

## **Executive**

### **Part Proceedings of the meeting held on Wednesday, 16 February 2022 – 2022/23 Budget agenda items**

**Present:** Councillor Craig (Chair)

**Councillors:** Akbar, Bridges, Hacking, Igbon, Midgley, Rahman, Rawlins, Robinson and White

**Also present as Members of the Standing Consultative Panel:**

**Councillors:** Ahmed Ali, Collins, Douglas, Foley, Johnson, Leech Lynch

**Apologies:** Councillor Stanton

#### **Exe/23/13 Revenue Budget Monitoring Update**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined the projected outturn position for 2022/23, based on expenditure and income activity as at the end of December 2022 and future projections.

The Leader advised that the current budget monitoring forecast was estimating an overspend of £3.5m for 2022/23. The main drivers of the overspend are the pay award and the reductions in car parking and Christmas markets income and Home to School Transport. Overall, there was an improvement of £4.1m from Period 7, which was the last report to Executive in December 2022.

The position reflected the release of contingencies £0.3m, reduced price inflation requirement of £1.7m and a £0.6m reduction in the budget required for electricity. These amounted to a £2.6m reduction in the corporate overspends. The Deputy Chief Executive and City Treasurer also commented that there had also been an increase of £1.5m in Corporate Resources due to the redistribution of the Business Rates levy surplus from Central Government

It was reported that it was positive that the main demand led services within Adults, Children's and Homelessness were underspending or breakeven, which puts the Council in a better position than many other councils and reflected the investment in prevention strategies over the last few years.

Any remaining overspend which could not be mitigated in year would require the use of the smoothing reserve or the general fund reserve. The smoothing reserve had been established to assist with timing differences between savings plans being developed and delivered. It was recognised that any unplanned use in the current year would reduce capacity to support future years savings programme and reduce the Council's overall resilience.

Full details about of the budget forecasts and variances by Directorate were detailed in the report and budget changes could be summarised as follows:-

- Highways - Traffic Signal Optimisation - £0.5m grant awarded for upgrade and maintenance of traffic signals and associated equipment;
- Highways - Review of City Centre Controlled Parking Zone and on street tariffs (Parking Reserve) - £50k for the feasibility study estimate of £100k to review the current city centre controlled parking zones and on-street tariffs;
- Homelessness – Homelessness Prevention Grant Winter 2022/23 Top-Up. £0.530m to prevent vulnerable households from becoming homeless and manage local homelessness pressures;
- Corporate Core – Energy Bill Support Scheme: Alternative Funding Grant. £2.300m to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments;
- Use of reserves over and above that agreed as part of the approved 2022/23 budget - £0.6m to Manchester Aquatics Leisure Centre to offset the income losses from the Leisure provider GLL for 2022/23;
- Utilities inflation - £3.246m to cover increased gas prices;
- Cost of living payments to internal Foster Carers of £300, expected to cost £150k in total;
- Payments to households who missed out on the Universal Credit cost Living autumn payments, estimated at £369k;
- £753k released from Contingency; and
- Price Inflation requests

The inflationary pressures outlined in the report were expected to continue into future years. This coupled with funding uncertainty increased the risks associated with setting a balanced and sustainable long-term financial plan and represent a deterioration of the Council's financial position if no action was taken. It was therefore vital that the Council continued with its programme of innovation and reform and developed its operating model to help tackle these challenges and keep the Council's finances stable and sustainable.

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed

Whilst the position for 2023/24 looked manageable, the financial position from 2023/24 to 2024/25 was much more challenging. The Medium-Term Financial Strategy elsewhere on the agenda set out the financial context for ensuring future financial sustainability.

## **Decisions**

The Executive:-

- (1) Note the global revenue monitoring report and forecast outturn position which is showing a £3.5m overspend.
- (2) Approve the use of unbudgeted external grant funding.

- (3) Approve the release of reserve funding.
- (4) Approve the allocation of budgets to fund Utilities Inflation.
- (5) Approve the request for contingency funding.
- (6) Approve the allocation of budgets to fund Price Inflation.

#### **Exe/23/14 Capital Programme Budget Monitoring 2022/23**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which informed of the progress against the delivery of the 2022/23 capital programme to the end of December 2022, the latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in November 2022 and the proposed financing of capital expenditure for 2022/23 and affordability of the Capital Programme.

The Executive Member for Finance and Resources commented that the revised capital budget sat at £575.8m, with a further £472.1m budgeted to be spent across 2023-2025, taking total Council led capital investment in the city to £1,047.9m.

The latest forecasted expenditure for 2022/23 for Manchester City Council was £443.8m compared to the current approved budget of £575.8m. Spend as of 31 December 2022 was £259.4m. It was reported that the programme was subject to continual review to establish whether the forecast remained achievable.

Whilst the intention was for the Council to progress the programme as stated, some projects and their sources of funding might require re-profiling into future years.

Councillor Leech queried whether the re-profiling of certain aspects of the The Factory would lead to any additional inflationary charges in future years to which the Deputy Chief Executive and City Treasurer clarified that any profiling would not lead to additional costs.

#### **Decision**

The Executive note the report.

#### **Exe/23/15 Medium Term Financial Strategy and 2023/24 Revenue Budget**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the strategic and financial context which supported the 2023/24 Budget based on the outcome of the Final Local Government Finance Settlement.

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

- The Our Manchester Strategy;

- Progress to date on delivering the Our Manchester Strategy, building on the recent State of the City analysis;
- The Corporate Plan;
- A summary of the financial position and context;
- The required statutory assessment of the robustness of the proposed budget and adequacy of proposed reserves;
- Other fiduciary and statutory duties; and
- Financial Governance.

The Medium-Term Financial Strategy (MTFS) report to Executive 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 forecasted at £37m, in 2023/24, increasing to £58m by 2024/25, reflecting the flat cash funding position set out in the spending review.

