Manchester City Council
Report for Resolution

Report to: Executive – 14 February 2024

Subject: Medium Term Financial Strategy and 2024/25 Revenue Budget

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 for 2024/25 and seek to develop a sustainable medium term financial plan.

The report sets out the Framework for the Our Manchester Strategy and Corporate Plan priorities which provide the strategic context for the 2024/25 Budget. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget.

The proposals contained within this report outline how the council is proposing to spend and finance a net revenue to over £810m as the council sets out its plans to continue to deliver high quality services to its residents.

The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2024/25. This report should be read in conjunction with the suite of reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Capital Strategy and Budget 2024/25-2026/27 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

(i) Consider the directorate Revenue Budget Reports 2024/25 and Capital Strategy elsewhere on the agenda in the context of the overarching framework of this report

(ii) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in Section 9

(iii) Note that the financial position has been based on the final Local Government Finance Settlement announced on 5 February 2024 together with any further announcements at that date;

(iv) Note the anticipated financial position for the Council for the period of 2024/25 which is based on all proposals being agreed (para 5.18, Table Three);

(v) Note the resources available are utilised to support the financial position to best effect, including use of reserves and prior years dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (Section 6);

(vi) Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2024/25

(vii) Note that the Capital Strategy and Budget 2024/25 to 2026/2 will be presented alongside this report

(viii) Make specific recommendations to Council to approve in the budget for 2024/25:

a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 2.99% and Adult Social Care precept increase of 2% (para 6.37 – 6.41);

b. the contingency sum of £0.6m (para 6.55);

c. corporate budget requirements to cover levies/charges of £70.060m (para 6.51 - 6.54), capital financing costs of £43.926m (para 6.56 – 6.58), additional allowances and other pension costs of £8.497m (para 6.61) and insurance costs of £2.004m (para 6.62);

d. the inflationary pressures and budgets to be allocated in the sum of £17.357m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources (para 6.63 – 6.64);

(ix) Approve the gross and net Directorate cash limits as set out in paragraph 6.84

(x) Approve the in-principal contribution to the Adults aligned budget, subject to the extension of the S75 Agreement with Manchester Foundation Trust, which will be considered by Executive in March 2024 (para 6.68);

(xi) 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 to Sprovide 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;

(xii) Recommend that Council approve and adopt the budget for 2024/25.

Wards Affected: None directly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city	The proposed 2023/24 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report considers the medium-term financial plan for 2023/24 onwards that will underpin all of the Council's

A highly skilled city: world class and home grown talent sustaining the city's economic success	priorities as determined through the Our Manchester Strategy.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

This report provides the framework for Revenue and Capital planning from 2024/25. This report sets out a number of proposals which are subject to consideration by Executive following that by Scrutiny Committees. The implications for the Council's revenue budget for 2024/25, if all proposals are agreed, are set out within the report. Elsewhere on the agenda are

- the Directorate Reports,
- the Housing Revenue Account Budget,
- the Dedicated Schools Grant and the Capital Strategy and Budget Report and
- the Treasury Management Strategy and Borrowing Limits and
- Annual Investment Strategy.

These reports together underpin the detailed financial spend of the Council for the forthcoming year and provide a framework for Revenue and Capital planning for 2024/25.

The latest financial position for the current financial year, 2023/24, is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

The proposed balanced budget for 2024/25 is £810.515m, with the forecast gap to be closed for the start of 2025/26 standing at £28.8m increasing to £40.m by 2026/27.

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

Revenue Budget Update and Corporate Core Budget Proposals 2024/25 - Resources and Governance Committee 14 February 2024

Structure

The structure of the report is as follows:

Appendix 1: Business Plan 2024/25
Appendix 2: Savings Proposals 2024/25 to 2026/25
Appendix 3: Investment Proposals 2024/25 to 2026/27
Appendix 4: Legal Background to Setting the Revenue Budget and Council Tax
Appendix 5: Reserves Strategy and schedule
Appendix 6: Sales, Fees and Charges overview

1. Introduction and Background

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

1.2 The financial position set out in this report is based on the 2024/25 final Local Government Finance Settlement which was received 5 February 2024. It is proposed that any minor revisions to the budget will be reported to budget Council and transferred to or from the smoothing reserve.

1.3 As reported to Resources and Governance 11 January 2024, the provisional finance settlement was disappointing. Despite the well reported financial difficulties being faced by Local Authorities across the sector there was no new funding for public services announced. Instead, an unexpected 84% cut in core funding Services Grant was announced. In addition to the challenges presented by the settlement announcements, there have been growing pressures in social care.

1.4 At the start of the budget process the Council was facing a £26 million budget shortfall for 2024/25. The gap has been closed through £11.2m of proposed savings and a further £15m of measures which relate to extra income or deferred spending. The Council is still able to set a balanced budget which supports its priorities, however this is becoming increasingly difficult.

1.5 In line with the one-year finance settlement this report sets out a balanced one-year budget for 2024/25 along with the estimated position for 2025/26 and 2026/27. The longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability over the long term. This report sets out the risks and uncertainties faced and the approach to ensuring financial resilience.

1.6 The financial considerations contained within this report are based on the final Local Government Finance Settlement 2024/25 and associated announcements on grant allocations. It also contains the outcome of the key decisions on council tax and business rates surpluses and bases that have been made under delegated powers by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resources.

1.7 Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny Committees and make recommendations on what should be included in the final budget.

1.8 The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Summary Council Business Plan 2024/25 describes in more detail the action being taken to deliver the Corporate Plan. The council's approach to public service reform that prioritises early help and prevention is improving outcomes for residents and also contributing to managing demand and associated cost pressures within services. The budget proposals for 2024/25 will continue to reflect the priorities set out in the Corporate Plan.

1.9 The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position considering both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures and to invest in Council priorities. It brings together the priorities agreed with residents, any recent funding announcements, and the Council's statutory duties.

2. The Our Manchester Strategy

2.1 The Our Manchester Strategy (OMS) was originally developed in 2015 and launched in 2016. It set out the city's overarching 10-year vision and strategic priorities. The development of the OMS was overseen by the Manchester Leaders' Forum, now the Our Manchester Forum, a partnership board of 40 leaders from Manchester's public, private and voluntary sector. The Our Manchester Forum remains in place today to provide governance around the implementation and progress of the strategy.

2.2 In May 2020, the Executive agreed to undertake a reset of the Our Manchester Strategy 2016 – 2025. This was to reflect upon progress made in the first half of the Strategy's implementation, and to assess new and existing challenges. This work was also undertaken as part of the Council's COVID-19 recovery planning. The reset strategy, known as Our Manchester: Forward to 2025, was adopted by Full Council in March 2021.

2.3 Since its adoption Our Manchester: Forward to 2025 has guided the city's overall direction and informed development and delivery of all the Council's work. As the strategy is now approaching the end of its life, work will begin on the next Our Manchester alongside our partners and stakeholders to create a new vision for the next ten years.

2.4 The OMS is the overarching strategy for the city, not just the City Council, with the current version running to the start of 2025. It states what we want the future of Manchester to be, and how we plan to get there, with all people and organisations playing a role in making it happen. The current version of the OMS is structured under five themes:

- Thriving and sustainable
- Highly skilled
- Progressive and equitable
- Connected
- Liveable and zero carbon

2.5 Individual priorities under these themed are delivered by the Council and our partners and stakeholders around the city. The structure of the OMS provides the foundations for the Council's wider policy and strategy framework, with connections across one or more OMS themes. Manchester has come a long way since the original OMS was adopted, and at the same time has responded to some significant external events and challenges, demonstrating the resilience of the strategy itself and the partnerships and networks around it.

3. Corporate Plan

3.1 Our Corporate Plan describes the Council's contribution to delivering the Our Manchester Strategy – Forward to 2025, over the medium-term. For 204/25 the Corporate plan was reviewed and streamlined to reduce the number of themes from nine to seven, providing more clarity and focus. This was achieved by combining three previous themes of Housing, Delivering in Neighbourhoods and Connections into a new singular resident focused theme of 'Inclusive Communities, Thriving Neighbourhoods'. The more detailed priorities which underpin the seven themes have also been updated to reflect the current context looking ahead to 2024/25.

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

Theme 1: Inclusive economy where every resident shares in the prosperity of our growing economy *Create a resilient and sustainable economy that is thriving, creates great opportunities and increases social mobility for our residents, attracts the best talent, has excellent national and international transport connections, and is resilient to future shocks.*

- Use investment and development to drive inclusive growth by maximising the scale, quality and density of schemes in the city centre and surrounding areas. Ensure that large-scale developments outside the city centre include economic assets to help neighbourhoods to thrive.
- Create the economic conditions that nurture thriving, productive and innovative sectors that provide good quality jobs and pay for Manchester residents.
- More Manchester residents and young people benefit from economic opportunities by tackling poverty, supporting people to live well and equipping them with the skills to succeed and access to good quality, secure work.
- Develop world class infrastructure to attract new entrants into the city, support the visitor economy and provide safe, accessible transport connections for residents to access jobs and enable the city's economy to thrive.

Theme 2: Tackling climate change and create a healthy, green, socially just city where everyone can thrive *Lead delivery of the science-based target approach for Manchester to become a zero-carbon city by 2038 at the latest and remain within a carbon budget of 15 million tonnes of carbon for the period 2018-2100.*

- Deliver the Council's leadership role in reducing citywide CO2 emissions, using Council levers such as the development of the Local Plan, and planning for physical and green and blue infrastructure and adaptation and resilience. Influence city-wide partners to take urgent action and deliver specific Council owned actions within the Manchester Climate Change Framework.

- Prepare for and support the delivery of the new GM Clean Air Plan.
- Deliver the Council’s Climate Change Action Plan 2020-25 to reduce the Council's own direct CO2 emissions to remain within the Council’s allocated Carbon Budget in line with our science-based targets developed by the Tyndall Centre for Climate Research.

Theme 3: Advancing Equality, Diversity, and Inclusion *Deliver on our equality, diversity, and inclusion commitments to support Manchester’s vision to be a progressive and equitable city.*
- Promoting inclusive community involvement and engagement in the planning, design, and delivery of interventions to; build trust, share, and amplify community voice to provide insight; be led by data; and work in collaboration and partnerships.
- Deliver inclusive and accessible services that meet the needs of our diverse communities; through greater accountability; building capabilities and confidence across the workforce to recognise and mitigate disparities experienced by protected and marginalised groups and their intersectionality across all our services.
- Improve representation across all levels of the organisation; provide an accessible and inclusive working environment and culture enabling the Council to become an employer of choice where all people can flourish.

