

Manchester City Council Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Budget 2020/21 – Covering Report

Report of: Chief Executive and City Treasurer

Purpose of the Report

The 2020/21 Budget is a one year budget following the Government's decision to announce a one year spending round 4 September 2019 followed by a one year Local Government Finance Settlement, 2020/21 released on 6 February 2020. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy 2017-20 and as set out in the Corporate Plan. These have been updated to include action required to address the climate emergency declared by the Council. This report sets out the context including:

- The priorities that shaped the three year Strategy
- Progress to date, building on the recent State of the City analysis
- A summary of the financial position
- The required statutory assessment of the robustness of the proposed budget

Recommendation

The Executive is requested to consider the Revenue Budget Reports 2020/21 and Capital Strategy 2020-2024 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

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

The proposed 2020/21 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.
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Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive	This report sets out the Strategic Framework for the delivery of a balanced budget for

economy that creates jobs and opportunities.	2020/21. The Framework is aligned to the priorities of the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.

Risk Management – as detailed in the report.

Legal Considerations – as detailed in the report.

Financial Consequences – Revenue and Capital

This report provides the framework for Revenue and Capital planning from 2020/21.

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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.

None

1 **Introduction**

1.1 At its meeting on 13 February 2019 Executive agreed to the 2019/20 budget, which was the final year in the three year budget strategy for 2017-20. It was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However this did not happen and a one year spending round was announced on 4 September 2019. The Final Local Government Finance Settlement 2020/21 was released on 6 February 2020. This report sets out the context including:

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

2 **Priorities and Context**

2.1 The priorities for the Council 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 support a change in the way that services are delivered and in the relationship between the Council and the people of Manchester.

2.2 The three year budget strategy was agreed at a time when the City and the Region had additional powers devolved for transport, skills, health and housing which provided significant opportunities. But whilst there continues to be progress in growing the Manchester economy there is still a long way to go to tackle the legacy of deprivation that remains. The need to restructure the City's economy and eliminate the level of exclusion which a high proportion of residents still experience through unemployment, low skills and low paid unstable work helped shape the Our Manchester Strategy and remains the priority.

2.3 The Our Manchester ten year ambitions are the touchstone when decisions are taken about what to prioritise, and set the framework for the Medium Term Financial and Capital Strategies. Our Manchester seeks to make Manchester a city that is:

- Thriving - creating jobs and healthy businesses
- Filled with talent- both home grown talent and attracting the best in the world
- Fair - with equal chances for all to unlock their potential
- A great place to live - with lots of things to do
- Buzzing with connections - including world class transport and broadband

- 2.4 The challenge remains to continue to provide services when the population is increasing and the resources available to the Council are not at the required levels. The State of the City Report published in 2019 set out the progress made against Our Manchester, this is summarised in section 3. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. The plan was updated in December 2019 to include action required to address the city's zero carbon ambitions and climate emergency declared by the Council. The Corporate Plan has provided the framework for the budget and Single Council Business Plan.
- 2.5 The Single Council Business Plan 2020/21 describes in more detail the action being taken to deliver the Corporate Plan this year. The plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council. The plan also describes the Council's key workforce and technology considerations for 2020/21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.
- 2.6 A number of key activities will support delivery of a number of our Corporate Plan priorities including:
- Delivery of the approach to place-based reform in Manchester - Bringing Services Together for People in Places
 - Integration of Health and Social Care through partnership arrangements with the NHS
 - Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
 - Delivery of Our Transformation - a new Council-wide portfolio of programmes which have been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'
 - Continuing to ensure that the 'Our Manchester' approach is the way we do things here, rather than a thing we do
- 2.7 Finally the Medium Term Financial Plan and Capital Strategy have been updated to reflect the 2019/20 budget position. There has also been additional funding, particularly for social care, made available through the Spending Round and the Local Government Finance Settlement 2020/21. Whilst the Government has provided some additional funding to address the pressures local authorities are facing for social care, this is insufficient to meet the underlying increases in need and there is no longer term solution beyond 2020/21.
- 2.8 Although the net savings proposals for 2020/21 are lower than previous years, at £2.8m, the fact remains that this continues to be a period of austerity. Rising demand for services has been experienced in 2019/20 and is expected to continue next year. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service efficiencies identified in

those areas have been used to help achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for possible changes from 2021/22 onwards. The need to make budget reductions is expected to continue over the next five years. The Local Government Association is estimating that by 2025 Local Government Services face a funding gap of at least £7.8bn, just to stand still, much of this relating to social care.

