities such as affordable housing will require additional borrowing of £296m to 2025/26. The Capital Financing Reserve is deployed to ensure there are no additional pressures on the revenue budget as a result of this activity. The Council must ensure its levels of long term borrowing are proportionate to the size of the net

revenue budget and are affordable, prudent and sustainable, in line with the CIPFA prudential code.

- The majority of airport dividend income has been used in arrears. Smoothing reserves are also in place to support volatile income such as planning fees. These measures are designed to withstand economic shocks and recessions.
- Risks are regularly reviewed, and mitigations put in place.

5.18 The budget report to Resources and Governance Scrutiny on 10 January 2023 set out a series of principles to frame the finalising the revenue budget:

- £16m of reserves per annum were being used to close the pre Settlement budget gap. Reserves should be a last resort and the final Finance Settlement has pushed the majority of funding risks and uncertainty to 2025/26. The planned use of reserves needs amending to reflect the changing risk profile. The use of the smoothing reserve will be rephased to support a sustainable position, particularly to support closing the budget gap in 2024/25 and to deal with the significant risks faced in 2025 and beyond.
- Recommendation to increase the Council Tax precept so this is reflected in the base, but that this is alongside targeted support to the VCSE and residents who are most vulnerable and to support the delivery of the care market sustainability plans. A second month long consultation on the council tax levels commenced on 10 January 2023.
- Adult Social Care - to put the budget on a sustainable footing, appropriate costs such as demography and real living wage are met from the additional ringfenced grant funding.
- Where there are additional costs and requirements the grants are passported through to meet them and the funding is used to provide investment to meet real pressures, social care improvement priorities and invest to save approach which will help the future position

5.19 The final finance settlement gave some scope for targeted additional investments which will put the council in a more sustainable position in advance of the next spending review in 2025. It has also allowed a review of the timing and quantum of the proposed cuts and savings measures. The final recommended budget includes the following:

Additional Costs and Investment

5.20 The budget includes additional investment proposals in the following areas. Full details are included in the relevant scrutiny committee reports and included at Appendix 3.

- Cleaning the city and infrastructure planning – additional investment to ensure there are the resources to clean the city and district centres and effectively resource our infrastructure planning including the City Centre and Active Travel strategies.
- Aligned to this will be investment in the capital programme for community and neighbourhood assets and the establishment of a small

fund to facilitate small emergency repairs or improvements, for example to fix a broken swing or add a bin to the collection.

- Investment in homelessness service to meet increased demand and increased dispersed accommodation fees
- Additional investment in Children's Services to meet higher placement costs and invest in resilience and prevention.
- Investment in adult social care to strengthen practice and investing in preventative services
- Additional funding for the cyber security team
- Additional funding for improved support to our disabled staff

Cuts and Savings

5.21 The financial settlement has provided some additional flexibility and headroom, so savings have been reviewed and it is now proposed that savings options of £36.2m are progressed, a reduction of £6.1m overall. Details of the proposed changes are included in the relevant scrutiny committee report. The updated summary is shown in the table below and the detail included at Appendix 2.

Table One: Revised Savings proposals

Directorate	Amount of Saving				Indicative FTE impact
	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	
Adults Services	4,142	2,200	2,200	**8,542**	-
Public Health	730	-	-	**730**	3
Children's Services	4,411	3,920	3,394	**11,725**	-
Neighbourhoods	545	1,135	1,772	**3,452**	3
Homelessness	1,244	2,070	1,332	**4,646**	-
Corporate Core	3,365	677	1,089	**5,131**	27
Growth and Development	959	170	815	**1,944**	1
Total profiled savings options	**15,396**	**10,172**	**10,602**	**36,170**	**34**

Impact on the Medium Term Financial Plan

5.22 Taking into account the above changes to the financial assumptions; the impact of the Autumn Statement and final Finance Settlement; the setting of the Council Tax and Business Rates base and Collection Fund surplus and the changes to savings and investment proposals, the forecast budget position is shown in the Table Two.

5.23 The next section of the report sets out the detailed Revenue Budget and assumptions for 2023/24 and 2024/25 that underpin the Medium Term Financial Plan.

Table Two: Summary of Resources Available and Budget Requirement

	Revised 2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000	2025 / 25 £'000
Resources Available				
Business Rates / Settlement Related Funding	235,553	374,725	380,005	386,872
Council Tax	208,965	217,968	228,087	237,279
Grants and other External Funding	104,559	126,439	127,968	116,055
Dividends	0	0	0	0
Use of Reserves	141,522	17,087	31,861	28,372
Total Resources Available	**690,599**	**736,219**	**767,921**	**768,578**
Resources Required				
Corporate Costs:				
Levies / Statutory Charge	67,871	70,060	75,463	74,646
Contingency	600	600	600	600
Capital Financing	39,507	39,507	39,507	39,507
Transfer to Reserves	24,638	1,335	0	0
Sub Total Corporate Costs	*132,616*	*111,502*	*115,570*	*114,753*
Directorate Costs:				
Additional Allowances and other pension costs	7,316	8,566	8,566	8,566
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	(7,169)	22,586	38,060	78,102
Directorate Budgets	555,832	591,561	603,721	605,545
Subtotal Directorate Costs	*557,983*	*624,717*	*652,351*	*694,217*
Total Resources Required	**690,599**	**736,219**	**767,921**	**808,970**
Shortfall / (surplus)	**0**	**0**	**0**	**40,392**

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

- Budget Reports aligned to scrutiny committee remits
- Zero Carbon Budget Report
- Capital Strategy and Budget
- Housing Revenue Account
- Treasury Management Strategy and Annual Investment Strategy

6 Underpinning Financial Assumptions

6.1 This section of the report summarises the detailed assumptions which underpin the funding, income and expenditure assumptions held within the medium term financial plan, and reflect the outcome of the settlement, the final savings and investment proposals highlighted above.

Resources Available

6.2 The table below shows the total resources available to support the Council's net budget position.

Table Three: Summary of resources available

	Revised 2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000
Resources Available				
Business Rates / Settlement Related Funding	235,553	374,725	380,005	386,872
Council Tax	208,965	217,968	228,087	237,279
Grants and other External Funding	104,559	126,439	127,968	116,055
Dividends	0	0	0	0
Use of Reserves	141,522	17,087	31,861	28,372
Total Resources Available	**690,599**	**736,219**	**767,921**	**768,578**

Settlement Funding Assessment and Spending Power

6.3 The Council receives a formula driven Settlement Funding Assessment (SFA) from Government which comprises of their assessment of the level of Business Rates income, or Business Rates Baseline and the Business Rates Tariff. As the Council is part of the 100% retention pilot Revenue Support Grant (RSG) is not included in the SFA determination and is instead funded from retained rates income. In 2023/24 SFA is £252.6m.

6.4 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, Improved Better Care Fund, New Homes Bonus, Social Care and associated grants and Services Grant. CSP for the Council in 2023/24 is £604.1m, which is a 3.1% reduction on 2010/11 levels. Nationally CSP has increased by 8.1%, or a £79.09 increase per head of population, compared to Manchester's £34.34 reduction per head.

6.5 If the Council had received the national increase it would have £69.6m additional funding per annum.

Business Rates Related funding

6.6 The Business Rates funding regime is becoming increasingly complicated and is make up of a number of different elements, including Business Rates Income, Business Rates Top-up or tariffs and Section 31 Grants from government. All income in relation to business rates yield is accounted for within the business rates collection fund account, with tariff and Section 31 grant being outside the collection fund. In order to have a complete picture of the business rates position the income from the collection fund and the grants have to be viewed together. The table below shows the various funding elements each year.

Table Four: Business Rates related income

	100% retention		50% retention	
	Revised 2022 / 23	**2023 / 24**	**2024 / 25**	**2025 / 26**
	£'000	**£'000**	**£'000**	**£'000**
Business Rates Baseline (per DLUHC)	329,127	360,598	191,685	195,519
Difference from baseline	(34,413)	(18,929)	6,166	8,605
Forecast Share of Business Rates Income	**294,714**	**341,669**	**197,851**	**204,124**
Revenue Support Grant	0	0	72,088	73,530
Public Health	0	0	55,246	55,246
Business Rates Top Up / (Tariff)	(35,031)	(52,774)	7,496	7,646
Business Rates S31 Grants (non-COVID)	68,217	87,595	44,924	46,327
Forecast share of Business Rates Pilot Income to GMCA (25%)		(4,800)		
Timing adjustments due to Collection Fund accounting	8,999	(11,399)	2,400	
Surplus / (Deficit) related to S31 Grant Extended Retail Relief	(107,714)	3,905	0	0
Estimated Surplus relating to 2022/23		11,383		
Surplus adjustment relating to 2021/22		12,826		
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)		
Business Rates related income	**235,553**	**374,725**	**380,005**	**386,872**
Memo: Smoothing via reserves:				
Extended Retail Relief *	83,961			
Compensation for irrecoverable losses	1,895	7,036		
Business Rates Reserve (S31 COVID Additional Relief Fund S31)	23,753			
Business Rates related income	**345,162**	**381,761**	**380,005**	**386,872**

*The reliefs that were granted under Extended Retail Relief to the retail, leisure and hospitality sectors and under Covid Additional Relief Fund as a result of the COVID-19 pandemic result in a reduction in business rates due but are fully funded by section 31 grant. The amount of grant received in 2021/22 is carried forward in reserve and used to offset the correlating deficit in 2022/23.