Theme 4: Children and Young People enjoy a safe, happy, healthy and successful future *From day one, support Manchester’s children to be safe, happy, healthy, and have a successful future.*
- Work with UNICEF UK - to support Manchester be recognised as a UNICEF UK Child Friendly City.
- All children to have access to and attend high-quality educational settings, which are inclusive and promote good attendance
- Support and promote children to have the best possible start in life, be ready for school and adulthood and have developed skills which equip them for life. This includes ensuring any additional needs are quickly identified, responding to and they are involved in decision making processes, their views and needs are understood and increasing equitable access to youth, play, leisure, employment, training, and cultural opportunities.
- Reduce number of children needing a statutory service.

Theme 5: Improving Health and Well Being for all *Work with partners to enable all people to be healthy and well, improving health equity and narrowing the gaps between the healthiest and the least healthy. Target the amount and type of support according to need, working with people and communities to improve their lives.*
- Deliver services, schemes and initiatives that improve population health outcomes and protect Manchester’s residents from threats to their health. Work with partners to tackle the root causes of health inequalities, focussing on the social determinants including actions to prevent and reduce poverty, reducing poor air quality, tackling poor housing standards and reduce the impact of structural discrimination on health.

- Support the Manchester Place Based Health and Care Integration ambitions and develop joint commissioning and investment opportunities.
- Consolidate the leadership role of the MLCO (Manchester Local Care Organisation) in the Manchester integrated health and care system, including delivery and commissioning of Adult Social Care, Community Health, and Children’s Services over the next five years.

Theme 6: Inclusive Communities, Thriving Neighbourhoods *Create great places to live, work and travel to, with the right mix of good-quality housing, clean and vibrant neighbourhoods, excellent, sustainable local transport infrastructure, and better digital networks.*

- Ensure inclusive access to housing by the provision of enough safe, secure, affordable and energy efficient homes across all tenures
- Make Homelessness rare, brief, and unrepeated through the increase in prevention and delivering better life outcomes for those at risk or who are homeless.
- Ensure that the city is cleaner, greener, and well maintained.
- Through volunteering, and participating with community groups, voluntary organisations, culture, leisure, libraries, and major and community events all residents can access, benefit from and contribute to vibrant neighbourhoods.
- All residents can access coordinated services in their neighbourhood through strengthening the Manchester neighbourhood approach: bringing services together for people in places including Health and Social Care (through the Integrated Neighbourhood teams (INTs)), Greater Manchester Police (GMP), Housing, and Children's Services.
- Our residents feel safe in our city and our neighbourhoods
- Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling.

Theme 7: Well-managed Council *Support our people to be the best and make the most of our resources*

- Deliver the Future Shape of the Council Transformation plan to achieve a digital first approach, to ensure we are responsive to businesses, residents and colleagues and we are future ready, efficient and resilient.
- Effectively manage our capital and revenue resources, via effective budget planning and management.
- Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning and effective productivity and performance management.
- The council remain strategically focused, maintains good corporate governance, operates within its legal framework and embraces a culture of transparency and accountability.

3.3 The Summary Council Business Plan 2024/25 describes in more detail the activities taking place to deliver the Corporate Plan and is attached in Appendix 1.

3.4 Each service will also develop a bespoke service plan which describes the achievements, priorities and activities of the services which collectively make up the Council. The service plans also describe the how the service will make planned improvements, delivery against cross-cutting priorities and how they will manage their resources and mitigate risks. This includes sections on:

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

3.5 Collectively this suite of documents provides a clear connection between the city's strategic vision and how the Council operates to deliver this. These plans support all staff to understand the valued contribution they make to Manchester. The financial planning in the remainder of the report demonstrates how we use our resources effectively to achieve this vision.

3.6 In addition Making Manchester Fairer (MMF) is Manchester City Council's five-year action plan to address health inequalities in the city focussing on the social determinants of health. In the wake of the COVID-19 Pandemic and the cost-of-living crisis, the need to tackle inequalities in the city continues to be a corporate and political priority. The delivery of MMF can be by its 8 themes, 4 ways of involving communities and 6 principles that underpin the way the programme will be delivered. Implementation of the plan has focused on the foundational workstreams required to ensure robust delivery of the plan. Further details are set out in the Public Health budget report elsewhere on the agenda.

4. Financial Context

4.1 The Council's net revenue budget is funded from four main sources which are Business Rates, Council Tax, government grants and use of reserves. Over the last 13 years central government funding has reduced and business rates retention has been introduced, so the ability to grow and maintain the amount of resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

4.2 The budget for 2024/25 follows over a decade of austerity which began with the 2011/12 Budget. From 2010/11 to 2023/24 the Council's Spending Power (as defined by government) has increased by just £32.1m (+5.1%) compared to an England average increase of +17.2%. The increase in spending power per head, (based on the ONS 2022 Mid-Year Estimate population data), is £56.36 (compared to an England average increase of £166.66 per head), a difference of £110.29 per head.

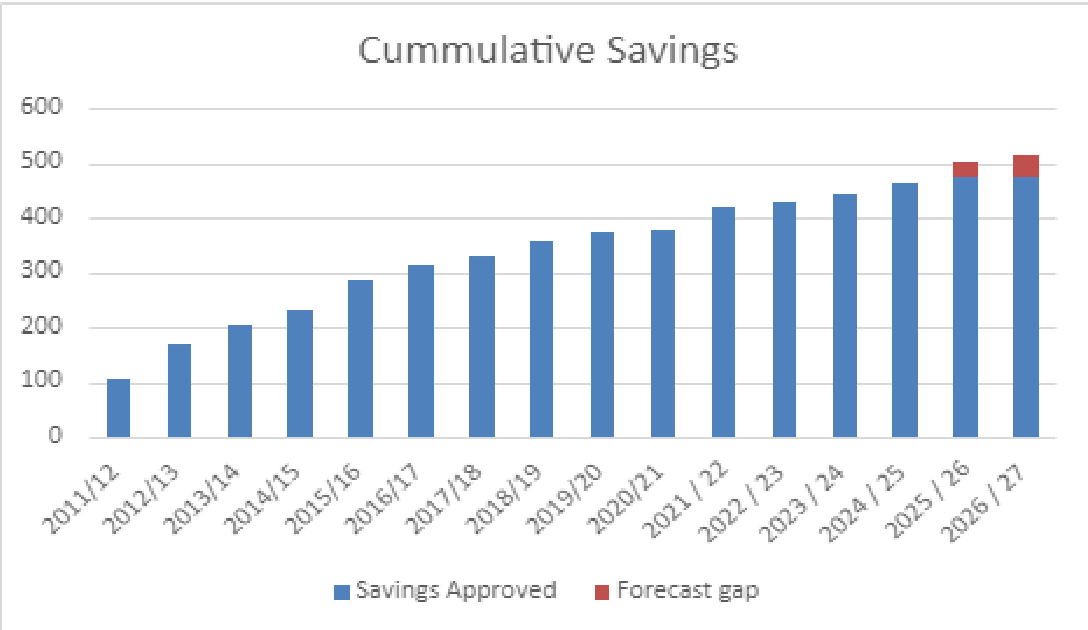
4.3 Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local authorities with a low council tax base who are more dependent on government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

4.4 At the national level the final settlement proposals provide an increase in Core Spending Power of +7.5% and c£4.5bn additional of funding will be “made available” to councils. Of this £2.1bn relates to Council Tax and assumes that every local authority will raise their council tax by the maximum permitted.

Impact of austerity on Council finances

4.5 The Council has had to make budget cuts of £443m from 2010/11 to 2023/24 inclusive to balance its budget. In addition to these cuts, this report includes further savings proposals totalling £32m over the next two years. There has been a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years’ cuts have been less severe but local government spending is still much lower in real terms than it was in 2010.

Chart 1: Cumulative Savings target by year



4.6 In order to become more resilient and self-reliant the Council has adopted an approach through its strategic planning to maximise the revenues available to it. These include:

- **Business Rates -** Manchester has been part of the Greater Manchester business rates 100% retention pilot since 2017/18. The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35. This means that the Council retains 100%

of the additional business rates growth achieved since the start of the Business Rates Retention scheme in 2013. The Council has retained an additional £83.7m to date, with a further £13.5m share forecast in 2023/24. Overall, £422.8m has been retained by GM authorities since 2017/18, with £88.2m forecast for 2023/24;

- **Council Tax -** The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of 2% to 3% a year for the past 7 years. 74% of the new housing in 2023/24 is banded in council tax band C and above. Despite the growth in house building in the city, the Council still has one of the lowest tax base of all metropolitan councils resulting in the lowest proportion of its funding coming from council tax.
- **Investment Income -** The Council has always been prudent in its commercial investments with the most significant being the shareholdings in Manchester Airport Group (MAG). This dates back to when Manchester Airport was a municipal airport. The Greater Manchester authorities now have a 64.5% share (with the Council having 35%, and 50% of the voting rights. The airport has enabled significant regeneration within Manchester and across the city region. In 2019/20, prior to the pandemic, the Council earned £71m from all of its various shareholdings. Income at this level is not expected to resume for some time. The interest from the loans to MAG advanced in 2018/19 and 2020/21 continue to contribute a net £12m each year to support the revenue and capital financing budgets.
- Net income from the commercial estate is budgeted at c£18m per annum, the majority of this is considered secure and stable.

5. Context and Strategy for delivering a balanced budget in 2024/25

National Context

5.1 The financial outlook for Local Government remains extremely challenging. The LGA published new analysis on 20 October 2023[1] which estimates that English councils are set for a budget gap of £4bn by March 2025 just to maintain services at current levels. In the last six years, eight local authorities have issued a section 114 notice, signifying severe financial distress, while none had done so in the preceding eighteen years. In 2023 there were three section 114 notices in just six months. Many other councils have publicly indicated that they might need to make the same announcement in the next few months. Inflation at an average of 8%, together with unrelenting demand pressures has compounded challenges, especially in social care and homelessness, surpassing the impact of the prior decade's austerity.

5.2 The Commons' levelling up, housing & communities committee carried out an inquiry into financial distress in local authorities2, which took evidence from

[1] Autumn Statement 2023: LGA submission https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2023-lga-submission

[2] Published 1 February 2024: Commons' levelling up, housing & communities committee report: financial distress in local authorities

across the sector and government ministers. The findings were published 1st February, warning that failure to act would see a significant number of authorities failing. The committee found that the local government system simply being underfunded and under-resourced, and not being able to meet its statutory requirements. The report highlighted “significant reductions” in the spending power of local authorities and an “increasing demand” for services in addition to inflationary pressures which has led to an increase in costs.

5.3 The areas cited as key pressures on Local Authorities finances are familiar and include:

- Childrens Social care rising demand for residential placements combined with a poorly functioning market.
- Adult Social Care demand driven by a changing population with increasingly complex needs
- Workforce shortages and inflationary pressures
- Delivery of services for children and young people with special educational needs and disabilities (SEND), including provision of home-to-school transport
- Increasing levels of homelessness have required local authorities to spend more in fulfilling their responsibilities to those requiring support. Partly driven by frozen local housing allowance (LHA) rates at April 2020 levels

Strategy for setting a balanced budget

5.4 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:

- Taking tough decisions early, making difficult decisions around cost reduction and doing things differently.
- Investment in demand management and prevention
- Delivery of planned savings and replacement of those that could not be implemented as planned
- Holding a robust position on reserves and using them wisely
- Prioritising investments which are important to residents such as Neighbourhood services, cost of living and protecting the most vulnerable.