3 **Progress on Delivering the Our Manchester Strategy**

A Thriving City, Buzzing with Connections

- 3.1 Manchester's population has grown rapidly over the past year with an estimated 575,400 residents in 2019¹, projected to reach upwards of 660,000 by 2028. This growth has been concentrated in and around the city centre. The number of children living in Manchester has also grown, leading to an increased demand for primary and secondary school places and this is reflected in the investment in school expansion and new schools. International migration continues to be a key driver of the city's growing population. However, the extent of this future growth will depend upon a range of external factors, including the position of the United Kingdom (UK) outside the European Union. Some immediate risks of impact - those that could arise due to a 'no deal' Brexit - have receded, due to the UK exit date of 31 January 2020 with a withdrawal agreement. However, it is unknown what arrangements will have been agreed about what the future relationship of the UK with the EU will eventually look like by the end of the transition period on 31 December 2020. Therefore, potential impacts on sectors such as social care and hospitality remain a real concern.
- 3.2 Manchester is continuing to work to shape the future, particularly in terms of transport, skills, health and housing, with new powers devolved to the city region. Over the next ten years a number of global and national issues such as changing patterns of international trade as a result of Brexit and the enduring impacts of Climate Change will impact. In September 2019, the Council adopted its "*Developing a More Inclusive Economy – Our Manchester Industrial Strategy*" which sets out Manchester's vision and delivery plan for developing a more inclusive economy. The Council's Capital Strategy makes the development of a more inclusive economy a key investment priority, through major developments in the city such as the Northern and Eastern Gateways, and through the use of progressive procurement policies and the creation of social value when investing.
- 3.3 An integrated, attractive and affordable transport network is needed to enable residents to access jobs and improve their health through increasing levels of active travel. There continues to be an increasing demand for travel in the city centre using sustainable travel modes. A refreshed *City Centre Transport Strategy* is in preparation to take account of: the ongoing and future predicted growth of the city centre, the *Greater Manchester Transport Strategy 2040*, and the ambition to be a zero carbon city by 2038 at the latest. Recent

¹ MCC Forecasting Model W2018

developments include the anticipated opening ahead of schedule - in April 2020 - of the new £350m Metrolink Trafford Park Line.

- 3.4 Manchester's economy has continued to grow, with its performance exceeding that of both Greater Manchester and the UK as a whole. Manchester's growth sectors in terms of Gross Value Added (GVA) and number of jobs have remained fairly consistent over recent years, but there have been some changes in the latest publication of the Greater Manchester Forecasting Model (2018). Business, financial and professional services; and cultural, creative and digital are still two of the major growth sectors, but both construction, and wholesale and retail are now the other growth sectors replacing science, research and development. Construction in particular is now projected to grow at a significant rate, driven by some of the major developments in the city.
- 3.5 The creative industries across the UK are the fastest-growing economic sector and are recognised as being vital to the success of Manchester. A top-class cultural offer is vital to the international positioning and profile of the city. The significant government and Council investment in The Factory will provide an international arts venue that is unmatched outside of London and should see GVA, visitors and jobs increase.
- 3.6 Major developments in the city centre include Mayfield, St John's, Great Jackson Street, Piccadilly, First Street, and Circle Square. Key successes include the Oxford Road Corridor, which continues to attract new occupants to the cohesive cluster of science and technology businesses, academics, clinicians and world-leading health institutions.
- 3.7 Digital connectivity continues to improve for residents and businesses. Despite this, there is still a need to increase broadband coverage and deliver full-fibre coverage across Manchester at a faster pace to secure the city's status as a leading digital centre. The ICT Strategy will include investment to support the roll out of Full Fibre. The Council is currently working to secure funding from the Local Full Fibre Network (LFFN) Program, and is in discussions with the Department for Digital, Culture, Media and Sport (DCMS) with regard to the award of funds in the near future.

A City that is Filled with Talent

- 3.8 A highly skilled workforce is fundamental to creating an inclusive economy in Manchester. Upskilling the city's population is also vitally important in reducing levels of dependency by ensuring that more people have the opportunity to access high quality jobs and share in the city's economic growth.
- 3.9 The city's employment offer has continued to increase and diversify; in 2018, there were 400,000 employees working in the city, an increase of 12% since 2015. This growth has been driven by success in a number of the city's key growth sectors: science and research and development; cultural, creative and digital; and business, financial and professional services. Manchester has a higher than national average proportion of residents qualified to degree level and above. However, although the proportion with no qualifications has

improved since 2015 (12.4%), in 2018 this was still 10.5%, compared to a national rate of 8%. The £90 gap between resident and workplace gross weekly wage is the largest of English core cities. In 2019 an estimated 13.1% of employees working in Manchester were paid less than the Living Wage Foundation Real Living Wage of £9 an hour. For employees living in Manchester that percentage was estimated to be 21.8%. The Family Poverty Strategy (2017-2022) was developed to address poverty in Manchester, which is a major challenge affecting many of the city's families.

