

Manchester City Council Report for Resolution

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

Subject: Medium Term Financial Plan

Report of: Chief Executive and Deputy Chief Executive and City Treasurer

Summary

This report sets out the budget proposals for 2020/21 based on the outcome of the Final Local Government Finance Settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2020/21. This report should be read in conjunction with the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Dedicated Schools Grant Report, the Budget 2020/21 Covering Report, the Capital Strategy and Budget 2019/20-2023/24 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

1. Note that the financial position has been based on the Final Local Government Finance Settlement announced on 6 February together with any further announcements at that date;
2. 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. Note the anticipated financial position for the Authority for the period of 2019/20 to 2020/21 which is based on all proposals being agreed;
4. Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2020/21;
5. Note that the Capital Strategy and Budget 2019/20 to 2023/24 will be presented alongside this report;
6. Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in the Budget 2020/21 Covering Report elsewhere on this agenda;

7. Make specific recommendations to Council to approve in the budget for 2020/21:
 - a) an increase in the basic amount of Council Tax (i.e. the Council's element of Council Tax) by 1.99%. The Council has consulted on the 2% Adult Social Care precept increase. If agreed, it is proposed to prioritise this resource to support adults with learning disabilities to help meet the increased need and complexity of residents;
 - b) the contingency sum of £0.860m;
 - c) corporate budget requirements to cover levies/charges of £71.327m, capital financing costs of £44.507m, additional allowances and other pension costs of £9.580m and insurance costs of £2.004m;
 - d) the inflationary pressures and budgets to be allocated sum of £10.271m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources. The Manchester Health and Care Commissioner (MHCC) elements of these costs have already been included in the Pooled Budget. The use of these budgets will be agreed with the MLCO Partnership Board, which has representation from all key partners, along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.
 - e) the estimated utilisation of £9.579m in 2020/21 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) the planned use of, and movement in, reserves as identified in the report and in Appendix 4 subject to the final call on reserves after any changes are required to account for final levies etc.
8. Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve in consultation with the Executive Members for Finance and Human Resources and Adult, Health and Wellbeing;
9. Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services;
10. Authorise the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to agree the detailed terms of a 10 year grant agreement with Manchester International Festival (MIF), subject to confirmation of funding from Arts Council England (ACE) and having entered into a funding agreement with ACE;

11. Approve the gross and net directorate cash limits as set out in Section 6 and Appendix 1;
12. Approve the in principle contribution to the MHCC Section 75 (S75) Pooled Budget subject to the approval of the S75 Agreement at Executive;
13. Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council 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;
14. Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices;
15. Approve implementation of new business rate reliefs in 2020/21 as announced by Government, which will increase the retail relief offering, extending it to music venues and cinemas, as well as, the continuation of pub and local newspaper relief; and
16. Recommend that Council approve and adopt the budget for 2020/21.

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.

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report considers the medium term financial strategy for 2020/21 that will underpin all of the Council's priorities as determined through 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 – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

This report sets out a number of proposals which are subject to consideration by Executive following scrutiny. The implications for the Council's revenue budget for 2020/21 if all proposals are agreed are set out within the report.

Elsewhere on the agenda are the Directorate Reports, including a joint report for Health and Social Care, the Housing Revenue Account Budget Report, the Dedicated Schools Grant Report, Budget 2020/21 Covering Report and the Capital Strategy and Budget Report and the Treasury Management Strategy and Borrowing Limits and Annual Investment Strategy report. These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning for 2020/21

The latest financial position for 2019/20 is set out within the Global Revenue Budget Monitoring report elsewhere on the agenda.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Suite of budget reports to Executive - 13 February 2019

<https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=147&MId=292&Ver=4>

Spending Round Announcement 2019 report to Resources and Governance Scrutiny Committee – 8 October 2019

<https://democracy.manchester.gov.uk/documents/s10560/Spending%20Round%20Announcement%202019.pdf>

Resources and Governance Scrutiny Committee The Council's Updated Financial Strategy and Budget reports 2020/21

<https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=145&Ver=4>

Final Local Government Finance Settlement - 6 February 2020

https://www.gov.uk/search/policy-papers-and-consultations?content_store_document_type%5B%5D=policy_papers&content_store_document_type%5B%5D=open_consultations&content_store_document_type%5B%5D=closed_consultations&order=updated-newest

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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. At this point it was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However, the review did not take place and a one year Spending Round was announced on 4 September 2019. Following this the Final Local Government Finance Settlement 2020/21 was released on 6 February 2020. Due to the announcement of a one year Spending Round by government the Council will publish a single year budget for 2020/21, whilst maintaining focus on longer term financial planning.
- 1.2 The financial considerations contained within this report are based on the Final Local Government Finance Settlement issued on 6 February 2020 and announcements on grant allocations. It also contains the outcome of the decisions on council tax and business rates surpluses and bases that have been made by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources under delegated powers.
- 1.3 Public Health allocations are yet to be confirmed. The Spending Round announced a real terms increase to the Public Health Grant budget, expected to be 2.63%, an increase of £1.328m which has been included in the proposed budget. For the Council Public Health expenditure is not currently grant funded but is now met from retained business rates. The Council's business rates tariff payment to the government should be reduced accordingly.
- 1.4 Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny meetings and make recommendations on what should be included in the revised budget.

2 Background and Context

- 2.1 At the time the 2019/20 budget was set there was considerable uncertainty from the Government about the position post 2019/20 for the business rates regime, funding allocation formula and the overall quantum. The spending review process was also unclear. Following the revision of financial assumptions during the first quarter of 2019/20 an indicative savings allocation of £20m was identified for 2020/21. This followed ten years of austerity and the £372m of savings identified since 2010/11 with growing pressures particularly around Social Care and Homelessness.
- 2.2 Following the funding announcements in the Final Settlement relating to increases in the Settlement Funding Assessment and Better Care Fund as well as the continuation of social care grants and the Council's review of resources and realignment of budgets the gap before any savings had reduced to around £7m.

- 2.3 In total savings and efficiency options of £7.5m have been identified for 2020/21, as summarised in table 2; these are further detailed in the relevant Directorate reports. This results in a breakeven budget as shown in table 1.
- 2.4 In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service, any savings identified in these areas have been reinvested within the service area to enable them to achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for potential savings in 2021/22 onwards.
- 2.5 The 2020/21 budget will be a one year roll over budget. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan.
- 2.6 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.
- 2.7 The covering report elsewhere on the agenda sets out the context for the budget and draws on the Council's Corporate Plan which sets out the Council's priorities for the next 2-3 years. To make that vision happen for everyone by 2025, as resources shrink and demand grows, the Our Manchester approach involves a three-way push to:
- Keep the basics on track
 - Prevent problems down the line
 - Tackle complex problems together
- 2.8 The budget proposals for 2020/21 will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. These have been updated to include action to address the climate emergency declared by the Council. The priorities in no particular order are:
- Zero carbon Manchester - 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.
 - Young People - From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better.
 - Healthy, cared-for people - Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives.
 - Housing - Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes.
 - Neighbourhoods - Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.

- Connections - Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks.
- Growth that benefits everyone - 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.
- Well-managed Council - Support our people to be the best and make the most of our resources.

2.9 Our Corporate Plan priorities have been refreshed for 2020/21 to reflect the city's zero carbon target 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.

2.10 Whilst the Council is publishing a one year budget in line with the one year spending round there is a need to plan for a three year position. This is critical to demonstrate forward planning and resilience, ensuring the Council is in a stronger position to respond to national funding changes. Work has begun on the budget requirements for 2021/22 and beyond. This is in the context of considerable changes to Local Government funding including the outcome of the Spending Review 2020, changes to how local government funding is distributed, changes to the Business Rates Retention scheme, and the future of Adult Social Care funding. 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 any Brexit impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.

2.11 The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position taking into account both resources available from Central Government and those generated locally alongside the need to fund unavoidable cost pressures and invest in Council priorities.

Budget 2020/21

2.12 This report sets out the latest financial position for setting the 2020/21 budget. This is in the context of agreed priorities with residents, any recent funding announcements and the Council's statutory duties. There is a need to invest more into the Council's front line services, particularly for adults and children's social care, for services to the homeless and to help mitigate some of the impacts of welfare reform.

3 Financial Context

3.1 Requests for additional funding to meet the spending proposals outlined in this report and detailed within Directorate Business and Budget Plans remain subject to Scrutiny and Executive consideration. Should all requests be agreed the revised financial position will be in line with the table below. This

would enable a balanced budget to be achieved for 2020/21. The original budget for 2019/20 is shown for information.

- 3.2 To support the budget position and meet the identified pressures there has been a full review of resources available. These include additional council tax and business rates income, the use of reserves and changes to government grants.

Table 1 Summary of Resources Available and Budget Requirement

	2019/20 Original £0000	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 and 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
Sub-Total 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
Sub - Total Directorate Costs	487,671	488,421	530,068
Total Resources Required	610,835	622,161	665,100
Shortfall / (surplus)	0	0	0

* Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. This is to recognise that the actions within the directorate to reduce the levels of waste delivered impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

- 3.3 The main changes between the original and revised budget are detailed in the following paragraphs.

