

Manchester City Council Report for Information

Report to: Economy and Regeneration Scrutiny Committee - 6 February 2024
Communities and Equalities Scrutiny Committee - 6 February 2024
Health Scrutiny Committee - 7 February 2024
Children and Young People Scrutiny Committee - 7 February 2024
Environment and Climate Change Scrutiny Committee - 8 February 2024

Subject: Revenue Budget Update 2024/25

Report of: Deputy Chief Executive and City Treasurer

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

This report sets out the latest forecast revenue budget position, and the next steps. Following the Provisional Finance Settlement announced 18 December 2023 the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m 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, the budget is balanced for 2024/25 and the remaining gap reduce to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m are delivered next year.

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 the final budget proposals on 14 February 2024.

Recommendations

The Committee is recommended to:

- (1) 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

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|--|--|
| 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](#)

[Revenue Budget Update and Corporate Core Budget Proposals 2024/25 - Resources and Governance Committee 9 November 2023](#)

[Provisional Local Government Finance Settlement 2024/25 and Budget - Resources and Governance Scrutiny Committee 11 January 2024](#)

1. Introduction and Background

- 1.1. An indicative balanced 2024/25 budget was set out in the February 2023 MTFs, including the planned use of reserves. In common with the rest of the sector the Council's finances continue to be under intense pressure. The high levels of inflation and rising demand for services continues to outstrip the level of resources available. As reported to Resources and Governance committee in September and November the current year's pressures and updated forecasts meant that the budget position had to be reviewed. This report updates on the refreshed position including progress in reaching a balanced budget, reflecting proposed savings and investment options.

2. Changes to the Budget Position

- 2.1. The November scrutiny committees were presented with additional cuts and efficiencies totalling £2.5m for consideration, in addition to the savings agreed in last year's MTFP of £36m (of which £10.2m related to 2024/25) and the use of c£17m a year of smoothing reserves. It was anticipated that further cuts and savings may be required depending on the outcome of the provisional settlement.
- 2.2. The government announced the Autumn Statement on 22 November 2023 followed by the provisional finance settlement on 18 December 2023. This was in the context of another very difficult year for Local Government. In 2023, inflation averaged 8%, which together with unrelenting demand pressures has compounded challenges, especially in social care and homelessness, when there is limited financial resilience following the cumulative impact of the prior decade's austerity measures. A survey conducted by the LGA found that one in five councils believe they are fairly or very likely to issue a Section 114 notice this year or next. Several Councils have now applied to the Government for 'exceptional financial support'. Typically, this consists of a capitalisation directive allowing them to fund day to day spending from capital resources.
- 2.3. Despite this context, there was no new funding announced in the provisional settlement. Disappointingly the Services Grant was cut by 84.1% nationally. For Manchester this is a reduction of £6.1m, from £7.2m to just £1.1m. Whilst some redistribution of services grant had been anticipated, it was not expected at this scale. This cut was partly offset by an increase in forecast business rates income of £3.1m (one off) linked to another year of Retail, Hospitality and Leisure Relief. This scheme gives 75% relief for this sector up to a cap of £110k per business. This has a positive impact on the level of bad debt and appeals to be provided for, as these are now based on a reduced level of income. Other settlement changes to Revenue Support Grant and New Homes Bonus net to £0.6m. Therefore, the budget impact of the settlement is a £2.4m worsening of the position rising to £5.3m in 2025/26 as set out to Resources and Governance committee 11 Jan 2024.
- 2.4. In addition to the settlement announcements Manchester continues to face growing pressures in social care and homelessness. In the last two months

there has been an increase in children's placement numbers and costs, further significant pressures across adult social care (ASC) budgets and some worrying trends in asylum seekers, the migrant policy and homelessness. This is in line with national trends and Core Cities and other GM authorities are all reporting similar issues. Work throughout January quantified the full year effect of the increased numbers of residents requiring care and support this year at £10m. Whilst extremely challenging it is important that a realistic and deliverable budget is set which recognises these additional pressures.