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

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

- Income from the 100% Business Rates Growth Retention Pilot and one-off grant funding has been smoothed, typically over a three-year period, to enable on going investment into core services such as social care.
- With the exception of some of the loan interest from MAG, loan interest received is used to directly offset the costs of borrowing, with any additional income going into the Capital Financing Reserve. The capital programme, including the refurbishment of Our Town Hall as well as the need to deliver priorities such as affordable housing will require additional borrowing of £228.1m to 2026/27. The Capital Financing Reserve is deployed to ensure there are no additional pressures on the revenue budget as a result of this activity. The Council must ensure its levels of long term borrowing are proportionate to the size of the net revenue budget and are affordable, prudent and sustainable, in line with the CIPFA prudential code.
- The majority of airport dividend income was used in arrears. Smoothing reserves are also in place to support volatile income such as planning fees. These measures are designed to withstand economic shocks and recessions.
- Risks are regularly reviewed, and mitigations put in place.

5.7 The Medium-Term Financial Strategy (MTFS), approved in February 2023, 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 2023 an indicative balanced 2024/25 budget was set out. The forecast gap for 2025/26 was £40m.

5.8 In line with the national position, outlined earlier in this report, the Council has seen significant pressures across Social Care resulting in a forecast overspend of £5.5m for the current year as set out in the Revenue Monitoring report elsewhere on this agenda. The 2024/25 budget was updated to reflect the ongoing impact of these pressures alongside the outcome of the settlement and an update of the income raised from local taxes (Council Tax and Business Rates). Regular updates have been provided to the Councils Resources and Governance Committee throughout the process based on the best available information and assumptions at that time.

5.9 The November 2023 scrutiny committees were presented with an updated forecast budget gap for 2024/25 of £1.7m. At that stage the Social Care and other pressures were starting to materialise and final government funding levels were unknown. This update reflected £25m of pressures and budget growth which was partly funded by positive increases in local resources. The most significant was confirmation of the continuation of the Greater Manchester 100% business rates retention scheme for the next 10 years. Districts will now retain 75% of the growth generated which meant an increase in the level of income available to the council. In addition, options were presented to close the emerging gap, which included additional cuts and efficiencies of £2.5m for consideration. It was anticipated that further cuts and savings may be required depending on the outcome of the provisional settlement.

5.10 The finance settlement is the annual determination of funding for local government from central government. The provisional 2024/25 settlement was announced 18 December 2023, following the Autumn Statement announced 22 November 2023. Full details can be found on the DLUHC website.

5.11 The outcome of the settlement was reported to the 11 January 2024 meeting of Resources and Governance Committee. There was no new funding announced in the provisional settlement. Disappointingly the Services Grant was cut by 84.1% nationally. For Manchester this was 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.

5.12 The budget impact of the provisional settlement was a £2.4m worsening of the position for 2024/25, expected to rise to £5.3m in 2025/26. At the same time the in year budget position for the Council was worsening meaning that the budget needed to allow for topping up the General Fund reserve by at least £1m to maintain the reserve at a reasonable level to enable the overspend to be funded.

5.13 This increased next years budget gap to c£5m as set out to Resources and Governance committee 11 Jan 2024 and shown in table one below.

Table One: Impact of Settlement announcements on the forecast budget gap

	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Position reported to Resources and Governance 9 Nov 2023	**1,655**	**29,844**	**48,990**
Settlement changes	2,374	6,403	6,403
Increase General Fund to reflect worsening overspend	1,000		
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,247**	**55,384**

5.14 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 ASC budgets and some worrying trends in asylum seekers/migrant policy/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, which came to £18.4m, after demand management and proactive mitigations of £8.4m this has been reduced to an additional budget requirement of £10m in 2024/25. Whilst extremely challenging it is important that a realistic and deliverable budget is set which recognises these additional pressures, and allows a realistic budget to be set. Table Two outlines the gap reported to RAGOS in January; highlighted the additional pressures identified and their mitigations to arrive at an updated gap of £15.029m.

Table Two – Additional budget pressures in Adults and Children's Services

	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,248**	**55,384**
Pressures:			
Adults - Ongoing Impact of 2023/24 pressures	12,400	12,400	12,400
Demand Management and Prevention	(6,400)	(6,400)	(6,400)
Adults - Net additional pressures	***6,000***	***6,000***	***6,000***
Children's - Ongoing Impact of 2023/24 pressures	4,000	4,000	4,000
Increased inflation requirement	2,000	2,000	2,000
Demand Management and Prevention	(2,000)	(2,000)	(2,000)
Children's - Net additional pressures	***4,000***	***4,000***	***4,000***
Total net additional pressures	**10,000**	**10,000**	**10,000**
Total Budget Gap January 2024	**15,029**	**46,248**	**65,384**

5.15 The budget report to Resources and Governance Scrutiny on 8 February 2024 set out the following mitigations to finalise the revenue budget:

- A £5.5m Greater Manchester Combined Authority waste levy rebates
- £0.6m final GMCA levy announcements
- £3.93m through improved Council Tax and Business Rates collection, including the introduction of a 100% Council Tax premium on unfurnished empty homes.
- £1.5m through extra income from buildings owned by the Council – through increased rental charges and the renting out of vacant units
- £1.2m through interest on airport loans and investments
- £1m through energy savings due to reductions in wholesale prices
- £0.5m through the rephasing of ICT investments
- £0.5m through the rephasing of Growth & Development investments
- £0.3m through in-year underspends in back office budgets and reduced travel costs

5.16 The changes to council tax and business rates collection reflect the release of collection surpluses of £2.13m which are one off, as well as recurrent increases to resources due to being able to charge a 100% council tax premium on unfurnished empty homes, expected to raise £0.8m per annum and a £1m per annum improvement in business rates collection which is now at pre pandemic collection rates. The uplifts in Council tax for 2025/26 and 2026/27 are due to the introduction of a new council tax premium levied on empty furnished properties, such as second homes and short term holiday lets. Governments budget assumptions through to 2028/29 also assume annual council tax increases of 4.99% over that time period, which has also been factored into the MTFP figures.

5.17 The GMCA has also announced it is returning £30m of waste reserves to districts, Manchester's share is £5.5m, on top of a further £0.6m due to the ongoing levy budgets being confirmed at a lower level than initially expected. The waste reserves will be returned in two tranches with £10m returned as part of the 2023/24 underspend in the current financial year, with £20m returned in 2024/25.

5.18 It is important to note that £8.53m of the measures proposed to close the £15m gap are non-recurrent, meaning more permanent proposals will need to be found for 2025/26 and beyond. Table three summarises the impact of the changes since February 2023, as outlined above.

Table Three – Summary of changes to the budget position

	2024 / 25 **£'000**	**2025 / 26** **£'000**	**2026 / 27** **£'000**
Position reported to Executive February 2023 MTFS	**0**	**40,392**	**54,164**
Directorate Pressures	25,325	32,589	38,653
Other changes including confirmation of 100% business rates retention	(21,170)	(40,636)	(41,327)
Directorate Savings	(2,500)	(2,500)	(2,500)
Position reported to Resources and Governance 9 Nov 2023	**1,655**	**29,845**	**48,990**
Provisional Settlement changes Increase General Fund to reflect worsening overspend	2,374 1,000	6,403 0	6,394 0
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,248**	**55,384**
Full year impact of increased Social Care pressures Mitigations identified January 2024	10,000 (15,029)	10,000 (17,448)	10,000 (24,619)
Shortfall / (surplus)	**0**	**28,800**	**40,765**

Impact of the Final Local Government Finance Settlement

5.19 On 5th February the Government published the final Local Government Finance Settlement for 2024/25. This includes the additional measures announced on 24 January in a written statement, worth £600m. 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%.

5.20 The Final settlement headlines are:

- The final Local Government Finance Settlement for 2024-25 makes available up to £64.7bn, an increase in Core Spending Power of up to £4.5bn or 7.5% in cash terms on 2023-24
- On 24 January the Government announced additional measures for local authorities in England worth £600m. This includes £500m of new funding for councils with responsibility for adult and children's social care, distributed through the Social Care Grant.
- Taking into account this additional funding, this Settlement will provide £1.5bn in additional grant for social care compared to 2023/24, in recognition of pressures facing both adult and children's social care.
- The sector-wide Funding Guarantee ensures all local authorities will see a minimum 4% increase in Core Spending Power before local council tax decisions – an increase from the 3% Funding Guarantee in 2023/24.
- The Government has also announced a £15 million increase in the Rural Services Delivery Grant, rising to £110 million in 2024/25, in recognition of the additional costs faced by councils serving dispersed populations in rural areas.
- The core Council tax referendum principle is remaining at 3% and the adult social care precept at 2%, with additional flexibilities for some authorities.

5.21 Manchester will receive an additional £110k for Services Grant, it is proposed this is used to top up the inflation provision.

5.22 The Council's Social Care Grant income will be £5.5m higher than indicated at the provisional settlement. The social care grant is to fund the growing national pressures across social care and ensure the right preventative measures are in place. As outlined above, since the last report to RAGOS on 11 January a further £10m has been built in to deal with the increasing pressures faced in Adults and Children's. In the absence of any additional Government funding being available, the council had to identify these funds from reserves and one off funding. Whilst the extra £5.5m grant now announced is not sufficient to meet those additional costs it will be applied towards them, reducing the overall drawdown on reserves which will be required to support the gap in 2025/26 and beyond.

5.23 This settlement has been set for a single year, and there has been no clear announcement on whether it will form part of the baseline and continue into 2025/26. A Comprehensive Spending Review (CSR) is expected post the election and current government funding allocations indicate a real terms cut of 3.4% per year for local government in England. In this context it is currently assumed that the additional grant is a one off increase, although the later a general election is called in the year the more likely it is that 2025/26 will be another one-off roll over type settlement. This assumption will be reviewed in the summer refresh of the MTFP once the position is clearer.

5.24 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, Improved Better Care Fund, New Homes Bonus, Social Care and associated grants and Services Grant. The table below shows the breakdown of Spending Power for MCC.