- 3.10 Enabling all residents, which include the City's children, young people and their families to share in the City's economic success by getting good jobs will require further improvements in early years services, schools and skills and employment programmes. After a number of years of sustained improvement primary schools have seen a dip in attainment outcomes in 2019, the percentage of pupils achieving the expected standard in combined reading, writing and maths at KS2 has dropped in 2019, widening the gap with the national average. Although improvements have been sustained at secondary schools, Manchester still has a lower number of pupils achieving GCSEs in English and Maths and a lower Attainment 8 and progress 8 level than the national average. There is ongoing work with schools and system leaders to improve attainment results with a particular focus on reading. The number of schools judged to be good or better is increasing and is above the national average with 90% of Manchester schools judged to be good or better.
- 3.11 Work is taking place to ensure that education and training is aligned with the skills needed by business in and around the City. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care continue to be a top priority. Capital investment in schools will continue with investment in the primary and secondary estate to create new places and to provide permanent accommodation where schools are currently using temporary facilities.
- 3.12 There are some direct links between low skills and a low-wage economy, and this is an area where some progress is being made in ensuring that everyone is paid at least a living wage. The Council was successfully accredited as a Living Wage Employer by the National Living Wage Foundation in November 2019. The Council is also supporting Manchester College to provide a city centre campus that will support residents to achieve the skills required to match the jobs being created.

A Fair City

- 3.13 The vision is to build a safe, happy, healthy and successful future for children and young people. Progress has been achieved in Children's Social Care services, characterised by the Ofsted judgement in December 2017 that services to children and young people looked after and those in need of help and protection are no longer inadequate. However the increasing number of children and young people being looked after is putting a significant strain on the Council's budget. Manchester has recently refreshed its approach to early help which can enable children, young people and their families to achieve

their potential and reduce demand on more reactive and expensive services. Some of the additional one-off funding the council has received will be used to increase the budget in these areas.

- 3.14 Tackling homelessness is fundamental to the Our Manchester Strategy. There has been a significant increase in the numbers of households who are homeless in Manchester including families, single people, young people, and people who are rough sleeping. This trend is also reflected nationally. The rollout of Universal Credit, welfare reform, the capping of the Local Housing Allowance and the Homelessness Reduction Act 2017 which came into force in April 2018 have all led to further demand on services. The demand for social housing in the city and the lack of good quality, affordable private rented sector housing has led to many people being trapped within homelessness and poverty.
- 3.15 The scale of staffing funded through short-term funding streams represents a significant risk to the ability of the service to deliver priorities, improve outcomes for people and also meet statutory duties. It is proposed that investment of c£1m is provided in 2020/21 to facilitate the permanent recruitment of staff in posts which support the prevention activity funded from a reduction in the spending on temporary accommodation. This is predicated on continued success in securing central government funding from the Rough Sleeper Initiative of £0.5m in 2020/21 to continue the success in reducing the numbers of people sleeping rough on our streets
- 3.16 Dispersed temporary accommodation placements have increased by 106 since March 2019 to 1,597 in October 2019. The number of homelessness presentations in Manchester continues to rise. Presentations for Quarter 2 are 2,525, the highest recorded in any quarter and 27% higher than at this stage in 2018/19. Funding for increased need of £0.979m has been applied to support the budget position based on estimated growth in demand since the start of the year.
- 3.17 A spending reduction on temporary accommodation of £1m in 2020/21 is estimated from a reduction in the cost to the Council of temporary accommodation. This is based on 100 existing properties being managed by Registered Providers (RPs) by end of March 2020, increasing to 200 by June 2020, 300 by September and 400 by December 2020. Further discussions are being undertaken with housing providers, including an option to utilise the GM Ethical Lettings Agency (operated through GM Housing Providers). The option under consideration would target transfer of properties outside of the city boundaries, thereby further reducing the Council's reputational as well as financial risk. The approach with RPs has been agreed in principle and financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.
- 3.18 Economic improvements have not been matched by similar improvements in health outcomes. People living in Manchester experience higher levels of ill health and early death than other major cities and local authorities in England. Life expectancy is 7.7 years lower for men and 7.6 years lower for women in

the most deprived areas of Manchester than in the least deprived areas. The [Manchester Population Health Plan](#)² describes how the Council will work with partners to deliver improved health outcomes and reduced inequalities.