The Tariff and Top-Up System and 100% Business Rates Retention Pilot

6.7 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. The Business rates funding, or baseline, 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 to deliver essential services and acts to redistribute funding from higher tax areas to lower tax areas.

6.8 On commencement of the 100% pilot the Council became a tariff authority (paying surplus money to the Government) rather than a top up authority as it was under the 50% scheme. The final Finance Settlement confirmed that the 100% Business Rates Growth Retention Pilot will continue for 2023/24, although there has been no confirmation beyond this date.

6.9 Under the 100% pilot agreement, Revenue Support Grant (RSG) and Public Health grant funding is rolled into the business rates system rather than receiving them as separate grants. As part of the Finance Settlement, it was announced that RSG would also increase by 10.1% for CPI (along with the grants now rolled into RSG, primarily Council Tax Support Admin Subsidy grant). As the Council is part of a 100% business rates pilot this is reflected within an adjustment to the Council's tariff, with an overall increase of £17.7m on last year being is payable to government.

6.10 The top up and tariff for 2023/24 is adjusted at local level to counteract the local impact of the revaluation, which is measured at gross rates levels pre and post the revaluation, with an adjustment for appeals and properties transferred to the Government's central list.

6.11 The allocation for Public Health Grant has not been confirmed yet and for budget setting purposes is assumed to be at the 2022/23 amount. Once the grant is confirmed the tariff and top-up will need to be recalculated by central government.

6.12 For budget planning it has been assumed the Council will revert to a 50% share from 2024/25 onwards. This means the share of Business Rates Income retained locally is reduced and the Council would again receive RSG and Public Health grant. RSG is index linked to CPI in 2023/24's notional amount and Public Health grant is assumed to be cash flat (RSG at £67.121m and Public Health £55.246m).

6.13 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. Periodically the market rental values of properties are revalued, with 2023/24 being the first year of a new valuation period. In a revaluation year the multiplier is adjusted to counteract the impact of the revaluation and ensure this is fiscally neutral at national level before any inflationary uplift is added. In the final Finance Settlement Government confirmed the 2023/24 multiplier would remain at 49.9p (and 51.2p for larger properties) the same as last year which has resulted in a net inflationary increase of 3.7% to the multiplier as a result of the revaluation and associated baseline, and a further 6.4% applied to indexation grants to arrive at September's CPI level of 10.1%.

6.14 The Government has also enhanced and introduced several new reliefs to reduce or remove rate bills for businesses. The most significant being Extended Retail Discount based at 100% relief in 2020/21, 66%-100% in 2021/22, 50% in 2022/23 and 75% in 2023/24. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

6.15 The business rates base was formally declared on 31 January 2023 taking account of the latest data available, government announcements and fully reviewing all assumptions.

6.16 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 introduced, and has been index linked to inflation each year since, or frozen or capped as per government announcement. The business rates baseline would usually have been fully increased in line with September's CPI, however as part of the Finance Settlement this was increased by 3.7% embedded in the multiplier and impact of the revaluation, which is offset by an adjustment to the tariff amount, resulting in a baseline of £360.598m.

6.17 The information in setting the baseline is returned to Government in the NNDR1 Return. It includes:

- Assumptions on the levels of mandatory and discretionary appeals
- A provision for business rates appeals. This has been assumed to be at 6% of the value of the business rates list based on local intelligence and the latest information from the VOA.
- A provision for bad debt. A collection rate of 97.0% has been assumed for 2023/24, reflecting a return to pre-pandemic levels of business rates collection.

6.18 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Business Rates base for 2023/24 on 31 January 2023. This included the calculation of the Council's business rate income and the major preceptors share which has to be notified to the Secretary of State and the Greater Manchester Combined Authority in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013.

6.19 The City Council's business rates income used for budget setting purposes for the year 2023/24 is £341.7m.

6.20 Difference from baseline – Manchester has grown above the government set baseline, and inflation, every year since 2013/14, which includes business rates income and Section 31 grants designed to compensate councils for rates lost due to reliefs announced after baselines were set in 2013. In 2023/24 the Council is £31.7m above the Baseline Funding Level.

Business Rates Collection Fund Surplus/Deficit

6.21 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus or deficit on their collection fund for the year. The estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate surplus or deficit is delegated to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resource. The decision was taken on 31 January 2023.

6.22 The Council's 99% share of the 2022/23 declared Business Rates surplus is £28.114m. This is made up of three elements as follows:

- A reduced deficit of £12.826m relating to 2021/22 which represents the difference between the Council's share of the estimated deficit for 2021/22, declared in January 2022, compared to the outturn position as at 31 March 2022. The improvement in the position was largely as a result of an improved collection rate and a reduced requirement for the non-collection provision;
- A reduced deficit of £3.905m relating to 2021/22 as less than forecast Extended Retail Relief was awarded. This relief was announced by Government after the budget offering an average of 66-100% relief to businesses in the retail, hospitality and leisure sectors with a national caps per business. This cap has resulted in fewer businesses than expected accessing the relief; and
- An estimated surplus of £11.383m relating to 2022/23 that was declared at the end of January 2023. The Extended Retail Relief (now rebadged as Retail, Hospitality & Leisure Relief and included in the budget) offers 50% relief capped at £110k per businesses. At budget setting the estimated award level was based on all eligible businesses accessing the relief. This was not the case and most authorities, including Manchester, are reporting significant reductions in award levels.

6.23 Finally, there is the mandatory deficit adjustment of £13.680m relating to 2020/21 and declared in 2021/22. The 2020/21 deficit totalled £41.039m. All Councils were mandated to spread this deficit equally over a three-year period between 2021/22 and 2023/24 as a response to the impact of deficits during the pandemic.

6.24 **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 had been taken into account - an amount of £19.219m was received and transferred to reserves and drawn down over 3 years from 2021/22 to 2023/24, the final element of £7.036m is being applied in 2023/24.

Business Rates Section 31 Grants

6.25 Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the Government after the baselines were set in 2013. These include:

- Grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief
- Reliefs introduced in response to the pandemic, namely Extended Retail Relief (Retail, Hospitality and Leisure Relief), which applied and 50% in 2022/23 and 66-100% in 2023/24 with national caps;
- COVID Additional Relief Fund in 2022/23
- Supporting Small Business Relief which caps the 2023/24 increase in rates bill for small businesses to £600 per annum.

6.26 All grants reflect Manchester's increased share due to being part of the 100% rates retention pilot and are shown in the table below:

Table Five: Forecast Business Rates Grants

	Revised 2022 / 23	**2023 / 24**	**2024 / 25**	**2025 / 26**
	£'000	**£'000**	**£'000**	**£'000**
Multiplier Cap 2021/22	28,890	58,367	33,307	34,420
Small Business Rates Relief	18,889	16,855	8,897	9,065
Supporting Small Business	77	2,449	1,258	1,390
Extended Retail Discount / Nursery Relief	32,768	39,556	0	0
COVID Additional Relief Fund (CARF)	2,428	0	0	0
EZ Relief (100% retained)	532	203	203	166
Adjustment to Top up/Tariff in relation to multiplier cap	(15,367)	(29,834)	1,259	1,286
Total Business Rates Grants	**68,217**	**87,596**	**44,925**	**46,327**

Enterprise Zones

6.27 The cost of discounts awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. The amounts reduce from 2023/24 onwards as businesses can only access relief for five years if locating into the zone within five years of its creation. As the Manchester Airport City EZ was created in April 2013, with the Airport City 2, Manchester Foundation Trust and Manchester Science Park EZs following in April 2016, new businesses locating in any EZ are no longer receiving relief and that applied is expiring.

6.28 The estimate for 2023/24 anticipates that there will be growth above the EZ baseline in the Manchester Science Park and Manchester Airport City. Growth in the Science Park is ringfenced to reinvestment within the EZ and will fund the costs of the enterprise zone growth manager and marketing activities to attract businesses to the zone. Growth in the Airport Zone will be passed to the Local Enterprise Partnership for reinvestment.

Council Tax

Council Tax Base

6.29 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax base for 2023/24 on 31 January 2023. The calculation of the amount of the council tax base is, in essence, the number of dwellings in a billing area falling within each valuation band represented as Band D equivalents.

6.30 This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. Student exempt properties are forecast to return to pre-pandemic levels in 2023/24 with a return to face to face tuition.