Table Four: Summary of MCC Spending Power

	Final Settlement	**Provisional Settlement**	**Final Settlement**		
Core Spending Power by component (£m)	**2023/24**	**2024/25**	**2024/25**	**Change - Provisional to Final**	**Change - year on year**
Revenue Support Grant	0.0	0.0	0.0	0.0	0.0
Baseline Funding Levels	252.6	266.3	266.3	0.0	13.7
Under indexation	31.6	36.2	36.2	0.0	4.6
Council tax	213.0	230.8	230.8	0.0	17.8
Improved Better Care Fund	31.7	31.7	31.7	0.0	0.0
Social Care Grant	50.7	60.2	65.8	5.6	15.1
Discharge Fund	4.5	7.4	7.4	0.0	3.0
Market Sustainability Improvement Fund	6.2	11.7	11.7	0.0	5.4
New Homes Bonus	6.6	4.1	4.1	0.0	(2.5)
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Rolled in grants	4.1	0.0	0.0	0.0	(4.1)
Funding Guarantee	0.0	0.0	0.0	0.0	0.0
Services Grant	7.2	1.1	1.2	0.1	(6.0)
TOTAL	**608.2**	**649.6**	**655.3**	**5.7**	**47.1**

5.25 The final recommended budget includes the following:

Additional Costs and Investment

5.26 The budget includes funding for pressures and investment proposals. Full details are included in the relevant scrutiny committee reports and included at Appendix 3.

Cuts and Savings

5.27 It is proposed that savings options of £31.476m are progressed. Details of the proposals are included in the relevant scrutiny committee report. The updated summary is shown in the table below and the detail included at Appendix 2.

Table Five: Revised Savings proposals

Service Area	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
Adults Services	7,855	2,200	0	**10,055**	0
Public Health	15	0	0	**15**	0
Childrens Services	6,142	3,394	0	**9,536**	0
Neighborhoods	4,211	3,104	0	**7,315**	3
Corporate Core	1,359	1,089	0	**2,448**	37
Growth and Development	1,460	315	0	**1,775**	1
Cross Cutting	332	0	0	**332**	0
Total Savings	**21,374**	**10,102**	**0**	**31,476**	**41**

Impact on the Medium Term Financial Plan

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

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

Table Six Summary of Resources Available and Budget Requirement

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Resources Available:				
Business Rates / Settlement Related Funding	376,527	406,999	418,394	425,002
Council Tax	217,968	231,034	249,114	266,520
Grants and other External Funding	130,494	142,907	104,614	104,614
Dividends	0	195	390	390
Use of Reserves	17,087	29,380	32,853	27,982
Total Resources Available	**742,076**	**810,515**	**805,365**	**824,508**

Resources Required:				
Corporate Costs:				
Levies / Statutory Charge	70,060	72,463	78,806	78,610
Contingency	600	600	600	600
Capital Financing	43,926	43,926	43,926	43,926
Transfer to Reserves	1,335	8,968	0	0
Sub Total Corporate Costs	*115,921*	*125,957*	*123,332*	*123,136*
Directorate Costs:				
Additional Allowances and other pension costs	8,497	8,497	8,497	8,497
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	2,101	17,357	33,492	50,226
Directorate Budgets	613,553	656,700	666,788	681,267
Subtotal Directorate Costs	*626,155*	*684,558*	*710,781*	*741,994*
Total Resources Required	**742,076**	**810,515**	**834,113**	**865,130**
Shortfall / (surplus)	**0**	**0**	**28,748**	**40,622**

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

- Directorate Budget Reports
- Capital Strategy and Budget
- Housing Revenue Account
- Treasury Management Strategy and Annual Investment Strategy

6. Underpinning Financial Assumptions

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

Resources Available

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

Table Seven: Summary of resources available

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Resources Available				
Business Rates / Settlement Related Funding	376,527	406,999	418,394	425,002
Council Tax	217,968	231,034	249,114	266,520

Grants and other External Funding	130,494	142,907	104,614	104,614
Dividends	0	195	390	390
Use of Reserves	17,087	29,380	32,853	27,982
Total Resources Available	**742,076**	**810,515**	**805,365**	**824,508**

Settlement Funding Assessment and Core Spending Power

6.3 The Council receives a formula driven Settlement Funding Assessment (SFA) from Government which comprises of their assessment of the level of Business Rates income, or Business Rates Baseline and the Business Rates Tariff. As the Council is part of the 100% retention pilot Revenue Support Grant (RSG) is not included in the SFA determination and is instead funded from retained rates income. In 2024/25 SFA is £266.3m.

6.4 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, Improved Better Care Fund, New Homes Bonus, Social Care and associated grants and Services Grant. CSP for the Council in 2024/25 is £655.3m, which is a 5.1% increase on 2010/11 levels in cash terms. Nationally CSP has increased by 17.2%, or a £166.66 increase per head of population, compared to Manchester's £56.36 increase per head.

6.5 If the Council had received the national increase, it would have £75.4m additional funding per annum.

Business Rates Related funding

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

Table Eight: Business Rates related income

	2023 / 24	2024 / 25	2025 / 26	2026 / 27
	£'000	£'000	£'000	£'000
Business Rates Baseline (per DLUHC)	360,598	380,943	388,562	396,334
Difference from baseline	(18,931)	(20,071)	31,711	34,233
Forecast Share of Business Rates Income	**341,667**	**360,873**	**420,273**	**430,567**
Business Rates Top Up / (Tariff)	(50,972)	(56,364)	(58,658)	(60,997)
Business Rates S31 Grants (non-COVID)	87,597	95,980	56,898	55,622

Forecast share of Business Rates Pilot Income to GMCA (25%)	(4,800)	(4,981)	(4,837)	(4,906)
Timing adjustments due to Collection Fund accounting	(11,399)	(7,035)	4,717	4,717
Surplus / (Deficit) related to S31 Grant Extended Retail Relief	3,905	0	0	0
Estimated Surplus relating to 2022/23	11,383			
Surplus adjustment relating to 2021/22	12,826			
Estimated deficit relating to 2020/21 (total £41.039m spread over 3 years)	(13,680)			
Surplus adjustment relating to 2022/23		20,012		
Estimated Surplus relating to 2023/24		2,788		
2022/23 Surplus / (Deficit) related to S31 Grant Extended Retail Relief		(4,273)		
Business Rates related income	**376,527**	**406,999**	**418,394**	**425,002**
Memo: Smoothing via reserves:				
Compensation for irrecoverable losses	7,036			
Business Rates related income	**383,563**	**406,999**	**418,394**	**425,002**

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

6.7 The Council has been part of a pilot scheme to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35. The scheme continues to set a growth baseline above which the ten Greater Manchester authorities retain 100% of growth for the length of the regime. The Business rates funding, or baseline, is adjusted to take into account assessed need with either a payment to government where income is above need (tariff) or receipt of a grant where it is below (top up). This is designed to ensure there is sufficient funding available to the local authority to deliver essential services and acts to redistribute funding from higher tax areas to lower tax areas.

6.8 On commencement of the 100% pilot the Council became a tariff authority (paying surplus money to the Government) rather than a top up authority as it was under the 50% scheme and this continues to be the case in 2024/25.

6.9 Under the 100% pilot agreement, Revenue Support Grant (RSG) and Public Health grant funding is rolled into the business rates system rather than receiving them as separate grants. As part of the Finance Settlement, it was announced that RSG would increase by 6.6% for CPI, increasing it to £71.6m. The allocation for Public Health Grant also confirmed a 1.3% to £57.8m.

6.10 As the Council is part of a 100% business rates scheme these increases are reflected in an adjustment to the Council's tariff, with an overall increase of £5.9m on last year being payable to government.

6.11 The top up and tariff for 2024/25 is also adjusted at local level to counteract the local ongoing impact of the 2023 revaluation through a reconciliation amount. This adjusts the top up or tariff by the latest Valuation Office Agency 2023 rating list, with a corresponding adjustment to the business rates baseline.

6.12 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. In the Autumn Statement the Chancellor confirmed that for 2024/25 the small and standard multiplier would be 'decoupled' and would not both increase by inflation; with the small multiplier remaining at 49.9p and the standard multiplier increasing by CPI to 54.6p. However, Indexation grant will be provided to authorities for the freeze on the small multiplier, ensuring they would still benefit overall from a CPI increase.

6.13 The Government also confirmed the continuation of the Retail, Hospitality and Leisure Relief offering 75% discount in 2024/25 with a national cap of £110k per business. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

6.14 The business rates base was formally declared on 31 January 2024 taking account of the latest data available, government announcements and fully reviewing all assumptions.

6.15 The **business rates baseline** sets the level of business rates yield government expects billing authorities to generate. This baseline was set in 2013/14, when the business rates retention scheme was introduced, and has been index linked to inflation each year since, or frozen or capped as per government announcements. The business rates baseline would usually increase in line with September's CPI, however as part of the Finance Settlement this was only increased partially on yield generated from the standard multiplier, resulting in a 5.6% increase from £360.6m in 2023/24 to £380.9m in 2024/25.

6.16 The information in setting the 2024/25 base is returned to Government in the NNDR1 return. This includes:

- Assumptions on the levels of mandatory and discretionary relief
- A provision for business rates appeals. This has been assumed to be at 5.4% of the value of the business rates list based on local intelligence and the latest information from the VOA.
- A provision for bad debt. A collection rate of 97.5% has been assumed for 2024/25 reflecting an improved level of business rates collection.

6.17 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Business Rates base for 2024/25 on 31 January 2024. This included the calculation of the Council's business rate income and the major preceptors share which has to be notified to the Secretary of State and the Greater Manchester Combined Authority in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013.

6.18 The City Council's business rates income used for budget setting purposes for the year 2024/25 is £360.9m.

6.19 Difference from baseline – Manchester has grown above the government set baseline, and inflation, every year since 2013/14, which includes business rates income and Section 31 grants designed to compensate councils for rates lost due to reliefs announced after baselines were set in 2013. In 2024/25 the business rates income and relevant Section 31 grants are £33.4m above the baseline

Business Rates Collection Fund Surplus/Deficit

6.20 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus or deficit on their collection fund for the year. The estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate surplus or deficit is delegated to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resource. The decision was taken on 31 January 2024.

6.21 The Council's 99% share of the 2023/24 declared Business Rates surplus is £22.8m. This is made up of two elements as follows:

- An increase surplus of £20.0m relating to 2022/23 which represents the difference between the Council's share of the estimated deficit for 2022/223, declared in January 2023; compared to the outturn position as at 31 March 2023. The improvement in the position was a result of an improved collection rate and a reduced requirement for the non-collection provision, along with growth in base and reduced relief awards, particularly Retail, Hospitality and Leisure Relief due to relief refusal and the national cap limiting eligibility; this was offset by an increase in appeal provision reflecting the increase in appeals received by the VOA in March 2023;
- An estimated surplus of £2.8m relating to 2023/24 that was declared at the end of January 2024 reflecting a growth in base, partially offset by an increase in mandatory reliefs, primarily empty relief.

Business Rates Section 31 Grants

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

- Grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief
- Retail, Hospitality and Leisure Relief which provide 75% discount with national caps;
    - Supporting Small Business Relief which caps the 2023/24 increase in rates bill for small businesses to £600 per annum.