- 3.19 The original Locality Plan: Our Healthier Manchester, produced in 2016, set out the ambition to improve health and care outcomes for the people of Manchester within a financially sustainable health and social care system. The initial focus led to a rationalisation of the Manchester system, through the creation of a single commissioning function, a single hospital service, and a local care organisation (LCO). Greater Manchester Mental Health Trust replaced the previous provider as the lead for delivering mental health services in Manchester.
- 3.20 The updated Locality Plan (April 2018), set within the context of the city's Our Manchester strategy, shifted the emphasis away from structural change to a focus on Our People, Our Services and Our Outcomes. The Locality Plan is now being refreshed again, to reflect the place-based approach to public services across Greater Manchester (Bringing Services Together for People in Places in Manchester) and the requirements of the NHS Long Term Plan.
- 3.21 In April 2018, the new Manchester Local Care Organisation (MLCO) – a partnership between the Council and a range of health organisations – took over the running of statutory community health and adult social-care services and delivers integrated and accessible out-of-hospital services across the city's 12 neighbourhoods, providing integrated services that will improve outcomes at a reduced cost. A key role for MLCO is preventing inappropriate admissions and facilitating timely discharge from hospital which is being facilitated by seasonal pressures funding. In addition, the Council has invested directly into adult social care to ensure that timely access to adult social care services is available for those who need them.
- 3.18 MLCO has developed a number of new care models designed to improve outcomes and services for residents, and reduce demand for high cost services. Evaluations to date have shown emerging evidence of reduce demand, for example:
- Manchester Case Management (previously known as High Impact Primary Care) has shown, through a quantitative analysis of hospital activity, a statistically significant reduction in Accident and Emergency attendances post service start
 - Reablement has shown that for the cohort of people who have had Reablement service during 2018/19 financial year and went on to have a home care package after leaving Reablement had, on average, 26% fewer homecare visits and 22% fewer homecare hours during the 6 months post reablement
 - ExtraCare has shown that neighbourhood apartments have likely necessitated up to 1,200 fewer days of residential / nursing care to the wider health and care system

² <http://www.manchester.gov.uk/healthplan>

A Great Place to Live

- 3.22 Manchester's future success is inextricably linked to whether it is a great place to live. The City's different neighbourhoods need the right mix of housing that people can afford, good schools, parks, sports and cultural facilities, roads and transport links and streets and public spaces free of litter and antisocial behaviour. Residents have identified through the Our Manchester Survey that they value their local assets with satisfaction with services mirroring the quality of available shops and amenities, green spaces, libraries and health services. The Capital Strategy includes the further planned investment in the city's parks, leisure facilities and libraries as well as the £100m investment programme to improve the condition of the city's roads and footpaths. Further investment to reduce litter and fly tipping is prioritised in the updated Budget Strategy.
- 3.23 The housing pipeline is continuing to deliver new homes at scale across the city with over 4,000 new homes expected to complete in 2019/20 (up from c.3,000 in 2018/19). Manchester's housing delivery is now competing with some of the fastest growing London boroughs with just Greenwich & Tower Hamlets delivering more units in 2018/19. This success is expected to continue with investment in the Northern Gateway (a joint venture between the Council and the Far East Consortium) in particular providing an opportunity to unlock large scale, high volume, multi-tenure housing sites with the potential to deliver up to 15,000 new homes over the next 15 years.
- 3.24 The Housing Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025 including a minimum 6,400 affordable homes. Of the latter 3,000 are either delivered, on site or committed to be delivered by March 2021 with a further minimum of 3,400 to be delivered by March 2025 through use of Council land, Registered Social Landlord partner resources and investment capacity in the Housing Revenue Account. Achieving this target is dependent on the government funding in these areas being available. The city's overall annual housing target will continue to be met in the short-term but maintaining supply will require ongoing investment in key infrastructure in, for example, the Eastern and Northern Gateways in order to unlock housing sites.
- 3.25 In respect of Climate Change, the Council's direct carbon emissions in 2018/19 were 48.1% lower than in 2009/10, exceeding our carbon emission reduction target of 41% by March 2020 a year ahead of schedule. In November 2018 the Council worked with the Tyndall Centre for Climate Change Research at the University of Manchester to develop science-based carbon emission reduction targets to ensure that Manchester plays its full part in reaching the UK's commitment to the Paris Agreement. As such, the city and the Council adopted a science-based carbon budget limiting the city's CO₂ emissions to no more than 15 million tonnes between 2018 and 2100 and committed the city to becoming zero carbon by 2038 at the latest. This means reducing emissions by approximately 13% each year, in effect halving them over the next five years. This target is 12 years earlier than the national 2050 target.