6.31 A further reduction is made to reflect Council Tax Support claimants. In 2023/24 this has been adjusted to reflect the Office of Budget Responsibility's forecast unemployment increase, which was released at the Autumn Statement.

6.32 The forecast council tax collection rate has been increased from 95.5% to 96.5% in 2023/24, returning to pre-pandemic levels, increasing the forecast income by £1.9m.

6.33 An increase in the council tax base of 2.0% (from the previous year's approved position) reflecting housing growth within the city. This brings an additional £4.2m income.

Council Tax Collection Fund Surplus / Deficit

6.34 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax balance for 2022/23 on 16 January 2023. There is a 2022/23 Council Tax surplus of £5.118m relating to the differences between forecast and actual income for 2021/22 (£0.783m) and the forecast position for 2022/23 (£4.335m).

6.35 The improved position in 2021/22 was due to lower than forecast student exemptions with online lectures continuing through the academic year following the pandemic and higher than estimated housing completions.

6.36 The main reasons for the Council's 2022/23 surplus of £4.335m are as follows:

- £1.8m due to increased tax base following delivery of new homes, above that forecast, with a greater proportion of properties being delivered in the higher bands;
- A reduction in numbers on Council Tax Support (CTSS) numbers. Overall claimant numbers have decreased by 2,379 (-4.7%) from December 2021 to December 2022, with working aged claimants reducing by 2,160 (-6.1%), resulting in a reduced cost of £2.1m;
- Adjustments to reliefs, premiums and bad debt provision increasing income by £400k;

Council Tax Precept

6.37 The Finance Settlement set out the maximum increases that can be applied to 2023/24 council tax without referenda. These are:

- Council element – 2.99%
- Adult Social Care – 2.0%
- Police and Crime Commissioner - £15
- Fire and rescue - £5
- Mayoral Combined Authority precept - No limit.

6.38 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 precepts. 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.

6.39 The changes to the council tax receivable by the Council for 2023/24 are set out below:

- Referendum criteria – The Spending Review confirmed the general referendum threshold at 3% for the Council's other expenditure, (excluding adult social care). This will generate an additional £6.1m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 2%. This will generate an additional £4.1m

6.40 Council is intending to take maximum precept increase of 4.99%. the table below shows the proposed increases for Bands A and D.

Table Six: Proposed Council Tax increase from 2022/23 to 2023/24

	2022/23 C'Tax	2023/24 C'Tax	Proposed Increase		Increase per week
	£	£	£	%	£
Manchester City Council - Band D	1,541.34	1,618.25	76.91	4.99%	1.48
Manchester City Council - Band A	1,027.56	1,078.84	51.28	4.99%	0.99
Band A receiving CTS at 82.5%	179.82	188.80	8.97	4.99%	0.17

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

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

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26*
	£'000	£'000	£'000	£'000
General rate Increase	3,801	6,067	6,341	4,465
Adult Social Care Increase	1,910	4,057	4,345	0
Change to assumed collection rate	1,910	1,911	0	0
Increase to Tax Base	10,019	4,246	4,414	4,727
Changes to annual surplus / deficits:				
19/20 Final Council Tax deficit	2,072			
20/21 Estimated Council Tax deficit - spread over 3 years			137	
20/21 Final Council Tax surplus adjustment	3,457	(3,457)		
21/22 Estimated Council Tax surplus	8,939	(8,939)		
21/22 Final Council Tax surplus		783	(783)	
22/23 Estimated Council Tax surplus		4,335	(4,335)	
Total Increased Council Tax	**32,107**	**9,003**	**10,119**	**9,192**

* It is assumed the referendum limit returns to 1.99% from 2025/26 and there is no social care precept

Council Tax Support

6.42 There are currently over 48,000 households in receipt of Council Tax support. The current level of Council Tax Support (CTS) is up to a maximum of 17.5% of a resident's council tax bill. The CTS threshold is being reviewed for 2023/24 with a view to consulting to reduce the maximum payable to 15%.

6.43 In 2022/23, in line with the increase in council tax precept the council is providing additional support to residents on CTS. The full details are set out in the Corporate Core Budget Report.

6.44 Corporate Core Budget Report sets out details of the various support schemes for residents that are either funded by the Council or are government funded. The latter include:

- Council Tax Support Fund. £100m announced in the settlement aimed to deliver additional support to households receiving council tax support in 2023/24. This will provide a reduction of up to £25 council tax on claimant's bills. There will also be a discretionary scheme to provide further support to the most vulnerable residents. The Council's allocation is £1.286m based on council tax support claimants to September 2022.

- Household Support Fund. £1bn of funding announced in the Autumn Statement confirmed the extension of the Household Support Fund to March 2024. This will provide targeted support for the most vulnerable residents, to help household with inflationary challenges and the significantly rising cost of living. Authorities have discretion on how this funding is used within the scope set out in Government guidance. The Council's 2023/24 allocation is expected to be £12.906m covering 12 months. The same total allocation was received across 2022/23 in the form of two separate 6-month schemes.

- Energy Bill Support Scheme: Alternative Funding Grant. The Council will receive £2.300m to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments. The scheme will provide support to households not automatically eligible for support via the Energy Bills Support Scheme which provided £400 direct discount to bills. The scheme will target households who are responsible for paying for energy used in their primary dwelling as part of a service charge, rent or other arrangement, including residents in care homes, temporary or supported accommodation, park homes or on authorised traveller sites. The scheme is due to launch in late February with payments expected to continue in 2023/24.

6.45 Final Government guidance has been received for the Council Tax Support Fund scheme; draft guidance received for the Energy Bill Support Scheme: Alternative Funding Grant; and the updated guidance for Household Support Fund is awaited. In order to be able to execute these schemes and allocate the funding to residents as quickly as possible it is recommended that the existing delegations to the Deputy Chief Executive, in consultation with the Executive Member for Finance and Human Resources are continued.

6.46 The design of any discretionary elements of the scheme will be agreed with the Council's Anti Poverty Group chaired by the Deputy Leader and will be reported back to the Executive.

Grants and other External Funding

6.47 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 and reflects the continued fragmentation of funding of local government.

Table Eight: Non Ring-Fenced Grants and Contributions

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
Better Care Fund (Improved)	31,748	31,748	31,748	31,748

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	**£'000**	**£'000**	**£'000**
Children's and Adult's Social Care Grant	31,924	50,695	57,645	57,645
Market Sustainability and Fair Cost of Care Fund	1,800	6,243	9,348	9,348
Adult Social Care Discharge Fund		4,451	7,420	7,420
Services Grant	12,324	7,230	7,230	7,230
Lower tier services grant	1,328	0	0	0
New Homes Bonus Grant	9,857	6,637	0	0
Loan Income from Airport	6,913	6,913	6,913	0
Contribution from GM Integrated Care Board	4,000	4,000	4,000	4,000
Education Services Grant	1,200	1,055	1,055	1,055
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Council Tax Support Admin Subsidy (rolled into RSG from 2023/24)	856	0	0	0
Care Act Grant - Prison only from 16/17	95	95	95	95
Proposed share of £20m waste rebate		4,498		
Proposed share of further £2m waste rebate		360	0	0
Settlement Risk	0	0	0	(5,000)
Total Non Ring-fenced Grants and Contributions	**104,559**	**126,439**	**127,968**	**116,055**

6.48 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 2023/24 this grant retained the same distribution and quantum as 2022/23 giving the Council an allocation 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 £1.5bn in 2023/24. This increase reflects a Social Care Grant increase of £80m, rolling in of the Independent Living Fund totalling of £161m and savings from delaying the rollout of the adult social care charging reform of £1.265m, which has been deferred until at least October 2025 with a risk this funding will be withdrawn once reforms commence. The Social Care grant is only partially equalised with the social care precept from Council Tax and Manchester's 2023/24 allocation is **£50.695m.**
- **Market Sustainability and Fair Cost of Care Fund** – This 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 and is maintained at last year's levels of £162m. A further £400m is provided nationally in 2023/24, increasing to £680m in

2024/25, to support authorities make tangible improvements to adult social care. This funding is distributed on the ASC Relative Needs Formula and the Council's 2023/24 share is **£6.243m**.