- 3.4 Transfers from contingency total £0.75m as follows:
- £0.5m allocated to the Neighbourhoods Directorate to reflect an adjustment to the waste income target, following a decrease in the amount of Trade Waste;
 - £250k allocated to the Neighbourhoods Directorate to reflect savings made on the waste levy following an initiative to increase recycling rates from residential apartments.
- 3.5 Transfers relating to inflationary pressures and budgets to be allocated total £8.181m as follows:
- £5.084m allocated for the annual pay inflation award allocated across Directorates;
 - £0.753m from corporately held budgets to Children's Services to cover the increase in the average weekly cost of foster care placements and care leaver placements;
 - £400k allocated to Children's Services for Home to School Transport to support cumulative increases in inflation requirements to reduce vehicle emissions and changes in the national minimum wage;
 - £368k from budgets to be allocated, initially earmarked for increases to the Climate Change Levy rate, to the cross cutting commissioning savings target. The additional levy costs have been absorbed within electricity budgets therefore this budget is no longer required and is being redirected. Work will continue to identify commissioning savings which will fall directly to the respective Service areas;
 - £355k allocated to Neighbourhoods for Waste Management inflation pressures;
 - £334k allocated to Children's Services for development of the foster care service;
 - £183k to fund dilapidation works for Early Years centres. This will allow the Council to undertake a 'condition survey' of all Manchester owned daycare buildings;
 - £100k allocated to the Neighbourhoods Directorate to cover inflation cost for provision of school meals, which has been subject to a higher than inflationary increase of c4%. This will help ensure any increase in school meal prices are minimised; and
 - other smaller allocations totalling £0.604m.
- 3.6 Virements between Directorates include:
- £2.7m budget transfer from Children's Services to Neighbourhoods and Highways for the movement of Youth Services between Directorates;
 - £0.983m Decriminalised Parking Enforcement and Bus Lane income budget moved from Neighbourhoods and Highways to Corporate Services following a transfer of the fixed penalty and enforcement service;
 - £279k Winter Pressures grant transferred from Adults Social Care to Homelessness - originally all the grant was held against Adult Social Care prior to allocations being finalised; and
 - £102k Domestic Violence budget transfer from Adult Social Care to Neighbourhoods.

Savings Proposals

- 3.7 All existing savings targets are assumed to be delivered in 2020/21 unless they have been identified through review as not achievable in which case alternative options and/or funding arrangements are being proposed. Work has been carried out to identify new efficiency and income generation measures to deliver a balanced budget and ensure that budgets are realistic and reflect what is required to support the position. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service, any savings identified in these areas will be used to achieve a breakeven position in 2020/21, with a focus on stabilising the position and preparing for savings in 2021/22 onwards.
- 3.8 With regard to homelessness, the service has identified a potential increase in income of £1m in 2020/21 relating to Housing Benefit for temporary accommodation which will be available from the Department of Work and Pensions (DWP) based on a small scale transfer of existing properties to be managed by Registered Providers (RPs) by the end of March 2020 and increasing incrementally throughout 2020/21, this will reduce the net cost to the Council. The option under consideration would target a transfer of properties outside of the city boundaries and the approach has been agreed in principle with registered providers. The financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.
- 3.9 In total savings and efficiency proposals of £7.5m have been identified for 2020/21, as summarised in the table below; these are detailed further in the relevant Directorate reports.

Table 2 Gross Savings Proposals and Reinvestment to meet Pressures Identified

	2020 / 21 Gross Savings Options Identified £000	2020 / 21 Re-invested to meet Pressures Identified £000	Net savings options supporting bottom line £000
Homelessness	(1,000)	1,000	0
Corporate Core	(3,449)	2,872	(577)
Neighbourhoods	(2,324)	754	(1,570)
Growth and Development	(690)	0	(690)
Total Savings Options	(7,463)	4,626	(2,837)

4 Underpinning Financial Assumptions

- 4.1 This section of the report goes into the detailed assumptions which underpin the revised budget for 2019/20 and the 2020/21 proposed budget.

Resources Available

Business Rates Income

- 4.2 Business Rates income is collected locally and partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution is to ensure that areas do not lose out just because their local business rates are low compared to their assessed needs. The Council has been part of a pilot to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The scheme set a growth baseline above which the ten Greater Manchester authorities would retain 100% of growth for the length of the pilot. On commencement of the 100% pilot the Council became a tariff authority (paying money to the government) rather than a top-up authority as it was previously under the 50% scheme. The tariff is the amount paid to the Government to adjust income from business rates and bring it in line with the Government's assessment of baseline funding level required. The top up was the amount received to bring funding in line with the Government's assessment of baseline funding level required.
- 4.3 In summary the total business rates related income available is as set out below.

Table 3 Business Rates Related Funding

	Original and Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Business Rates Baseline	323,852	329,126
Business Rates (Tariff)	(40,398)	(40,550)
Additional Business Rates Income	1,482	21,115
Business Rates Grants	29,717	29,856
Business Rates related funding	314,653	339,547

- 4.4 The business rates baseline is the amount of business rates income that an authority is predicted to raise annually as included in the Settlement Funding Assessment. This has been increased in line with CPI in September 2019.
- 4.5 Additional Business Rates income - This is the estimate of the additional business rates income above the government's business rates baseline. This includes the amount the Council's anticipates collecting in business rates, less the 50% share of additional income received due to its participation in the 100% pilot that is passed to the GMCA, plus the Council's share of the business rates surplus relating to 2019/20 which totals £12.08m. The key decision relating to the declared business rate surplus is delegated to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources and was made on 31 January 2020. Of this surplus £4.179m is supporting the 2020/21 budget and £1.597m to be used to offset the forecast 2019/20 overspend. In addition it is proposed that an amount of £6.304m is transferred to a reserve to support the

Manchester International Festival and Factory. Further details are shown in the reserves section.

- 4.6 Business Rates Grants - grants under s.31 of the Local Government Finance Act 2003 totalling £29.717m are forecast for 2019/20 and £29.856m for 2020/21. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government. This includes grants to facilitate the extension of the 100% Small Business Rates Relief and to compensate for the increase in the small business rates multiplier threshold. Additional reliefs have been announced in previous Autumn Statement. These have reduced business rates income and are reimbursed as Section 31 grants e.g. retail relief.
- 4.7 On 27 January 2020 the Government issued a written ministerial statement detailing new business rates reliefs for 2020/21. This increased retail relief from 33% to 50% and included an extension of the relief to music venues and cinemas, as well as the continuation of pub and local newspaper relief. The NNDR1 return to the government which shows the business rates base had to be completed prior to these amended reliefs being awarded. The additional relief is forecast to be £3.02m and will be reimbursed by Section 31 grant from the government. A supplementary return will be returned once any relevant legislation is passed which will result in increased business rates grants in 2020/21 to offset the loss in business rates income in the following year. The Council has sought legal advice and will issue 2020/21 bills to include the new reliefs, which will avoid rebilling ratepayers.
- 4.8 All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot. These are taken into account when quantifying the additional income as a result of participation in the 100% pilot which is shared with the GMCA.
- 4.9 The Greater Manchester Councils, including Manchester, together with Cheshire East and Cheshire West and Chester, continue to participate in the Greater Manchester and Cheshire Business Rates Pool which enables any levy that would otherwise be passed to the government to be retained for the benefit of the Greater Manchester and Cheshire authorities. The levy is payable by tariff authorities who experience significant growth in their taxbase.
- 4.10 In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), is reimbursed to the Council. The estimate for 2020/21 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ring-fenced for the costs of the enterprise zone growth manager and the borrowing costs associated with the developments.
- 4.11 The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2020/21. There is no confirmation of what will happen beyond next year.

