

## **Executive**

### **PART PROCEEDINGS of the meeting held on Wednesday, 13 February 2019**

**Present:** Councillor Leese (Chair)

**Councillors:** Akbar, Bridges, Craig, N Murphy, S Murphy, Ollerhead, Rahman, Stogia, Richards

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

Councillors: Karney, Leech, M Sharif Mahamed, Sheikh, Midgley, Ilyas, Taylor and S Judge

**Also present:** Councillors: Flanagan

#### **Exe/19/11 The Budget 2019/20**

A report submitted by the Chief Executive and the City Treasurer set out the background and the context for the suite of reports being considered at the meeting that constituted the Council's budget proposals for 2019/20 and beyond. The report examined and explained:

- the priorities that had shaped the three-year Strategy;
- progress to date, building on the recent State of the City analysis;
- a summary of the financial position; and
- the required statutory assessment of the robustness of the proposed budget.

The next year, 2019/20, was to be the last year of the Government's four-year local government Finance Settlement. The future beyond 2019/20 was uncertain and the principal uncertainties were described in the report.

The report examined the development of the 2019/20 budget and the many budget changes that had been made throughout 2018/19 that were part of the context for the 2019/20 proposals.

The report explained the savings proposals contained in the 2019/20 budget. The budget also included proposals for additional investment above that originally planned as part of the 2018/19 budget setting process:

- £4.6m additional investment into Children's Services to address budget pressures due to the increased number of placements for looked after children as well as seeking to release resource for early help and prevention, and a further £150k for Youth Services;
- £7.6m (rising to £8.0m for years 2 and 3) into adult social care to ensure service stability and that residents can access services on a timely basis;
- £500k to support further action to tackle littering, fly-tipping and poor business waste management;
- £255k to support food inspections;

- £500k for enhanced enforcement activity in the private rented sector, as part of the homelessness budget; and
- £1.1m for welfare related support funded from additional council tax revenues in 2019/20, with the intention being for these costs will to be met from additional Council Tax income relating to the proposed changes to empty property reliefs.

The report showed how as a result of additional monies announced by Government a balanced budget was now anticipated for 2018/19. A balanced budget was also being proposed for 2019/20. The overall position was:

<b>Outline Balanced Budget 2019/20</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Resources Available</b>		
Business Rates related funding	324,753	314,653
Council Tax	154,070	166,507
Other non-ring-fenced Grants / Contributions	38,735	54,426
Dividends and Use of Airport Reserve	53,342	62,390
Use of Reserves to support the budget	8,743	12,439
<b>Total Resources Available</b>	<b>579,643</b>	<b>610,415</b>
<b>Resources Required</b>		
<b>Corporate Costs:</b>		
Levies/Charges	68,655	70,090
Contingency	3,103	1,600
Capital Financing	44,507	44,507
Transfer to Reserves	7,286	6,902
<b>Total Corporate Costs</b>	<b>123,551</b>	<b>123,099</b>
<b>Directorate Costs:</b>		
Additional Allowances and other pension costs	10,030	10,030
Insurance Costs	2,004	2,004
Directorate Budgets	439,919	465,272
Inflationary Pressures and budgets to be allocated	4,139	9,945
<b>Total Directorate Costs</b>	<b>456,092</b>	<b>487,251</b>
<b>Total Resources Required</b>	<b>579,643</b>	<b>610,350</b>
<b>Transfer (to) General Fund Reserve</b>	<b>0</b>	<b>(65)</b>

It was explained that the Local Government Act 2003 required the City Treasurer as the Chief Finance Officer to report to the authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The report set out the City Treasurer's assessment.

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

It was the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account had been identified and that suitable proposals were being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures were well established and designed to monitor high level risks and volatile budgets. An assessment of anticipated business rates income had been carried out based on the information available and provision had been made for outstanding appeals. The provision was considered to be prudent. The City Treasurer considered that the assumptions on which the budget had been proposed, whilst being challenging, were manageable within the flexibility allowed by the General Fund balance. This, and the fact that the Council holds other reserves that can be called on if necessary, meant that the City Treasurer was confident that overall the budget position of the Council could be sustained within the overall level of resources available.

Thanks were expressed at the meeting for the hard work of the City Treasurer and all the Council's staff who had contributed to the preparation of the budget and business plans.

### **Decisions**

1. To agree to consider the proposed Revenue Budget and Capital Strategy in the context of the overarching framework established in this report.
2. To note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves.

### **Exe/19/12 Medium Term Financial Plan 2019/20 - 2021/22**

The report of the Chief Executive and City Treasurer set out the revenue budget proposals for 2019/20 based on the outcome of the Provisional Local Government Finance Settlement and the issues which needed to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2019/20.