Since then, the national funding outlook for Local Government has become more volatile. A review of the Council's budget assumptions was undertaken in August 2022 followed by an emergency financial statement delivered by the new Chancellor, on 17 October 2022, which reversed the majority of the tax changes announced on 23 September 2022. 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 which projected a revised forecast gap of £28m in 2023/24 increasing to £69m in 2024/25 and £96m by 2025/26.

Savings options had been developed consisting of £21.1m for 2023/24r 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. The financial settlement had provided some additional flexibility and headroom, with savings being reviewed and it was now proposed that savings options of £36.2m are progressed, a reduction of £6.1m overall

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
<b>Total profiled savings options</b>	<b>15,396</b>	<b>10,172</b>	<b>10,602</b>	<b>36,170</b>	<b>34</b>

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 was:-

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Resources Available</b>				
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
<b>Total Resources Available</b>	<b>690,599</b>	<b>736,219</b>	<b>767,921</b>	<b>768,578</b>
<b>Resources Required</b>				
<i>Corporate Costs:</i>				
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
<i>Sub Total Corporate Costs</i>	<i>132,616</i>	<i>111,502</i>	<i>115,570</i>	<i>114,753</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	7,316	8,566	8,566	8,566
Insurance Costs	2,004	2,004	2,004	2,004

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<i>Subtotal Directorate Costs</i>	<i>557,983</i>	<i>624,717</i>	<i>652,351</i>	<i>694,217</i>
<b>Total Resources Required</b>	<b>690,599</b>	<b>736,219</b>	<b>767,921</b>	<b>808,970</b>
<b>Shortfall / (surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>40,392</b>

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

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Resources Available</b>				
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
<b>Total Resources</b>	<b>690,599</b>	<b>736,219</b>	<b>767,921</b>	<b>768,578</b>

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Available</b>				

The report went on to present in more detail the main elements that had been part of the Local Government Finance Settlement,

The assumption in regards Council Tax was that the Council would apply a 2.99% Council Tax increase in the basic amount, and a further 2% increase to provide extra funding for Adult Social Care, equating to a 4.99% Council Tax increase overall.

	<b>2022/23 C'Tax</b>	<b>2023/24 C'Tax</b>	<b>Proposed Increase</b>	<b>Increase per week</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>	<b>£</b>
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

It was also reported that Council Tax collection rate had been increased from 95.5% to 96.5% in 2023/24 increasing forecast income by £1.9m.

The report examined the future funding uncertainties facing the Council. The Deputy Chief Executive and City Treasurer had examined the major assumptions used within the budget calculations and had carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation were set out in the report.

The details of the Business Rate calculations, forecasts and assumptions were set out in the report, as well as the financial changes arising from the business rate related grants and funding the government had provided to support businesses.

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

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Better Care Fund (Improved)	31,748	31,748	31,748	31,748
Children's and Adult's Social Care Grant	31,924	50,695	57,645	57,645

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>Total Non Ring-fenced Grants and Contributions</b>	<b>104,559</b>	<b>126,439</b>	<b>127,968</b>	<b>116,055</b>

The report also examined the use of resources and the proposed revenue expenditure by the Council in 2023/24. The forecast of levy payments the Council would have to make to other authorities in 2023/24 was:-

	<b>Revised 2022 / 23</b>	<b>2023 / 24</b>	<b>2024 / 25</b>	<b>2025 / 26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	0	0	3,481	0



Reform				
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
<b>Net Cost of Levies</b>	<b>67,871</b>	<b>70,060</b>	<b>75,463</b>	<b>74,646</b>

The waste disposal levy was paid over to Greater Manchester Combined Authority (GMCA) and this contributed towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2023/24 levy costs were to increase by £0.7 inclusive of changes in costs, recycling rates and market prices for recyclates and energy, as well as one off reserve rebates. The final amount would be confirmed following the meeting of the GMCA on 10 February 2023:-

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

The capital financing budget of £ 39.507m was to cover the costs of borrowing. For 2023/24 the forecast breakdown 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.

Allowances of £8.566m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £7.169m for 2023/24, broken down into:-

	<b>Revised 2022 / 23 £'000*</b>	<b>2023 / 24 £'000</b>	<b>2024 / 25 £'000</b>	<b>2025 / 26 £'000</b>
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	0	(2,950)	(2,950)	(2,950)

Contribution				
Apprentice Levy (0.5%)	1,029	1,060	1,092	1,124
Social Care Reforms	0	0	0	25,721
<b>Total</b>	<b>(7,169)</b>	<b>22,586</b>	<b>38,060</b>	<b>78,102</b>

The report explained that the Council held a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A full review of all the reserves held had been carried out as part of the budget setting process and the planned use of reserves in 2023/24 to support revenue expenditure was as follows:-

	2022 / 23	2023 / 24	<b>Spend supported by the reserve</b>
	£'000	£'000	
<b>Reserves directly supporting the council wide revenue budget:</b>			
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 support revenue budget	0	1,156	Growth in business rates income in the St Johns footprint, used to support the 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.
<b>Sub Total</b>	<b>141,522</b>	<b>17,087</b>	
<b>Earmarked</b>			

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
<b>reserves:</b>			
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	25,869	5,816	Includes funding for Our Manchester (Voluntary Sector Grants) and Supporting Families reserve for

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
Reserves			Thriving Families initiative.
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
<b>Total</b>	<b>250,952</b>	<b>78,668</b>	

Where reserves were used to support the Council's overall budget position or corporate expenditure such as levies, these were shown gross as part of the Resources required. The use of these reserves totalled £17m in 2022/23. Of this £7.2m related to Business Rates grant, £1m airport reserve, £1.3m for New Care Models and £6.4m supporting the transport levy.