Table 4 Forecast Business Rates Grants

	Original and Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Small Business Rates Relief	14,830	15,352
Multiplier Cap	10,758	13,665
Retail Relief	7,606	5,762
Discretionary Revaluation	310	45
Enterprise Zone discounts	1,034	1,058
Adjustment to Top up in relation to multiplier cap	(4,821)	(6,026)
Total Section 31 Business Rates Grants	29,717	29,856

Council Tax

- 4.12 The Council collects council tax which includes the Council's own elements as well as the GMCA police and crime commissioner precept, the GMCA fire precept and the GMCA mayoral general precept. This report focuses on the increase to the Council element. There will also be increases for the GMCA precepts.
- 4.13 There have been various changes to the element of council tax relating to the Council which are broken down below. These are:
- Referendum criteria - The proposed referendum principles for council tax are for a core increase of 2%. For the Council 2% equates to around £3.2m additional income. The budget currently assumes that the Council will increase council tax by 3.99%, which includes 2% precept for adult social care, and is subject to consultation.
 - The assumption for the council tax collection rate continues at 96.5%. This is based on historic trends in collection as council tax due in the current year will continue to be collected for a number of years.
- 4.14 The Council has agreed to consult on the 2% adult social care precept increase. If agreed it is proposed to prioritise this resource to support adults with learning disabilities to meet increased need and complexity of citizens. The impact of these changes on the 2020/21 position are shown in the following table:

Table 5 Net Council Tax Income Increase

	2019/20 £000	2020 /21 £000
General Increase	3,058	3,242
Adult Social Care Increase	2,305	3,259
Increase to Tax Base	4,039	3,907
Change in prior year surplus	3,035	(2,450)
Total Increased Council Tax	12,437	7,958

- 4.15 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to set the tax base for Council tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 4.16 This calculation has to be based on data available on 30 November 2019 and the decision must be made between 1 December 2019 and 31 January 2020. The Council has to notify the precepting authorities of its calculation for 2020/21 by 31 January 2020. The tax base for tax setting purposes for the year 2020/21 was agreed on 8 January 2020 at 118,864.8. This compares to the base of 116,014.8, an increase of 2.5% and is due mainly to an increase in the number of properties in the city and a fall in the amount of council tax support awarded.
- 4.17 The 2019/20 Council Tax position has been estimated based on information available at the end of December 2019. A surplus of £5.988m is estimated of which Manchester will retain £5.028m. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to agree the declared council tax surplus and this key decision was made on 15 January 2020. It is proposed that an amount of £4.363m is transferred to a reserve to support the Manchester International Festival and Factory and £250k is used to fund digital city work. The balance has been used to support the budget. Further details are shown in the reserves section.
- 4.18 Table 6 below shows the proposed Band D impact if the proposed increases are agreed by the Council and GMCA. The decision on the level of increase in the Council element will be considered at Council on 6 March following consultation on the proposed 2% social care precept. Decisions on the GMCA elements will be made by the GMCA on 14 February.

Table 6 Proposed Band D Council Tax

Impact on Band D Council Tax - Precepting Authority	2019/20 £	2020/21 £	Increase %
Council (including Adult Social Care Precept)	1,370.77	1,425.46	3.99%
GM Mayoral Police and Crime Commissioner Precept	198.30	208.30	5.04%
GM Mayoral General Precept (including Fire)	76.95	90.95	18.19%
Total	1,646.02	1,724.71	4.78%

Other Non Ring-Fenced Grants and Contributions

- 4.19 The following table lists the other non ring-fenced grants and contributions expected. There are a number of direct grants which are held within the Directorate cash limit budgets.

Table 7 Other Non Ring-Fenced Grants and Contributions

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Better Care Fund (Improved)	30,815	30,815	30,815
Children's and Adult's Social Care Grant	4,555	4,555	17,564
New Homes Bonus	8,202	8,202	8,864
Contribution from MHCC	4,000	4,000	4,000
GMCA Rebate	0	10,651	0
Education Services Grant	1,260	1,260	1,260
Housing Benefit Admin Subsidy	2,514	2,514	2,514
Universal Credit Funding	314	314	0
Brexit preparation funding	105	105	0
Bus Reform and the 16-18 Opportunity Pass	1,618	1,618	0
Council Tax Support Admin Subsidy	881	881	863
Care Act Grants	162	162	162
Business Rates Returned Levy	0	675	675
Total Non Ring-Fenced Grants	54,426	65,752	66,717

4.20 Issues around the non ring-fenced grants and contributions are detailed below. Other grants and contributions are contained within the directorate budgets and detailed in the directorate reports elsewhere on this agenda:

- Better Care Fund (Improved) - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was to ensure councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. In 2020/21 Winter Pressures Funding was introduced in 2019/20 to help local areas ease winter pressure on the NHS and reduce delayed transfers of care. From 2020/21 this has been rolled into Better Care Fund and the ring fence removed. This is being used to fund priorities and pressures within Adult Social Care. The full detail is set out in the Manchester Health and Care Commissioning - Adult Social Care Business Plan.
- Children and Adults Social Care Grant - An additional £1 billion Social Care Grant for adult and children's service was announced in the 2020/21 Local Government Finance Settlement. The grant allocation basis for the £1bn has been confirmed as the hybrid proposed in the technical consultation which takes some account of the additional social care precept to equalise the grant allocation. Manchester will receive £17.564m in 2020/21, an increase of £13.009m from £4.555m in 2019/20.
- New Homes Bonus (NHB) - The Government has confirmed that NHB will continue for another year, however the government very clearly intends to phase it out by 2023/24. There is no change in the operation of the scheme

in 2020/21 and the threshold has been retained at 0.4% of Band D equivalent properties. No NHB is paid for growth up to 0.4%. The new amounts earned in 2020/21 (Year 10) will only attract a grant for that year. In the following year (2021/22), rewards will only be paid in respect of years 8 and 9, and in year 2022/23 only for year 9, effectively ending by 2023/24. The government intends to replace NHB with a more targeted incentive which will be subject to consultation in the Spring.

- Contribution from Manchester Health and Care Commissioning (MHCC) - This relates to the agreement of a longer term joint funding strategy with the CCG which includes an ongoing £4m contribution to the MHCC Pooled Budget.
- GMCA Rebate - This relates to rebates received from GMCA in 2019/20 relating to both returned business rates income and reserves specifically held for waste costs.
- Education Services Grant - This relates to retained funding from DSG to fund statutory duties at a rate of £15 per pupil.
- Housing Benefits Administration Subsidy, Universal Credit Funding and Council Tax Support Administration Funding - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.
- Brexit Preparation Funding - On 29 January 2019 the government announced an additional £56.5m to help councils with Brexit preparations. The Council's initial allocation was £210k to be received over two financial years - 2018/19 and 2019/20.
- Contribution for Bus Reform including 16 – 18 year old concessionary travel - Funding was allocated from the Greater Manchester Combined Authority to contribute to the increased transport levy costs each year.
- Care Act Grants - Funding allocations for adult social care duties previously announced.
- Business Rates Returned Levy - It is expected that there will be a redistribution of the surplus held in the national levy account in 2019/20. The national amount has been estimated at £45m which would equate to £0.675m annually for Manchester. The amount has yet to be confirmed. This is to be transferred to a reserve and then used a year in arrears to recognise this risk as the final amount is dependent on the national position in relation to safety net and levy payments and receipts.

4.21 Airport Dividend and use of Airport Reserve - For 2020/21 an amount of £61.990m will be used to support the budget. Of this dividend, £14.91m supports the budget in year, the remainder is placed in a reserve and used a year in arrears in recognition that this is not a guaranteed income stream and the dividend may reduce or increase in future years.

- 4.22 Other Dividends and Commercial Income:
- There is also £0.4m expected for other dividends (National Car Parks Ltd and Piccadilly Triangle) and £0.5m additional commercial income from Manchester Central. Further details relating to the additional commercial income is shown in the Corporate Core Budget Report 2020/21. Any additional dividend to that planned is treated as fortuitous income. In the first instance it will be added to the Capital Fund to support future investment or the Capital Financing Reserve if there are associated borrowing costs.
- 4.23 Use of reserves to support the corporate revenue budget is £12.859m in 2019/20 and £21.481m in 2020/21. Details of these are shown in the reserves section.

Resources Required

- 4.24 The following table sets out the forecast levy payments and payment to GMCA.

Table 8 Levy Payments and Payment to GMCA

	Original and Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Transport Levy	38,157	37,476
GMCA Waste Services *	31,514	30,051
Environment Agency	217	224
Probation (Residual Debt)	22	15
Magistrates Court (Residual Debt)	9	9
Port Health Authority	71	71
Net Cost of Levies	69,990	67,846
Payment to GMCA	0	3,481
	69,990	71,327

* Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. This is to recognise that the actions within the Directorate to reduce the levels of waste delivered impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

- 4.25 The GM Waste Levy assumptions have been updated based on the most up to date tonnages and reflect savings the Council has made following service changes implemented to improve recycling rates. The final amount will be confirmed following the meeting of the GMCA on 14 February 2020 and may vary slightly. An additional contingency sum of £111k has been included within

the Council's corporate contingency in 2020/21 to cover any potential increased charge in year.