- 3.26 In July 2019 the Council declared a climate emergency recognising that urgent action needs to be taken to reduce the city's carbon emissions and mitigate the negative impacts of climate change. Following the declaration of a climate emergency, the Council established a Zero Carbon Coordination Group (ZCCG) to drive forward the integrated activity required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments. The city and the Council are currently in the process of developing a robust Zero Carbon Action Plan 2020-25. This will outline the activity that needs to take place to reduce both our direct emissions (from our operational estate, street lighting, waste fleet and transport activities) and how we will lead the city in reducing its emissions.
- 3.27 We recognised that the Council has a wide range of policy-making and regulatory functions and that many of these already include aspects that encourage low carbon behaviours and activities. In order for the Council and the city to be zero carbon by 2038 we will ensure that all key decisions the Council makes and policies and procedures we implement will support this ambition. Manchester City Council only has direct control over a small percentage of emissions in the city (our direct emissions). As such how we work with and influence others to also play their full part in responding to the climate emergency will be vital in the wider city achieving its zero carbon ambitions. We will work with and exert our influence on as many organisations and individuals as possible in the way services are designed, delivered and communicated and creating opportunities to encourage and support partners and residents to play a key role in achieving the city's climate change objectives.
- 3.28 Whilst there has been an overall improvement in air quality in recent years, parts of Manchester are still exceeding the legal limits for nitrogen dioxide (NO₂). The Greater Manchester Clean Air Plan Outline Business Case was submitted to the Government in March 2019. It proposes a package of measures that will deliver compliance across Greater Manchester, including a charging Clean Air Zone targeting the most polluting commercial vehicles, funds to provide financial support for the upgrade of non-compliant vehicles to support local businesses, taxis and buses, and investment in an additional 600 Electric Vehicle charging points. A Full Business Case is being developed for approval by the 10 Greater Manchester Local Authorities and, subject to Government approval, it is anticipated that funding measures would be available from 2020, with the Clean Air Zone being introduced from 2021.
- 3.29 Our Corporate Plan priorities have been refreshed for 2020-21 to reflect the city's zero carbon ambitions and declaration of the climate emergency, the launch of the local industrial strategy for the city, the headlines from the 2019 State of the City report, and the planning for internal transformation.
- 3.30 Our Corporate Plan priorities going forward are, in no particular order of importance:

Theme	Priority
<p>Zero carbon Manchester <i>Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide</i></p>	<ul style="list-style-type: none"> ● Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met ● Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan ● Contribute to improvements in air quality across Manchester required in the Clean Air Plan
<p>Young people <i>From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better</i></p>	<ul style="list-style-type: none"> ● Ensure all children have high-quality education ● Support more Manchester children to have the best possible start in life and be ready for school and adulthood ● Reduce the number of children needing a statutory service. ● Reduce the number of children growing up in family poverty
<p>Healthy, cared-for people <i>Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives</i></p>	<ul style="list-style-type: none"> ● Support Mancunians to be healthy, well and safe ● Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care. ● Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
<p>Housing <i>Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes</i></p>	<ul style="list-style-type: none"> ● Accelerate and sustain delivery of more housing ● Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes
<p>Neighbourhoods <i>Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of</i></p>	<ul style="list-style-type: none"> ● Enable clean, safe, vibrant neighbourhoods
<p>Connections <i>Connect Manchester people and places through good-</i></p>	<ul style="list-style-type: none"> ● Improve public transport and highways, and make them more sustainable

<i>quality roads, sustainable transport and better digital networks</i>	<ul style="list-style-type: none"> Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy.
Growth that benefits everyone <i>Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy</i>	<ul style="list-style-type: none"> Support good-quality job creation for residents, and effective pathways into those jobs.
	<ul style="list-style-type: none"> Facilitate economic growth of the city
Well-managed council <i>Support our people to be the best and make the most of our resources</i>	<ul style="list-style-type: none"> Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
	<ul style="list-style-type: none"> Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income

4 **Financial Context**

4.1 The budget for 2020/21 is being set in a period of austerity which began with the 2011/12 Budget. The Local Government Association has calculated that by 2020 Local Government will have delivered £16bn in savings to the Treasury, whilst also absorbing inflationary increases, maintaining the delivery of services to communities and facing increasing Social Care demands. Between 2010/11 to 2019/20 the Council's Spending Power (as defined by government) has reduced by £179m (29%) compared to an England average reduction of 16%. This has resulted in required budget cuts of £372m from 2010/11 to 2019/20 inclusive, after taking into account inflation and rising demand, and 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.

Table One: Savings requirement

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Savings Planned	107	61	36	30	55	26	17	25	15	372

4.2 In order to become more resilient and self-reliant the Council has had to maximise the revenues available to it including the below:

- Manchester has been a business rates growth retention and 100%

retention pilot. The latter means that the Council retains 100% of the additional business rates growth achieved during the 3 year pilot period 2017 - 20. Additional retained growth was £10.4m in 2017/18, £9.8m in 2018/19 and is estimated at £8.7m in 2019/20. Additionally there was a £6m return from GMCA in 2018/19, and a further £4.8m is proposed for 2019/20, subject to GMCA approval at its meeting on 14 February, which has been made available to support the budget over the next two years. It has been confirmed the pilot will continue for 2020/21.