In March 2018, as part of setting the 2018/19 budget, an initial budget for 2019/20 had been approved by the Council. That had anticipated a total funding requirement of £588.379m, and a funding shortfall of £8.967m. The report described all the subsequent changes that had been made to that indicative budget. New budget pressures had arisen, revised savings and cost recovery proposals had been developed, and further sources of money had been identified or grants provided. The total saving target for 2019/20 was £14.798m. The 2019/20 budget now being put forward had a total funding requirement of £610.350m and now anticipated a small budget surplus of £65,000, rather than a funding deficit. The comparison of the two proposals being:

<b>Table 1 - Comparison of 201/20 Budgets</b>	<b>March 2018 £000</b>	<b>February 2019 £000</b>	<b>Change</b>
<b>Resources Available</b>			
Business Rates related funding	320,195	314,653	(5,542)
Council Tax	161,723	166,507	4,784
Other non-ring fenced Grants / Contributions	39,662	54,426	14,764
Dividends and Use of Airport Reserve	53,342	62,390	9,048
Use of Reserves to support the budget	4,490	12,439	7,949
<b>Total Resources Available</b>	<b>579,412</b>	<b>610,415</b>	<b>31,003</b>
<b>Resources Required</b>			
<b>Corporate Costs:</b>			
Levies/Charges	68,862	70,090	1,228
Contingency	2,100	1,600	(500)
Capital Financing	44,582	44,507	(75)
Transfer to Reserves	3,409	6,902	3,493
<b>Sub Total Corporate Costs</b>	<b>118,953</b>	<b>123,099</b>	<b>4,146</b>
<b>Directorate Costs:</b>			
Additional allowances & other pension costs	10,183	10,030	(153)
Insurance Costs	2,004	2,004	0
Directorate Budgets	423,111	465,272	42,161
Inflation Pressures / budgets to be allocated	34,128	9,945	(24,183)
<b>Total Directorate Costs</b>	<b>469,426</b>	<b>487,251</b>	<b>17,825</b>
<b>Total Resources Required</b>	<b>588,379</b>	<b>610,350</b>	<b>21,971</b>
Surplus (Deficit)	(8,967)	65	

These budgets were based on the assumption that the Council's element of Council Tax would increase by 1.99% along with a further 1.5% specifically to care for vulnerable adults. Whilst the 2019/20 Local Government Provisional Finance Settlement had again given the Council the flexibility to raise the council tax by a further 1% to cover the cost of core services, the assumption in the budget was to keep council tax in 2019/20 at the level as committed to in 2017-20 budget strategy, and not implement that further 1% increase. When the Greater Manchester Council Tax precept increases were added to the Council's own the total increase for Manchester's Council Tax Payers was anticipated as being 5.06%.

The assumption for the council tax collection rate was 96.5%. This was based on historic trends in collection as council tax due in the current year will continue to be collected over a number of years.

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

<b>Table 2 - Other Non-Ringfenced Grants and Contributions</b>	<b>2019/20 £000</b>
Better Care Fund (Improved)	24,374
Additional Better Care Fund (Improved)	3,775
New Homes Bonus	8,202
Adult Social Care Winter Pressures Grant	2,666
Contribution from MHCC	4,000
Children and Adults Social Care Grant	4,555
Education Services Grant	1,260
Bus Reform - GMCA contribution	1,618
Brexit Preparation funding	105
Housing Benefit Administration Subsidy	2,514
Universal Credit Funding	314
Council Tax Support Administration. Subsidy	881
Care Act Grants	162
<b>Total Non Ring-fenced Grants</b>	<b>54,426</b>

The report then considered the expenditure proposals. The forecast of levy payments the Council would have to make to other authorities in 2019/20 was

<b>Table 3 - Levies</b>	<b>2019/20 £000</b>
Transport Levy	38,157
GMCA Waste Services	31,614
Environment Agency	217
Probation (Residual Debt)	22
Magistrates Court (Residual Debt)	9
Port Health Authority	71
<b>Net Cost of Levies</b>	<b>70,090</b>

Although included within the table of levies, the Waste Levy was administered by the Neighbourhoods Directorate and would be included within the Directorate's published budget (Minute Exe/19/15).

The contingency provision of £1.6m was £1m in relation to risks around the waste levy and collection and £0.6m as an unallocated contingency to meet future unforeseen expenses.

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

The capital financing budget of £44.507m supports the costs of borrowing including interest costs and the minimum revenue provision, plus contributions to the capital financing reserve for revenue funding of the programme. Of this £25.637m would be funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations.

Specific transfers to reserves of £6.902m in 2019/20 were being proposed:

- Minimum Revenue Provision (MRP) £2.4m saving transferred to the Town Hall Reserve
- Transfer of £105k to reserves following the BREXIT preparation funding announcement.
- Transfer to Social Care Reserve of £2.904m including expected transport rebate from GMCA and additional Small Business Rates Relief grant
- Transfer to Adult Social Care Reserve £1.493m in 2019/20 from the element of Social Care grant to be used in 2020/21

Allowances of £10.030m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £9.945m, broken down into:

<b>Table 4 - Inflationary pressures and budgets to be allocated</b>	<b>2019 /20 £000</b>
Non-pay inflation	3,539
Pay inflation at 2%	4,323
Employee costs of Minimum Wage	775
Apprenticeship Levy 0.5%	900
Carbon Reduction Tax / Climate Change Levy	368
Contribution to Cemeteries Reserve	40
<b>Total</b>	<b>9,945</b>