- **Adult Social Care Discharge Fund** – Announced in the Autumn Statement £300m of new grant funding in 2023/24, increasing to £500m from 2024/25, to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Distribution of this grant is in line with Better Care Fund and the Council's share in 2023/24 is **£4.451m**
- **Services Grant** - This is the second year of unringfenced allocations of Services Grant, reduced nationally to £483m to reflect the removal of employer National Insurance Contributions and fund increases in the Supporting Families programme and other elements of the settlement. The Council's share is **£7.230m**
- **Lower tier services grant** - This was a new un-ringfenced grant in 2021/22 which continued in 2022/23. The Council received £1.3m in 2022/23 which supported the overall budget position in. This grant is removed from 2023/24.
- **New Homes Bonus (NHB) Grant** – NHB was introduced in 2011 to provide an incentive for local authorities to encourage housing growth and paid annually from a top slice of RSG. The Government has proposed a new round of NHB payments in 2023/24 which will not attract new legacy commitments in future years. The allocations for 2023/24 will be funded through a £291m top slice of RSG and will be confirmed in the final settlement. The methodology will remain the same as in previous years 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 **£6.637m.** The Government has consulted on a replacement for NHB and it is not expected to continue past 2023/24.
- **Loan Income of £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 GM Integrated Care Board -** This relates to the agreement of a longer-term joint funding strategy with the GM Integrated Care Board which includes the ongoing **£4m** contribution to the Adult Social Care aligned budget.
- **Education Services Grant £1.055m -** This relates to retained funding from DSG to fund statutory duties.
- **Housing Benefit Admin Subsidy of £2.514m and Council Tax Support Admin Subsidy** - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents. The Council Tax Support Admin Subsidy has been rolled into Revenue Support Grant.
- **Care Act Grant £95k**- Funding allocations for adult social care duties since 2016/17
- **Proposed share of Waste rebate of £4.858m –** This reflects the return of waste reserves from the Greater Manchester Combined Authority, with a total of £30m returned to Greater Manchester authorities reflecting the 2021/22 and 2022/23 surpluses.

- **Settlement Risk adjustment** - This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms. An estimated adjustment of **£5m** has been made for the year of expected reforms, 2025/26 and each year beyond. This is a local estimate, and the budget will be updated once the level of grant funding for future years is known.

6.49 **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 2023/24 allocations have still to be announced and the Council is assuming no increase on the 2022/23 allocation of £55.246m. Any increase will be reflected in a reduced business rates tariff payment to the government, with additional resources passported to the Population Health budget.

6.50 Social Care grants will total over £93m next year, almost 13% of the net budget. These are not guaranteed beyond this Spending Review Period.

6.51 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 2023/24 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 Nine: Specific Government Grants within Directorate budgets

Directorate Government Grants	**Revised 2022/23**	**2023/24**
	£'000	**£'000**
Children and Young People	386,955	451,144
Adult Social Care	2,343	359
Neighbourhoods	4,094	4,094
Homelessness	15,046	15,046
Growth and Development	8,454	8,454
Corporate Core	161,258	161,258
Total Directorate Grants	**578,150**	**640,355**

6.52 Forecast Children's grants a have increased by £64m, of which almost £50m relates to additional schools funding. This includes additional Dedicated Schools Grant of £27m, a new Mainstream Schools Additional Grant of £17m and a new School-led Tutoring Grant of £5.7m.

6.53 The reduction to Adults grants relates to Independent Living Fund of £2m which will now be received through the Social Care Grant

Use of Reserves

6.54 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 £17m in 2022/23. Of this, £7.2m relates to Business Rates grant, £1m from the remaining airport dividend reserve, £1.3m for the delivery of the adult social care new care models and £6.4m supporting the transport levy. The breakdown is shown in table fifteen later in this report, the full detail is shown in the reserves strategy which is appendix five to this report.

6.55 Where reserves are used to fund specific costs within the budget these are included within the overall net cash limit budget and not separately identified in the Resources Available table. A detailed breakdown of reserves is shown in the appended Reserves Strategy.

Resources Required

Corporate Budgets

6.56 There are a number of costs held Corporately which have to be funded as part of the budget. These are outlined below.

Levies / statutory charge

6.57 The Council is required to pay a number of levies and statutory charges to other public sector bodies including the GMCA. These are shown in the table below:

Table Ten: Levy Payments and Payment to GMCA

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
GMCA - Waste Disposal Authority	29,956	30,632	32,164	33,643
Transport Levy	37,573	39,076	39,467	40,651
Contribution to Bus Reform	0	0	3,481	0
Environment Agency	248	258	258	258
Port Health	84	94	94	94
Probation (residuary charge for debt)	7	0	0	0
Magistrates (Residual debt)	3	0	0	0
Net Cost of Levies	**67,871**	**70,060**	**75,463**	**74,646**

6.58 The Waste Disposal Levy is paid to the Greater Manchester Combined Authority (GMCA), for the costs of disposing of the Council's household waste. Based on figures provided by GMCA the 2023/24 levy costs will increase by £0.7m inclusive of changes in costs, recycling rates and market prices for recyclates and energy, as well as one off reserve rebates. The final amount will be confirmed following the meeting of the GMCA on 10 February 2023 and may vary slightly.

6.59 The Transport Levy is to cover the costs of providing the greater Manchester integrated transport system, including the Metrolink and subsidised bus services, as well as transport infrastructure developments. The final amount will be decided as part of the GMCA budget process. It has been assumed the total level will be increased by 3% for 2023/24 although as the costs are allocated on a per capita basis the final amount will vary with the differential population growth between the GM local authorities.

6.60 The ten GM authorities have committed to contributing toward the GM Mayors bus franchising policy, and bus reform. The increase in the 2024/25 levy cost reflects the council's contribution for this.

Contingency

6.61 The unallocated contingency to meet future unforeseen expenses is £0.6m. This is deemed to be reasonable amount and should be considered in conjunction with the Council's policy on reserves.

Capital Financing Budget

6.62 The capital financing budget of £39.507m is to cover the costs of borrowing. For 2023/24 the forecast breakdown is as follows; this included:

- Costs of £92.7m as follows:
    - Interest costs of £40.7m,
    - Minimum Revenue Provision (MRP) of £37.2m, 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 investment projects and capital financing reserves of £14.6m.
- Partly offset by interest receivable of £53.2m.

6.63 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 £565m for the three year period up to and including 2025/26, 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 allow the smoothing of the financing of the programme by covering the future increase in interest and MRP costs, as borrowing is drawn down. These funds increase the overall financing capacity of the programme and are committed as part of that programme.

6.64 The Strategies referenced above show how the levels of actual and planned borrowing to support the capital programme remain proportionate to the net revenue budget, and affordable without the need to increase the capital financing budget over the MTFP period and can be met by the capital financing reserve in future years. Given the impact changes in market conditions can have, for example inflation and interest rate changes, this is closely monitored throughout the year.

Transfers to Reserves

6.65 The planned transfers to reserves total £24.638m in 2022/23 and £1.335m in 2023/24. The 2022/23 transfer was approved last year and includes:

- £12m funding following the 2022/23 Finance Settlement which has been used to fund budget pressures over three years at £4m a year. £8m of this has been transferred to reserves to support the spend in 2023/24 and 2024/25.
- £16.6m transfer to business rates reserves. This included £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, and £5.3m from an increased collection rate and reduced business rates appeals.

6.66 The Council Tax surplus of £1.335m from 2021/22 which will be recognised in 2022/23 has been transferred to the Capital Fund reserve to support measures which contribute to the economic growth of the city. A full breakdown of available reserves and their forecast use is shown is included at Appendix 5 to this report.

Allowances and Insurances

6.67 Additional **allowances for former staff and teachers' pension costs,** total £8.566m in 2023/24. These are historic pension costs of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time.

6.68 The increase from 2022/23 of £1.250m is due to the annual saving from pre-paying the councils pension contributions ending in 2022/23 (£1.750m) partly offset by a £0.5m reduction in allowance costs as the number of participants reduces.

6.69 **Insurance costs** of £2.004m for 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

6.70 The Council makes an assessment of the impact of inflation and holds these budgets corporately until actual costs are known, after which budgets are allocated. The main assumptions are shown in the table below and detailed in the paragraphs which follow.

Table Eleven: Inflationary pressures and budgets to be allocated

	Revised 2022 / 23 £'000*	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000
Non Pay Inflation	(1,240)	6,476	10,818	13,807
Electricity Inflation	0	2,400	2,400	2,400
Pay Inflation	(6,958)	15,600	26,700	38,000
Reduced Pension Contribution	0	(2,950)	(2,950)	(2,950)
Apprentice Levy (0.5%)	1,029	1,060	1,092	1,124
Social Care Reforms	0	0	0	25,721
Total	**(7,169)**	**22,586**	**38,060**	**78,102**

* The negative amounts reflect the fact the actual costs were higher than budgeted in 2022/23. This has been reported throughout the year and the latest position is covered elsewhere on the Executive agenda in the Period 9 Revenue Monitoring report

6.71 Inflation has been rising throughout 2022/23 and the following provisions have been made within the draft Revenue Budget:

- Electricity es increased by almost 90% in October 2021 and a further 70% in October 2022, resulting in a £8.4m increased costs in 2022/23. An additional £2.4m budget is required in 2023/24 to reflect the full-year impact of the October 2022 increase. This will bring the total growth of the budget to £10.8m, since 2021/22.
- Pay inflation – early information on pay negotiations suggests the average pay increase could be higher than the 4% allowed during the 2022/23 budget setting. Provisionally, a 6% increase has been provided for at a cost of £15.6m. If not required the funding will contribute towards closing the remaining budget gap in 2024/25.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- The core pension contribution rate to fall by 1.3%, from 17.8% to 16.5% from 2023/24 saving £2.950m. This has been informed by the actuarial valuation.
- Social Care Reforms - the planned commencement of the Adult Social Care reforms in 2025 and the risk that the Social Care Grant which is fully applied to support social care pressures could be repurposed by central government back to fund the reforms. £25.7m adjustment reflects. This is a big area of uncertainty from 2025/26 and £25.7m has been allowed for to cover the provisional risk. This will be updated as more information becomes available.