- The Council's commercial investments have generated dividend income of £71m in 2019/20 (predominantly but not exclusively from the Airport), and net income from the commercial estate of c£12m per annum, both of which are supporting the revenue budget. Proceeds from loans to the airport advanced in 2018/19 are contributing a net £5m each year to support capital financing costs.
- The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of over 3% for the past 5 years. Over 60% of the new city centre housing is at a council tax band of C or above compared with 20% in the rest of the city, contributing to increasing the council tax base which is essential to the longer term financial sustainability of the Council.

Update of the 2020/21 Budget

- 4.3 Despite the pressures being faced 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 on where funding should be invested to deliver on resident priorities and 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. The difficult balance has to be maintained between protecting investment to generate growth (and grow the revenues available to the Council), provide high quality universal services and to protect the most vulnerable.
- 4.4 The report to Executive in January 2020 set out the current budget position based on officer proposals to balance the budget which went through the January Scrutiny Committee process, updated for the Final Local Government Finance Settlement received 6 February 2020. The proposals included net savings of £2.8 m in 2020/21 identified in the Corporate Core, Neighbourhood Services and Growth and Development, all of which has in effect gone to support increased costs in Adult Care, Children's Services and Homelessness support. These are being found through a combination of efficiencies, income generation and innovation and should not impact on frontline services to residents.
- 4.5 The proposals would enable a balanced budget to be achieved for 2020/21, as shown in the table below.

Table Two: Budget Position 2019/20 (Latest) and 2020/21 (Proposed)

	2019/20 Original £000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of other Reserves	12,859	12,859	21,481
Total Resources Available	610,835	622,161	665,100
Resources Required			
Corporate Costs			
Levies / Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Subtotal Corporate Costs	123,164	133,740	135,032
Directorate Costs			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Subtotal Directorate Costs	487,671	488,421	530,068
Total Resources Required	610,835	622,161	665,100
Shortfall / (surplus)	0	0	0

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

- The Medium Term Financial Plan (MTFP)
- Budget Reports (Children and Education Services; Adult Social Care and Population Health; Homelessness; Neighbourhood Services; Growth and Development; and the Corporate Core)
- Capital Strategy and Budget
- Housing Revenue Account
- Dedicated Schools Grant

- Treasury Management Strategy and Annual Investment Strategy
- The Single Council Business Plan

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

Table Four: Scrutiny Reports

Date	Meeting	Budget Paper
	Resources and Governance Scrutiny Committee	Report covering the Corporate Core and the relevant parts of Growth and Development Directorate (Operational and Investment estate and facilities management)
	Health Scrutiny Committee	Adult Social Care and Population Health This is supplemented by: <ul style="list-style-type: none"> • Draft MHCC Plan on Page, Joint Budget Report 2020/21 and refreshed Manchester Locality Plan • Summary of draft MLCO Operating Plan 2020/21
5 February	Children and Young People Scrutiny Committee	Children and Education Services
5 February	Neighbourhoods and Environment Scrutiny Committee	Report covering Neighbourhoods and Relevant services from Growth and Development (Housing and Residential growth)
		Homelessness report
6 February	Economy Scrutiny Committee	Report covering Growth and Development and the relevant parts of Neighbourhoods (Business Units) and Housing and Residential growth
6 February	Communities and Equalities Scrutiny Committee	Report covering Neighbourhoods

Budget Beyond 2020/21

- 4.8 There is no certainty over either the quantum or distribution of local government funding after 2020/21. In 2020 the Government plans to carry out a multi-year Spending Review, there is no detail on the timeline and process. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement sets out the distribution to individual local authorities. On 7 January 2020 Local Government Minister said the Spending Review will not just settle the amount of resources available to local government over the period and the approach to distributing these, but also important related questions including:
- which programmes are the most effective in delivering outcomes for local communities
 - how to balance resources for mainstream programmes with much-needed investment in prevention
 - what is the best approach to incentivising local housing supply and economic growth. Government have already committed to reform of the New Homes Bonus
 - how to provide the certainty to support investment in improving services
 - how best to support local authorities to improve; helping them become more efficient and transform services around the needs of local people.
- 4.9 Alongside the Spending Review the Government has reiterated its intention to carry out several reforms to the local government finance system which were due to be implemented in April 2020, the government is now aiming to implement these reforms in 2021/22. This includes:
- Introducing reforms to the administration of the business rates system, with the intention of increasing stability and certainty. This is intended to remove the volatility of appeals from Local Authorities.
 - Increasing the proportion of business rates retained by the sector nationally from 50% to 75% to incentivise growth and investment in local economies. Manchester is part of the Greater Manchester pilot retaining 100% locally for the four year period 2017-21. It is likely that this pilot will end in 2021/22 and the baseline for growth will be reset. This could result in a loss of income, depending on the formula used to redistribute growth and any transition arrangements.
 - Fair Funding Review - Reviewing the funding formula that determines settlement funding allocations for each local authority, including an updated assessment of relative needs and resources. Funding will largely be comprised of retained business rates and either a government top up is received or a surplus of business rates is paid back for redistribution based on the formula. Of concern is the suggestion the current use of deprivation factors to allocate funding may be reduced. This is a key driver of spend and Manchester will be significantly disadvantaged if this goes ahead. The government will be releasing further consultation and some exemplifications to allow dialogue on technical issues. On 24 January 2020 the Local Government Association released an exemplification for adult social care funding based research by the Personal Social Services Research Unit (PSSR); and which is expected to inform the individual Local