2.5. The changes in the Provisional Finance Settlement and increased pressures in social care and homelessness meant further work was required to ensure a balanced budget for 2024/25 and be put forward for consideration by the Executive. Actions to balance the budget, totaling £15m, have been identified from the following areas:

- £3.4m - Council Tax and Business Rates – improvements in collection and 100% premium on empty unfurnished properties after one year
- £6.1m - GMCA Waste Rebates and Levies
- £1.5m - Additional Investment Estate and Enforcement Income
- £1m - Rephasing of ICT and G&D investments
- £1.2m - Airport Interest & Car Park Investment dividend
- £0.302m – Efficiencies on minor back-office budgets etc
- £1m - Gas energy savings (wholesale price reduction)

2.6. This has enabled a balanced budget in 2024/25 to be proposed as summarised in table one.

Table One: Summary of Budget changes

| | 2024 / 25 £'000 | 2025 / 26 £'000 | 2026 / 27 £'000 |
|--|--------------------|--------------------|--------------------|
| Position reported to Resources and Governance 9 Nov 2023 | 1,655 | 29,845 | 48,990 |
| Increase General Fund to reflect worsening overspend | 1,000 | | |
| Settlement changes | 2,374 | 6,403 | 6,394 |
| Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024 | 5,029 | 36,248 | 55,384 |
| Net Additional Pressures | 10,000 | 10,000 | 10,000 |
| Actions to balance the budget | (15,029) | (17,448) | (24,619) |
| Revised Shortfall / (surplus) | (0) | 28,800 | 40,765 |

2.7. Whilst not complacent, the Council is in a better position than many and is able to propose a balanced budget for 2024/25. This is due to the careful long-term financial planning which has involved making some difficult decisions around cost reduction and doing things differently. Despite this, a significant and growing budget gap remains from 2025/26, and urgent action will be required to address this.

- 2.8. The Final Settlement is due to be announced in early February 2024. This does not usually vary significantly from the Provisional Settlement. However, on 24 January 2024 additional funding was announced in a written statement in advance of the final settlement. The announcement included a further £500m for social care, £15m increase in the Rural Services Delivery Grant (RSDG), and that the funding guarantee would be increased from 3% to 4% (estimate £60m extra). If the funding is allocated in line with the existing Social Care Grant formula, Manchester would receive around £5.5m. Recommendations on how to achieve maximum value from the funding are being developed and will be finalised once the Final Finance Settlement has been published and final amounts are known. These will be presented to the Executive on 14 February and Budget Scrutiny on 26 February.

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 (£10.2m for 2024/25) and additional savings for consideration (£11.2m in 2024/25).
- 3.3. Further details on the overall financial position are provided in the budget update report to Resources and Governance Scrutiny Committee on 8 February 2024. The full budget will be set out in the Medium-Term Financial Budget going to Executive on 14 February 2024.

Table Two: Summary Budget position

| | 2024 / 25 | 2025 / 26 | 2026 / 27 |
|--|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 |
| Resources Available | | | |
| Business Rates / Settlement Related Funding | 406,378 | 417,785 | 424,393 |
| Council Tax | 230,872 | 248,888 | 266,205 |
| Grants and other External Funding | 137,242 | 104,614 | 104,614 |
| Dividends | 195 | 390 | 390 |
| Use of Reserves | 11,522 | 13,003 | 8,222 |
| Total Resources Available | 786,209 | 784,680 | 803,824 |
| Resources Required | | | |
| Corporate Costs | 120,478 | 123,321 | 123,125 |
| Directorate Costs | 703,963 | 739,985 | 771,198 |
| Total Resources Required | 824,441 | 863,306 | 894,323 |
| Budget Gap | 38,232 | 78,626 | 90,499 |
| Savings approved in Feb 22 MTFP | (10,172) | (20,774) | (20,774) |
| Additional Savings | (11,202) | (11,202) | (11,202) |
| Use of Smoothing Reserves | (16,858) | (17,850) | (17,758) |
| Gap after use of Smoothing Reserves and savings | 0 | 28,800 | 40,765 |

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 years budget setting process (£36.2m across three years) and additional savings for consideration (£11.2m from 2024/25). As far as possible these are aimed at protecting the delivery of council priorities and represent the least detrimental options.

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 opened on 31 October and ran 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 be 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 Three: Scrutiny Committee Remits

| Date | Meeting | Services Included |
|-------------|---|--|
| 6 Feb 24 | Communities and Equalities Scrutiny Committee | Sport, Leisure, Events Libraries Galleries and Culture Community Safety Housing Operations including Homelessness Neighbourhood teams |
| 6 Feb 24 | 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 |
| 7 Feb 24 | Health Scrutiny Committee | Adult Social Care Public Health |
| 7 Feb 24 | Children and Young People Scrutiny Committee | Children and Education Services |
| 8 Feb 24 | Resources and Governance Scrutiny Committee | Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units |
| 8 Feb 24 | Environment and Climate Change Scrutiny Committee | Waste and Recycling Parks Grounds maintenance Compliance |

7. Next Steps

The proposed next steps are as follows:

- 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