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

Table Nine: Forecast Business Rates Grants

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Multiplier Cap 2021/22	58,367	65,657	67,537	69,378
Small Business Rates Relief	16,855	18,595	18,036	18,376
Supporting Small Business	2,449	3,485	2,809	67
Extended Retail Discount / Nursery Relief	39,556	42,689	0	0
EZ Relief (100% retained)	203	122	138	113
Adjustment to Top up/Tariff in relation to multiplier cap	(29,834)	(34,569)	(31,621)	(32,311)
Total Business Rates Grants	**87,597**	**95,980**	**56,898**	**55,622**

Enterprise Zones

6.24 Enterprise Zones (EZ) are part of the Government's wider Industrial Strategy to support businesses and enable local economic growth. The first 24 Zones were launched in 2012 and a further 24 new Zones were created in 2016 and 2017.

6.25 The Council continues to facilitate four EZs where growth above the prescribed baseline is retained locally for 25 years and excluded from the system reset. EZs offer business rate relief for up to 5 years, simplified planning and capital allowances (tax relief) that aims to encourage new businesses to locate within the area.

6.26 The cost of relief awarded to qualifying businesses within the EZ is reimbursed by Government. These amounts reduce annually as businesses' entitlement expires after 5 years from locating into the zone, provided this is within the first 5 years of its creation. As the Manchester Airport City EZ was created in April 2013, with the Airport City 2, Manchester Foundation Trust and Manchester Science Park EZs following in April 2016, new businesses can no longer access this relief.

6.27 The estimate for 2024/25 anticipates that there will be growth above the EZ baseline in the Manchester Science Park, Manchester Foundation Trust and Manchester Airport City. Growth in the Science Park and Foundation Trust is ringfenced to reinvestment within the EZ and will fund the costs of the enterprise zone growth manager and marketing activities to attract businesses to the zone. Growth in the Airport Zone will be passed to GMCA (in place of the Local Enterprise Partnership) for reinvestment.

Investment and Growth Zones

6.28 From 2024/25 there will also be one Investment Zone, 'The Manchester Smile', and one Growth Zone, 'City Centre North East' in the Council's boundary. These form part of the Greater Manchester Trailblazer Deal and like EZs growth above a preset baseline will be retained locally for 25 years and excluded from the system reset. Unlike EZs, no tax incentives will be offered to businesses, but Government will provide GMCA with £160m of funding over 10 years to be applied GM wide in line with Investment Zone policy.

6.29 There is no estimated growth above baseline in 2024/25 for the Investment or Growth Zone.

Council Tax

Council Tax Base

6.30 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax base for 2023/24 on 31 January 2024. The calculation of the amount of the council tax base is, in essence, the number of dwellings in a billing area falling within each valuation band represented as Band D equivalents.

6.31 This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. A further reduction is made to reflect Council Tax Support claimants. In 2024/25 the Council Tax Support Scheme will offer support for working age households up to a maximum 85.0% of council tax due. This is an increase of 2.5% from the 2023/24 level of 82.5%.

6.32 Under the Levelling Up and Regeneration Bill from 1 April 2024 authorities can apply a 100% premium on unoccupied and unfurnished properties after one year, updated from two years. This is also included in the 2024/25 tax base and is estimated to generate an additional £0.8m.

6.33 Under the same bill, from 1 April 2025 authorities are permitted to apply a 100% premium to unoccupied and furnished properties, including second homes. This is estimated to generate an additional £3.6m per annum.

6.34 The forecast council tax collection rate is 96.5% in 2024/25, and an increase in the council tax base of 2.0% is forecast reflecting housing growth within the city. This brings an additional £5.6m income.

Council Tax Collection Fund Surplus / Deficit

6.35 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax balance for 2023/24 on 15 January 2024.

6.36 The Council's share of the 2023/24 declared Council Tax surplus is £1.8m. This is made up of two elements as follows:

- A reduced surplus of £2.4m relating to 2022/23 which represents the difference between the Council's share of the estimated deficit for 2022/223, declared in January 2023; compared to the outturn position as at 31 March 2023. The movement was mainly due to backdated property exemptions applied in the last quarter.
- An estimated surplus of £4.1m relating to 2023/24 that was declared at the end of January 2024. This surplus relates to an increased taxbase following delivery of new homes, above that forecast, with a greater proportion of properties being delivered in higher bands; reduced CTSS numbers, largely driven by a reduction in those of working age; and a review of outstanding arrears and credits.

Council Tax Precept

6.37 The Finance Settlement set out the maximum increases that can be applied to 2024/25 council tax without referenda. These are:

- Council element – 2.99%
- Adult Social Care – 2.00%
- Police and Crime Commissioner - £13 on a Band D bill
- Fire and rescue – 2.99%
- Mayoral Combined Authority precept - No limit.

6.38 The Council collects council tax for its own requirements but also on behalf of the Greater Manchester Combined Authority (GMCA) and Police and Crime Commissioner through precepts. The decision on these precepts is for the GMCA and Police and Crime Commissioners, this report focuses on the increase to the Council element of the council tax charge.

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

- Referendum criteria – The Spending Review confirmed the general referendum threshold at 3% for the Council's other expenditure, (excluding adult social care). This will generate an additional £6.5m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 2%. This will generate an additional £4.4m

6.40 The Council is intending to take maximum precept increase of 4.99%. The table below shows the proposed increases for Bands A and D, and includes the proposed increase for the Mayoral General precept (including Fire and Rescue) and the Mayoral Police and Crime Commissioner precept.

Table Ten: Proposed Council Tax increase from 2023/24 to 2024/25

	2023/24 C'Tax	2025/25 C'Tax	Proposed Increase	Increase per week

	£	£	£	%	£
Manchester City Council - Band D	1,969.50	2,068.25	98.75	5.01%	1.90
Manchester City Council - Band A	1,312.99	1,378.83	65.84	5.01%	1.27
Band A receiving CTS at 82.5% plus CTS Fund of £25 in 2023/24, compared to 2024/25 at 85.0%	204.77	206.83	2.05	1.00%	0.04

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

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

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
General rate Increase	6,066	6,529	6,992	7,488
Adult Social Care Increase	4,057	4,367	4,677	5,008
Change to assumed collection rate	1,911	(195)	(166)	(178)
Increase to Tax Base	4,247	5,572	4,752	5,088
			3,600	3,600
Changes to annual surplus / deficits:				
20/21 Estimated Council Tax deficit - spread over 3 years (Year 2)	137			
20/21 Final Council Tax surplus	(3,457)			
21/22 Estimated Council Tax surplus	(8,939)			
20/21 Estimated Council Tax deficit - spread over 3 years (Year 3)	(137)	137		
21/22 Final Council Tax surplus	783	(783)		
22/23 Estimated Council Tax surplus	4,335	(4,335)		
22/23 Final Council Tax surplus		(2,375)	2,375	
23/24 Estimated Council Tax surplus		4,149	(4,149)	
Total Increased Council Tax	**9,003**	**13,066**	**18,080**	**21,006**

* It is assumed the referendum limit remains at 4.99% over the medium term plan

Council Tax Support

6.42 There are currently over 47,500 households in receipt of Council Tax support. The 2023/24 level of Council Tax Support (CTS) was up to a maximum of 17.5% of a resident's council tax bill. Following consultation this offer has been enhanced to 85.0% for working aged claimants in 2024/25, meaning only 15% is payable.

Grants and other External Funding

6.43 The following table lists the other **non ring-fenced grants and contributions** expected. There are also number of direct grants which are held within the Directorate cash limit budgets and reflects the continued fragmentation of funding for local government, with over 200 different grants now supporting overall local government revenue budgets, with little certainty over their future beyond the spending review period.

Table Twelve: Non Ring-Fenced Grants and Contributions

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Better Care Fund (Improved)	31,748	31,748	31,748	31,748
Children's and Adult's Social Care Grant	50,695	65,773	60,218	60,218
Market Sustainability and Fair Cost of Care Fund	10,298	11,664	11,664	11,664
Adult Social Care Discharge Fund	4,451	7,420	7,420	7,420
2022/23 Services Grant	7,230	1,248	0	0
New Homes Bonus Grant	6,637	4,109	0	0
Loan Income from Airport	6,913	7,913	1,000	1,000
Contribution from MHCC	4,000	4,000	4,000	4,000
Education Services Grant	1,055	955	955	955
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Care Act Grant - Prison only from 16/17	95	95	95	95
Settlement Risk				
Proposed share of waste rebate	4,858	5,468	0	0
Settlement risk	0	0	(15,000)	(15,000)
Total Non Ring-fenced Grants	**130,494**	**142,907**	**104,614**	**104,614**

6.44 More detail on the non ring-fenced grants and contributions is set out below.

- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was provided to ensure that councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. This grant is being used to fund priorities and pressures within Adult Social Care. In 2024/25 this grant retained the same distribution and quantum as 2023/24 giving the Council an allocation of **£31.748m.**
- **Children and Adults Social Care Grant –** This was introduced in recognition of the increased pressures in Social Care. The national grant increased by £1,192m in 2024/25. This increase reflects a Social Care Grant increase of £1,032m, up £500m from the provisional settlement for 2024/25 only, and an additional £160m to help equalise the impact of the distribution of the adult social care council tax precept. However, the Social Care grant continues to be only partially equalised and Manchester's 2024/25 allocation is **£65.773m.**
- **Market Sustainability and Fair Cost of Care Fund** – This funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances and is increased nationally by £283m to £845m, with £205m of the Workforce Fund rolled into the grant, to increase the national grant to £1.050bn. This funding is distributed on the ASC Relative Needs Formula and the Council's 2024/25 share is **£11.664m**.

- **Adult Social Care Discharge Fund** – Announced in the Autumn Statement 2022 this was worth £300m nationally. In 2024/25 an additional £200m has been provided increasing the grant to £500m. This grant funding ensures those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Distribution of this grant is in line with Better Care Fund and the Council's share in 2024/25 is **£7.420m**
- **Services Grant** - This is the third year of unringfenced allocations of Services Grant. Whilst authorities were anticipating a reduction in the quantum of this grant in 2024/25, a reduction of this size was not expected and the grant reduced nationally by £395.9m (81.9%), from £483.3m to £87.4m. The Council's share is **£1.248m**
- **New Homes Bonus (NHB) Grant** – NHB was introduced in 2011 to provide an incentive for local authorities to encourage housing growth and is paid annually from a top slice of RSG. The Government has proposed a new round of NHB payments in 2024/25 which will not attract new legacy commitments in future years. The national allocations for 2024/25 remains the same as 2023/24 and will be funded through a £291m top slice of RSG. The methodology will remain the same as in previous years with payments calculated on new housing and houses brought back into use (above a baseline of 0.4%), multiplied by the average band D council tax bill, with an additional payment made for affordable homes. The Council will receive **£4.109m.** The Government has consulted on a replacement for NHB and it is not expected to continue into the next Spending Review.
- **Loan Income of £7.913m** - Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).
- **Contribution from GM Integrated Care Board -** This relates to the agreement of a longer-term joint funding strategy with the GM Integrated Care Board which includes the ongoing **£4m** contribution to the Adult Social Care aligned budget.
- **Education Services Grant £0.955m -** This relates to retained funding from DSG to fund statutory duties.
- **Housing Benefit Admin Subsidy of £2.514m and Council Tax Support Admin Subsidy** - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.
- **Care Act Grant £95k** - Funding allocations for adult social care duties since 2016/17
- **Proposed share of Waste rebate of £5.468m –** This reflects the return of waste reserves from the Greater Manchester Combined Authority, with a total of £37m returned to Greater Manchester authorities reflecting the reserve surplus.
- **Settlement risk -** This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms. An estimated adjustment of **£15m** has been made for the year of expected reforms, 2025/26 and each year beyond. This is a local estimate, and the budget will be updated once the level of grant funding for future years is known.