- 4.26 The potential payment to GMCA relates to bus reform proposals. The financial case for the bus reform proposals include a full assessment of how the GMCA could afford to make and operate the proposed scheme. The assessment set out a range of credible funding sources which exceed the net modelled costs to operate the scheme over the proposed transition period. The assessment also concluded the proposed franchising scheme was affordable and would represent value for money. Following the audit of the assessment the GMCA agreed in October to commence consultation on the proposed franchising scheme which included a proposed funding package. The forecast net costs over the transition period up to 2024/25 are approximately £134.5m. The sources of funding include £78m of mayoral 'earn back' funds (provided by central government as part of Greater Manchester's Devolution Agreement), £11m raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes and £22.7m from the mayoral precept in future years budgets, £5m of existing and forecast business rates receipts held by GMCA and £17.8m of contributions by Local Authorities as a proposed one off increase in the statutory contribution in 2020/21. Any differences between the cashflowed spend and profiled funding requirement will be covered through prudential borrowing by the GMCA rather than being an additional demand on districts. Discussions are also ongoing with the Government around their level of support to deliver bus reform which could potentially reduce the local funding required including from the mayoral precept. The full business case will be included in the consultation documentation and includes the indicative profile of the costs and funding requirement.
- 4.27 The local authority contribution may be required following the outcomes of the consultation on the proposed bus reforms. On the basis of the above the Council's share would be £3.481m. This would be held in the budget smoothing reserve and drawn down during 2020/21 if required.
- 4.28 The required contingency amount includes:
- £260k in relation to risks around the waste levy and collection.
 - £0.6m as an unallocated contingency to meet future unforeseen expenses.
- 4.29 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 £25.114m is funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations
- 4.30 Transfers to reserves of £18.393m in 2019/20 and £18.338m in 2020/21 relate to:
- Minimum Revenue Provision (MRP) saving transferred to the Town Hall
 - Reserve £2.4m in both years. It was previously agreed that savings from the changes in the MRP policy from 2017/18 would be used to fund the revenue costs associated with the cost of the town hall project across the life of the project.

- Transfer to Social Care Reserve of £2.904m in 2019/20 and £0.92m in 2020/21 from additional Small Business Rates Relief grant as approved as part of the 2019/20 budget.
- Transfer to Adult Social Care Improvement Reserve £1.493m in 2019/20.
- Transfer of Brexit Grant to reserve £105k in 2019/20 to fund future expenditure.
- Replenish general fund reserve in 2019/20 £165k.
- Transfer GMCA Rebate to the budget smoothing reserve in 2019/20 for use over the following two financial years £10.651m.
- Transfer Business Rates Returned Levy Surplus £0.675m to the Business Rates Reserve in 2019/20 and 2020/21. This is to be used a year in arrears to recognise the risk that the final amount is dependent on the national position in relation to safety net and levy payments and receipts.
- Transfer £4.363m of the declared Council Tax Surplus in 2020/21 and £6.304m of the declared Business Rates Surplus in 2020/21 to the Manchester International Reserve to support future years' expenditure.
- Transfer the remaining £1.597m of the 2020/21 Business Rate Surplus to contribute to funding the projected 2019/20 in year overspend.

4.31 Additional allowances for former staff and teachers' pension costs total £10.030m in 2019/20 and £9.580m in 2020/21 relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time. This budget has been reduced by £450k since 2019/20 and will continue to reduce over time. Details of this saving is shown in the Corporate Core Budget Report 2020/21.

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

Inflationary Pressures and Budgets to be Allocated

4.33 The main assumptions are shown in the table below and detailed in the following paragraphs.

Table 9 Inflationary pressures and budgets to be allocated

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Non Pay Inflation	3,564	774	2,361
Pay Inflation including national living wage	5,073	50	6,520
Pension Contribution reduction	0	0	-800
Apprenticeship Levy 0.5%	900	900	900
Capacity for further budget pressures (including domestic violence)	0	0	1,000

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Climate Change Levy	368	0	0
Digital City work	0	0	250
Contribution to Cemeteries Reserve	40	40	40
Total	9,945	1,764	10,271

Note: The allocation relating to the pooled budget are not included in the table above as they have been included within Adult Social Care cash-limit budget as follows: National Living Wage £4.4m, Pay Inflation £1.530m and Non Pay Inflation £2.413m.

4.34 This includes the following:

- Non Pay inflation - provided for increased running costs each year. The current balance remaining for 2019/20 is £0.774m, however, there are likely to be further commitments before the end of the year which will utilise this budget. The full year budget provision is £2.361m for 2020/21. This includes funding for the anticipated increase in utility charges and care costs.
- Pay inflation - assumed to be in line with the Chancellor's commitment of national living wage of £10.50 by 2024/25 - aligned to the Local Government pay scale.
- Change in the Employer Pension Contribution rate - following completion of the Pensions Actuarial Review. Notification has recently been received that the Council's contribution rate will decrease slightly, reducing by 0.4% from 19.1% to 18.7%, which is estimated to save c£0.8m per year.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- Capacity for further pressures - this allows for £1m in relation to potential other pressures including those arising from the review of domestic violence funding
- Digital City work - a budget of £250k for 2020/21. Being a Smart City by 2025 means being strong with digital technology companies and is a key enabler to delivering the carbon agenda. Work is underway to scope a role profile for a Digital Strategist role that will be the custodian for this work. Consideration needs to be given to the best way of filling this role and the required capacity that can be drawn on to support the role and link the infrastructure, ICT, data and Corporate Core within the Council. This has been funded from the Council Tax surplus.
- Contribution to Cemeteries reserve - this is an annual budget commitment to contribute to the reserve to purchase land for burials.

5 Financial Reserves

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

5.2 The reserves include:

- Reserves that have been identified to directly support the proposed budget position
- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to 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 – following local authority accounting standards these are held in a reserve

5.3 The following table shows an analysis of the planned use of reserves in 2019/20 and 2020/21 to support revenue expenditure. Appendix 4 contains further details of these reserves including the projected balances to 2024.

Table 10 Planned use of reserves

	2019/20 £000	2020/21 £000
Reserves directly supporting the revenue budget:		
Budget smoothing reserve	2,500	7,066
Bus Lane (supporting Transport Levy)	3,092	3,092
Social Care Investment Reserve	6,357	7,135
Adult Social Care	0	2,150
Anti Social Behaviour Team Reserve	420	540
Business Rates Reserve	490	1,165
Transformation Reserve	0	333
Sub Total	12,859	21,481
Statutory Reserves:		
Bus Lane Enforcement and Parking reserves	5,823	6,487
Other Statutory Reserves	795	436
Balances Held for PFI's	150	375
Social Care Reserves :		
Social Care Reserve	1,320	0
Adult Social Care Reserve	3,943	3,395
Reserves held to smooth risk / assurance:		
Airport Dividend Reserve	47,080	47,080
Business Rates Reserve	4,000	2,000
Housing Investment Fund	5,891	0
Other Reserves held to smooth risk / assurance	1,167	3,139
Reserves held to support capital schemes:		
Capital Fund	21,378	10,366

	2019/20 £000	2020/21 £000
Investment Reserve	747	2,325
Manchester International Festival Reserve	500	0
Eastlands Reserve	6,463	5,682
Other reserves held to support capital schemes	75	1,061
Reserves held to support growth and reform:		
Clean City Reserve	1,458	0
Better Care Reserve	4,462	1,273
Town Hall Reserve	3,177	3,185
Our Manchester Reserve	2,391	2,556
Other Reserves to support growth and reform	451	1,332
Grants and Contributions used to meet commitments over more than one year	2,799	2,048
Small Specific Reserves	117	982
General Fund	625	0
Total	127,671	115,203

5.4 Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.

Reserves directly supporting the revenue budget

5.5 The use of reserves that directly support the revenue budget bottom line are shown below:

- Budget Smoothing Reserve - This reserve was initially funded from a £5m transfer from a reserve previously set aside for historic abuse claims and was used to support the 2018/19 and 2019/20 budget at £2.5m per year. An additional amount of £10.651m is to be transferred to this reserve in 2019/20. This relates to rebates due from the Greater Manchester Combined Authority relating to business rates and waste. An amount of £3.481m is to be returned to the GMCA in 2020/21 as a potential statutory charge relating to bus reform costs. The balance of this reserve is then to be used over the two financial years 2020/21 and 2021/22 to support the budget (£3.585m per year).
- Bus Lane Enforcement Reserve - An amount of £3.092m for 2019/20 and 2020/21 is to be used to support the transport levy.
- Social Care Investment Reserve - The budget strategy for Children's and Education Services in 2019/20 was to put the directorate onto a sustainable footing given the local and national pressures being faced by Children's Social Care Services. Additional resources of £7.135m per annum over three years were approved to address the pressures across all budget areas to provide the capacity that will enable a longer term approach by investing in early help and prevention alongside evidenced

based interventions which support improving outcomes for children and financial sustainability. Of this £0.778m was funded from the Social Care Grant in 2019/20.

- Additionally £1.320m from this reserve is providing the final element of funding for the Children's Improvement Programme.

Table 11 Planned use of Social Care reserve

	2019/20 £000	2020/21 £000	2021/22 £000
Opening Balance	18,028	13,255	7,040
Contribution	2,904	920	1,557
Withdrawals:			
Approved in 2019/20 as part of 3 year investment strategy	(6,357)	(7,135)	(7,135)
Final element of funding for Children's Improvement Programme	(1,320)		
Closing Balance	13,255	7,040	1,462

- Adult Social Care Reserve - The 2019/20 budget recognised there was a need to provide a stable funding base for adult social care. Additional grant funding received was combined with a number of other resources to create a reserve to use over a three year period. In 2020/21 and 2021/22 £2.150m each year will support the programme of improvement work which is underway in adult social care the aim being to 'Improve the delivery of the Council's adult social care assessment, care and support planning and statutory safeguarding offer and the delivery of the in house provider services'.
- In addition it is proposed that continued non-recurrent funding will be made available in 2020/21 of up to £1m towards the overhead costs of MLCO from the remaining balance within Adult Social Care reserve. Further in 2020/21 £1.5m has been set aside as a one-off to be used to underwrite the risk in Homelessness subject to the finalisation of government funding announcements and £0.895m to support the use of temporary accommodation and transition costs for people with Learning Disabilities moving into new accommodation.