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2022/23 reports that were also being considered at the meeting (Minute Exe/23/16 to 23/26 below). The overall position was:-

	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
<b>Total</b>	<b>555,832</b>	<b>1,428,339</b>	<b>591,561</b>	<b>1,529,051</b>

The budget assumptions that underpinned 2023/24 to 2025/26 included the commitments made as part of the 2022/23 budget process to fund ongoing demand

pressures, as well as provision to meet other known pressures and investments. Whilst this contributed to the scale of the budget gap it was important that a realistic budget was set which reflected ongoing cost and demand pressures.

The Council remained committed to the priorities within the Our Manchester strategy and to the delivery of the Council's Corporate Plan. The budget presented was based on the best information available to date, however there would be potential changes arising from other government funding announcements, such as the Public Health Grant. Overall, the Finance Settlement announcements had been 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 and the 2023/24 budget contained reduced savings of £15.4m

While the final settlement had given some breathing space it did not provide a sustainable long term funding solution for Local Government. The difficult financial decisions had been pushed back to 2025/26 and it was highly likely that further significant budget cuts would be required at that point. Officers had estimated the future resources available based on the information available. This resulted in a forecast gap of £40m in 2025/26, after the use of £17m budget smoothing reserves. The focus would now 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.

Councillor Leech sought clarification on the proportion of bus lane reserves to be used and how much would be left.

## **Decisions**

The Executive:-

- (1) 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;
- (2) Note the anticipated financial position for the Council for the period of 2023/24 which is based on all proposals being agreed
- (3) Note the resources available are utilised to support the financial position to best effect, including use of reserves and prior years dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants.
- (4) Note that the Capital Strategy and Budget 2023/24 to 2025/26 has been presented alongside this report.
- (5) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves.
- (6) Recommend to Council to approve, as elements of the budget for 2023/24

- 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%;
  - the contingency sum of £0.6m (para 6.61);
  - 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;
  - 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;
  - 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; and
  - The planned use of, and movement in, reserves after any changes are required to account for final levies.
- (7) Approve the gross and net Directorate cash limits.
- (8) Approve the in-principal contribution to the Adults aligned budget, subject to the extension of the S75 Agreement with Manchester Foundation Trust, which will be considered by Executive in March 2023.
- (9) 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.
- (10) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments;
- (11) 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.
- (12) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care;
- (13) Recommend that Council approve and adopt the budget for 2023/24.

## Exe/23/16 Corporate Core Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £10.26m (including Corporate Core savings of £6.024m and Traded Services savings of £4.236m). The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £7.712 were attributable to the Corporate Core directorate.

The revised core budget saving proposals would be delivered through a combination of:

- Transformation delivered through the Future Shape Programme – ensuring that the quality of Council services, resident experiences and outcomes were improved, whilst improving council efficiency and reducing costs resulting in approximately £5m savings over a five year period
- Review of workforce structures and capacity alongside taking a realistic view on the ability to fill longstanding vacancies; a review of service areas to identify efficiencies or opportunities for income generation; and delivering a corporate programme of work to ensure the basics were right, sound and competitive procurement, approach to managing inflation, ensuring income budgets were maximised and charges appropriate which would result in a further £3.46m of savings made up of a combination of £170k additional income generation and £3.29m efficiencies

<b>Future Shape Theme</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>2025/26 £000's</b>	<b>2026/27 £000's</b>	<b>2027/28 £000's</b>	<b>Grand Total £000's</b>
Customer Experience (RBDXP)	0	0	200	500	850	1,550
More Purposeful & Effective Core	200	422	490	400	400	1,912
Digital Data Insights	100	50	209	300	300	959
<b>Future Shape Total</b>	<b>300</b>	<b>472</b>	<b>899</b>	<b>1,200</b>	<b>1,550</b>	<b>4,421</b>
Further Savings & Efficiencies	3,065	205	190	0	0	3,460
<b>Total Corporate Core</b>	<b>3,365</b>	<b>677</b>	<b>1,089</b>	<b>1,200</b>	<b>1,550</b>	<b>7,881</b>

The report also identified that there were growth and investment pressures of £1.777m that needed to be considered as part of the budget setting process:-

Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
Gorton Hub running costs	500	0	0	500
ICT – EUD refresh	0	750	0	750
ICT – Cyber licences	461	0	0	461
Finance – increased license costs	10	10	0	20
HR – reduced payroll income	23	23	0	46
<b>Total Corporate Core Pressure</b>	<b>994</b>	<b>783</b>	<b>0</b>	<b>1,777</b>

There were also some new pressures that had been identified for 2023/24 and beyond which included:-

- Information Technology £0.75m - as part of the ICT strategy there had been the roll out of the end user device strategy. In order to provide an ongoing refresh of kit and additional revenue requirements of c£0.75m would be required from 2024/25;
- Additional security software - there had been increased requirements in respect of ensuring systems remained secure, and to avoid any security compromises, additional software had been installed in 2022/23 and the full year costs in 2023/24 would be c£461k per annum;
- Financial Management increased licence software to support the implementation of Civica costs £20k; and
- HR/OD £46k reduced payroll income as schools use alternative providers.

Additional investment of £3.55m had also been identified in direct response to the unprecedented pressures facing our residents from the current cost of living crisis.

In addition to the Corporate Core, the report provided details of budget proposals in regards to the Operations and Commissioning budgets. Based on the most up to date information and projections, the likely shortfall in car parking income in 2023/24 was likely to be around £1.9m. It was proposed that this would be mitigated through bringing together off street and on street parking and making a reduced contribution to the parking reserve. The parking reserve was forecasted to be c£6.3m at the close of 2022/23, although based on current activity levels it would reduce to nil by 2027/28.

It was noted that the report had also been considered at a recent meeting of the Resources and Governance Scrutiny Committee where the committee had endorsed the budget proposals (Minute RGSC/23/24)

Councillor Leech sought clarification as to whether Gorton Hub would become self-financing in future years or whether further running cost support would be required. He also commented that whilst the additional support to VCS Groups was a welcome addition, some wards across Manchester were better represented than others and queried if an equal balance of this funding would be applied.