Directorate cash limit budgets

6.72 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 adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated once the required uplifts are agreed. The changes from 2022/23 and recommended revised cash limit budgets are shown in the table below. The paragraphs which follow summarise the main changes by directorate. The full directorate proposals have been reported to the relevant scrutiny committees and are published as part of the Executive Agenda.

Table Twelve: Change from 2022/23 Cash Limit budget to 2023/24 Cash Limit budget

		Approved Last MTFP		New Proposals		
	Revised Net Budget 2022/23	Savings Approved Last MTFP	Pressures /Growth approved Last MTFP	New proposed savings*	Other changes / pressures / investments	Proposed Net budget 23/24
	£'000	£'000	£'000	£'000	£'000	£'000
Children's	132,052	1,309	2,357	(4,411)	6,927	138,234
Adult's Social Care	191,197	(3,477)	7,919	(4,142)	20,450	211,947
Public Health	42,685	0	0	(730)	0	41,955
Corporate Core	98,321	(304)	533	(565)	6,511	104,496
Neighbourhoods (incl Highways & Homelessness)	100,351	(100)	1,000	(1,789)	5,200	104,662
Growth and Development	(8,774)	(300)	0	(959)	300	(9,733)
Total	**555,832**	**(2,872)**	**11,809**	**(12,596)***	**39,388**	**591,561**

* In addition to the £12.596m savings reducing directorate budgets there is a further £2.8m against Corporate budgets and resources bringing the total new proposed savings to £15.396m. This includes £2.3m annual trend growth in the parking reserve to be used to support transport levy and £0.5m reduction in historic pension costs.

6.73 The budget assumptions that underpin 2023/24 to 2025/26 include the commitments made as part of the 2022/23 budget process to fund ongoing demand and other pressures. Whilst this has contributed to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

6.74 Full details of proposed directorate 2023/24 to 2025/26 Savings and Investments can be found in Appendix 2 - Savings Proposals and Appendix 3 - Growth and Investment.

Children's Services

6.75 Overall, the Children's net budget will increase **by £6.182m to £138.234m.** The changes include:

- Proposed savings of £3.102m include:
  - Savings previously approved – (£1.309m) reversal of a one off saving for 2022/23 and £100k full year effect Early Years saving.
  - Savings proposed as part of 2023/24 Budget Setting – These total £4.411m, including £3m for measures which have reduced demand on the budget rather than being cuts in services.
- Demographic Growth £2.357m - Looked after Children placements and Home to School Transport demographic demand which has been updated

for the current number of placements and the potential increase in demand informed by 3% population growth predictions.

- Children's Investment totalling £6.927m to address pressures including;
  - Early Years £0.940m - commissioned training support for early years high needs will no longer be charged to the DSG high needs block and will now be a cost to the Council's Early Years budget. Additional Council budget will be allocated to accommodate this transfer.
  - £3.3m focused on preventing and managing future demand to leave the council in a more sustainable position in 2025/26, including £1m for Home to School Transport for the increasing number of young people becoming eligible and/or requiring transport for longer. Investment of £0.915m for Take a Breath initiative. Children's Services is setting up two special children's homes to house the increasing number of vulnerable young people accommodated in hospital because no residential providers will take them. The homes will be jointly commissioned by Health and the Council, savings are expected to be achieved by both partners.
  - £2.687m price inflation including £1.966m funding for increased rates paid to foster carers. Current inflation and cost of living pressures have been recognised in order to support carers.

Adult Social Care

6.76 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 2023/24. Overall, the planned contribution to the aligned budget will increase by **£20.750m to £211.947m** for Adult Social Care. The S75 agreement will be updated accordingly.

6.77 Proposed changes to the Adult Social Care 2023/24 budget include:

- Savings previously approved of £3.477m - the final year of the three-year BOBL savings programme.
- Savings proposed as part of 2023/24 budget process of £4.142m.
- Additional Growth and Pressures of £7.919m.
- New grant funding and additional investment priorities of £20.450m which are set out below.

6.78 Savings proposed as part of 2023/24 Budget Setting are grouped into key themes as follows;

- Provider Services £150k – To start a substantial service redesign and improvement programme reviewing in-house Supported Accommodation, Day Services, Transport arrangements and Short Breaks. There are substantial savings expected in subsequent years.
- Net workforce saving of £1.217m – achieved by increasing the vacancy factor to 6% to more accurately reflect the current time it takes to recruit (£1.694m), less investment of £0.477m to address pressures within Community Alarms (£0.114m) and social work (£0.363m).

- Demand Management £2.275m - Achieved initially through deployment of reserves before being mainstreamed by 2025/26 following the delivery of the BOBL programme.
- Disabled Facilities Grant £0.5m, charging the costs of OT assessment to the grant on a recurrent basis.

6.79 Funding for Pressures and Growth approved last MTFP £7.919m includes;
- Increased demand associated with population growth £2.329m (Demography)
- £5.590m to fund the increase as part of the Council's commitment of funding care providers to pay the Real Living Wage to care staff.

6.80 With the introduction of the ASC Market sustainability grant, £2.095m of the £5.590m funding in the para above together with the 2023/24 BCF increase (£1.023m) will support an improvement programme focused on strengthening statutory duties, managing demand and delivering the significant savings programme in Provider Services.

6.81 New pressures and investment identified 2023/24 budget setting;
- £1.3m per year 2023-26 to sustain the social work infrastructure and reablement capacity, supporting new models of care funded via smoothing reserves.
- £3.5m towards Real Living Wage increases from Corporate Inflation
- £2m to fund the Independent Living Fund grant costs which has now been rolled into the Social Care Grant
- £4.443m ASC Market sustainability grant – passported to providers in line with the grant conditions
- £4.451m ASC discharge fund grant – ringfenced to deliver extra investment as part of the grant conditions.
- £2.027m additional 1% Precept funding to be invested in the adult social care market
- £2.729m contribution to care provider fee uplifts from the corporate inflation provision.

6.82 This brings the total additional investment into the aligned budget to £28.369m, before the savings of £7.619m are removed, giving a net increase to the Adults and Social Care budgets of £20.750m.

6.83 Better Care Fund – The BCF will continue in 2023/24 and 2024/25. Government will publish a policy framework in due course. The planning assumption is the minimum BCF contribution to social care will rise by a flat 5.66% at a health and well-being board level. This equates to £1.023m. The iBCF is not being increased for inflation. The Council and GM ICB entered into a Section 75 Better Care Fund Agreement in March 2022. The S75 will be updated for the revised BCF allocation and the Adult Discharge Fund.

Public Health

6.84 The Public Health Grant has not been announced yet. The existing Public Health 2023/24 budget will be reduced by £0.730m to **£41.955m** for the

2023/24 savings proposals. The proposals can be delivered without impacting on delivery of public health commissioned services in the city.

6.85 Investment of £3m has been identified from the Public Health reserve for Making Manchester Fairer including the kickstarter schemes. The expectation is schemes will deliver savings to the health and social care system and wider including Education, Work and Skills and Homelessness. Two kickstarter schemes have been prioritised for investment for phase 1 and are targeted at delivering the Making Manchester Fairer plan's principles, improving health equity, through an 'invest to save' approach. The schemes prioritised for investment are (i) Improving Health Equity for Children and Young People, and (ii) Early Help for Adults Experiencing Multiple and Complex Disadvantage.

Corporate Core

6.86 The Core budget will increase by **£6.175m to £104.496m**. The main changes include:

- Savings of **£0.869m** as set out in Appendix 2 to this report as follows:
    - £0.304m for the full year effect of the 2022/23 agreed savings measures for Operational Property.
    - New proposed savings as reported to February 2023 Scrutiny of £0.565m, including £150k of additional annual income targets for clamping budgets reflecting current activity levels and £200k of efficiency savings through the standardisation of processes, training of budget holders and self-service as part of the planned finance system replacement.
- New Pressures and Investments totalling **£7.044m**:
    - £0.5m - Operation Property – pre approved investment into the corporate estate as part of the 2022/23 budget approvals.
    - £0.461m – ICT - to ensure systems remain secure and avoid any security compromises additional software has been installed in 2022/23. The full year costs in 2023/24 will be c£461k per annum.
    - £3.550m investment in direct response to the unprecedented pressures facing our residents from the current cost of living crisis.
    - £2m from the precept increase to provide additional targeted investment to provide support for vulnerable residents and the voluntary and community sector.
    - £250k to provide additional capacity for ICT security and resilience and
    - £250k to invest in establishing improved support for staff with disabilities.