Table 12 Planned use of Adult Social Care Reserve

	2019/20 £000	2020/21 £000	2021/22 £000
Opening Balance	7,145	7,695	2,150
Contribution to Reserve	4,493		
Withdrawals:			
To support the 3 year programme of improvement work	(783)	(2,150)	(2,150)
Mental Health review capacity	(400)		

	2019/20 £000	2020/21 £000	2021/22 £000
Winter Pressures (grant c/fwd from 2018/19)	(560)		
Learning Disability Supported Accommodation transition	(300)		
Expansion of reablement	(1,568)		
Transformation capacity	(322)		
Contribution to GM scheme	(10)		
Local Care Organisation Contribution		(1,000)	
Underwrite pressures in Homelessness relating to need for temporary accommodation		(1,500)	
Support transitional costs for people with Learning Disabilities moving into new accommodation.		(895)	
Closing Balance	7,695	2,150	0

- Anti-Social Behaviour Team Reserve - The Resources and Governance Budget Scrutiny meeting of 25 February 2019 supported an amendment to allocate a budget of £1.5m over three years, to be phased £420k in the first year and £0.540m in both subsequent years, to increase the capacity of the Council to tackle anti-social behaviour in neighbourhoods. This was approved by Council 8 March 2019.
- Business Rates Reserve - This reserve is set aside to mitigate business rates income risk due to the volatility of the assumptions and the reset of the base in 2021/22. It is to be used to fund revenue and benefits costs of £490k in 2019/20 and 2020/21. This provides funding for additional capacity within Revenue and Benefits to enable the Contact Centre to deliver the Children's Services Service Level Agreement, engage additional support to maximise the collection of business rates and provide funding for food banks and future service change. The 2019/20 returned business rates levy surplus, estimated at £0.675m is also to be held in this reserve and used a year in arrears to recognise the risk as the final amount is dependent on the national position in relation to safety net and levy payments and receipts. In addition to the amount used to support the budget a further £4m is to be used in 2019/20 and £2m in 2020/21 to smooth collection fund surpluses across years.
- Transformation Reserve - An amount of £0.333m per annum from 2019/20 is to be used for volunteer engagement, programme management capacity and specialist support.

Other Use of Reserves within Directorate Cash Limits

- 5.6 Parking Reserve and Bus Lane Enforcement Reserve - There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of highway and environmental improvements or for financial support to off street parking. The expected balance on these reserves at the 1

April 2020 is £16.965m. It is estimated that £9.951m will be added to these reserves during 2020/21 and £9.579m used, leaving a balance of £17.337m at the 31 March 2020. The reserves will be used in accordance with the requirements to fund spending in the Neighbourhoods Directorate as well as part of the transport levy.

- 5.7 Airport Dividend Reserve - Of the total airport dividend received, £14.91m directly supports the budget in year, the remainder is placed in the airport dividend reserve and is used in arrears in recognition that this is not a guaranteed income stream and that it may also reduce or increase in future years.
- 5.8 Housing Investment Fund - This reserve holds the net income and expenditure relating to Housing Investment Fund loans that the Council held on behalf of the Greater Manchester Combined Authority (GMCA) until the GMCA received the required borrowing powers. These borrowing powers have now been granted to GMCA and the loans undertaken by the Council are in the process of being novated. This reserve is expected to be transferred to the GMCA in 2019/20.
- 5.9 Capital Fund - This is used to contribute to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme and to fund high priority strategic development opportunities in the city for those that do not attract external funding.
- 5.10 Investment Reserve - This is used to fund housing and regeneration activities, including staffing costs.
- 5.11 Manchester International Festival (MIF) Reserve - The Council has committed to maintaining funding of £1.5m per annum to support the Factory/Manchester International Festival as part of the commitment to match the revenue support from Arts Council England (ACE), currently c£9m each year. It is proposed that £0.5m per annum will be retained in the mainstream budget with the remaining requirement held in reserve to cover ten years of funding. This reserve will be increased to the required balance using Council Tax surpluses of £4.363m and Business Rates surpluses of £6.304m from 2019/20. The Executive is requested to authorise the Chief Executive and the City Solicitor, in consultation with the Executive Members for Finance and Human Resources and Culture, to enter into a 10 year grant agreement with MIF, which will be subject to confirmation of funding from ACE, and will contain terms aligned to those of the third party funding agreements with ACE and/or others, including break clauses aligned to ACE funding cycles and decisions.
- 5.12 Eastlands Reserve - This reserve will be used for various projects including English Institute of Sport and Sport England. Reserve also reflects Manchester City Football Club income.
- 5.13 Clean City Reserve - To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other

waste and recycling activities. This reserve is expected to be fully utilised in 2019/20.

- 5.14 Better Care/Integration Reserve - The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is managed with the pooled budget.
- 5.15 Town Hall Reserve - The refurbishment of the Town Hall has revenue implications such as the cost of alternative accommodation and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities. It has previously been approved that savings in Minimum Revenue Provision (MRP) be used to fund the revenue costs.
- 5.16 Our Manchester Reserve - Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives.

6 Directorate Budgets

- 6.1 A summary of the changes for each service area from the revised 2019/20 cash limits which are incorporated in the 2020/21 budget is shown in the table below and detailed in the following paragraphs.

Table 13 Change from 2019/20 Cash Limit budget to 2020/21 Cash Limit budget.

	Cash Limit	Savings	Pressures being offset by Savings	Growth / Other Adj	Proposed Cash Limit
	2019/20 £000	2020/21 £000	2020/21 £000	2020/21 £000	2020/21 £000
Children Services	120,432	0	0	9,888	130,320
MHCC Pooled Budget	193,604	0	0	23,260	216,864
Adults Social Care - Services out of scope of Pooled Budget	4,303	0	0	86	4,389
Homelessness	13,933	(1,000)	1,000	1,352	15,285
Corporate Core	69,554	(2,500)	2,573	333	69,960
Neighbourhood Services	66,981	(2,324)	754	(1,660)	63,751
Growth and Development	5,816	(690)	0	2,518	7,644
Total Directorate Budget	474,623	(6,514)	4,327	35,777	508,213

Children's Services

- 6.2 Following a review of the service demands, total growth of £9.888m has been included in the 2020/21 budget, This relates to:
- £1.878m for pressures specifically for an additional budget requirement for an anticipated increase in children looked after in 2020/21,
 - £6.009m to apply the additional Social Care Grant (announced as part of the Spending Round) to provide capacity for additional placements,
 - £300k to meet the ongoing impact of increasing legal support costs which has continued to increase significantly in 2019/20. Children's Services and the Corporate Core are working to address this position. The additional investment is to reduce the use of external legal services by improving the recruitment and retention of solicitors within the Council and to increase capacity to deal with more complex cases and
 - £1.701m to reflect a significant increase in the number of children looked after as well as costs of leaving care in November and December.

Adults' Services

- 6.3 The service has been allocated an additional amount of £23.346m. As adult social care is held within the pooled budget it is inclusive of pay and non-pay inflation. For other services this is held corporately and allocated according to need. The additional amount allocated to adult services is detailed as follows:
- £2.015m to meet the assessment of the prediction of future increases in need based on population modelling,
 - Adults use of the Social Care reserve £1.366m,
 - £4.4m the contract cost impact of the National Living Wage increase (subject to confirmation on timing by Government),
 - £7m to apply the additional share of Adult Services Grant (announced as part of the Spending Round),
 - £1.363m estimated additional funding for Public Health,
 - £3.259m to passport the additional resource relating to the 2% increase in the Adult Social Care Precept (subject to consultation),
 - £1.53m for the assumed impact of the 2020/21 pay award (to be confirmed) for ASC staff employed by MCC. This reflects Council budget assumptions to be in line with the potential increase to £10.50 per hour by 2024/25 using Local Government pay scales,
 - £2.413m pooled budget share of the additional price inflation uplift to support contract increases including the capacity to support a move towards the Real Living Wage in the care market.

Homelessness

- 6.4 Additional funding has been provided totalling £1.352m in 2020/21 as follows:
- £0.373k additional investment to meet the ongoing costs of the Longford Centre, the homelessness prevention centre which opened in March 2018. This cost was previously met by GMCA but this non-recurrent funding is not available in 2020/21 and

- Funding for increased need of £0.979m has been applied to support the budget position based on the estimated growth in demand since the start of the year.