The inflation and pressures allocations that related to the health and social care pooled budget were not included in Table 3 as they had been included within Adult Social Care cash-limit budget, being:

<b>Table 5 - Inflationary pressures and budgets to be allocated in the Pooled Budget</b>	<b>2019 /20 £000</b>
National Living Wage	4,258
Pay inflation	1,002
Non-pay inflation	2,684

The proposals for the Directorates' cash limit budgets were detailed in the Business Plan reports that were also being considered at the meeting. The overall position was:

<b>Table 6 - Cash Limit Budgets</b>	<b>2019/20 £000</b>
Children's Services	120,434
Adults Services	198,263
Homelessness	13,375

<b>Table 6 - Cash Limit Budgets</b>	<b>2019/20 £000</b>
Corporate Core	67,838
Neighbourhood Directorate	59,847
Strategic Development	5,515
<b>Total</b>	<b>465,272</b>

The figures in the table for the Neighbourhood Directorate did not include the waste levy of £31.614m as that is shown above in Table 3.

The report explained that the Council holds a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held had been carried out as part of the budget setting process. The reserves include:

- statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies was defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to offset risk and manage volatility – such as the Insurance Fund Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures
- Schools reserves – schools funding which the council cannot utilise
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – under accountancy standards these are held in a reserve.

The report set out the planned use of reserves in 2019/20 to support revenue expenditure. It also explained the statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves could only be used to fund certain types of highway and environmental improvements, and provided there was no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2019 was £11.936m. It was estimated that £9.049m will be added to these reserves during 2019/20 and £8.596m used in accordance with the statutory requirements to fund spend in the Neighbourhoods Directorate as well as part of the transport levy. The total planned use of reserves was:

<b>Table 7 - Use of Reserves</b>	<b>2019/20 £'000</b>
<b>Statutory Reserves:</b>	
Bus Lane and Parking reserves	5,504
Other Statutory Reserves	85
<b>Balances Held for PFI's</b>	<b>500</b>
<b>Reserves directly supporting the revenue budget:</b>	
Budget smoothing reserve	2,500
Business Rates Reserve	490
Bus Lane (Supporting Transport Levy)	3,092
Social Care Reserve	6,357

<b>Table 7 - Use of Reserves</b>	<b>2019/20 £'000</b>
<b>Service Reserves:</b>	
Adult Social Care	3,643
Social Care Reserve	1,320
<b>Small Specific Reserves</b>	<b>124</b>
<b>Reserves held to smooth risk / assurance:</b>	
Airport Dividend Reserve	45,413
Business Rates Reserve	2,000
Other reserves held to smooth risk / assurance	1,730
<b>Reserves held to support capital schemes:</b>	
Capital Fund	10,237
Other reserves held to support capital schemes	10,408
<b>Reserves held to support growth and reform:</b>	
Clean City Reserve	412
Better Care Reserve	1,955
Town Hall Reserve	2,867
Our Manchester Reserve	2,584
Other Reserves to support growth and reform	164
<b>Grants and Contributions used to meet commitments over more than one year</b>	<b>686</b>
<b>Total</b>	<b>102,071</b>

The meeting was addressed by Councillor Flanagan, a Ward Councillor for the Miles Platting and Newton Heath Ward. Councillor Flanagan spoke of the way that Council had, as part of the 2018/19 budget process, made changes to the mechanisms for providing grants to support community organisations. He explained that as a consequence of those changes some smaller community groups had lost their funding from the Council, impacting on the work they had been doing in their local community. He explained that since the change had been implemented a number of such groups had undertaken development to strengthen their governance arrangements and so were now in a better position to once again obtain Council support. He asked the Executive to consider a change to the budget to be proposed to Council to allocate from the existing Our Manchester Budget a fund of £300,000 to support community groups not currently in receipt of Council support under the VCS Grants Scheme but who have now made sufficient progress in their development to be able to receive support from the Council; and also that a £100,000 be set aside to support new and existing groups, particularly where there is a need for support to help reduce demand on Council services.

Councillor Flanagan's request was supported by the Leader and the Deputy Leader and agreed by the meeting, becoming part of the budget proposals that the Executive was to be put to the Council.

## Decisions

1. To note that the financial position has been based on the Final Local Government Finance Settlement confirmed on 29 January 2019.