Neighbourhood Services

6.87 The Neighbourhoods Services cash limit budget has increased by £4.988m to **£135.295m**. This includes a Homelessness budget increase of £2.756m. The main changes include:

6.88 Budget savings and reductions of £1.889m including:

- £209k - Commercial operations and pest control - savings previously approved and income generation from traffic offences and pest control
- £119k - Compliance services and Libraries, Galleries and Culture - staffing saving that reflects staff turnover and vacancy levels.
- £127k - Parks and green spaces - relating to parking charges and reduced events
- £190k - Highways income generation from increased fees from design and project management work, increased highway inspector activity and staffing saving in highways maintenance
- £1.244m - Homelessness saving through service transformation in temporary accommodation placements, changes to the allocations procedure, the expansion of the disperse accommodation pilot and staffing savings. These will be achieved without reducing the level of service provision.

6.89 Additional budget investment of £6.2m for:

- Waste and street cleaning investment of £1.0m into waste and street cleaning and a further investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes
- Additional investment of £4.0m to fund fee uplifts for dispersed accommodation and to provide capacity for invest to save measures.

Growth and Development

6.90 The Growth and Development cash limit budget has reduced by £0.959m for an increase in income. The directorate has a 2023/24 net income target of **£9.733m**, an increase from £8.8774m in 2022/23. The main changes include:

- £300k savings previously approved relating to investment estate through establishing a new ground rental portfolio secured against long leasehold disposal of land as part of the Victoria North development.
- £0.959m savings as part of the 2023/24 budget, this is due to a combination of increased investment estate income from an annual increase in Manchester Airport Group Rent, (£0.63m) cessation of invest to save recharge on a property disposal (£170k) amendments to staffing recharges (£150k) and deletion of a vacant post in Strategic Housing (£9k).
- £300k for additional resources to provide more capacity and establish a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team to better support highways and infrastructure planning.

6.91 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 Thirteen: Directorate budgets

	2022 / 23 Revised		2023 / 24	
	Net Budget	Gross Budget	Net Budget	Gross Budget
Directorate	**£'000**	**£'000**	**£'000**	**£'000**
Children Services	132,052	528,598	138,234	601,822
Adults Services	191,197	258,615	211,947	268,300
Public Health	42,685	45,989	41,955	47,059
Corporate Core	98,321	316,569	104,496	322,861
Neighbourhoods (Incl. Highways and Homelessness)	100,351	242,991	104,662	253,461
Growth and Development	(8,774)	35,577	(9,733)	35,548
Total	**555,832**	**1,428,339**	**591,561**	**1,529,051**

Corporate Budget Savings

6.92 There are a further £2.8m saving against corporately held budgets. This is for the planned use of £2.3m of the parking reserve per annum to fund the transport levy and a £0.5m reduction in historic pension costs.

Fees and Charges

6.93 The Local Government Act 2003 provides Local Authorities with the power to charge for some goods and services that can be used to promote or improve local economic wellbeing. Income generation forms a significant part of the overall funding of the Council's budget with any income generated being used to support the delivery of front-line services. Local Authorities do not always have the ability to control the level of fees that can be charged, and in some cases the ability to use any income generated is restricted and ring fenced to specific purposes, which is often prescribed by legislation.

6.94 Full detail is shown in the Sales, Fees and Charges report at Appendix 6.

Reserves

6.95 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.

6.96 The reserves include:

- Ringfenced reserves outside the General Fund. These relate to the HRA and Schools balances which the council cannot utilise.
- 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 manage Economic and Commercial Risks

- Insurance Fund Reserve
- Reserves held to support the delivery, financing, and risk of the capital strategy
- Reserves to support delivery and risk of the Medium-Term Financial Plan,
- Reserves held for Accounting Purposes
- Other Specific Reserves
- General Fund Reserve

6.97 The only unearmarked reserve is the General Fund Reserve which is set to be £23.5m for 2023/24 and 2024/25. This is the only reserve to held to meet costs arising from unplanned events and unknown risks.

6.98 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 £17m in 2022/23. Of this £7.2m relates to Business Rates grant, £1m airport reserve, £1.3m for New Care Models and £6.4m supporting the transport levy. The breakdown is shown in table fifteen below, the full detail is shown in the reserves strategy which is appendix five to this report.

6.99 Where reserves are used to fund specific costs within the budget these are included within the overall net cash limit budget and not separately identified in the Resources Available table. The following table shows an overview of the planned use of reserves in 2023/24 to support capital and revenue expenditure as part of the plans presented as part of this budget, the medium term financial plan and the capital strategy.

6.100 Earmarked reserves have reduced as the Council has sought to protect its services during the pandemic and are planned to stabilise at around £120m over the medium term.

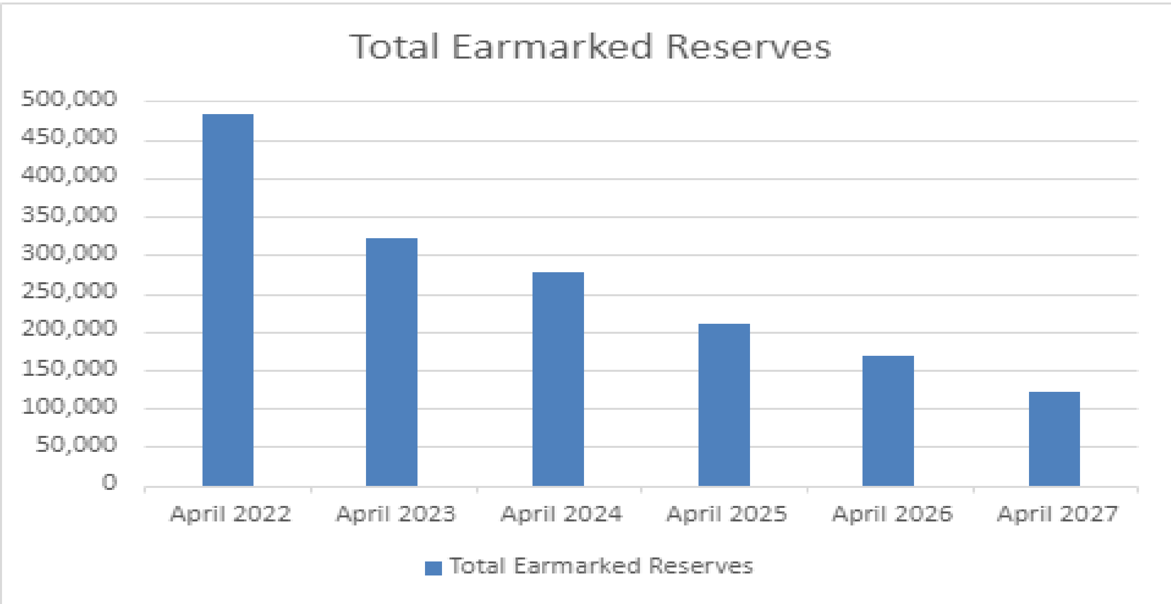
Table Fourteen: Forecast use of reserves

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
Reserves directly supporting the council wide revenue budget:			
Airport Dividend reserve	24,851	1,073	Used in arrears to support the revenue budget position.
General Fund	2,970	0	To support the 2022/23 budget position.
Business Rates Reserve	109,609	7,166	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.
Use of St Johns growth reserve to	0	1,156	Growth in business rates income in the St Johns footprint, used to support the budget.

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
support revenue budget			
Adult Social Care budget for New Care Models	0	1,300	An investment to sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management.
Bus Lane and Parking reserves	4,092	6,392	To support transport infrastructure and operations through the TfGM transport levy.
Sub Total	**141,522**	**17,087**	
Earmarked reserves:			
Bus Lane and Parking Reserves	5,188	7,044	To support costs associated with transport provision and highways / environmental improvements.
Balances Held for PFI's	433	33	Held to meet costs across the life of the PFI schemes
Managing economic and commercial risks	14,208	1,020	A significant part of the Planning Reserve will be required to support the development of the Local Plan.
Insurance Fund	500	500	Insurance fund reserve to meet uninsured risks, amount required is estimated each year.
Capital Fund Reserve	39,862	20,112	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities.
Investment Reserve	1,828	2,189	To fund £400k per Annum for North Manchester regeneration strategy, £0.7m over two years to support This City, and posts in Growth and Development.
Manchester International Festival Reserve	1,927	1,250	10 year grant agreement from 20
Eastlands Reserve	5,118	4,389	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Town Hall Reserve	1,765	3,124	To fund revenue costs from Our Town Hall including decant costs.
Enterprise Reserve	75	99	Enterprise Reserve
Highways Commuted Sum	89	89	Highways Commuted Sum
Medium Term Financial Plan Risk Reserves	25,869	5,816	Includes funding for Our Manchester Voluntary Sector Grants) and Supporting Families reserve for Thriving Families initiative.