Corporate Core

- 6.5 The Directorate has identified a total of £2.5m savings and £2.573m pressures (detailed in Appendix 2). Additional investment of £333k has been provided in 2020/21 to support the Our Transformation work by providing additional capacity to assist the Council in reviewing modernising and digitising its business processes. The total investment is £1m across the 3 year period funded from the specific reserve created to meet future transformation costs.

Neighbourhood Directorate

- 6.6 The Directorate has identified £2.324m of savings and £0.754m of budget pressures (detailed in Appendix2). There is also a £2.363m budget transfer from Growth and Development for advertising income, £300k waste collection increase relating to additional households and £283k to offset the loss of trade waste income adjustment. The additional budget provision for anti-social behaviour teams over three years as agreed in 2019/20 has been increased by £120k from £420k to £0.54m in 2020/21.

Growth and Development

- 6.7 The Directorate has identified savings of £0.690m (detailed in Appendix 2). There is a budget transfer to Neighbourhoods as above for advertising income £2.363m and an additional pressure of £155k has been included for the 2020/21 budget. This relates to £155k allocated to facilities management to fund the ongoing costs of the Lloyd Street toilets being the only owned public toilets within the City centre and to support the homelessness agenda. The forecast cost also reflects the additional security that will be required.
- 6.8 The cash limit budgets, incorporating these changes, for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £30.051m in 2020/21 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

Table 14 Cash Limit budgets

	Original Budget 2019/20 £000	Revised Budget 2019/20 £000	Proposed Budget 2020/21 £000
Children's Services	120,434	120,432	130,320
MHCC Pooled Budget	194,050	193,604	216,864
Adult Social Care - Services out of scope of Pooled Budget	4,213	4,303	4,389

Homelessness	13,375	13,933	15,285
Corporate Core	67,838	69,554	69,960
Neighbourhood Directorate	60,267	66,981	63,751
Growth and Development	5,515	5,816	7,644
Total	465,692	474,623	508,213

6.9 Appendix 1 shows the gross and net proposed cash limits budgets per Directorate.

7 Workforce Implications

7.1 The Council's workforce will be the essential driving force behind the Our Manchester strategy. The Council would be nothing without the hard work, dedication, and passion that is seen in staff every day. Our People is the Council's commitment to offer a high quality employee experience that truly reflects the Our Manchester behaviours.

7.2 A comprehensive work programme is in place to deliver on the vision of the Our People Strategy (included elsewhere on the agenda) and, underpinning this, is a focus on strengthening core people management practices across the Council and providing managers with the tools and the support they need to manage effectively. This is crucial to supporting the organisation's overarching budget strategy, by ensuring the capacity of the organisation's human resources are deployed and developed to best effect.

7.3 There is a clear recognition that the Council will need to continue to invest in skills for existing staff and attract, develop and retain new talent to enhance the Council's capacity and capabilities for the challenges ahead. This is being enabled by opportunities made available through natural turnover and supported by a strong focus on the development of new skills and ways of working as part of the Our People Strategy, informed by the BHeard Survey and strengthened workforce intelligence, with a particular focus on:

- Enabling and supporting high quality people management
- Developing workforce skills and experience to meet our needs today, and in the future
- Embedding a culture which lives and breathes the Our Manchester behaviours
- Modernising and reforming our service models and approaches to delivery
- Driving an inclusive workforce and workplace reflective of Manchester's diverse communities.

Table 15: Workforce numbers

Summary by Directorate	2019/20 Budgeted Posts FTE	2020/21 Saving Proposals Gross FTE Impact (Indicative)
MHCC Pooled Budget	1,415	0
Adult Social Care -	52	0

Services out of scope of Pooled Budget:		
Homelessness	253	0
Children and Education Services	1,316	
Corporate Core	1,823	16.4
Neighbourhoods (including Highways)	1,442	0
Growth and Development	654	0
Total	6,955	16.4

It should also be noted:

- With regards to the savings relating to human resources policies and processes - £1.5m scheduled for 2019/20 has been achieved, mainly through review and deletion of vacant positions.
- The £0.5m savings target linked with the Our Transformation work has been fully achieved in 2019/20 largely through savings including realigning work, deleting vacancies and other efficiencies.

7.4 The proposals above will require the deletion of 16.4 posts which can be achieved by the deletion of vacant positions - the detailed proposals are set out within the Corporate Core Budget Report 2020/21.

7.5 Proposed investment in services will also create employment opportunities. Subject to approval, the additional posts established in the Council will be included within the overall workforce planning requirements. This includes:

- The establishment of a Placement Stability Service within Children's Services with the aim of providing a targeted and specialist intervention to prevent the breakdown of fostering arrangements, high cost external placements and improves the wellbeing and outcomes for our children and young people. This currently includes an indicative workforce requirement of 8 FTEs.
- Additional investment in workforce capacity, including an additional 2 FTEs, with sufficient strategic commissioning capacity, skill, knowledge and expertise to implement the commissioning and placement sufficiency plan within Children's Services.
- There are also proposals within Children's Services to recognise the commitment and loyalty of staff, reduce the social work turnover, increase the social work experience with a view to improve social worker recruitment and retention and thereby remove the reliance on agency staff.
- Key elements of improved and increased service delivery within Homelessness (notably the Section 21 team and the Private Rented Sector Team) are currently reliant on time limited funding and therefore temporary posts. Funding proposals have been put in place to enable a permanent

staffing structure to be implemented in April 2020, therefore avoiding the need for 33 time limited placements.

- Within Adult Services provide additional capacity for assessments of people leaving the Reablement service (6 FTEs)
- With regards to the In-house supported accommodation overspend within Adult Services dedicated social workers have been put in place to assess clients' needs. If those assessments prove additional spend is required, existing posts will be filled in the first instance. However, the mix of staff in each property may need to be reviewed which could lead to additional posts being created within the financial envelope. Any impact on FTE numbers will only be confirmed once this work is complete.
- The Council has committed to underwriting the cost of a new Chief Executive role at the Manchester Climate Change Agency for 1 year, subject to unlocking financial contributions (£196k) from other strategic partners in the city, in addition to the £104k to fund 2 additional FTEs to strengthen the existing climate change team.

7.6 The progress of Health and Social Care Integration has continued as new models of delivery start to be implemented across the locality. Manchester Health & Care Commissioning (MHCC) has implemented a further stage of its development with the change of deployment of a number of MCC and CCG roles from MHCC to the Manchester Local Care Organisation (MLCO). This supports the partnership to have a strategic commissioning focus. MLCO now has its Integrated Neighbourhood Teams, and model for Manchester Community Response in place, and is working to further establish the benefits of this integration. These new ways of working still require significant changes in skills, behaviours and cultures. All deployed Council staff continue to remain employees of the Council. The Council has also signed the GM Continuity of Service Protocol which will support the movement of skills and talent across the health and social care sectors in Greater Manchester.

8 Consultation

8.1 As part of the three-year budget setting process which started in 2017/18, more residents than ever before were involved in a conversation about what mattered to them. This information was used to inform the Council's spending plans for the subsequent three years and underpins the budget for 2020/21.

8.2 Although there is no formal requirement to consult residents on this year's budget a commitment was made to ensure that the Council continues to inform and engage residents, businesses and council staff in the budget process. Businesses will also be engaged specifically in conversations about business rates. A public consultation on the budget and proposed council tax increases ran from 6 January to 2 February 2020.

8.3 One of the ways Manchester has engaged this year is through 'Our Manchester Days', these take over days carry on the budget conversation -

focusing on the areas that people told us matter most to them in the budget conversation. They highlight the services commissioned or delivered by the Council and go behind the scenes to meet staff and partners. There will also be targeted information about the budget setting process.

9 Conclusion

- 9.1 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. The savings required over the next year are £2.837m after taking account of the one off resources to support the revenue budget. Proposals have been identified and officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.
- 9.2 The Council remains committed to the priorities within the Our Manchester strategy and the Council's revised corporate plan. The proposed 2020/21 budget reflects changes arising from the Spending Round announcements, the Final Local Government Finance Settlement 2020/21, forecast pay awards, notifications from GMCA and a robust review of all council service spend to realign budgets and identify savings options.
- 9.3 The draft budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as Public Health and Homelessness.

10 Recommendations

- 10.1 Detailed recommendations appear at the front of this report.