6.45 **Public Health Grant** is not reflected in the table above as due to the 100% Business Rates retention scheme this is met from retained business rates. The 2024/25 allocation is £57.8m.

6.46 Social Care grants will total almost £117m in 2024/25, at 14.4% of the net resource budget. These are not guaranteed beyond this Spending Review Period.

6.47 The Directorate's budgets are reliant upon a range of government grants which fund specific responsibilities, these are reflected in directorate gross budgets. At this stage there are still some assumptions included for 2024/25 and budgets will be updated in year as grant announcements are made. The total grants included in the budget assumptions for each Directorate are summarised in the table below.

Table Thirteen: Specific Government Grants within Directorate budgets

Directorate Government Grants	**Revised 2023/24**	**2024/25**
	£'000	**£'000**
Children and Young People	454,888	461,834
Adult Social Care	4,642	2,658
Public Health	4,489	7,650
Neighbourhoods	18,605	14,290
Growth and Development	9,256	9,256
Corporate Core	167,434	167,396
Total Directorate Grants	**659,314**	**663,084**

Use of Reserves

6.48 Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £29.4m in 2024/25. Of this almost £17m relates to Budget smoothing, £6.4m supporting the transport levy and £1.3m supports the delivery of the adult social care new care models. The breakdown is shown in table fifteen later in this report, the full detail is shown in the reserves strategy which is appendix five to this report.

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

Resources Required

Corporate Budgets

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

Levies / statutory charge

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

Table Fourteen: Levy Payments and Payment to GMCA

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
GMCA - Waste Disposal Authority	30,632	31,809	33,059	34,669
Transport Levy	39,076	40,289	41,901	43,577
Statutory Charge to GMCA	0	0	3,481	0
Environment Agency	258	258	258	258
Port Health	94	96	96	96
Net Cost of Levies	**70,060**	**72,452**	**78,795**	**78,599**

6.52 The Waste Disposal Levy is paid to the Greater Manchester Combined Authority (GMCA), for the costs of disposing of the Council's household waste. Based on figures provided by GMCA the 2024/25 levy costs will increase by £1.2m inclusive of changes in costs, recycling rates and market prices for recyclates and energy. Any return of reserves will be separate to the total figure outlined in table 11.

6.53 The Transport Levy is to cover the costs of providing the greater Manchester integrated transport system, including the Metrolink and subsidised bus services, as well as transport infrastructure developments. The final amount will be decided as part of the GMCA budget process. It has been assumed the total level will be increased by 3.2% for 2024/25 although as the costs are allocated on a per capita basis the final amount will vary with the differential population growth between the GM local authorities.

6.54 The ten GM authorities have committed to contributing toward the GM Mayors bus franchising policy, and bus reform. The £3.481m in 2025/26 reflects the council's contribution for this.

Contingency

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

Capital Financing Budget

6.56 The capital financing budget of £43.926m is to cover the costs of borrowing. For 2024/25 this includes:

- Costs of £91.5m as follows:
  - Interest costs of £51.0m,

    - Minimum Revenue Provision (MRP) of £40.2m, 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 £0.3m, and
- Partly offset by:
    - interest receivable of £46.2m; and
    - Contribution from capital financing reserve of £1.4m

6.57 The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement are reported elsewhere on this agenda. These provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £793m for the three year period up to and including 2027/28, based on the current approved capital programme. To avoid the additional capital financing costs of thisbecoming an additional call on the revenue budget the Capital Financing reserve has been established to allow the smoothing of the financing of the programme by covering the future increase in interest and MRP costs, as the required borrowing is drawn down. These funds increase the overall financing capacity of the programme and are committed as part of that programme.

6.58 The approach outlined above ensures that the levels of actual and planned borrowing to support the capital programme remain proportionate and affordable to the net revenue budget. The planned borrowing can be met from within the capital financing budget and planned drawdowns from the capital financing reserve. Given the impact changes in market conditions can have, for example inflation and interest rate changes, this is closely monitored throughout the year.

Transfers to Reserves

6.59 The planned transfers to reserves total £1.335m in 2023/24 and £8.968m in 2024/25. The 2023/24 transfer approved last year relates to the 2020/21 Council Tax surplus of £1.335m which was transferred to the Capital Fund reserve to support measures which contribute to the economic growth of the city. The £3.5m in 2024/25 is to top up the General Fund to maintain the reserve at a reasonable level as the forecast 2023/24 overspend will need to be met from the General Fund Reserve. In addition, the Waste levy rebate of £5.468m will be transferred to the smoothing reserve to support the budget in future years, in line with the principle of using one-off funds over a number of years to support resilience.

6.60 A full breakdown of available reserves and their forecast use is shown is included at Appendix 5 to this report.

Allowances and Insurances

6.61 Additional **allowances for former staff and teachers' pension costs,** total £8.497m in 2024/25. These are historic pension costs of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time.

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

Inflationary Pressures and Budgets to be Allocated

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

Table Fifteen: Inflationary pressures and budgets to be allocated

	2023 / 24			2024 / 25	2025 / 26	2026 / 27
			£'000	£'000	£'000	£'000
Non Pay Inflation	1,041	9,497	14,300			19,300
Pay Inflation	0	11,100	22,400			34,100
Apprentice Levy (0.5%)			1,060	1,092	1,124	1,158
Utilities Reductions			0	(4,000)	(4,000)	(4,000)
Cross Cutting Savings			0	(332)	(332)	(332)
Total			**2,101**	**17,357**	**33,492**	**50,226**
Year on year Impact			**2,101**	**15,256**	**16,136**	**16,734**

6.64 Inflation has been reducing throughout 2023/24 and the following provisions have been made within the draft Revenue Budget:

- Non pay inflation- this is to cover contracted inflationary increases as well as inflationary pressures in areas such as internal foster care and external residential placements within Children's services.
- Pay inflation – a 4% increase has been provided for at a cost of £11.1m
- Utilities reduction- A new electricity contract was awarded October 2023 at reduced rates and the gas contract will be awarded in April 2024. This £4m reflects the forecast cost reductions, directorate budgets will be updated to reflect
- cross cutting savings of £332k relating to sustainable working, travel and other reductions, these will come from directorate budgets with amounts confirmed and reported back to Executive in the new financial year.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.

Directorate cash limit budgets

6.65 Each Directorate must manage their budget within the cash limit. This is reviewed each year and for the period of the current Medium Term Financial Strategy includes approved savings and recommended adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated once the required uplifts are agreed.

The changes from 2023/24 and recommended revised cash limit budgets are shown in the table below. The paragraphs which follow summarise the main changes by directorate. The full directorate proposals have been reported to the relevant scrutiny committees and are published as part of the Executive Agenda.

Table Sixteen: Change from 2023/24 Cash Limit budget to 2024/25 Cash Limit budget

Service Area	2023/24 budget £'000	Investment / Pressures £'000	Savings £'000	*Change to budget £'000*	2024 / 25 budget £'000
Adults Services	**219,666**	35,628	(7,855)	*27,773*	**247,439**
Public Health	**43,266**	1,765	(15)	*1,750*	**45,016**
Childrens Services	**143,806**	18,719	(6,142)	*12,577*	**156,383**
Neighbourhoods	**139,225**	3,977	(3,211)	*766*	**139,991**
Corporate Core	**109,617**	4,277	(1,359)	*2,918*	**112,535**
Growth and Development	**(11,395)**	0	(1,460)	*(1,460)*	**(12,855)**
Proposed directorate budget	**644,185**	**64,366**	**(20,042)**	**44,324**	**688,509**
Corporate budgets and inflation	**97,891**	25,447	(1,332)	*24,115*	**122,006**
Total Proposed budget	**742,076**	**89,813**	**(21,374)**	**68,439**	**810,515**

6.66 Full details of proposed directorate 2024/25 to 2026/27 Savings and Investments can be found in Appendix 2 - Savings Proposals and Appendix 3 - Growth and Investment.

Children's Services

6.67 Overall, the Children's net budget will increase **by £12.577m to £156.383m.** The changes include:

- Proposed savings of £6.242m include:
  - Savings previously approved – £3.920m and £100k full year effect Early Years saving.
  - Savings proposed as part of 2024/25 Budget Setting – These total £2.222m, including £2m for measures which will manage demand on the budget rather than being cuts in services. Workforce saving £222k.
- Demographic Growth £2.419m - Looked after Children placements and Home to School Transport demographic demand which has been updated for the current number of placements and the potential increase in demand informed by 3% population growth predictions.
- Children's Investment totalling £16.4m to address pressures including;
  - £1.860m Home to School Transport, increase in Education, Health, Care plans has led to increased number of children eligible. Full year effect of cost September 2023 price increases are estimated to be £560k.

- External Residential Growth - due to shortage of fostering households, coupled with the range of children's needs there has been a shift towards high-cost external residential placements. The cost of high-cost residential placements has increased by 47% 2023/24.
- Unaccompanied Asylum Seeking Children - The presentation of UASC children now make up over 0.07% of the total child population, indicating that as a Local Authority we are supporting a higher number of UASC. There is currently a substantial shortfall between the funding local government receives and the actual cost.
- £1.440m price inflation funding for minimum increase in foster care allowances reflected by 6.8%.
- £100k School Condition Surveys.

Adult Social Care

6.68 There is a Section 75 agreement between Manchester Foundation Trust (MFT) and MCC which allows for the delegation of Adult Social Care responsibilities to the Chief Executive of the Manchester Local Care Organisation (MLCO). The S75 agreement includes an aligned budget for Community Health and Adult Social Care which is planned to continue for 2024/25. Overall, the planned contribution to the aligned budget will increase by **£27.773 to £247.439m** for Adult Social Care. The S75 agreement will be updated accordingly.