Authority allocations. This calculation has been widely reported and shows a potential reduction in funding of c14% overall for Manchester. At 2018/19 national spend levels (on which the exemplification is based) this would equate to a cut of around £22m, though it is noted the weighting of Adults in the 2021/22 formula is yet to be determined. It is recognised that this is just one element of the overall funding envelope for Local Government, but nevertheless is very concerning for Manchester. It is expected that there will be time limited transition funding. However, at this stage, the Government is yet to announce its formal proposals.

4.10 Other national risks to the future funding position include:

- The economic and service impact of Brexit following the trade agreement and new partnership with the EU, expected to be in place by the end of December 2020.
- Sustainable funding solution for adult social care - There is no clear indication of the government's plans other than a Queens Speech commitment to a long term solution that commands cross-party consensus. The social care funding streams which are at risk after 2020/21 are significant for Manchester and include £30.8m for the Improved Better Care Fund (incorporating Winter Pressures) and £17.6m Children's and Adults Social Care Support Grant. It is possible these grants will be rolled into the Local Government Settlement however if this is the case they are likely to be allocated on the new funding formulas which brings its own risk, as per the previous paragraph.
- Business Rates Reform - On 7 January 2020 the Local Government Minister reiterated the government commitment to carrying out a fundamental review of the business rates tax. Local government perspectives will be considered in the review including how business rates income is used and how it meets Councils' funding needs. The timeline for this review is not yet known.

5 **Budget Calculations: report on robustness of estimates and adequacy of proposed financial reserves**

5.1 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. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The Council's CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set out below.

Robustness of the Estimates

5.2 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.

- 5.3 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	A detailed review of social care related savings which were not delivered in 2019/20 and the impact for 2020/21 has been carried out with revised proposals contained within the budget. As outlined above robust monitoring arrangements are in place to enable early corrective action to be taken. Such action in 2019/20 has successfully reduced the overspend position.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding of c£13m in 2020/21 for Social Care and Council resources have been used to provide more funding in these areas based on a reassessment of demand. Funding received in 2019/20 has been smoothed over three years with a reserve to cover future demand.
Volatility of resource base including business rates	As the Council becomes more reliant on locally raised resources and commercial income it is more susceptible to any downturn in the economy. To mitigate the risk the majority of the airport dividend is used a year in arrears and a business rates reserve has been established. The position on all these income streams is closely reviewed each month and reported to the Senior Management Team and Executive Members.
Delivery of a balanced budget beyond 2020/21	Longer term scenario planning has started to address the uncertainty beyond 2020/21. In addition, the 2019/20 budget established specific reserves to fund social care over a three year period, to avoid cliff edges and provide time to plan dependant on the outcome of the national funding changes and BREXIT impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.

Impact of Brexit	<p>The potential effects of Brexit on the Council are currently un-quantified but could impact on revenue budgets, capital projects, treasury management and the pension scheme.</p> <p>As the risks associated with BREXIT are so difficult to quantify the approach, in line with a number of local authorities is to build up the level of the business rates reserve and protect the level of the General Fund reserve to help mitigate any adverse impact. More detailed planning and risk assessments for the different scenarios are being carried out within GM and Manchester.</p>
Overspend on significant capital projects	<p>The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. There are strong governance arrangements underpinning the decision making process, all capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications.</p> <p>The capital programme is monitored monthly, with quarterly reports to Executive. There are specific programme and risk management arrangements in place to assess individual projects and to oversee their completion. 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. By reviewing projects regularly, such monitoring can be used to support future actions, including the estimation of future costs and mitigations as necessary.</p>

- 5.4 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 incorporated into the Risk Registers contained within the Business Plans.
- 5.5 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 now well embedded and are designed to specifically 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. There is considered to be a prudent provision.