## Decisions

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

### **Exe/23/17 Children and Education Services Budget 2023/24**

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £11.8m for the Children and Education Services directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £11.725 were attributable to the Children and Education Services directorate.

As a result of the improved financial settlement and alongside observations and challenge from Scrutiny Committee Members, the £75k Youth saving proposal has been removed and inflation assumptions had been reviewed. In addition, due to increasing Looked After Placement and Permanence placement costs the Managing Demand saving had been delayed and reprofiled. Furthermore, the School Crossing Patrol savings proposal had also been rephased and whilst it was proposed that savings of £11.725m savings were progressed, the timing of these have been deferred to later years.

The financial settlement had also given some scope for some targeted additional investments focused on preventing and managing future demand to leave the council in a more sustainable position in 2025/26 when the current spending review period ended.

As in previous years the budget options for savings had been informed by the Directorate Budget approach to deliver safe, effective and efficient services, the progress and impact of the services to date. This approach had contributed to overall looked after children numbers (rates) reducing and remaining relatively stable in Manchester. Cost reductions have been driven by a reduction in the number of expensive external residential placements. There had also been a parallel reduction in spend on external foster placements (12% reduction year on year, equating to £2.1m p.a. reduction in spend).

An analysis of the investment in prevention by the Directorate and current placement stability had led to some confidence that placement numbers were not going to increase at the rate assumed in the 2022/23 budget setting process with anticipated savings achieved through fewer and reduced placement costs, totalling £10.615m

Of the savings proposed, £1.110m would focus on charging of existing services to grant, reserves, ceasing activity that it was not achieving planned outcomes or applying different set of budget assumptions.

It was also reported that Looked after Children placements and Home to School Transport demographic demand was determined based on the placement numbers on which the budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions. Subsequently it was proposed that the Children and Education Services cash limit budget would increase by £2.357m, £2.419m and £2.479m in 2023/24, 2024/25 and 2025/26 respectively as estimated in the 2021/22 budget setting process.

The high and volatile inflationary environment had seen an increase to the corporate inflation allowance and immediate pressures affecting budgets in 2023/24 had already been identified and deemed unavoidable. Requirements illustrated that there were £2.687m of known and confirmed inflation pressures, which would be allocated to the budget at the start of the year and £1.515m would be set aside Corporately for price inflation and drawn down if needed.

It was noted that the report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee had endorsed the budget proposals (Minute CYP/23/10)

## **Decision**

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

## **Exe/23/18 Public Health Budget 2023-26**

The report of the Director of Public Health explained how the budget proposals for the Directorate had been developed.

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £1m attributable to Public Health. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £0.73m were attributable to the Public Health budget.

In the context of austerity and the national public health challenges post pandemic, the approach to the development of savings had been extremely difficult. The work had been informed by:

- The challenging position across a range of Public Health outcome measures with a worsening of health outcomes in Manchester since the pandemic;
- Reducing pressures on the wider health and social care system by ensuring that upstream cost effective prevention programmes were maintained;
- The need to protect the Drug and Alcohol service budget linked to new national investment conditions relating to the new national 10-year Drug Strategy, From Harm to Hope; and
- The scale of previous Public Health savings programmes.

Proposals had been identified as deliverable without impacting on delivery of public health commissioned services in the city and were summarised as follows:-

	2023/24 £'000	2024/25 £'000	2025/26 £000	Total £'000
<b>Initial Target</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>1,000</b>
Savings withdrawn	-270	0	0	-270
<b>Revised Target</b>	<b>730</b>	<b>0</b>	<b>0</b>	<b>730</b>
<b>Comprising:</b>				
Disestablish Public Health Vacancies	90			90
Use of 2022/23 underspend	330	(330)		0
MCR Active	30			30
Headroom in budget set aside for contract uplifts	280	330		610
<b>Total</b>	<b>730</b>	<b>0</b>	<b>0</b>	<b>730</b>

As per the Spending Review, it was announced the public health grant would remain the same in real terms which would significantly undermine the ability of local systems to reduce health inequalities without further investment in prevention by the NHS. However current levels of inflation would significantly erode spending power unless a further increase in grant was confirmed.

If the proposed changes were approved, the three-year budget position would be as follows:-

<b>Service Area</b>	<b>2022/2023 Budget</b>	<b>2023/2024 Indicative Budget</b>	<b>2024/2025 Indicative Budget</b>	<b>2025/2026 Indicative Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Health Core	3,300	3,210	3,210	3,210
Public Health - Children's Services	4,222	4,222	4,222	4,222
Early years - Health Visitors	10,676	10,676	10,676	10,676
Drugs and Alcohol	8,989	8,989	8,989	8,989
Sexual Health	8,295	8,295	8,295	8,295
Wellbeing (includes ZEST)	6,758	6,758	6,758	6,758
Other	445	195	195	195
<b>Total</b>	<b>42,685</b>	<b>41,955</b>	<b>41,955</b>	<b>41,955</b>

The savings proposals would have a limited internal workforce impact due to the roles being disestablished being vacant and planned. This was part of the wider review of roles and responsibilities as resource shifted back to business as usual after the heightened focus on COVID-19 for the last three years.

It was noted that the report had also been considered at a recent meeting of the Health Scrutiny Committee where the committee had endorsed the budget proposals (Minute HSC/23/09)

## Decision

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

### Exe/23/19 Adult Social Care Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £10.025m for the Adult Social Care directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £8.542m were attributable to the Adult Social Care directorate.

In the context of austerity and the national challenges and Adult Social Care (ASC) reform programme underway, the approach to the development of savings built upon the previous work done to date and was cognisant of:-

- Better Outcomes Better Lives (BOBL) as the underpinning strategy and the commitments already made to deliver the 2021-24 target, which in itself would be challenging to deliver;
- Preventing potential for a negative impact on the wider health and social care system; and
- The imperative to maintain the progress against the ASC improvement plan for social work infrastructure and improved practice to support and safeguard our most vulnerable citizens.