2. To note that there has been a review of how the resources available are utilised to support the financial position to best effect, including use of reserves and dividends, consideration of the updated Council Tax and Business Rates position, the financing of capital investment and the availability and application of grants.
3. To agree to take into account, as part of the consideration of the budget proposals, the Directorate Business Plans and the proposals for service and expenditure changes.
4. To note the anticipated financial position for the Authority for the period 2018/19 to 2019/20.
5. To note that the Capital Strategy for 2019/20 had also been presented to this meeting (Minute Exe/19/13).
6. To note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves as set out in the Revenue Budget report also considered at the meeting (Minute Exe/19/11).
7. To recommend that the Council:
  - a. approve for 2019/20 an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);
  - b. approve for 2019/20 the contingency sum of £1.6m;
  - c. delegate authority to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources to make allocations from the inflationary pressures and budgets to be allocated sum of £9.945m (as shown above in Table 4). In doing so it was noted that the MHCC elements of those costs (Table 5) had been included in the Pooled Budget and were subject to draw-down in consultation with MHCC Finance Committee, and consultation with the Executive Member for Finance and Human Resources.
  - d. approve for 2019/20 the corporate budget requirements to cover levies / charges of £70.090m, capital financing costs of £44.507m, additional allowances and other pension costs of £10.030m and insurance costs of £2.004m;
  - e. approve for 2019/20 the estimated utilisation of £8.596m in 2019/20 of the surplus from the on street parking and bus lane enforcement reserves; after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and
  - f. approve for 2019/20 the position on reserves as identified in the report, noting that the position is subject to any further calls on reserves that arise before the meeting of the Council.

- g. allocate from the existing Our Manchester Budget a fund of £300,000 to support community groups not currently in receipt of Council support under the VCS Grants Scheme but who have now made sufficient progress in their development to be able to receive support from the Council; and also that a £100,000 be set aside to support new and existing groups, particularly where there is a need for support to help reduce demand on Council services.
8. To delegate authority to the City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve, Social Care Reserve and Our Manchester Reserve, in consultation with Executive Members for Finance and Human Resources, Children's Services, and Adult Health and Wellbeing.
9. To approve the Directorate cash limits as set out in Table 6 above.
10. To approve the in principle contribution to the MHCC Section 75 (S75) Pooled Budget subject to the approval of the S75 agreement at a future meeting.
11. To delegate authority to the 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 Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments.
12. To note that there is a requirement to provide an itemised council tax bill to inform Council Tax payers when part of any increase in council tax is being used to fund adult social care, and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices.

### **Exe/19/13 Capital Strategy and Budget 2019/20 to 2023/24**

Consideration was given to the report submitted by the City Treasurer. The report presented the capital budget proposals before their submission to the Council for approval.

The capital programme 2019/20 to 2023/24 comprised the continuation of the existing programme. For continuing schemes the position was based on that set out in the Capital Programme Monitoring 2018/19 also being considered at this meeting (Minute Exe/19/10). Also included were those future projects which were considered likely to be brought forward, subject to the submission of a successful business case. For any project seeking capital expenditure approval a business case must be drafted, covering:

- how the project links to the City Council's strategic priorities, social value, and any statutory requirements;
- what economic value the project will provide to the City, including social value;
- funding model, with evidence of cost and capital and revenue implications;

- timescale for delivery and identification of risks to the project, including legal issues; and
- what the project will achieve, and the benefits that will be realised.

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

If agreed, then the proposals contained in the report would create a capital programme of £505.6m in 2019/20, £419.0m in 2020/21, and £244.0m in 2021/22. Within the 2019/20 total was £146.5m of expenditure on behalf of Greater Manchester, and £38.0m in 2020/21. The proposed funding for the programme was:

<b>Capital Programme Funding</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>Total £m</b>
Grant	116.3	84.0	19.5	2.4	0.8	223.0
External Contribution	27.3	20.0	3.7			51.0
Capital Receipts	24.8	45.6	11.5		7.5	89.4
Revenue Contribution	37.6	51.7	34.8	4.9		129.0
Borrowing	153.1	179.7	174.5	79.6	30.7	617.6
<b>Total</b>	<b>359.1</b>	<b>381.0</b>	<b>244.0</b>	<b>86.9</b>	<b>39.0</b>	<b>1,110.0</b>

The revenue budget proposals set out in the report on the Medium Term Financial Plan 2019/20 - 2021/22 included provision to finance this level of borrowing.

## Decisions

1. To commend the report to Council.
2. To note the proposed Capital Strategy.
3. To delegate authority to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to make alterations to the schedules for the capital programme 2018/19 to 2023/24 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

## Exe/19/14 Corporate Core Business Plan 2019/20

The Deputy Chief Executive, City Treasurer and City Solicitor presented the final proposals for the Corporate Core (the Chief Executive's and the Corporate Services directorates) budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the directorates' revenue budgets of £67.838m for 2019/20.

The report described how the role of the Core as providing strategic leadership to drive delivery of the Our Manchester Strategy ambitions, sustain growth across the city, better connect residents to that growth, create attractive places to live work and visit, and reduce the costly demands placed on public services. As well as driving

change, the Core supported the rest of the organisation through Human Resources and Organisational Development, ICT, Finance, Legal, Communications and other services.

The report set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the Corporate Core's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, and Risk Register.