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
Reserves held for accounting purposes	7,664	7,439	Grants used over more than one year.
Making Manchester Fairer	0	2,430	To fund kickstarter schemes supporting the Making Manchester Fairer ambition
Adult Social Care Reserve	4,268	5,010	To support Adult and Social Care Improvement Plan
Other Specific Reserves	636	1,037	Includes Community Safety, Primary School Catering and Social Value Fund
Total	**250,952**	**78,668**	

6.101 The graph below summarises the position on earmarked reserves after the planned use of reserves in the MTFP.



6.102 Full details are in the reserves strategy at Appendix 5 of this report.

7 Medium Term Outlook

Budget Position for 2024/25

7.1 The final settlement included funding allocations for 2023/24 and the policy direction for 2024/25. There remain significant uncertainties for 2024/25 including the future of the New Homes Bonus scheme, he continuation of 100% Business Rates Retention Scheme, the new Extended Producer Responsibility for Packaging (ePRP) waste management levy due to be phased in from 2024.

7.2 The forecast medium-term position based on the information available indicates a 2024/25 budget gap of £16.5m. It is currently assumed this could be offset by smoothing reserve whilst longer-term savings are developed for 2025/26 and beyond. This remains subject to review and it is likely that further cuts and savings will be made for 2024/25 to help balance the budget position.

Position for 2025/26 and beyond

7.3 The current spending review period ends in 2024/25 and there is considerable uncertainty around public finances from 2025/26. The main sources of local authority funding in business rates and council tax are volatile and there are considerable reforms planned to local authority funding. The Autumn Statement outlined a four-year horizon to stabilise the public finances. The first two years rely largely on tax increases with the final two years reliant on public service spending cuts, to meet the government pledge to reduce the levels of government debt. These final two years will fall into the next Spending Review period and presents an increased level of funding risk from 2025/26 onwards.

7.4 £93m or almost 13% of the net budget is now funded by social care grants. These grants are only guaranteed for the remainder of this spending review period. It is not yet known what will happen to the delayed social care reforms and the impact this will have on the current distribution of the funding for the reforms (£1.3bn increasing to £1.9bn) which has currently been allocated using the social care funding formula to support social care pressures.

7.5 Longer term there is no guarantee that ministers will proceed with the reform proposals that were under development. The major reforms planned included the Fair Funding Review including new formulas for Public Health and Social Care Grants, a business rates baseline reset and the end of the New Homes Bonus scheme. In addition, the 2021 census will update the population figures used to allocate funding. Nationally, there has been a growing reliance on council tax to fund services with half of the growth in Spending Power since 2019/20 driven by Council Tax increases which increases the burden on the local taxpayer.

7.6 Implementation of the ‘fair funding’ review of local authority financing. The funding formulae which inform the relative need assessment of local authorities was last updated in 2013 based on numerous metrics which included population, demography and deprivation. Government has committed to update the data within this formula and to review the way funds are distributed across Local Authorities. This is known as the ‘fair funding review’. It was first promised in 2016/17 and has been delayed since then, the earliest implementation date is now 2025/26. Whilst the review is long overdue, it will lead to a potentially significant redistribution of available funds. The outcome for the council is impossible to predict as it is dependent on a complicated interaction of factors. With the total funding envelop for Local Government remains at current levels there will inevitably be gainers and losers from the changes.

7.7 The Business Rates Retention system was implemented in April 2013 as part of the Local Government Resource Reforms, whereby authorities could retain up to 50% of rates growth above the baseline. Under this system Business Rates Baselines and Baseline Funding Levels were set in 2013, reflecting the level of rates income an authority could generate, and these have been index linked to inflation since. However, some authorities, including Manchester, have grown their base above inflation and this growth is retained in proportion to their local share. A Business Rates reset will see baselines recalibrated to more recent income levels. Although at a reset the growth element will be distributed across the sector, it will not accrue directly to the generating authority, and is likely to be rebased to the average increase. Further information on the mechanics of the reset is still to be confirmed by Government and it is delayed until at least 2025/26.

7.8 In addition, from April 2017, Manchester, along with the other 9 Greater Manchester authorities were able to retain 100% of their business rates growth above the baseline, under the 100% retention pilot. In 2023/24 the Council is forecasting a £15m benefit from partaking in the pilot. Although, the pilot has been confirmed for 2023/24 it is to be reviewed by Ministers from 2024/25.

7.9 Review of New Homes Bonus – A further one year extension of the scheme was announced for 2023/24. From 2024/25 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

7.10 Officers have estimated the scale of the funding gap at £57m in 2025/26, which would reduce to £40m after the use of £17m smoothing reserves. This is based on reasonable assumptions around the likely level of resources available and forecast spending requirements. This is subject to change as more information becomes available. The potential delay in the return of significant commercial income until after 2026/27 also leaves the City Council in a weaker financial position unless continued proactive action is taken.

7.11 The Council's proposed strategy is to use any additional funding, after covering new priority investment requirements and demand pressures, to help close the budget gap in future years and reduce the need for significant cuts in 2025/26 and beyond. However, the above factors, along with the large number of risks facing local government, mean early work on the 2025/26 budget is planned to identify further medium term cuts and savings options to close the gap is essential. This is in addition to the savings already agreed as part of the 2022/23 and 2023/24 budget processes.

8 Fiduciary and Statutory Considerations

8.1 In setting the budget the Council has a duty to ensure:

- It continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets

- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- It understands profile of existing and forecast liabilities and makes sufficient provision for repayment
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

8.2 In making decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

8.3 In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers, current and future, on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the proposals which are set out in the Directorate reports.

8.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

8.5 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

8.6 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

8.7 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.

8.8 The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

8.9 The budget proposals set out in this report are sustainable and the CFO does not consider that Manchester City Council is in Section 114 territory.

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

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

Robustness of the Estimates

9.2 The Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

9.3 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The CFO has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

Risk	Mitigation
Non-Delivery of Savings	Robust monitoring arrangements are in place to enable early corrective action to be taken if savings are not deliverable as planned. Within Health and Social Care, the Better Outcomes Better Lives programme involved an independent review of demand management to develop a realistic savings and transformation programme and strengthened the governance in place. As evidenced throughout the years of austerity the Council has a solid record of identifying and delivering financial savings whilst maintaining focus on delivery of the Council's priorities.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding for social care, the council tax precept and other Council resources have been used to provide more funding in these areas based on a reassessment of demand. The profile of future demand has been reviewed and updated for 2023/24. The underlying data which drives these costs is closely monitored throughout the year to enable early corrective action to be taken.
Volatility of resource base including business rates and council tax	As the Council continues to be reliant on locally raised resources it is more susceptible to any downturn in the economy. A thorough review of the Collection Fund has been carried out as part of the budget setting process 2023/24 and calculations of future income are robust and evidence based. The position on all these income streams is closely reviewed monthly and reported to the Senior Management Team and Executive Members. To mitigate the risk a business rates reserve has been established to help smooth income over financial years.
Delivery of a balanced budget beyond 2023/24	Longer term scenario planning has started to address the uncertainty beyond 2024/25. The Council will be continuing its Transformation Programme to ensure delivery of the Corporate Plan, improve future resilience and provide the framework for future budget decisions. The estimated three-year position and approach is set out earlier in this report. Given the level of future uncertainty and risk, robust reserves levels are maintained to help smooth any future budget shocks. As part of this years budget process, the use of smoothing reserves have been deferred to support future years and provide headroom to develop future transformation and savings proposals.

Overspend on significant capital projects	The Capital Strategy has been developed to ensure capital expenditure and investment decisions are in line with Council priorities and take account of stewardship, value for money, prudence, risk, proportionality, sustainability and affordability. There are strong governance arrangements for decision-making. All capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications. Independent reviews of the capital programmes function have been carried out to provide further assurance around delivery, cost control and governance, and have resulted in changes to the governance process. The capital programme is monitored monthly, with quarterly reports to Executive. There are programme and risk management arrangements in place for individual projects, and this is aggregated to support the management of risks across the programme, such as inflation risks. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. The monitoring is used to support future actions, including the estimation of future costs and mitigations as necessary.

9.4 The Council has a well-developed corporate risk register and a financial risk register that is reviewed monthly. Each Service Head has carried out an individual risk assessment of their budgets contained within the Service Plans.

9.5 It is the opinion of the CFO that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's budget monitoring procedures are very well embedded and are designed to monitor high level risks and volatile budgets. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. This is considered to be a prudent provision.