The proposals detailed were all considered deliverable but would be challenging to deliver, requiring significant service redesign, reconfiguration and effective change management. The proposals enabled citizen independence and outcomes to be protected or potentially improved but there would need to be an understanding by citizens, families and carers that in some cases care arrangements would have to change and needs may be met in alternative ways. This was integral if the budget strategy was to be achieved.

The proposed savings programme (£8.542m) was detailed as follows:-

	2023/24 £'000	2024/25 £'000	2025/26 £000	Total £'000
Provider Services	150	1,650	1,450	3,250
Workforce	1,217			1,217
Charges		50		50
Demand Management	2,275			2,275
Other	500	500	750	1,750

<b>Total</b>	<b>4,142</b>	<b>2,200</b>	<b>2,200</b>	<b>8,542</b>
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As part of the budget process, it was important that as well as having to find savings to balance the budget, that any service pressures were recognised and where unavoidable were correctly budgeted for, this would allow for the better on-going management of the service and budgets. These pressures included the standard increases approved annually for demographic pressures and the uplift to care costs driven by the Council's commitment to pay the Real Living Wage to care staff.

Current pressures reported in 2022/23 which had recurrent budget implications were also included and covered in-house supported accommodation, advocacy costs and deprivation of liberty standards (DOLS) best interest assessments.

In addition, an investment of £1.3m per year 2023-26 would be required to sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management

The Autumn Statement had also included a number of funding announcements of specific importance to social care and further details have been received as part of the provisional financial settlement and through the health announcements for the Better Care Fund (BCF). The key headlines were:-

- ASC Discharge Fund (£4.451m 2023/24 increasing to £7.420m 2024/25)
- Market Sustainability and Improvement Grant (£1.800m in 2022/23 and an additional £4.443m 2023/24 rising to £7.548m 2024/25)
- Social Care Grant (£18.8m 2023/24 rising to £25.7m 2024/25) - ringfenced for adults and children's social care
- Social Care Precept - The council tax referendum limit of 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept
- Continuation of the Better Care Fund in 2023/24 and 2024/25 with an assumed minimum BCF contribution to social care rise of 5.66% at a health and well-being board level equating to £1.023m.

A number of key investments were also proposed funded using the increase in BCF £1.023m with the balance allocated from the Social Care Grant:-

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Strengthening statutory functions	1,166	1,023	1,023
Effective demand management and supporting completion of the BOBL 3 year savings programme	717	703	655
Supporting the delivery of the new savings programme	189	386	306
Areas of demand pressures	1,046	896	971
<b>Total</b>	<b>3,118</b>	<b>3,008</b>	<b>2,955</b>

It was noted that the budget report had also been considered at a recent meeting of the Health Scrutiny Committee and the committee had endorsed the proposals in the report (Minute HSC/23/10).

Councillor Leech commented that he was concerned with the proposal to remove financial support for short breaks and asked if this could be reconsidered as part of the budget proposals.

**Decision**

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

**Exe/23/20 Neighbourhoods Directorate Budget 2023/24**

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £2.191m for the Adult Social Care directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £0.646m were attributable to the Neighbourhoods directorate.

The Neighbourhood Directorate had a net budget of c£130.3m, with 1,481 budgeted FTE's. As part of identifying options the initial priority had been to protect service delivery wherever possible

The following proposed savings had been put forward:-

Environmental and Climate Change	Amount of Saving				Indicative FTE Impact
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
Parks and Green Spaces	127	0	0	127	0
Waste and Street Cleaning	0	0	400	400	0
<b>Total</b>	<b>127</b>	<b>0</b>	<b>400</b>	<b>527</b>	<b>0</b>

Communities and Equalities – Excluding Homelessness	Amount of Saving				Indicative FTE Impact
	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>Total</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
Compliance	99	0	0	99	0
Libraries, Galleries and Culture	20	0	0	20	0
<b>Total</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>119</b>	<b>0</b>

As part of the budget proposals a further £1m investment into waste and street cleaning was proposed, this would support Basic Services and Street Cleaning and was in addition to the £1m investment into waste and street cleaning put forward as part of the 2022/23 budget

It was also proposed that there would be a further investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes.

In relation to the annual waste levy costs, these were driven by forecast tonnages of waste to be disposed of and the costs of disposal. The levy was set by GMCA and based on latest forecasts it is anticipated that this would increase in 2023/24, with the increase to Manchester being £1.024m. Further increases of £1.916m had been assumed split over 2024/25 and 2025/26 and these increases were reflected in the current budget plans for those years.

The budget position also reflected a one-off return of waste reserves from GMCA of £25m, of which Manchester's share was £4.5m. This has been reflected in the corporate budget to reduce the overall budget gap in 2023/24.

There was no projected workforce impact of activity to deliver the savings. Effective and robust workforce planning arrangements were in place.

It was noted that as development continued across the city this could lead to increased growth pressures for Neighbourhood Services as the number of households grew significantly. These increased demands would include compliance and enforcement, waste collection and disposal and street cleaning.

It was noted that the budget reports had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee (Minute CESC/23/11) and the Environment and Climate Change Scrutiny Committee (Minute ECCSC/23/11) and both committees had endorsed the proposals in the report.

Councillor Leech commented on the proposed budget savings attributed to the review of opening hours of the Art Gallery. He also welcomed the proposal to remove the charge for replacement recycling bins within this year's budget until the next financial year but felt that the charge should be removed permanently. In

addition, he also sought clarification on what the extra investment in street cleansing had been spent on.

## **Decision**

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

### **Exe/23/22 Zero Carbon 2023/24 Budget Report**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which provided an overview of the funding secured and invested to date to enable delivery of Manchester City Council's Climate Change Action Plan (CCAP) 2020-2025 and set out what has been delivered as a result of the additional revenue funding provided from the Council's budget for 2022/23 and highlights the priority actions to be delivered between 2023-25.