The financial plan for the services was:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
<b>People, Policy &amp; Reform</b>				
HR/OD	4,445	-50	0	4,395
Policy, Partnership, Research & Culture	9,248	-100	0	9,148
Communications	3,690	-25	0	3,665
Reform and Innovation	906	-4	0	902
<b>People, Policy and Reform Sub Total</b>	<b>18,289</b>	<b>-179</b>	<b>0</b>	<b>18,110</b>
Performance, Research and Intelligence	4,527	-60	0	4,467
<b>Legal and Democratic Services</b>				
Legal Services	2,811	-100	0	2,711
Democratic and Statutory Services	3,582	0	0	3,582
Executive	3,131	0	0	3,131
<b>Legal and Democratic Services Sub Total</b>	<b>9,524</b>	<b>-100</b>	<b>0</b>	<b>9,424</b>
Corporate Items	1,627	0	0	1,627
<b>Total Chief Executives</b>	<b>33,967</b>	<b>-339</b>	<b>0</b>	<b>33,628</b>
<b>Corporate Services</b>				
ICT	14,035	-605	0	13,430
Procurement	972	0	0	972
Commissioning	355	-15	0	340
Revenue and Benefits	8,826	0	1100	9,926
Financial Management	5,653	-390	0	5,263
Audit, Risk and Resilience	1,401	0	0	1,401
Shared Service Centre	803	0	0	803
Capital Programmes	-199	0	0	-199
Corporate Items	314	0	0	314
Customer Services	4,161	0	0	4,161
Commercial Governance	246	0	0	246

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
<b>Total Corporate Services</b>	<b>36,567</b>	<b>-1,010</b>	<b>1,100</b>	<b>36,657</b>
Cross cutting savings	-447	-2,000	0	-2,447
<b>Corporate Core Total</b>	<b>70,087</b>	<b>-3,349</b>	<b>1,100</b>	<b>67,838</b>

It was noted that the Resources and Governance Scrutiny Committee had recently considered and endorsed the plan (Minute RGSC/19/09).

## Decision

To note and accept the proposals set out in the business plan.

## Exe/19/15 Neighbourhoods Directorate Business Planning 2019/20

The Deputy Chief Executive presented the final proposals for the directorate's budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the directorate's revenue budget of £91.361m for 2019/20.

The report explained the Directorate's contributions to Council priorities of working with Manchester's communities to create and maintain clean, green, safe and vibrant neighbourhoods that Mancunians can be proud of. The report described how the Directorate provided a key role in supporting the broader council priorities as set out in the Corporate Plan. Libraries, art galleries, leisure centres, parks, play areas and events all supported the city's children and young people to be happy, healthy and successful.

The report set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the directorate's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, and Risk Register.

The financial plan for the service was:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Neighbourhood Management	202	-100	0	102
Waste & Street Cleaning	12,586	-1,150	3,082	14,518
Waste Levy & Disposal	16,712	-3,000	21,445	35,157
Parks, Leisure & Events	5,025	-300	0	4,725
Grounds Maintenance	3,129	0	0	3,129
Neighbourhood Investment Fund	214	0	0	214
Community Safety & Compliance	9,653	-156	255	9,752
Libraries, Galleries & Culture	8,859	0	0	8,859
City Co.	234	0	0	234

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Core Cities	52	0	0	52
Development Fund	0	0	0	0
Neighbourhood Teams	2,479	0	0	2,479
<b>Total Neighbourhoods</b>	<b>59,145</b>	<b>-4,706</b>	<b>24,782</b>	<b>79,221</b>
Traded Services	-3,483	-60	0	-3,543
Directorate Support	841	0	0	841
Highways Service	15,027	-185	0	14,842
<b>Total</b>	<b>71,530</b>	<b>-4,951</b>	<b>24,782</b>	<b>91,361</b>

It was noted that the Communities and Equalities, and the Neighbourhood and Environment Scrutiny Committees had each recently considered and endorsed the plan (Minutes CESC/19/08 and NESC/19/09).

### Decision

To note and accept the proposals set out in the business plan.

### Exe/19/16 Children's Services and Education Business Planning 2019/20

The Strategic Director for Children's and Education Services presented the final proposals for the directorate's budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the directorate's revenue budget of £120.434m for 2019/20.

The report described the directorate's ambitious savings and transformation programme and the significant challenges facing it which were linked to the impacts of welfare reform, demographics and wider public sector austerity measures. These included:

- reduction in Government funding for the Troubled Families programme;
- school funding reforms compounding a real-terms reduction in school budgets;
- sustained high 'demand' for a statutory social work services;
- rising costs in the external care market;
- increasing demand for a statutory Social Work Service, looked after children and leaving care placements;
- increase in the number of children with an Education Health and Care Plan; and
- pressure in schools 'high needs' funding block.

The programme of savings, growth and investment was described in detail in the report. The report also set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the directorate's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, Risk Register and savings schedule for 2019/20.

The financial plan for the service was:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Children's Safeguarding	83,011	-2,725	13,016	93,302
Education	22,440	-230	565	22,775
Directorate Core and Back Office	4,447	-90	0	4,357
<b>Total</b>	<b>109,898</b>	<b>-3,045</b>	<b>13,581</b>	<b>120,434</b>

It was noted that the Children and Young People Scrutiny Committee had recently considered and endorsed the plan (Minute CYP/19/09).

