

Manchester City Council Report for Information

Report to: Economy and Regeneration Scrutiny Committee - 7 November 2023
Communities and Equalities Scrutiny Committee - 7 November 2023
Children and Young People Scrutiny Committee - 8 November 2023
Health Scrutiny Committee - 8 November 2023
Environment and Climate Change Scrutiny Committee - 9 November 2023

Subject: Revenue Budget Update 2024/25

Report of: Deputy Chief Executive and City Treasurer

Summary

The Council is forecasting an estimated budget shortfall of £46m in 2024/25, £86m in 2025/26, and £105m by 2026/27. After the application of approved and planned savings, and the use of c£17m smoothing reserves in each of the three years, this gap reduces to £1.6m in 2024/25, £30m in 2025/26 and £49m by 2026/27. This position assumes that the savings approved as part of the Medium-Term Financial Strategy in February 2023 of £36.2m over three years are delivered.

This report provides a high-level overview of the updated budget position. Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2024.

Recommendations

The Committee is recommended to:

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

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

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council’s planning and budget proposals.

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

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

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2024/25 revenue budget set by Council on 1 March 2024.

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.

[Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023](#)

[Revenue Budget Update 2024/2025 - Resources and Governance Committee 7 September 2023](#)

1. Introduction

- 1.1. An indicative balanced 2024/25 budget was set out in the February 2023 MTFs, including the planned use of reserves. As reported to Resources and Governance committee in September the current years pressures and updated forecasts meant that the position had to be reviewed. This report updates on the refreshed position including progress in reaching a balanced budget, reflecting preliminary savings and investment options.

2. Background

- 2.1. The funding outlook for Local Government remains extremely challenging. The LGA published new analysis on 20 October¹ which estimates that English councils are set for a budget gap of £4bn by March 2025 just to keep services at current levels. This is an increase of more than a third since the previous forecast in July, which has been driven by higher inflation forecasts by the Bank of England. This is in the context of over a decade of austerity which saw councils' core spending power fall by 27% in real terms from 2010/11 to 2023/24. As a result, the financial resilience of the sector is low and its capacity to respond to financial crises is limited. Many Councils have warned this is threatening their financial sustainability and most are facing tough decisions around cutting services and increasing Council Tax and fees and charges during a cost-of-living crisis.
- 2.2. Despite levels of inflation being significantly higher than forecast at the time of the Spending Review in October 2021, the government has communicated there will be no increase in the overall funding envelope over the Spending Review period. As part of the 2023/24 financial settlement, the government produced a Policy statement on the 2024/25 financial envelope outlining the likely size of a number of key funding streams. The assumptions in this paper still stand and recent confirmation has also been received for the levels Adult Social Care grants in 2024/25. It should be noted that these assumptions include an overall council tax referendum threshold of 4.99% for upper tier authorities. Uncertainty still remains around a number of funding streams including New Homes Bonus. The number and level of different specific grants remains an ongoing risk.
- 2.3. The government is expected to announce the Autumn Statement on 22 November 2023, but no major changes are expected. Government funding for 2024/25 will be confirmed in the provisional finance settlement, expected late in December 2023.
- 2.4. In common with the rest of the sector the Council's finances continue to be under pressure. The high levels of inflation and rising demand for services continues to outstrip the level of resources available. The resilience of the

¹ **Autumn Statement 2023: LGA submission**

<https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2023-lga-submission>

Council has been eroded by the impact of over a decade of austerity. It should be noted that Manchester was one of the hardest hit councils and has delivered £443m of savings since 2010 to cope with the funding cuts and unfunded budget pressures. The Council is only in a position to set a balanced budget for 2024/25 due to the careful long-term financial planning which has involved taking some difficult decisions, including £36.2m of savings agreed across 2024-26 and the use of £53.2m of reserves to support the budget deficit during the same period. Despite this a significant and growing budget gap remains from 2025/26 and urgent action is going to be required to address this.

- 2.5. This report sets out the updated financial position and the proposed budget process.

3. Summary Budget Position

- 3.1. The final budget position for 2024/25 and future years will be confirmed at February 2024 Executive. This will be after the key decisions confirming the Council Tax and Business Rates tax base to be used to determine the collection fund position have been made in January and the Final Finance Settlement is received.
- 3.2. The indicative medium-term position is shown in the table below, showing the planned use of reserves and the level of savings proposals identified as part of last years budget setting process (£36.2m across three years) and additional savings for consideration (£2.5m in 2024/25).