Appendix 1 - Gross and Net Budgets Directorates Cash Limit Budgets 2020/21

	Gross Budget 2020/21 £000	Net Proposed Budget 2020/21 £000
Children's Services	464,099	130,320
MHCC Pooled Budget	267,787	216,864
Adult Social Care - Services out of scope of Pooled Budget	7,243	4,389
Homelessness	36,459	15,285
Corporate Core	310,196	69,960
Neighbourhood Directorate*	164,204	63,751
Growth and Development	55,314	7,644
Total	1,305,302	508,213

Appendix 2 - Savings and Efficiency Proposals 2020/21

Homelessness Directorate

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Savings/Efficiencies	A reduction in the cost to the Council of temporary accommodation through transfer to registered providers	1,000	
Pressures	Investment to facilitate the permanent recruitment of staff in posts which support the prevention activity	-1,000	
Net Savings Homelessness Directorate		0	

Corporate Core Directorate

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Savings/Efficiencies:			
Revenue and Benefits	Delete vacant posts	400	12
Revenue and Benefits	Changes to vacancy factor	228	
Shared Service Centre	Changes to vacancy factor	63	
Customer Services	Changes to vacancy factor	145	
HR/OD	Reduction in staffing	50	1
HR/OD	Changes to vacancy factor	85	
Chief Executive Corporate items	Increase annual leave purchase scheme	96	
Performance Research & Intelligence (PRI)	Reduce data governance project budget	125	
Performance Research & Intelligence (PRI)	Changes to vacancy factor	91	
Communications	Delete vacant posts	50	2
Communications	Changes to vacancy factor	38	
Communications	Senior management changes	18	
Capital Programmes	Increased income	50	
Commissioning and Procurement	Reduced audit fee	30	
ICT	Increase in vacancy factor	76	
City Policy	Reduction in staffing	62	1.4

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
City Policy	Increase in vacancy factor	56	
City Policy	Reduction in non staff budgets	68	
Audit	Changes to vacancy factor	18	
Corporate Budgets	Pension Fund cash flow savings	750	
Corporate Items	Pension fund contribution	450	
Corporate Items	Increased commercial income	500	
Total Savings/Efficiencies		3,449	16.4
Pressures:			
Revenue & Benefits	Reduction in Enforcement notices	-200	
City Policy	Zero Carbon - staffing	-300	
Our Transformation	Reprofiling in delivery of savings	-500	
Coroners	Investment to support increased caseloads	-400	
Business Support	Investment to cover job evaluation implications	-360	
City Policy	Income pressure	-226	
Communications	Intranet maintenance costs	-50	
Commissioning and Procurement	Realignment of commissioning savings	-150	
Chief Executive Corporate items	HR policy savings	-96	
Shared Service Centre	Reduction in income	-290	
Children's services	Legal cost pressure	-300	
Total Pressures / realignments		-2,872	0
Net Savings Corporate Core		577	16.4

Neighbourhoods Directorate

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Savings/Efficiencies:			
Compliance and Community Safety	Increase income generation through review of fees and charges across compliance	105	0
Highways	Apply the annual Inflationary increase for car parks Joint venture	300	0

Service Area	Description of Efficiency/Increased Income/Realignment/Pressure	Amount £000	FTE Impact (indicative)
Highways	Increase permit/license fees (skips, hoardings, scaffold etc) by 3.5%	35	0
Highways	Increase capital programme fees by revising fee model	75	0
Highways	Cease existing car park lease arrangement	1,200	0
Libraries, Galleries and Culture	Galleries exhibition tax relief	40	0
Libraries, Galleries and Culture	Increase income generation across libraries and galleries.	57	0
Parks, Leisure, Youth and Events	Increase pay and display car park income at Heaton Park	20	0
Parks, Leisure, Youth and Events	Increase income from Heaton Park	30	0
Commercial and Operations	Grounds Maintenance - Rationalisation of machinery	20	0
Commercial and Operations	Revised operating model at Piccadilly Market	86	0
Commercial and Operations	Increase volume of external commercial income in pest control	21	0
Commercial and Operations	Increase volume and fees in Bereavement Services by 3.9%	91	0
Directorate Wide	Review of staffing budget below top of grade as appropriate	244	0
Total Savings/Efficiencies		2,324	0
Pressures:			
Neighbourhood Teams	Managing and maintaining additional canal barriers	-25	
Parks, Leisure, Youth and Events	Traffic management and increased security costs	-50	
Operations and Commissioning	Realignment of income budget for Sunday Market Car Boot	-262	
Operations and Commissioning	Realignment of income budget for New Smithfield market	-417	
Total Pressures / realignments		-754	0
Net Savings Neighbourhoods Directorate		1,570	0

Growth and Development Directorate

Service Area	Description of Savings/ Efficiency Option	Amount £000	FTE Impact (indicative)
Investment Estate	Additional airport lease income	340	0
Investment Estate	Additional lease income	150	0
Housing and Residential Growth	Income from solar panel feed in tariff	200	0
Net Savings Growth and Development Directorate		690	0

Appendix 3

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The council tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of council tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18:

1.3 There are three main stages in setting the council tax:-

STAGE 1 - The Council calculates its own council tax requirement, (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its basic amount of council tax which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Greater Manchester Combined Authority Mayoral Police and Crime Commissioner (GMCA MPCC) Precept and the Greater Manchester Combined Authority Mayoral General Precept (including Greater Manchester Fire and Rescue Services).

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".

- 2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -
- (i) an estimate of the Council's gross revenue expenditure - Section 31A(2);
 - (ii) an estimate of anticipated income - Section 31A(3)
 - (iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the council tax requirement.
- 2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -
- (a) estimated revenue account expenditure to be incurred during the year;
 - (b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);
 - (c) any raising of reserves for future years (e.g. payments into special funds);
 - (d) any estimated revenue account deficit for previous years not already provided for;
 - (da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.
 - (e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit
 - (f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of Business Rates in excess of allowance for non-collection).
- 2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -
- (a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).
 - (aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates
 - (b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus

- (c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;
 - (d) any amount of reserves/balances intended to be used towards meeting revenue expenditure.
- 2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the council tax requirement.
- 2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.
- 2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.
- 2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).
- 2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)

3. THE LEVEL OF THE COUNCIL TAX REQUIREMENT

- 3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -
- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
 - the amount of the council tax requirement must ensure a balanced budget.
 - the amount of the council tax requirement must leave the Council with adequate financial reserves.
 - the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Taxpayers and ratepayers.

- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5).

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its basic amount of council tax. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 Section 31B Calculation

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -

R is the council tax requirement, and
T is the council tax base.

4.3 Council Tax Base

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2020/21 to be 118,864.8. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 Section 36 Calculation

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out below and D is 9.

4.5 The proportions for each band are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18

5. COUNCIL TAX REFERENDUMS

- 5.1 The Localism Act 2011 (“LA 2011”) abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.
- 5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 4.0%, (including 2.0% for adult social care) is deemed “excessive” in 2020/21. The Council element is only increasing by 1.99% in 2020/21 not 2.0%. All figures are based on an increase in an authority’s “basic amount of council tax” between 2017/18 and 2019/20. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.
- 5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State’s principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. GMCA MPCC or GMCA MF) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority’s increase.
- 5.4 If an authority determines that it has set an excessive increase, it must also make “substitute calculations” to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority’s increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

- 6.1 The final part of the process is for the Council as billing authority to set the overall council tax for each band. Whereas the billing authorities and major precepting authorities calculate their own council tax requirements, their own basic amounts of council tax and amounts for each band, the setting of the council tax is solely the responsibility of the Council as billing authority.
- 6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.

- 6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.
- 6.4 The council tax cannot be set before 11 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.
- 6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. CONSTITUTIONAL ARRANGEMENTS

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.
- 7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 12 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -
- (a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.
- 8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in

8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

Appendix 4 – Reserves

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Schools Reserve	19,069	(259)	1,923	20,733	22,398	22,139	21,880	
General Fund Reserves								
Statutory Reserves	21,734	(10,015)	9,951	21,670	23,424	24,748	26,222	
Earmarked Reserves	296,130	(105,188)	93,695	284,637	264,606	266,671	261,240	
General Fund Reserve	21,420	0	1,597	23,017	23,017	23,017	23,017	
Total General Fund	339,284	(115,203)	105,243	329,324	311,047	314,436	310,479	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	73,960	(17,996)	0	55,964	41,748	27,480	25,978	
Major Repairs Reserve	1,240	(1,240)	0	0	0	0	0	
HRA PFI reserve	10,000	0	0	10,000	10,000	10,000	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	24,000	24,000	24,000	
Housing Insurance reserve	1,789	0	200	1,989	2,189	2,389	2,589	
Total HRA	110,989	(19,236)	200	91,953	77,937	63,869	62,567	
TOTAL RESERVES	469,342	(134,698)	107,366	442,010	411,382	400,444	394,926	
SCHOOLS RESERVE								
LMS Reserve	22,916	(259)	0	22,657	22,398	22,139	21,880	School balances assumed year-end position. These are not MCC resource and so cannot be used by MCC. There are no further known schools planning to transfer to academy status.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Dedicated Schools Grant (DSG)	(3,847)	0	1,923	(1,924)	0	0	0	DSG - Allocation to schools and retained Central DSG. £3.847m to be recovered over two years from DSG.
Sub Total Schools	19,069	(259)	1,923	20,733	22,398	22,139	21,880	
STATUTORY RESERVES								
Bus Lane Enforcement Reserve	13,084	(4,275)	4,546	13,355	13,547	13,239	12,931	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	3,881	(5,304)	5,405	3,982	5,852	7,831	9,810	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	2,732	(118)	0	2,614	2,496	2,378	2,260	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	607	(9)	0	598	589	580	571	Funds received as part of an agreement to cover maintenance costs.
Great Northern Square Maintenance Fund	283	(20)	0	263	243	223	203	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	17	0	0	17	17	17	17	For future payments for school prizes
Landlord Licensing Reserve	400	(170)	0	230	119	0	0	Smoothing reserve

