

**Manchester City Council
Report for Resolution**

Report to: Executive – 11 March 2020

Subject: Revenue Budget Update 2020/21

Report of: Deputy Chief Executive and City Treasurer

Summary

To advise the Executive of the latest revenue budget position for 2020/21 following Budget Council on 6 March 2020.

Recommendations

The Executive is recommended:

1. To note that the £250k amendment for the Spring Challenge Fund has been approved by Full Council and to now consider how they wish to implement it.
 2. To note the revenue budget position for 2020/21 as amended to include the additional budget changes summarised in section 2 of this report (and included in full in the Capital Update Report elsewhere on the agenda) and that these changes are subject to Full Council approval on 18 March.
 3. To note that Council referred two further budget amendments to the Executive for consideration, as set out in paragraph 2.3 of this report, and to request the Executive comment on the approach to be taken with these.
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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 presents the proposed Revenue Budget. Whilst this has no direct implications for the Our Manchester Strategy outcomes a balanced budget is a prerequisite to the provision of the council services that support the outcomes and includes some transfer of resources to support key council objectives.
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.	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The implications for the Council’s revenue budget for 2020/21 are set out within the report. The revenue budget incorporates provision for financing of borrowing undertaken to fund capital expenditure.

Financial Consequences – Capital

Details of the proposed Capital Programme for the next five years were approved at Executive on 12 February 2020 and any financial implications are contained within the body of the report and attached schedules.

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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.

1. Provisional and final Local Government Finance Settlement papers,
2. Final Levy and Precept notifications from the Greater Manchester Mayoral Police and Crime Commissioner Precept and Greater Manchester Mayoral General Precept (including Fire Services),
3. Reports to the Council on 6 March 2020 entitled:
 - Budget 2020/21 - Covering Report
 - Medium Term Financial Plan
 - Capital Strategy and Budget 2019/20 to 2023/24
 - Children and Education Services Budget 2020/21
 - Adult Social Care and Population Health Budget 2020/21
 - Manchester Health and Care Commissioning Budget 2020/21
 - Homelessness Budget 2020/21
 - Neighbourhoods Budget 2020/21
 - Growth and Development Budget 2020/21
 - Corporate Core Budget 2020/21
 - Dedicated Schools Grant – Schools Budget 2020/21
 - Housing Revenue Account – 2020/21 to 2022/23
 - Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2020/21

1. Introduction

- 1.1 At its meeting on 6 March the Council received a series of reports which outlined the position for 2020/21 setting a year budget in line with the Government's funding announcement, (following 2019/20 being the final year of the three year budget strategy). This also reflected the budget position of the Council after the announcement of the final one year Local Government Finance Settlement on 6 February 2020.
- 1.2 It should be noted that there is considerable uncertainty post 2020/21. This includes the planned Spending Review, review of the Local Government Funding Formula (Fair Funding Review), reforms to the business rates system and the business rates reset. There are also economic risks that may impact on the Council, including the impact of the withdrawal from the European Union.

2. The Revenue Budget

- 2.1 The Council's revenue budget for 2020/21 was approved at Full Council on 6 March 2020. The budget contains investment for priority areas including £9.9m for Children's Services, £23.3m for Adult Social Care and £1.352m for Homelessness. It also includes £7.5m of efficiency savings, of which £4.6m are being reinvested back into the budget. The full details can be found in the Council's Medium Term Financial Plan for 2020/21 and the accompanying Directorate Budget Reports.

Decisions at March Council (6 March)

- 2.2 At its meeting on 6 March, Council approved an amendment to allocate a budget of £250k in 2020/21 for a one-off Spring Challenge Fund. The purpose of the funding is to provide a sustainable approach to improving neighbourhoods. This is to be funded from the Council's revenue contribution to capital budget that is held as part of the capital financing budget and is included within the revenue budget. Now the amendment has been formally approved Executive is asked to comment on how the Challenge Fund should be implemented.
- 2.3 Two further budget proposals have been referred to the Executive by the Council. Both were budget amendments that were not put to Council but were instead referred to the Executive for consideration. They are not yet included in the Revenue Budget for 2020/21. Both are set out below.
 - (a) To allocate a budget of £960,000 phased equally over three years to enable the Council to make available a £10,000 per annum Green Neighbourhood Investment Fund in each of the 32 wards, encouraging our neighbourhoods to participate in carbon reduction on a community-led basis shaped by the priorities of the Manchester Climate Change Action Plan; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21.

- (b) To allocate a budget of £960,000 phased equally over three years to enable the Council to deliver a programme of target hardening (including further alleygating) in areas of benefit; to be funded out of the proposed £2.079m contribution to the Business Rates Reserve for 2020/21 and to allocate a budget of £1.5m to enable the Council to deliver road safety and traffic calming schemes in areas of need; to be funded from On Street Parking Reserve.

2.4 The Executive is therefore asked to comment on the approach they would like to take in consideration of these two budget proposals.

Further Changes to be considered at March 2020 Executive

- 2.5 The Climate Change Action Plan is also on the agenda. It was always intended that the final action plan would include any required investment proposals to support the delivery of halving the Council's carbon emissions over the next five years.
- 2.6 The report includes proposed additional capital funding of £15m to support the work to reduce the carbon produced from the Council's operational estate and £1m for greening the city both of which, if supported, will be incorporated into the Council's Capital budget.
- 2.7 It also includes the establishment of a revenue budget increase of £1m funded by the Capital Fund. This is to fund a dedicated team to deliver the commitments within the Carbon Reduction Plan. Work will include identifying and delivering large scale remote renewable energy projects which are essential to remain within the carbon budget, procuring a Solar PV partner, delivering a Zero Carbon whole building retrofit pilot, agreeing the Manchester Build Standards to be used going forward, developing an accelerated boiler replacement programme and commission expert consultancy to validate existing views about the pathway to zero carbon heat.
- 2.8 tFinally there is a recommendation in the Capital Update report for a revenue budget increase of £100k funded by the Housing Investment Reserve. This initial investment is to provide additional capacity to allow work to establish the viability of a Manchester bespoke scheme, identify indicative land and any title or grant issues, and develop a report leading to full approval of a model by summer 2020.
- 2.9 The updated position reflecting the two revenue budget increases is set out in Table 2 below.

Table 2: Summary of Budget Position 2019/20 (Latest) and 2020/21 (Proposed)

	2019/20 Original £000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available:			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non-ring fenced Grants and other External Funding	54,426	65,677	66,642
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of Other Reserves	12,859	12,859	22,581
Total Resources Available	610,835	622,086	666,125
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	18,318	18,263
Sub-Total Corporate Costs	123,164	133,665	134,957
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	509,313
Sub - Total Directorate Costs	487,671	488,421	531,168
Total Resources Required	610,835	622,086	666,125
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.*

- 2.10 The 6 March Council also set the amount of Council Tax for each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992. Approved was an increase in Manchester's Council Tax of 3.99% in 2020/21; 1.99% attributable to the Council element and 2% for the Adult Social care precept as well as the Greater Manchester Mayoral and Police and Crime Commissioner precepts. The setting of the Council Tax amounts for each band is not affected by the above changes to the budget.