To date, the Council had made good progress, remained within its carbon budget, and had so far achieved nearly 30% of the target to reduce its CO2 emissions by 50% by 2025.

To date, the Council has already put in place investment of approximately £227m to deliver the 5-year Climate Change Action Plan along with an additional direct revenue investment of £800k secured as part of the 2022/23 budget setting. To enable the delivery of the commitments set out in the Council's CCAP, further revenue and capital investment from multiple funding sources over multiple financial years would be critical and a major challenge

It was recognised that continuing to operate within the remainder of the carbon budget would be challenging and the Council would need to continue to identify and secure investment to deliver on its commitments. Work proposed in the Council's Capital Strategy and budget would support some of the ongoing priorities for delivering the CCAP.

The report then outlined the Council's CCAP priorities for 2023/24 and highlighted where the additional capacity would help to drive these actions forward.

## **Decision**

The Executive note the progress that has been made on delivering the Council's Climate Change Action Plan during 2022 and endorses the priorities for 2023/24.

### **Exe/23/23 Homelessness Directorate 2023/24 Budget**

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £4.646m for the Homelessness directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation



to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £4.646m were attributable to the Homelessness directorate.

The Homelessness budget oversaw a gross budget of £71.959m, and a net budget of £28.435mm. The biggest proportion of the budget was spent on Temporary Accommodation, in particular B&B and Dispersed. The Net Homelessness Budget had increased from £15.1m in 2018/19, an increase of £13.3m per annum to reflect the increase in Temporary Accommodation numbers as well as investment into Prevention.

There were no savings options proposed for Homelessness which would result in a reduction in service. Over the medium term the savings would be linked to the ambition to reduce numbers in Temporary Accommodation through significant reductions in B&B placements and increased prevention during 2023/26. However, there were specific demand and inflation pressures facing the Homelessness Budgets. Government refugee and asylum schemes were placing pressure on Manchester temporary accommodation market, driving up cost, resulting in a £4m fee uplift requirement for Homeless Temporary Accommodation and this pressure had been reflected in the Medium Term Financial Plan with £4m of growth proposed for Homelessness in 2023/24. Resources of up to £1.5m held within the Homelessness reserve would be set aside and would be available for investment in supporting the potential pressures in Homelessness.

The Homelessness Service were working with private sector landlords to try and reduce the number of people who were evicted, with a targeted communications campaign to encourage people to seek advice and support early, prior to eviction.

Of the savings required £3.25m could be achieved over the 3 year period in B&B Accommodation schemes as a result of a combination of reductions made for Transformation and changes in Allocation's procedure which would reduce the number of families in B&B, as residents were supported to remain in current accommodation. A further £1.172m of demand reductions would be delivered in Dispersed Accommodation. This was linked to Transformation and an increase in the number of Dispersed Accommodation properties which were managed by a Registered Provider to reduce the Housing Subsidy loss incurred by the Council in providing this service. The remaining £224k of proposed savings were linked to an increase in vacancy factor of 2% to 5.5% for Homelessness, this reflected the ongoing difficulties in recruitment and brought the vacancy factor in line with existing and expected levels. It was proposed that this saving would be delivered in 2024/25 as the underspend in mainstream staffing budgets in 2023/24 will be retained to fund the new posts created to support the Transformation work and staffing levels would be reviewed as part of the ongoing Transformation work.

It was noted that the budget report had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee and the committee had endorsed the proposals in the report (Minute CESC/23/12).

Councillor Leech queried whether having no planned contingency for demand pressures on the service from next year was likely to lead to potential problems in future years.

## **Decision**

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

### **Exe/23/24 Growth and Development Directorate Budget 2023/24**

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £2.398m for the Growth and Development directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £2.169m were attributable to this Directorate.

The Growth and Development Directorate had a gross budget of £36.114m, generates income of £44.886m resulting in a net income budget of £8.772m, and employs 409 FTEs. In addition, Highways service had a gross budget of £27,959m and a net budget of £20.835m with 243 FTE.

The Directorate received a proportion of annual rental income from Manchester Airport Group. Based on estimates provided by the Airport, additional income of £1.615m income had been built into the budget over the next three-year period. Achievement of this income was dependent on performance being in line with or better than the forecasts provided.

A review of the funding arrangements for staff had identified opportunities to capitalise staffing costs, the initial proposal was £250k per annum, but following the review of all options this had been reduced by £100k to £150k. This review had taken into consideration the most appropriate source of funding given the activities of staff.

The proposed sale of an asset in Wythenshawe would result in a capital receipt, there was currently a budget of £170k in respect of the internal loan used to fund the acquisition of the building. Once the site was disposed of the outstanding borrowing would be settled and there will be a saving of £170k per annum.

In respect of Strategic Housing, the deletion of a vacant grade 4 post would result in a £9k saving to the General Fund, with the balance of the saving being reflected in the Housing Revenue Account.

Highway Services initial saving proposals were £354k over three years but following review the total savings proposals had reduced by £129k to a revised total of £225k.

The revised proposals were made up of a combination of increased income (£160k) and deleting two vacant positions (£60k)

It was also proposed to invest £300k to provide additional resources to enable capacity to support the establishment of a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team.

It was noted that the budget report had also been considered at a recent meeting of the Economy Scrutiny Committee and the committee had endorsed the proposals in the report (Minute ESC/23/12).

Councillor Leech questioned whether the proposed deletion of a post within Highways Services that would realise £60k savings would make any difference given the increase in claims to the Council against trips and falls

## **Decision**

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

### **Exe/23/25 Housing Revenue Account 2023/24 to 2025/26**

A joint report by the Strategic Director (Growth and Development), the Strategic Director (Neighbourhoods) and the Deputy Chief Executive and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2023/24 and indicative budgets for 2024/25 and 2025/26.

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

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

The HRA Budget Position for 2022/23, which as of December 2022, was forecasting that net expenditure would be £14.940m higher than income, which would need to be funded by the additional use of reserves to that planned. In effect the HRA was forecasting an overspend of £1.752m and the main reasons for in year changes were detailed in the report.