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Art Fund Reserve	31	0	0	31	31	0	0	For art purchases
Manchester Safeguarding	69	(69)	0	(0)	(0)	(0)	(0)	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
St Johns Gardens Contingency	630	(50)	0	580	530	480	430	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	21,734	(10,015)	9,951	21,670	23,424	24,748	26,222	
<u>EARMARKED RESERVES</u>								
<u>BALANCES HELD FOR PFI'S</u>								
Street Lighting PFI	250	(250)	0	0	0	0	0	Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors
Temple PFI	689	(125)	12	576	453	307	307	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	1,351	0	40	1,391	1,431	1,471	1,511	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	2,290	(375)	52	1,967	1,884	1,778	1,818	
<u>Reserves directly supporting the revenue budget</u>								
Adult Social Care	7,695	(5,545)	0	2,150	0	0	0	To support Adult and Social Care Improvement Plan

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Social Care Reserve	13,255	(7,135)	920	7,040	1,462	1,462	1,462	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Crime and Disorder	1,080	(540)	0	540	0	0	0	To fund the Anti-Social Behaviour Team
Budget smoothing reserve	10,651	(7,066)	0	3,585	0	0	0	Planned use to smooth the impact of previous funding reductions on the revenue budget
Total held to support the revenue budget	32,681	(20,286)	920	13,315	1,462	1,462	1,462	
<u>RESERVES HELD TO SMOOTH RISK / ASSURANCE</u>								
<u>Risks</u>								
Planning Reserve	2,467	(300)	0	2,167	1,867	1,567	1,267	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income drops
Transformation Reserve	9,483	(333)	0	9,150	8,817	8,483	8,149	To support costs of future service change.
Airport Dividend reserve	55,809	(47,080)	47,080	55,809	55,809	55,809	55,809	The income in the reserve is from the Manchester airport dividend which is then used a year in arrears to support the Medium Term Financial Plan

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Land Charges Fees Reserve	320	(320)	0	0	0	0	0	To smooth the budget impact, planned to utilise in 2020/21
Pension Risk Fund	524	0	0	524	0	0	0	To fund external pension liabilities
Manchester International Festival	1,493	0	10,667	12,160	11,160	10,113	9,019	To fund agreed future Manchester International Festivals / Factory grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle.
Highways reserve	1,010	(89)	0	921	832	743	654	Funds received as part of developer agreements that will be utilised for highways schemes in future years
Insurance Fund	17,091	(500)	0	16,591	16,091	15,591	15,091	The insurance fund has been established to fund risks that are self-insured.
Fleet Maintenance Reserve	25	(25)	0	0	25	50	0	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Taxi Licensing Reserve	1,000	(1,000)	0	0	0	0	0	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Newton Heath Market Reserve	22	0	0	22	22	22	22	To fund the future market provision

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Rogue Landlord reserve	40	(40)	0	(0)	(0)	(0)	(0)	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing reserve	346	(165)	0	181	0	0	0	Costs for administering the reputable landlord initiative and ensure compliance
Investment Estate smoothing reserve	1,524	(700)	0	824	824	824	824	To manage budget pressures due to the volatility in investment income.
Business Rates Reserve	22,737	(3,165)	2,754	22,326	19,161	18,671	18,181	To mitigate Business Rates income risk due to the volatility of assumptions
TOTAL Risk/Smooth	113,891	(53,717)	60,501	120,675	114,608	111,873	109,016	
RESERVES HELD TO FUND CAPITAL SCHEMES AND OTHER SPECIFIC PROJECT RELATED COSTS								
Investment Reserve	12,623	(2,325)	0	10,298	8,723	7,523	6,323	To deliver priority regeneration projects.
Enterprise zone reserve	1,084	(1,061)	1,500	1,523	1,962	2,401	3,333	To underwrite the borrowing costs for development in the Oxford Road Corridor

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Capital Fund Reserve	68,408	(10,366)	17,559	75,601	75,601	79,425	77,048	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city .
Capital Financing Reserve	34,730	0	5,000	39,730	44,730	49,730	54,730	To reflect increase in borrowing costs due to the Council's capital investment
Eastlands Reserve	3,434	(5,682)	5,118	2,870	2,740	2,941	3,670	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Total to fund capital scheme and other specific relates costs	120,279	(19,434)	29,177	130,022	133,756	142,020	145,104	
RESERVES TO SUPPORT GROWTH AND REFORM								
Integration Reserve	2,343	(1,273)	0	1,070	1,070	1,070	1,070	The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Town Hall Reserve	10,668	(3,185)	2,400	9,883	7,467	5,041	0	To fund commitments for the Town Hall Complex Programme
Troubled Families Reserve	1,332	(1,332)	0	0	0	0	0	This was set up to support the scaling up on the community budgets work
Our Manchester reserve	3,570	(2,556)	530	1,544	0	0	0	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
TOTAL	17,913	(8,346)	2,930	12,497	8,537	6,111	1,070	
GRANTS USED OVER ONE YEAR								
English Partnership (Homes and Communities Agency)	1,019	(457)	0	562	0	0	0	HCA approval required to Fund Development appraisal and Eastland's Project team
Other Grants and Contributions - Neighbourhood Services	289	(110)	0	179	89	0	0	Various local Environment scheme and initiatives i.e. 'clean up campaigns'
Emergency Planning	367	(167)	0	200	100	0	0	Relates to various ongoing Civil Contingencies schemes
Other Grants and Contributions- Growth and Development	89	(89)	0	0	0	0	0	Unspent grant received in previous year
Fraud Fund	136	(80)	0	56	0	0	0	Unspent grant received in previous year
Asylum Seekers	359	(71)	0	288	192	92	0	This will fund the Local Authority Asylum Support Officer (LAASLO) project.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Collection Initiatives Reserve	824	(231)	0	593	493	393	293	Small reserves on Corporate Core
MAES Reserve	2,562	(500)	0	2,062	1,562	1,062	562	To fund Manchester Adult Education Services (MAES)
Flood management reserve	37	(37)	0	0	0	0	0	Unspent grant received in previous year
Brexit - Local Resilience Forum	201	(201)	0	0	0	0	0	To fund BREXIT related costs that fall across more than one year
Brexit Reserve	105	(105)	0	0	0	0	0	To fund BREXIT related costs that fall across more than one year
TOTAL	5,988	(2,048)	0	3,940	2,436	1,547	855	
<u>SMALL SPECIFIC RESERVES</u>								
Catering Reserve	151	0	0	151	0	0	0	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Nuclear Free Zone	47	(5)	0	42	37	32	27	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Carbon Reduction Reserve	227	(227)	0	0	0	0	0	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan which is due to be approved by the Executive in Spring 2020. This will include service specific training to support staff in identifying the carbon impact of investment plans, development of business plans for external funding and accessing support for the Council to develop innovative approaches to our future zero carbon energy needs.
New Smithfield Market - Car Boot	256	(45)	55	266	276	286	296	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	441	0	40	481	521	561	601	To purchase land for burials
Primary School Catering Reserve	313	(313)	0	0	0	0	0	Reserve established to support the Service's competitiveness by smoothing school meal prices during the 3 year price planning period.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Catering Repairs and Maintenance Insurance Account	166	(5)	0	161	54	54	54	Reserve established to meet refurbishment cost of school kitchens.
Councils with ALMOs Group (CWAG) Reserve	66	(10)	0	56	46	36	26	Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC
Graves and Memorials	97	0	0	97	97	97	97	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	121			121	121	121	121	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	340	(31)	0	309	234	156	156	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.
Community Safety Reserve	468	(250)	0	218	218	218	218	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.
Litter Reserve (Fixed Penalty Notices)	65	0	0	65	65	65	65	Revenue collected from enforcement activity is ring-fenced to functions related to litter.
Great Ancoats Management Improvement Reserve	206	0	0	206	206	206	206	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.

Reserve	Closing Balance 31/03/2020 £000	Withdrawals £000	Additions £000	Closing Balance 31/03/2021 £000	Closing Balance 31/03/2022 £000	Closing Balance 31/03/2023 £000	Closing Balance 31/03/2024 £000	Purpose
Social Value Fund	96	(96)	20	20	20	20	20	New Reserves for Social Funding income from successful tenders
Other Small Specific reserves	28	0	0	28	28	28	28	Small specific reserves
Total Small Specific Reserves	3,088	(982)	115	2,221	1,923	1,880	1,915	
TOTAL EARMARKED RESERVES	296,130	(105,188)	93,695	284,637	264,606	266,671	261,240	
Total General Fund Reserves	339,284	(115,203)	105,243	329,324	311,047	314,436	310,479	