## Decision

To note and accept the proposals set out in the business plan.

## Exe/19/17 Dedicated Schools Grant 2019/20

The budgets for schools are funded by the Dedicated Schools Grant (DSG), a ring-fenced grant that can only be applied to meet costs that fall within the schools' budgets. Any under or over-spend of grant from one year must be carried forward and applied to the schools' budgets in future years. The DSG is provided by Government to local authorities and each local authority distributes the grant to the local educational establishments.

A report submitted by the Director of Education explained how the allocated DSG was distributed across the schools and supported establishments in Manchester.

The report explained that for 2019/20 the DSG would be made up of four blocks: schools block, early years block, high needs block and central services schools block. It was reported that Manchester was to receive a DSG of £530.057m.

During the autumn of 2018 the Council had consulted schools and the Schools Forum on a transfer of funding in 2019/20 from the schools block to the high needs block of up to 0.5% per pupil. That transfer was intended to address an underlying pressure in the High Needs budget from more children needing Education, Health and Care Plans. However, that transfer would not now be necessary as a result of the Government providing additional DSG for high needs of £2.562m (£1.281m for each of 2018/19 and 2019/20). Despite this increase there were continuing pressures on the high needs block.

The breakdown of the DSG in 2019/20 would be:

<b>DSG</b>	<b>Schools £m</b>	<b>Central Services £m</b>	<b>High Needs £m</b>	<b>Early Years £m</b>	<b>Total £m</b>
Retained School Budgets	3.750	3.658	22.930	1.720	32.058
Individual School Budgets	405.323	0	53.568	39.108	497.999
<b>DSG 2019/20</b>	<b>409.073</b>	<b>3.658</b>	<b>76.498</b>	<b>40.828</b>	<b>530.057</b>

It was noted that the Children and Young People Scrutiny Committee had recently considered and endorsed the report (Minute CYP/19/09).

## Decision

To note and accept the 2019/20 individual schools' budgets and local authority retained school budgets as determined from the Dedicated Schools Grant allocation from Government.

## Exe/19/18 Strategic Development Business Planning 2019/20

The Strategic Director (Development) presented the final proposals for the directorate's budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the directorate's revenue budget of £5.515m for 2019/20.

The report described the significant contribution the service was making to the development and regeneration in the city, referencing many of the commercial and residential development schemes across the city.

The report set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the directorate's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, and Risk Register.

The financial plan for the service was:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Operational Property	7,052	0	0	7,052
Facilities Management	9,025	0	0	9,025
Property Rationalisation	0	0	0	0
Investment Estate	(12,290)	(1,700)	0	(13,990)
Strategic Development	324	0	0	324
City Centre Regeneration	425	0	0	425
Housing & Residential Growth	1,577	0	0	1,577
Planning, Building Control & Licensing	(601)	(20)	0	(621)
Work & Skills	1,723	0	0	1,723
MAES	0	0	0	0
Our Town Hall Project	0	0	0	0
<b>Total Strategic Development</b>	<b>7,235</b>	<b>(1,720)</b>	<b>0</b>	<b>5,515</b>

It was noted that the Neighbourhoods and Environment Scrutiny Committee, the Economy Scrutiny and the Resources and Governance Scrutiny Committee had each recently considered and endorsed the plan (Minutes NESC/19/09, ESC/19/14 and RGSC/19/09).



## Decision

To note and accept the proposals set out in the business plan.

### **Exe/19/19    Housing Revenue Account 2019/20 to 2021/22**

A report by the Strategic Director (Development) and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2019/20 and indicative budgets for 2020/21 and 2021/22.

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

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

Under a variety of arrangements, the Council owns and manage just under 16,000 properties within the HRA. The arrangements included three PFI schemes and the stock managed by either Northwards Housing or other Registered Social Landlords. During 2018/19 the Council was anticipating selling around 175 properties under the Right to Buy scheme.

Included in the report was the forecast for the HRA in 2018/19 to have an in-year surplus of £2.764m, compared to a budgeted deficit of £6.769m, and the main reasons for that change were explained in the report.

The proposed budget reflected the latest information on implementation of the Housing and Planning Act 2016 and Welfare Reform Act 2016. The legislation required social housing rents to be reduced by 1% each year for four years from April 2016. The 2019/20 budget period would be the last year of that four-year period. The mandatory 1% rent reduction had been reflected in the financial plan being put forward. The proposed rents levels included a reduction of 1% to all properties except for housing properties managed under a Private Finance Initiative (PFI) contract, where the rent would be increased by 3.4% (CPI + 1%).

Gas for the communal heating systems was sourced as part of the City Council's overall gas contract. The existing wholesale gas contract was to expire shortly and indications were that the wholesale gas price would increase by about 26%. Therefore, it would be necessary to increase the current heating charges by between 17.8% and 71.9% so as to ensure that the costs of gas used were recovered through the tariffs charged for tenants and residents. However, in order to protect residents, many of whom are vulnerable and find themselves in financially challenging situations, it was proposed that any increase in heating charges be capped at 20%, and the difference between the actual increased gas costs and charges to tenants funded from the HRA. In 2019/20 this would result in a deficit of £104k in the income

for communal heating. Appended to the report was a complete schedule of proposed heating tariffs for pay by rent and pay by prepayment card, showing the percentage change for 2019/20 after the application of the 20% cap.