9.6 The CFO considers that the assumptions on which the budget has been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance and the smoothing reserve available to support the future budget position. This means the CFO is confident the overall budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

9.7 The Council has arrangements to fulfil its statutory duties particularly the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied they can continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

9.8 The General Fund Reserve is the only un-ring-fenced reserve and is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against financial risks and can be used to a limited degree to "smooth" expenditure across years. It is estimated that the balance on the reserve at 1 April 2024 will be £24m. The level of the General Fund reserve held has been risk assessed by the CFO and is felt to be prudent recognising earmarked reserves are held to mitigate specific risks such as the level of volatility in Council funding streams (such as business rates) and general uncertainty over the levels of funding available going forwards. However, the General Fund is seen as being at the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

9.9 The Council also has several earmarked reserves which are detailed in the reserves strategy appended to this report. They show a forecast 2023/24 opening balance of £100m for the HRA, £14m for Schools, and £326m for earmarked reserves.

9.10 The level of reserves required is robustly assessed as part of the budget setting process and monitored as part of the monthly reporting process to senior managers and members, as well as being reviewed as part of the closure of accounts. Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however the Council is a complex organisation with a large turnover, a wide range of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be precisely quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains an adequate level of reserves.

10 Financial Governance

Leadership and Governance

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

Assessment of value for money in the delivery of services

10.2 Manchester continues to lead the way in terms of transformation, delivering efficient services and creating the conditions for all of our communities to benefit from economic growth. The Council has maintained its reputation for innovation and reform through a number of key mechanisms:

- Using the commitment to social value to ensure communities see the benefit from Council made investments. This has included commitments from suppliers to employ local staff, no use of zero hours contracts and agreements to reduce energy consumption and carbon emissions in the City.
- Working alongside partners in the Greater Manchester Combined Authority the Council has worked hard to make the most of the opportunities to focus on local priorities through the Spatial Framework, Local Industrial Strategy, digital opportunities and in tackling homelessness.
- Focused on doing things differently for example developing the population modelling toolkit, creating a more meaningful definition of affordability to support the emerging Local Plan and Housing Strategy and supporting the implementation of the Manchester Living Wage across supply chains.
- Continuing with the integration of public services to improve the offer to residents. The benefits are already being seen of the approach to integrating health and social care through improvements in the number of years men in the city can expect to live in good health.
- Working closely with the Voluntary, Community and Social Enterprise sector to achieve better outcomes for residents

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

<u>Financial Management Code</u>

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

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

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

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

10.7 Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and demonstrate how the Council will meet requirements.

10.8 *Standard F - The authority has carried out a credible and transparent financial resilience assessment* - The CIPFA Financial Resilience Index has been developed to enable organisations to identify pressure points. It contains nine measures of financial sustainability to reflect risk including three which assess the adequacy of reserve levels, level of debt, interest payable, size of council tax base, level of business rates growth above baseline, fees and charges ratio and % budget spent on social care. The results show the Council to be relatively well placed on earmarked reserves and in a reasonably comfortable mid position on the others. The only ratio classed as high risk relates to the low council tax base which is well understood. This is mitigated by attempts to grow other income streams and highlighting the importance of council tax equalisation in all funding discussions and consultation with the government.

10.9 The index is not intended to represent the entire story on the financial sustainability of a Local Authority but provides some indicators of potential risk. In addition, the CFO has examined the major assumptions used within the budget calculations and associated risks as reported at Section 9.

10.10 *Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.* - This report sets out the longer term financial strategy and how financial sustainability is being maintained. it is also demonstrated by the Section 25 statement within this report.

10.11 *Standard H -The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities -* as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. This includes information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing. The Council takes a highly prudent approach to investments, both treasury and otherwise, with a view to minimising risk. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary. CIPFA have issued a revised Code, which local authorities must implement for the 2023/24 financial year.

10.12 *Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan. Whilst the suite of budget reports are focussed on 2023/24 to align with the central governments Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

- Five-year Capital Strategy (and financing arrangements) and asset management plans
- Three-year financial position and strategy for delivering a balanced budget set out in this report
- Five-year reserve strategy with three years published in the budget report elsewhere on the agenda
- Financial and scenario planning over the next spending review period

10.13 Sustainable service plans have been produced over the life of the MTFP including tracking delivery and an assessment of success in delivery of savings. Officers have satisfied themselves that the new savings and mitigations identified for 2023/24 of £15.4m are deliverable. A detailed risk rated savings tracker is monitored monthly and discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT). Updates are also provided monthly to Executive Members. The bi-monthly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations, linking financial and performance data.

10.14 The strengthening of the arrangements for the Manchester Local Care Organisation or MLCO, which has responsibility for community-based health care and adult social care, includes the establishment of the Accountability Board which will include the Council's Chief Executive and S151 Officer and monitors finance and performance on a monthly basis.

10.15 Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester ten year ambitions.

10.16 The second standard within this section is ‘The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.’ The Council undertakes VFM analysis which includes annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. Benchmarking is also carried out on various bespoke thematic pieces of analysis and reporting. The corporate Performance, Research & Intelligence (PRI) service provide bespoke analysis and support to make the best use of data to informs decision making.

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

Budget Scrutiny

10.18 The Scrutiny Committee meetings on the 7-9 February 2023 reviewed the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 27 February 2023 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 3 March.

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

Table Fifteen: Scrutiny Reports

Date	Meeting	Services Included
7 Feb 2023	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
7 Feb 2023	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
8 Feb 2023	Health Scrutiny Committee	Adult Social Care Public Health
8 Feb 2023	Children and Young People Scrutiny Committee	Children and Education Services

9 Feb 2023	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance Zero Carbon Action Plan
9 Feb 2023	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

Equalities Duties

10.20 In considering the budget for 2023/24 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, sex, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

10.21 The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within the City. The completion of equality analyses, to assess the implications of the business planning process for protected groups, is now a well-established approach and work has been continuing to ensure it is fully embedded and used effectively.

10.22 The standard EqIA template was amended in 2020 to streamline the process and allow for swift decision-making whilst retaining due regard for equality. The Council took the opportunity to add several characteristics to the template, in addition to those protected by the Equality Act 2010 (the Act). These additional characteristics reflect a greater breadth of inequalities than those addressed by the Act, and touch upon the provisions of Section 1 of the Act, the Socioeconomic Duty (which was not enacted). The additional characteristics are:

- Ex-armed forces personnel and their families
- People living in poverty
- People with continuing health conditions
- People with caring responsibilities
- Trans people, non-binary people and other consideration of gender identity (a broader definition than ‘gender reassignment’ as protected by the Act)
- Homeless people

- People Experiencing Local Authority Care
- Any other group identified as relevant to the activity (must specify)

10.23 The inclusion of poverty in the budget-related assessment template is particularly useful as it is recognised that some of the characteristic groups most likely to be impacted by budget reductions / service changes are also some of those most likely to be living in poverty. The EqIA template allows for a high-level assessment of poverty impact, and where it is identified that this is a distinct issue related to their proposals, a more in-depth analysis will be undertaken using a fuller Budget Impact on Family Poverty Assessment template. This tool assesses poverty in relation to place and service, as well as focusing on key groups, including workless families, people in receipt of Housing Benefit or Universal Credit and lone parents.

10.24 The budget setting process is also being further integrated with the Council's Corporate Plan and Business Planning process. The work that will be carried out on individual business cases will be complimented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. A high-level council wide review of the revenue budget as a whole, not just that of budget savings/reductions, will also highlight how the council is delivering services to meet the needs of our diverse communities.

11 Consultation

11.1 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 opened on Monday 7 November and ran until 7 January 2023.

11.2 A second phase of public budget consultation launched on 7 January and closed on 7 February. This focused on the option to increase the council tax precept by 4.99% - a further 1% for adult social care bringing the social care precept to 2% and a further 1% for the general precept bringing this to 2.99%.

11.3 The full analysis and results from the consultation, 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. None of the budget options require formal statutory consultation.

12 Conclusion

12.1 The Council remains committed to the priorities within the Our Manchester strategy and to the delivery of the Council's 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 the Public Health Grant.

12.2 Overall the Finance Settlement announcements were better than anticipated The 2023/24 budget gap has been closed without the need for further cuts and an opportunity to consider the quantum and phasing of the cuts and savings options alongside a small level of additional targeted investment. The 2023/24 budget contains reduced savings of £15.4m (£18.2m when the full year effect of savings previously approved in 2022/23 of £2.9m is included).

12.3 While the final settlement has given some breathing space it does not provide a sustainable long term funding solution for Local Government. The difficult financial decisions have been pushed back to 2025/26 and it is highly likely that further significant budget cuts will be required at that point.

12.4 Officers have estimated the future resources available based on the information available. This results in a forecast gap of £40m in 2025/26, after the use of £17m budget smoothing reserves. The focus will return to identifying medium term cuts and savings and continued working with central government to inform the planned reforms and obtain a fair funding settlement for the City.