- 5.6 The CFO considers that the assumptions on which the budget have been proposed whilst challenging are 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 means that the CFO is confident that overall the 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.
- 5.7 The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

- 5.8 The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to "smooth" expenditure across years. It is currently estimated that the balance on the reserve at 1 April 2020 will be £21.4m based on monitoring to end of December. The level of the un-earmarked General Fund reserve held has been risk assessed by the CFO and is felt to be prudent given the level of volatility in Council funding streams such as business rates and general uncertainty over the levels of funding available going forwards. There are a number of risks as set out in previously in paragraph 5.3.
- 5.9 The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year's outturn will also affect the level of General Fund Reserve available next year. The Deputy Chief Executive and CFO feels it would be prudent in light of the higher level of risk being faced by the Council going forward that the reserve should be maintained at this level.
- 5.10 The Council also has a number of Earmarked Reserves which are detailed in the 2020/21 budget report elsewhere on the agenda. They have a 2019/20 opening balance of £439m, of which £107m relates to the HRA and £19m to Schools. The level of reserves required is robustly assessed as part of the budget setting process. Monitoring of these reserves takes place through the monthly reporting process to Senior Managers and Members during the financial year and at the year-end 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 there are considerable risks within this position. The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their

nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves.

6 Fiduciary and Statutory Considerations

6.1 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 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

6.2 In coming to 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.

6.3 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 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.

6.4 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:

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

- 6.5 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.
- 6.6 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.
- 6.7 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.
- 6.8 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.

Equalities Duties

- 6.9 In considering the budget for 2020/21 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
- 6.10 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 protected groups within the City.

7 Financial Governance

Leadership and Governance

- 7.1 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

- 7.2 The Council's external auditors are required to provide a Value for Money conclusion following the guidance issued by the National Audit Office November 2017 which specified the criteria for auditors to evaluate. The external auditors were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. An unqualified Value for Money conclusion was issued.

Financial Management Code

- 7.3 The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The Code builds on established 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 to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code with the first full year of compliance being 2021/22.
- 7.4 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.
- 7.5 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. 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.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7.6 The Code is structured over seven sections as shown below:
 Section 1: The responsibilities of the chief finance officer and leadership team
 Section 2: Governance and financial management style
 Section 3: Long to medium-term financial management
 Section 4: The annual budget
 Section 5: Stakeholder engagement and business plans
 Section 6: Monitoring financial performance
 Section 7: External financial reporting

7.7 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.

7.8 *Standard F - The authority has carried out a credible and transparent financial resilience assessment* - The CIPFA Financial Resilience Index has been developed to help organisations 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 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.

7.9 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 paragraphs 5.3 to 5.7.

- 7.10 Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. - This is demonstrated by the Section 25 statement within this report.
- 7.11 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. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary.
- 7.12 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 only cover 2020/21 to align with the central government one year Spending Round and Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:
- i. Five year Capital Strategy (and financing arrangements) and asset management plans Five year reserve strategy with three years published in the MTFP
 - ii. Financial and scenario planning over the next spending review period
 - iii. Three-year Children's and Adults investment proposals for the use of additional one off funding received in 2019/20.
- 7.13 Sustainable Service Plans have been produced over the Life of the MTFP including tracking delivery and an assessment of success in delivery of savings - Directorates have put forward additional savings proposals in the scrutiny budget reports. The total savings identified for 2021/22 are £7.463m of which £4.626m will be retained within directorates to support the realignment of budgets to mitigate identified pressures. The balance of £2.837m supporting the balanced budget position 2020/21. Officers have satisfied themselves with the robustness of the planned reductions and their broad deliverability. A detailed risk rated savings tracker is produced and monitored monthly and progress discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT) at its monthly budget focussed meeting. 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. For the areas within its remit the Manchester Health and Social Care Commissioning Board and Management Team have a detailed process to agree business plans and monitor progress on the delivery of savings which is also tracked on a monthly basis.
- 7.14 In 2019/20 24% of savings were considered high risk in terms of deliverability. These related to Children's, Homelessness and Adult services and have been

reassessed as part of the 2020/21 budget setting process. Full details are contained within the scrutiny budget reports.

- 7.15 Section Four of the code requires that *'the authority complies with its statutory obligations in respect of the budget setting process'* and *'the budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves'*. This is demonstrated by the Section 25 statement within this report.
- 7.16 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 ten year ambitions. The proposed 2020/21 budget continues to reflect the priorities identified in the three-year budget strategy (originally 2017-20) which was subject to extensive consultation with residents about what matters most to them.
- 7.17 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 annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. This highlights areas of strength for Manchester as well as similar authorities which have better outcomes for lower spend in certain areas. These instances provide scope for more detailed investigation in conjunction with the Service concerned and improvements to be identified where required. 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

- 7.18 The Scrutiny Committee meetings on the 4-6 February 2020 will review the budget proposals within their remit. Resources and Governance Scrutiny Committee will meet on 24 February 2020 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 6 March.

8 Conclusion

- 8.1 The last few years have been challenging for the Council given the high proportion of cuts which have had to be made to the Council's budget at a time when the demand for services such as Children and Adults Social Care have been rising. This has been exacerbated by the disproportionate level of funding reductions the Council has taken.

8.2 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 investments. This has included commitments from suppliers to employ staff who live locally, 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.

8.3 This set of budget and business plans 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.