The report explained that in 2018 a 1% reduction in the Northwards management fee for both 2018/19 and 2019/20 had been agreed (Minute Exe/18/019). The 2019/20 budget therefore included that 1% reduction.

In 2015/16 it had been agreed that garage rents should be brought in line with dwelling rents (Minute Exe/15/021). To achieve that, it was agreed that garage rents were to be increased by 3.92% on top of the increase applied to dwelling rents for the five year period 2015-2020. Given the reduction in rents, it was therefore proposed and agreed that garage rents increase by 2.92% in 2019/20, as they had done in 2018/19.

The report also explained that rent income was normally calculated on the basis of a 52 week rent year, but because in an average year there are 52.17 weeks, it was necessary to include an extra week every 5 or 6 years to remain in line with the calendar year. That had therefore resulted in a 53-week rent year for tenants in some years, and 2019/20 would be such a year. However, the Government had advised that Universal Credit would not reflect the 53 weeks due, and would continue being payable for 52 weeks and paid in 12 monthly instalments. If 2019/20 was instead treated as a 52-week year the gross rental debit for that lost week was predicted to be in excess of £1.1m. However, it was clear that those tenants on Universal Credit would not receive any benefit to pay for that week's rent. In 2019/20 that was estimated as being 10% of tenants, but over time that was expected to increase to about 60% as Universal Credit continued to be rolled-out by the Government. It was explained that this was a nationwide problem and was under review by the Government. Pending further developments it was proposed and agreed that 2019/20 be treated as a 52-week year, to avoid any detriment to tenants.

The report also explained the other key changes in the HRA budget for 2019/20, and the full budget was presented as set out below.

<b>HRA Account</b>	<b>2018/19 (Forecast) £000</b>	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>
<b>Income</b>				
Housing Rents	(60,279)	(59,914)	(61,239)	(62,462)
Heating Income	(709)	(734)	(749)	(764)
PFI Credit	(23,600)	(23,586)	(23,374)	(23,374)
Other Income	(1,093)	(1,166)	(1,157)	(1,047)
Funding from General HRA Reserve	2,764	(10,352)	(21,510)	(8,164)
<b>Total Income</b>	<b>(82,917)</b>	<b>(95,752)</b>	<b>(108,029)</b>	<b>(95,811)</b>
<b>Expenditure</b>				
Northwards R&M & Management Fee	20,583	20,417	20,699	20,943
PFI Contractor Payments	35,322	33,418	36,227	31,356

<b>HRA Account</b>	<b>2018/19 (Forecast) £000</b>	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>
Communal Heating	766	838	855	872
Supervision and Management	5,270	5,118	5,172	5,243
Contribution to Bad Debts	1,206	604	925	1,258
Depreciation	15,184	17,279	17,460	17,611
Other Expenditure	1,317	1,525	1,347	1,282
RCCO	0	13,749	22,565	14,483
Interest Payable and similar charges	3,269	2,804	2,779	2,763
<b>Total Expenditure</b>	<b>82,917</b>	<b>95,752</b>	<b>108,029</b>	<b>95,811</b>
<b>Total Reserves:</b>				
Opening Balance	(99,939)	(102,703)	(92,351)	(70,841)
Funding (from)/to Revenue	(2,764)	10,352	21,510	8,164
<b>Closing Balance</b>	<b>(102,703)</b>	<b>(92,351)</b>	<b>(70,841)</b>	<b>(62,677)</b>

## Decisions

1. To note the forecast 2018/19 HRA outturn surplus of £2.764m.
2. To approve the 2019/20 HRA budget and note the indicative budgets for 2020/21 and 2021/22.
3. To approve the proposed 1% decrease to dwelling rents (subject to the exceptions described above), and delegate authority to set individual property rents to the Director of Housing and the City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources,
4. To approve the proposal that where the 2019/20 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.
5. To approve the proposed 2019/20 changes for communal heating charges as set out above, and as detailed in the appendix to the report.
6. To approve the proposed 2019/20 Northwards management fee as set out above.
7. To approve the proposed increase in garage rental charges as set out above.
8. To note the problems arising from the 53-week rent year that would have arisen in 2019/20, that such 53-week rent years have not been allowed for in the introduction of Universal Credit, and to agree not to pass the additional rent cost of the 53rd week onto tenants in 2019/20, with the cost of reduced rental income to be borne by the HRA in 2019/20.

**Exe/19/20 Manchester Health and Care Commissioning - Adult Social Care Business Plan and Pooled Budget contribution 2019/20**

The Director of Adult Social Care and the Chief Accountable Officer, Manchester Health and Care Commissioning presented the final proposals for the Manchester Health and Care Commissioning and the Adult Social Care' budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the pooled budgets and the directorate's revenue budget of £198.263m for 2019/20.