Government guidance allowed Local Authorities to increase rents by a maximum of CPI plus 1% for the five-year period 2020/21 to 2024/25. The CPI rate used was based on the September figure in the preceding year, and as at September 2022 CPI was 10.1%. However, the cost-of-living crisis had resulted in the Government launching a consultation exercise around the level at which the rent cap should be set at in 2023/24. The Government had since advised that the maximum social rent

increase would be capped at 7%, with an exception for properties within PFI contracts, where the standard PFI unitary charges are contractually linked to inflation measures. Therefore, this report sought approval to increase tenants' rents for all properties by 7% from April 2023 except PFI properties, where standard increase of CPI +1% (11.1%) was proposed, also in line with Government policy.

Whilst the cap on rents is welcomed from a tenant's perspective, there was no cap applied in respect of inflationary impacts on expenditure incurred by the HRA and the 7% increase (11.1% for properties managed under PFI contracts) would result in c£2.0m less rental income in 2023/24 and c£78m over the life of the 30-year business plan, which would mean £78m less to invest into the estate over that time.

In light of the current economic climate and the potential impact the proposed rent and heating charge increase may have on the most vulnerable tenants it was proposed that the hardship fund was increased from the initial £200k provided in 2022/23 to £1m in 2023/24. This fund would provide targeted support to those most affected by the cost-of-living crisis.

In light of the current economic climate and the potential impact the proposed 7% rent increase might have on the most vulnerable tenants it was proposed that £200k was earmarked to provide a hardship fund to provide targeted support to those most affected by the increase in living costs, the proposed rent increase and the ongoing impacts of COVID. In addition to the hardship fund, it was also noted that the proposed 7% rent increase would be covered in full for those residents in receipt of 100% housing benefit entitlement and tenants in receipt of universal credit would also be partially protected from the impact of any increase in rents

To ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2023/24 garage rents be increased in line with the original rent formula or 11.1% by 4.5%, which would see an increase in the rental of between 0.22p and 0.56p per week.

The report also explained the other key changes in the HRA budget for 2023/24, and the full budget was presented as set out below.-

	<b>2022/23 (Forecast)</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Income</b>				
Housing Rents	(62,836)	(67,556)	(72,181)	(74,753)
Heating Income	(681)	(1,736)	(2,292)	(2,338)
PFI Credit	(23,374)	(23,374)	(23,374)	(23,373)
Other Income	(1,022)	(1,974)	(1,083)	(1,073)
Funding from General HRA Reserve	(14,940)	(22,808)	(25,756)	(1,551)
<b>Total Income</b>	<b>(102,853)</b>	<b>(117,448)</b>	<b>(124,686)</b>	<b>(103,088)</b>

<b>Expenditure</b>				
Operational Housing - Management	14,055	14,835	15,272	15,453
Operational Housing - R&M	16,567	16,784	15,842	14,933
PFI Contractor Payments	32,591	36,301	36,944	36,525
Communal Heating	3,196	2,890	2,292	2,338
Supervision and Management	5,568	5,776	5,877	5,940
Contribution to Bad Debts	569	679	726	752
Hardship Fund	150	1,000	0	0
Depreciation	22,000	25,580	26,650	27,163
Other Expenditure	1,327	981	1,036	1,070
RCCO	4,100	9,920	17,350	(4,163)
Interest Payable and similar charges	2,730	2,702	2,695	3,031
<b>Total Expenditure</b>	<b>102,853</b>	<b>117,448</b>	<b>124,684</b>	<b>103,042</b>
<b>Total Reserves (exc Insurance):</b>				
Opening Balance	(112,064)	(97,124)	(74,316)	(48,560)
Funding (from)/to Revenue	14,940	22,808	25,756	1,551
<b>Closing Balance</b>	<b>(97,124)</b>	<b>(74,316)</b>	<b>(48,560)</b>	<b>(47,009)</b>

It was noted that the proposed HRA budget 2023/24 and indication of the 2024/25 and 2025/26 budgets had also been considered by the Resources and Governance Scrutiny Committee at its February 2023 meeting where the committee had noted the proposals in the report (Minute RGSC/23/10).

Councillor Leech raised his concern in relation to increasing rental costs for those residents that were on District Heating Schemes as in previous years they had been given a subsidy towards their energy costs.

## Decisions

The Executive

- (1) Note the forecast 2022/23 HRA outturn as set out in section 4 of the report.
- (2) Approve the 2023/24 HRA budget and note the indicative budgets for 2024/25 and 2025/26.
- (3) Approve the proposed 7% increase to dwelling rents and 11.1% increase in Garage rents, and delegate the setting of individual property rents, to the Director of Housing Operations and the Deputy Chief Executive and City

Treasurer, in consultation with the Executive Member for Housing and Development and the Executive Member for Finance and Human Resources.

- (4) Approve the proposal that the Council continues with the policy of where the 2023/24 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.
- (5) Note the proposed 2023/24 changes for communal heating charges and approve the change in policy so that charges can be aligned with the Ofgem price cap over the following financial year in a phased approach and adjusted in line with any change to the Ofgem price cap once alignment has been reached thereafter.
- (6) Approve a proposed £1m support fund to support residents and tenants with increased costs of both rent and heating charges.
- (7) Approve the proposed 2023/24 Housing Operations revenue budget.

### **Exe/23/26 Schools Budget 2023/24**

The Executive considered a report of the Strategic Director for Children's and Education Services, which provided a summary of the confirmed Dedicated Schools Grant (DSG) allocation from the 2023/24 settlement.

The DSG was a ring-fenced grant of which the majority was used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

The Council receive and managed the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it was paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG was provided to the Council to deliver education services.

The 2023/24 DSG notification was received on 16 December 2022 and totalled £671.364m with an overall increase in DSG since last year of £37.930.