6.69 Proposed changes to the Adult Social Care 2024/25 budget include:

- Investment and pressures of £35.628m reflects:
  - Demographic growth and grant funding of £17.425m
  - Additional Investment and Pressures of £18.203m, note this includes £31.603m of pressures part offset by £13.4m of directorate mitigations.
- Savings of £7.855m including £1.2m previously approved and new savings proposed as part of the 2024/25 budget process totalling £6.655m

6.70 Funding for Pressures and Growth approved last MTFP £17.425m includes;

- £8.715m to fund the increase as part of the Council's commitment of funding care providers to pay the Real Living Wage to care staff.
- Demography and Transitions £2.636m, expected impact of population growth and changes on flow into Adult Social Care. Including children moving to adult social care support.
- Market Sustainability Improvement Fund Grant increase of £3.105m (£6.243m in 2023/24 rising to £9.348m) to address: discharge delays; social care waiting times; low fee rates and workforce pressures.
- Adult Discharge Fund increase of £2.969m (£4.451m increasing to £7.420m)

6.71 New pressures and investment £31.603m identified 2024/25 budget setting ;

- £22.312m to fund the projected increase in long term care placements, including the full year impact of placements made in 2023/24

- £3.030m increased demography impact expected from updated DAS budget model
- £3m additional transitions demography for children moving into adult social care
- £3.5m price inflation towards care fee uplifts
- £1m Mental Health investment
- £0.5m additional funding for the Commissioning, Contracting and System Hub
- £1.779m reduction in market sustainability workforce fund grant (from £4.055m to £2.276m). The grant will continue to support an improvement programme focused on strengthening statutory duties, managing demand and delivering the savings programme.

6.72 £13.4m of additional funding and repurposed budget has been applied to support the above pressures and investment requirements as detailed below,

- Use of grants and the better care fund allocation £2.6m;
- Expected growth in client contributions £2.5m, in line with the growth in client numbers and the increased care fees. A proportion of the additional costs will attract a contribution from clients who are assessed as being able to contribute to their costs of their care;
- Use of demographics budget allocation £4m;
- A specific price inflation allocation £2m; and
- Release of pre 2023/24 budget held for backdated care cost uplifts £2.3m on the basis all material liabilities have now been addressed.

6.73 Savings proposed of £8.855m are grouped into key themes as follows;

- £1.2m approved in February 2023, mainly relating to Increased opportunity from Reablement, TEC and therapy to improve independence.
- Moving and Handling pilot £1.5m, reducing the need for double cover in homecare packages
- To secure supply, the Council is having to pay above framework rates. The 2024/25 uplift to care fees (funded separately) is expected to significantly negate the current £1.2m spend on top ups to fee rates
- Vacancy factor increase of £1.1m (non recurrent)
- Client numbers and Discharge to Assess (D2A) Pathway £1m, ensuring hospital discharges are made on the most appropriate pathway and a review of the care assessment process to ensure those eligible for care have their needs met.
- Other homecare and direct payments initiatives £0.8m
- Additional client income through correction to system configuration allowing accurate billing of care in block contract and extra care arrangements (£0.5m);
- New business rules have been introduced by practice to more effectively manage one-to-one support in care homes (£0.3m) and ensure on-going support is reviewed regularly
- Additional workforce savings £255k to be met from a reduction in long term vacant posts

Public Health

6.74 The public health settlement has been received for 2024/25, a 2.2% increase totalling £1.265m. The Public Health 2023/24 net budget will be increased by £1.750 to **£45.016m.** New investment Provision has been made for inflationary price increases and potential pay award costs of £0.5m.

6.75 There is a minor additional vacancy savings allocation of £0.015m for 2024/25. Planned non recurrent use of reserves in 2023/24 of £0.330m is replaced in 2024/25 with the planned use of headroom in the budget set aside for contract uplifts as detailed in the report to Health Scrutiny February 2023.

6.76 Investment of up to £2.989m has been identified from the Public Health reserve for Making Manchester Fairer including the kickstarter schemes. The expectation is schemes will deliver savings to the health and social care system and wider including Education, Work and Skills and Homelessness. Two kickstarter schemes have been prioritised for investment for phase 1 and are targeted at delivering the Making Manchester Fairer plan's principles, improving health equity, through an 'invest to save' approach. The schemes prioritised for investment are (i) Improving Health Equity for Children and Young People, and (ii) Early Help for Adults Experiencing Multiple and Complex Disadvantage.

Corporate Core

6.77 The Core budget will increase by **£2.918m to £112.535m**.

6.78 New Pressures and Investments total **£4.277m** as follows:

- Pressures approved last MTFP £0.783m, the majority of which relates to Ongoing costs of ICT hardware refresh post roll out of EUD
- £0.905m operational property reversal of time limited saving
- £3m ICT investment of which £2m is to support the change in funding to implement cloud projects and associated subscription costs. £1m reduced capacity to capitalise ICT staffing costs and fund resources to support ICT digital priorities
- £290k to meet the costs of higher external audit fees.
- £69k increase in AGMA related costs which are funded through a levy payment to the GMCA
- These increases are partly offset by a virement of £0.770m to the Council Tax budget to fund proposed changes to the scheme which as approved by Executive in January 2023. The changes followed a consultation exercise and include:
    - Increase the maximum CTS award from 82.5% to 85% for working age households;
    - Adjust the universal credit excess income bands upwards by 2.5% to maintain parity with the 85% maximum award; and
    - Extend the maximum backdating period from 6 months to 12 months.

6.79 Savings of **£1.359m** as set out in Appendix 2 to this report as follows:

- £677m savings previously approved split between Future Programme savings £472k and general housekeeping savings £205k
- Additional income of £130k (£50k from increased vehicle clamping income and £80k from increased registrars income).

- Savings of £286k through deletion of 8 long term vacant posts
- £266k following a review of sales fees and charges.

Neighbourhood Services

6.80 The Neighbourhoods Services cash limit budget has increased by £0.776m to **£139.991m**. The main changes include:

6.81 Budget savings and reductions of £3.211m including:
- £2.205m savings already approved, including £2.070m for Homelessness Demand reductions in Emergency and Temporary Accommodation Placements
- £568k from the review of sales, fees and charges
- £200k additional income generation from the advertising contract
- £198k from a review of workforce structures and capacity alongside an assessment of the ability to fill longstanding vacant posts
- £40k temporary suspension of the annual contribution to the security measures for the Christmas Markets whilst Albert Square is unavailable

6.82 Additional budget investment of £4m for:
- £1.177m increase to the waste levy charge paid to GMCA
- £1m to meet likely additional demand in the Homelessness budget
- £1m to offset the loss of Christmas markets income while Albert Square remains closed
- £0.9m additional funding for waste and street cleaning so the rising demand from the growing population can be met

6.83 In addition, the 2024/25 Neighbourhoods gross budget reflects an annual £2m contribution from the Capital Fund to support the events commission, this will be funded through the growth in retained business rates. The proposed City Council resources will be supplemented by other city partnership funding that will be part of the whole events commission budget and managed by the City Council.

Growth and Development

6.84 The Growth and Development directorate has a 2024/25 net income target of **£12.855m**, an increase of £1.460m from £11.395m in 2023/24. The main changes include:

- £170k savings previously approved relating to increased investment estate income from an annual increase in Manchester Airport Group rent
- £1m additional income investment estate reviews
- £266k review of sales, fees and charges
- £24k review of workforce structures and capacity alongside ability to fill longstanding vacant posts

6.85 The recommended revised cash limit budgets are shown in the table below. Full details are included in the directorate budget reports elsewhere on this agenda.

Table Seventeen: Directorate budgets

	2023 / 24 Revised		2024 / 25	
	Net Budget	**Gross Budget**	**Net Budget**	**Gross Budget**
	£'000	**£'000**	**£'000**	**£'000**
Children Services	143,806	607,129	156,383	631,740
Adults Services	219,666	285,023	247,439	314,972
Public Health	43,266	54,126	45,016	55,684
Corporate Core	109,617	333,586	112,535	333,940
Neighbourhoods (Incl. Highways)	108,593	248,834	108,182	247,543
Growth and Development	(11,395)	37,860	(12,855)	38,236
Total	**613,553**	**1,566,558**	**656,700**	**1,622,115**

Fees and Charges

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

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

Reserves

6.88 The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A full review of all the reserves held has been carried out as part of the budget setting process.

6.89 The reserves include:

- Ringfenced reserves outside the General Fund. These relate to the HRA and Schools balances which the council cannot utilise.
- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute.
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to manage Economic and Commercial Risks
- Insurance Fund Reserve
- Reserves held to support the delivery, financing, and risk of the capital strategy
- Reserves to support delivery and risk of the Medium-Term Financial Plan,

- Reserves held for Accounting Purposes
- Other Specific Reserves
- General Fund Reserve

6.90 The only unallocated reserve is the General Fund Reserve, expected to be £19.6m at the end of 2023/24 if the current year overspend remains at the forecast £5.5m. The 2024/25 budget proposals include topping back up the general fund reserve by £3.5m to bringing the forecast balance to £23m. This reserve is held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and may be used to smooth general expenditure across years as required.

6.91 Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £29m in 2024/25. Of this £13m is from the airport reserve, £1.3m for New Care Models, £2m to support anti poverty and £8.3m supporting the transport levy. The breakdown is shown in the table below, the full detail is shown in the reserves strategy which is appendix five to this report.

6.92 Where reserves are used to fund specific costs within the budget these are included within the overall net cash limit budget and not separately identified in the Resources Available table. The following table shows an overview of the planned use of reserves in 2024/25 to support capital and revenue expenditure as part of the plans presented as part of this budget, the medium term financial plan and the capital strategy.

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

Table Eighteen: Forecast use of reserves

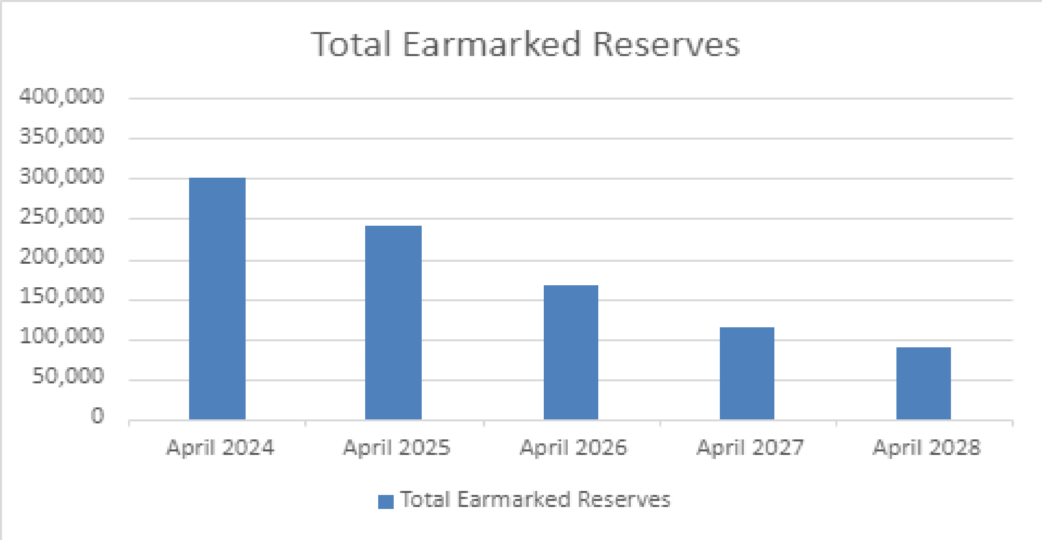
	2023 / 24	2024 / 25	Spend supported by the reserve
	£'000	£'000	
Reserves directly supporting the council wide revenue budget:			
Airport Dividend reserve	1,073	13,116	The balance of £14.2m has been applied to support the MTFP budget in 2023/24 (£1.1m) and 2024/25 (£13.1m).
Budget Smoothing Reserve	0	3,742	Created through underspends in precious years as reported through Executive and from transfers from other reserves following a full review. It has been applied across the next four years to reduce the requirement for savings and smooth the funding cliff edge until the future funding position becomes clearer.
Business Rates Reserve	7,166	0	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.