The report explained that Manchester Health and Care Commissioning (MHCC) was responsible for commissioning health, adult social care and public health services for MHCC had been operating a single planning, delivery and assurance process since April 2018. The report set out the priorities for MHCC in 2019/20 financial year and described progress made in 2018/19. The report also explained that the financial plan for 2019/20 reflected the Manchester Health and Care Locality Plan and Adult Social Care Business Plan for the period 2017-2020.

The report set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the directorate's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, Risk Register, Capital Strategy, and an update on transformational savings schemes.

The financial plans for the services were:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Assessment/Support	6,140	-37	677	6,780
Care	41,122	-6,485	1,254	35,891
Commissioning	8,979	-871	0	8,108
Business Units	5,129	0	0	5,129
Learning Disability	51,989	-525	-585	50,879
Mental Health	23,192	-125	217	23,284
Public Health	37,275	10	0	37,285
Back Office	6,692	4,472	4,069	15,233
Inflation / National Living Wage	1,181	0	7,944	9,125
Demography	-	0	2,335	2,335
<b>Total Pooled Budget</b>	<b>181,700</b>	<b>-3,561</b>	<b>15,911</b>	<b>194,050</b>
Asylum	57	0	0	57
Commissioning	1,819	0	0	1,819
Safeguarding	2,337	0	0	2,337
<b>Total Other Adult Social Care</b>	<b>4,213</b>	<b>0</b>	<b>0</b>	<b>4,213</b>
<b>Total</b>	<b>185,913</b>	<b>-3,561</b>	<b>15,911</b>	<b>198,263</b>

It was noted that the Health Scrutiny Committee had recently considered and endorsed the plan (Minute HSC/19/09).

## Decision

To note and accept the proposals set out in the business plan.

### Exe/19/21 Homelessness Business Planning 2019/20

The Director of Adult Services and Strategic Director (Development) presented the final proposals for the Homeless Services' budget for 2019/20 and forecast budgets for future years. The report set out the detailed breakdown and allocation of the service's revenue budget of £13.375m for 2019/20.

The report explained that the Homeless Partnership had co-produced the Homelessness Strategy for the City (2018-23). Derived from that Strategy, the three key priorities for the service were:

- homelessness as a rare occurrence: increasing prevention and earlier intervention at a neighbourhood level;
- homelessness as brief as possible: improving temporary and supported accommodation to be a positive experience; and
- the experience of homelessness to be a one-off occurrence: increasing access to settled homes.

There was a continuing and significant increase in the number of people presenting as homeless and who were rough-sleeping in the city so the service was under pressure. The budget proposals for 2019/20 therefore included investments to:

- help with the demand for dispersed accommodation continuing to rise at the current rate to 1,500 properties during 2019/20;
- support emergency accommodation numbers being stabilised at existing levels from work ongoing to meet need differently; and
- provide additional capacity for Homelessness support to reduce caseloads.

The report set out in detail how the elements of the financial and business plan had been developed. Appended to the report was a copy the service's 2019/20 Delivery Plan, Performance Plan, Equality Overview and Action Plan, Workforce Plan, and Risk Register.

The financial plan for the service was:

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Rough Sleepers / Outreach	359	0	0	359
Specialist Accommodation	249	0	0	249
Emergency Accommodation (B&B)	1,226	-440	1,990	2,776
Temporary Accommodation	2,631	0	1,300	3,931
Homelessness Management	384	0	0	384
Homelessness Assessment	1,216	0	0	1,216
Homelessness Prevention	1,929	0	1,300	3,229
Tenancy Compliance	194	0	0	194

<b>Service Area</b>	<b>2018/19 Net Budget £'000</b>	<b>Savings &amp; Recovery £'000</b>	<b>Growth &amp; Pressures £'000</b>	<b>2019/20 Net Budget £'000</b>
Housing Related Support	980	0	0	980
Asylum	57	0	0	57
<b>Total</b>	<b>9,225</b>	<b>-440</b>	<b>4,590</b>	<b>13,375</b>

It was noted that the Neighbourhoods and Environment Scrutiny Committee had recently considered and endorsed the plan (Minute NESC/19/09).

### **Decision**

To note and accept the proposals set out in the business plan.

### **Exe/19/22 Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2019/20**

The Council's Treasury Management policy complies with the revised CIPFA Code of Practice on Treasury Management. The Council adopted this in March 2010.

The Local Government Act 2003 and supporting regulations require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The proposed strategy for 2019/20 was based upon the views of Treasury officers on interest rates, informed by leading market forecasts. The Strategy covered:

- Prudential and Treasury Indicators
- Minimum Revenue Provision Strategy
- Treasury Management Policy Statement
- Treasury Management Scheme of Delegation
- Borrowing Requirement
- Borrowing Strategy
- Annual Investment Strategy

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

### **Decisions**

1. To commend the report to Council.
2. To delegate authority to the City Treasurer, in consultation with the Executive Member for Finance to approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget and submit such changes to Council.