The Schools Block allocation of £503.271m had been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. On average the DfE has increased the formula determined by pupil level data by 3.5%.

The Central School Services Block (CSSB) allocation was £3.753m and supported the Council's role in education.

The Higher Needs Block (HNB) allocation was £122.847m and provided increased funding for children and young people with special educational needs and disability from early years to age 25 years. The DfE had allocated an additional £0.97bn to the HNB nationally. Manchester's additional HNB grant was £8.306m, an increase of 7.25% compared to 2022/23, and was £1m higher than previously expected.

The Early Years funding was £41.494m and this was provisional figure which reflected the 2023/24 early years national funding formula (EYNFF) rates for all councils published in December 2022. This funding would be finalised at a later date.

In addition, Manchester had been allocated £22.250m from the Government's £2bn additional schools funding, on-top of the 2023/24 DSG. This additional funding would provide support for schools (reception to year 11) for pay and inflation increases. The funding did not include any allocation for early years or post-16. For 2023/24 this would be in the form of a separate grant, the DfE intended to incorporate this funding into core budget allocations for 2024/25, so for schools 5 to 16 years, this would mean the funding being rolled into the schools national funding formula (NFF) from 2024/25.

It was noted that the report had also been considered at a recent meeting of the Children and Young People's Scrutiny Committee and the committee had endorsed the proposals in the report (Minute CYPSC/23/11).

## **Decision**

The Executive approves the proposed Schools Budget including specifically the following:-

- All Manchester primary and secondary schools should receive a per pupil increase between 0.5% minimum and up to 3.2% on pupil-led funding.
- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2023/24.
- Early year rates two-year-old base rate increase by 6p. Three and four-year old 22p increase, to be passed onto providers by increase base rate by 5p per hour and adding a new quality supplement (17p per hour) to reflect the rolling in TPG and TPEGC funding into the funding formula.
- Central services school block (CSSB) funding has reduced on a per pupil basis by 2.5% despite there being additional burden due to the new admission code, with no reduction in other functions councils are required to provide.
- Additional Schools Funding 2023/24 will be allocated as a separate grant for mainstream schools. Special schools will receive a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.

## **Exe/23/27 Capital Strategy and Budget 2023/24 to 2025/26**

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

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

The capital programme 2023/24 to 2025/26 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the report on Capital Programme Monitoring 2022/23, also being considered at this meeting (Minute Exe/23/14 above).

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

If agreed, then the proposals contained in the report would create a capital programme of £443.8m in 2022/23, £426.8m in 2023/24, £199.7m in 2024/25 and £34.1m in 2025/26, summarised as follows:-

<b>Forecast Budgets</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>	<b>Total 23/24- 25/26</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Manchester City Council Programme</b>						
Highways	37.5	44.5	6.0	8.2	<b>96.2</b>	<b>58.7</b>
Neighbourhoods	73.3	34.3	5.8	2.1	<b>115.5</b>	<b>42.2</b>
The Factory and St John's Public Realm	60.9	18.5			<b>79.4</b>	<b>18.5</b>
Growth	84.9	118.5	35.9	3.7	<b>243.0</b>	<b>158.1</b>
Town Hall Refurbishment	68.7	86.4	46.6		<b>201.7</b>	<b>133.0</b>
Housing – General Fund	17.4	38.8	33.1	8.5	<b>97.8</b>	<b>80.4</b>
Housing – HRA	32.4	49.4	44.0	11.6	<b>137.4</b>	<b>105.0</b>
Children's Services (Schools)	43.6	23.3	3.6		<b>70.5</b>	<b>26.9</b>
ICT	4.3	2.6			<b>6.9</b>	<b>2.6</b>
Corporate Services	15.0	1.5	0.5		<b>17.0</b>	<b>2.0</b>
<b>Total (exc. Contingent budgets)</b>	<b>438.0</b>	<b>417.9</b>	<b>175.5</b>	<b>34.1</b>	<b>1,065.6</b>	<b>627.6</b>
Contingent Budgets	5.8	8.9	24.2		<b>38.9</b>	<b>33.0</b>
<b>Total Programme</b>	<b>443.8</b>	<b>426.8</b>	<b>199.7</b>	<b>34.1</b>	<b>1,104.4</b>	<b>660.6</b>

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

	<b>2022/23 forecast</b>	<b>2023/24 forecast</b>	<b>2024/25 forecast</b>	<b>2025/26 forecast</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Grant	94.4	110.6	36.7	3.6	<b>245.3</b>
External Contribution	26.6	17.4	0.8	7.0	<b>51.8</b>
Capital Receipts	31.0	43.2	32.7	8.6	<b>115.5</b>
Revenue	36.0	46.9	45.5	11.6	<b>140.0</b>



Contribution to Capital Outlay					
Borrowing	255.8	208.7	84.0	3.3	<b>551.8</b>
<b>Total</b>	<b>443.8</b>	<b>426.8</b>	<b>199.7</b>	<b>34.1</b>	<b>1,104.4</b>

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

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

## Decisions

The Executive:-

- (1) Approve and recommend the report to Council, including the projects for Council approval in section 6, and note that the overall budget figures may change subject to decisions made on other agenda items.
- (2) Note the capital strategy.
- (3) Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2022/23.
- (4) Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2022/23 to 2025/26 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

### **Exe/23/28 Treasury Management Strategy Statement 2023/24, including Borrowing Limits and Annual Investment Strategy**

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2023/24 and Prudential Indicators for 2023/24 to 2025/26.

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

The suggested strategy for 2023/24 was based upon the treasury officers' views on interest rates, supplemented with the forecasts provided by the Council's treasury advisor, Link Asset Services. The strategy covered:-

- Prudential and Treasury Indicators for 2023/24 to 2025/26;
- Impact of 2012 HRA reform;
- Current Portfolio Position;
- Prospects for Interest Rates;
- Borrowing Requirement;
- Borrowing Strategy; and
- Annual Investment Strategy.

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

### **Decisions**

The Executive:-

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