	2023 / 24	2024 / 25	Spend supported by the reserve
	£'000	£'000	
Use of St Johns growth reserve to support revenue budget	1,156	830	Growth in business rates income in the St Johns footprint, used to support the budget
Use of reserves to contribute to the cost of Anti Poverty measures	0	2,000	Contribution to the additional £3.5m support which has been provided to support residents through the Cost of Living crisis
Contribution to GMCA relating to bus reform	0	0	£3.5m contribution to GMCA relating to budget reform. Note this is funded from rebates previously received from GMCA.
Use of Smoothing reserve to fund Adult Social Care budget for New Care Models	1,300	1,300	An investment of £1.3m per year 2023-26 will sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management.
Use of Bus Lane and Parking reserves reserve to support transport levy	6,392	8,392	This includes the continuation of £6.3m a year agreed in previous years, an additional contribution from annual trend growth and £1m from 2024/25 increasing to £2m 2025/26 funded through forecast income from moving Traffic offences.
Sub Total	**17,087**	**29,380**	
Ring-fenced Reserves outside the General Fund:			
HRA Reserves	11,814	25,675	HRA reserves are ringfenced – not available to support Council position. Significant balance to support future capital investment, including Carbon reduction and increased housing provision. The HRA must balance in year, and work is ongoing to identify sufficient savings to ensure this is the case. Much of the reserve will be used during this period.
School Reserves	0	0	Ringfenced – School balances not available to support the Council position. The expected 22/23 drawdowns are based on returns from schools.
Sub Total	**11,814**	**25,675**	
Other Earmarked reserves:			
Statutory Reserves	8,179	6,597	Can only be used for specific purposes under statute e.g. Bus Lane Enforcement and on street parking income which support costs associated with transport provision and highways / environmental improvements. Some of the reserve funds the free bus from Piccadilly and the Transport levy.
Balances Held for PFI's	65	198	Held to meet costs across the life of the PFI schemes
Managing economic and commercial risks	5,890	7,166	These reserves help manage annual fluctuations in income including planning, investment and licencing. 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.

	2023 / 24	2024 / 25	Spend supported by the reserve
	£'000	£'000	
Capital Fund Reserve	40,708	14,117	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city.
Investment Reserve	1,873	2,047	This reserve is in place to support regeneration projects. The proposed use includes funding for staffing posts in Strategic Housing, Major Regeneration, the Investment Estate, and City Centre Regeneration
Manchester International Festival Reserve	2,659	1,000	To fund agreed contributions to Factory International
Eastlands Reserve	4,389	4,050	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	2,103	2,917	The refurbishment of the Town Hall, which is included within the Capital Programme Budget will also have revenue implications such as the cost of financing capital, alternative accommodation costs, and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities
Enterprise Reserve	99	102	Enterprise Zone reserve which will fund EZ Manager post and activities to attract businesses to the zone
Highways Commuted Sum	89	89	Highways Commuted sums contribute towards future maintenance
Other reserves held to support delivery and risk of the Medium Term Financial Plan	7,332	3,534	Includes funding for to drive the delivery of Our Manchester; (for example through providing Voluntary Sector Grants) and Supporting Families reserve to support the Thriving Families initiative, a whole family, strengths-based approach to child protection.
Reserves held for accounting purposes	6,672	4,069	Relates to grants received - under accounting standards these must be held in a reserve to move between financial years.
Making Manchester Fairer	2,089	900	To provide capacity to fund the kickstarter schemes supporting the Making Manchester Fairer ambition
Adult Social Care Reserve	5,264	2,449	To support Adult and Social Care Improvement Plan
ICT Investment Reserve	1,914	16,866	To support ICT Digital Strategy
Other Specific Reserves	2,562	4,448	Includes Community Safety, Primary School Catering and Social Value Fund
General Fund	6,206	0	Forecast drawdown of General Fund reserve
	127,494	**126,103**	

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

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



7. Medium Term Outlook

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

7.2 £117m or 14.4% of the net budget is now funded by social care grants. These grants are only guaranteed for the remainder of this spending review period. It is not yet known what will happen to the delayed social care reforms and the impact this will have on the current distribution of the funding.

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

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

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

7.6 In addition, from April 2017, Manchester, along with the other nine Greater Manchester authorities were able to retain 100% of their business rates growth above the baseline, under the 100% retention pilot. In 2023/24 the Council is forecasting a £18m benefit from partaking in the pilot. The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35.

7.7 Review of New Homes Bonus – A further one year extension of the scheme was announced for 2024/25. From 2025/26 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

7.8 Officers have estimated the scale of the funding gap at £28.7m in 2025/26 and £40.6m in 2026/27. This is based on reasonable assumptions around the likely level of resources available and forecast spending requirements. This is subject to change as more information becomes available. The potential delay in the return of significant commercial income until 2028/29 also leaves the City Council in a weaker financial position unless continued proactive action is taken.

7.9 The Council's proposed strategy is to use any additional funding, after covering new priority investment requirements and demand pressures, to help close the budget gap in future years and reduce the need for significant cuts in 2025/26 and beyond. However, the above factors, along with the large number of risks facing local government, mean early work on the 2025/26 budget is planned to identify further medium-term cuts and savings options to close the gap is essential. This is in addition to the savings already agreed as part of the 2023/24 and 2024/25 budget processes.

8. Fiduciary and Statutory Considerations

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

- It continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- It understands profile of existing and forecast liabilities and makes sufficient provision for repayment
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

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

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

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

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

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

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

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

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

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

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

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

Robustness of the Estimates

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

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

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

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

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

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

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

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

Adequacy of the proposed Financial Reserves

9.8 The General Fund Reserve is the only un-ring-fenced reserve and is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against financial risks and can be used to a limited degree to "smooth" expenditure across years. It is estimated that the balance on the reserve at 1 April 2025 will be £23m. The level of the General Fund reserve held has been risk assessed by the CFO and is felt to be prudent recognising earmarked reserves are held to mitigate specific risks such as the level of volatility in Council funding streams (such as business rates) and general uncertainty over the levels of funding available going forwards. However, the General Fund is seen as being at the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

9.9 The Council also has several earmarked reserves which are detailed in the reserves strategy appended to this report. They show a forecast 2024/25 opening balance of £93m for the HRA, £17m for Schools, and £284m for earmarked reserves.

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

10. Financial Governance

Leadership and Governance

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

Assessment of value for money in the delivery of services

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

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

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

Financial Management Code

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

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

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

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

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

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

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

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

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

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

10.12 *Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan. Whilst the suite of budget reports are focussed on 2024/25 to align with the central governments Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

- Five-year Capital Strategy (and financing arrangements) and asset management plans
- Three-year financial position and strategy for delivering a balanced budget set out in this report
- Five-year reserve strategy with three years published in Appendix 5 elsewhere on the agenda
- Financial and scenario planning over the next spending review period

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

10.14 Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester 2016 – 2025 and the Our Manchester Strategy Forward to 2025 ambitions. Stakeholders are invited to develop the next Our Manchester Strategy by completing the Our Manchester 2025-2035 survey which is open until 31 May 2024.

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

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

Budget Scrutiny

10.17 The Scrutiny Committee meetings on the 6-7 February 2024 reviewed the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 26 February 2024 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 1 March.

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

Table Nineteen: Scrutiny Reports

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

Equalities Duties

10.19 In considering the budget for 2024/25 the Council must also consider its ongoing duties under the Equality Act 2010 and the Public Sector Equality Duty. It must have due regard to the need to; eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act, advance equality of opportunity between people who share a protected characteristic and those who do not & foster good relations between people who share a protected characteristic and those who do not.

10.20 Having due regard for advancing equality involves: Removing or minimising disadvantages experienced by people due to their protected characteristics and their intersectionality, taking steps to meet the needs of people with protected characteristics where these are different from the needs of the general population, encouraging people with protected characteristics to participate in public life or in other activities where their participation is disproportionately low.

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

10.22 The standard EIA template was amended in 2024 to streamline the process and allow for swift decision-making whilst retaining due regard for equality. The Council took the opportunity to add several priority groups to the template, in addition to those protected by the Equality Act 2010 (the Act). These additional priority groups reflect a greater breadth of inequalities than those addressed by the Act, and touch upon the provisions of Section 1 of the Act, the Socioeconomic Duty (which was not enacted). The additional priority groups are:

- Carers
- Care experienced people and care leavers
- Current and former Armed Forces personnel and their families
- People experiencing homelessness
- People living in poverty

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

10.24 Each saving option that was approved last year was supported by a robust business cases where consideration was been 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

(EIA) and a Poverty Impact Assessment as part of the detailed planning and implementation. The Council have recently introduced new Data Monitoring Standards which have been designed to provide an insight into our local and staff populations, and to recognise whether the work we do is accessible and effective for all our staff and residents.

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

11. Consultation

11.1 There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels ran from 31 October until 27 December 2023. The provisional results from the consultation will be reported to Executive on 14th February 2024. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 26 February 2024 to ensure they are fully considered before the final budget is set.

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

12. Conclusion

12.1 The Council remains committed to the priorities within the Our Manchester strategy and to the delivery of the Council's Corporate Plan. The budget is based on the best information available to date.

12.2 In common with the rest of the sector the Council's finances continue to be under pressure, with high levels of inflation and rising demand for services continuing to outstrip the level of resources available. The resilience of the Council has been eroded by the impact of over a decade of austerity. 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 2023-26 and the use of £53.2m of reserves to support the budget deficit during the same period.

12.3 Despite this, a significant and growing budget gap remains from 2025/26 and urgent action is required to address it. There is no sustainable long term funding solution for Local Government. Further difficult financial decisions will need to be taken in 2025/26 and further significant budget cuts will be required at that point.

12.4 Officers have estimated the future resources available based on the information available. This results in a forecast gap of £29m in 2025/26 increasing to £41m in 2026/27. The focus will return to identifying medium term cuts and savings and continued working with central government to inform the planned reforms and obtain a fair funding settlement for the City.