Table One: Summary Budget position

	2023 / 24	2024 / 25	2025 / 26	2026 / 27
	£'000	£'000	£'000	£'000
Resources Available				
Business Rates / Settlement Related Funding	376,527	400,701	415,207	421,805
Council Tax	217,968	228,712	238,279	247,840
Grants and other External Funding	130,494	136,226	109,997	109,997
Use of Reserves	13,714	8,222	9,703	4,922
Total Resources Available	738,703	773,861	773,186	784,564
Resources Required				
Corporate Costs	116,421	120,681	124,767	123,986
Directorate Costs	638,751	699,761	734,783	765,996
Total Resources Required	755,172	820,442	859,550	889,982
Budget Gap	16,469	46,581	86,364	105,418
Savings approved in current MTFP	(15,396)	(25,568)	(36,170)	(36,170)
Additional Savings		(2,500)	(2,500)	(2,500)
Use of Smoothing Reserves	(1,073)	(16,858)	(17,850)	(17,758)
Gap after use of Smoothing Reserves and savings	0	1,655	29,844	48,990

- 3.3. The budget assumptions that underpin 2024/25 to 2026/27 include the commitments made as part of the 2023/24 budget process to fund known ongoing demand pressures. In addition, a review of emerging pressures and budget assumptions has been completed and provision has been made to address these where they are unavoidable, including inflation and pay awards. Whilst this contributes to the scale of the budget gap it is important that a realistic budget is set which reflects ongoing cost and demand pressures.
- 3.4. The accompanying report sets out the priorities and officer proposals for the services within the remit of this committee. This includes a reminder of the savings proposals identified as part of last year's budget setting process (£36.2m across three years) and additional savings for consideration (£2.5m from 2024/25). As far as possible these are aimed at protecting the delivery of council priorities and represent the least detrimental options.
- 3.5. There remains a forecast shortfall of £1.6m next year. Any further reduction to the underspend this year will reduce the need to top back up General Fund reserve in 2024/25 and help bridge this shortfall. In addition, the Collection Fund position will be finalised in January and the final levy amounts from GMCA confirmed.

4. Budget Consultation

- 4.1. There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels and the savings and cuts measures put forward by officers will open on 31 October and run until 27 December 2023. The provisional results from the consultation will be reported to Executive in February. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 26 February to ensure they are fully considered before the final budget is set.
- 4.2. None of the budget options set out to date require formal statutory consultation.

5. Equalities Impact and Anti-Poverty Assessments

- 5.1. Each saving option that was approved last year was supported by a robust business case where consideration was given to how the savings could impact on different protected or disadvantaged groups. Where applicable proposals were subject to completion of an Equality Impact Assessment (EqIA) and a Poverty Impact Assessment as part of the detailed planning and implementation. Work is also underway on the way in which equalities data is collected across the Council, supporting the ability to be better informed on the impact of changes being made to services.

6. Scrutiny of the draft proposals and the budget reports

- 6.1. The reports have been tailored to the remit of each scrutiny as shown in the table below. Each Committee is invited to consider the proposed changes

which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2024.

Table Two Scrutiny Committee Remits

Date	Meeting	Services Included
7 Nov 23	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
7 Nov 23	Economy and Regeneration Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways
8 Nov 23	Health Scrutiny Committee	Adult Social Care Public Health
8 Nov 23	Children and Young People Scrutiny Committee	Children and Education Services
9 Nov 23	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
9 Nov 23	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance

7. Next Steps

7.1. The proposed next steps are as follows:

- 31 October Budget consultation launched to close 27 December 2023
- 7-9 November - Scrutiny Committees
- 7 December – RAGOS – Update on Autumn Statement (expected 22 November) and Council Tax and Business Rates Key Decisions report
- Late December - The Local Government Finance Settlement expected
- 11 January - Resources and Governance Scrutiny Committee - settlement outcome, update on the budget position and consultation responses, including for the proposed changes to the Council Tax Support Scheme
- 17 January - Executive -settlement outcome, update on the budget position and consultation responses

- 6-8 February - Scrutiny Committees
- 14 February - Executive receive proposed budget
- 26 February - Resources and Governance Budget Scrutiny.
- 1 March - Council approval of 2024/25 budget