

Manchester City Council Report for Information

Report to: Health Scrutiny Committee – 4 December 2018
Children and Young People Scrutiny Committee – 4 December 2018
Neighbourhoods and Environment Scrutiny Committee – 5 December 2018
Economy Scrutiny Committee - 5 December 2018
Communities and Equalities Scrutiny Committee – 6 December 2018
Resources and Governance Scrutiny Committee – 6 December 2018

Subject: Updated Financial Strategy and Directorate Business Plans 2019/20

Report of: The Chief Executive and City Treasurer

Summary

This report provides an update on the Council's financial position and sets out the next steps in the budget process, including scrutiny of the draft Budget proposals and Directorate Business Plan reports by this Committee. The report also summarises the officer proposals for how the Council could deliver a balanced budget for 2019/20, the detail of which will be discussed at the relevant scrutiny committees.

Recommendations

The Committee is asked to consider and make recommendations to the Executive on the budget proposals which are within the remit of this Committee and to comment on initial Directorate Business Plans which have been designed to ensure the Council invests in the services that are valued by its residents achieving both high quality services and outcomes for residents, as well as a balanced budget.

Committee are asked to note that the joint funding for commissioning as part of the pooled budget for Health and Social Care will also need to be formally agreed at MHCC Board as part of finalising the budget.

Wards Affected: All

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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, 7 February 2018-
<https://secure.manchester.gov.uk/meetings/meeting/2997/executive>

Autumn Budget 2017, 29 October 2018 –
2018 Autumn Budget document is available on the Government's website
<https://www.gov.uk/government/publications/budget-2018-documents>

1 Overview

- 1.1 At its meeting on 8 February 2017, Executive agreed a three-year budget strategy for 2017-20. The financial position for years two and three of the strategy, 2018/19 and 2019/20 respectively, was adjusted to reflect changes arising from 2017/18. This included the financial benefits from the city's economic, population and housing growth. However, it also included the impact of austerity and a longer-living population, many with health problems and needing social care. The 2018/19 proposals therefore took into account the increase in demand for some services – adults and children's social care, support for homelessness and the need to reduce the impact of the reduction in government funding in some areas.
- 1.2 At its meeting on 7 February 2018, Executive agreed the final budget recommendations for 2018/19 to 2019/20 of three-year budget strategy for 2017-20. The budget was subsequently presented to Resources and Governance Scrutiny Committee on 20 February and approved by Council on 2 March 2018.
- 1.3 The three-year budget strategy followed consultation with Manchester people on what services matter most to them. The budget set reflected what Manchester people valued most, which was:
 - care and support for vulnerable people including older people and those with learning disabilities and mental health needs;
 - taking action on family poverty and giving young people the best start in life;
 - tackling homelessness;
 - supporting people into jobs and training;
 - keeping roads and neighbourhoods in good shape; and
 - parks and leisure to keep people active and happy.
- 1.4 The 2017-20 budget also set out the changes required to make the savings and deliver what was agreed by:
 - bringing health and social care services together,
 - supporting people earlier and more thoroughly so they will avoid more costly help later,
 - safely reducing the cost of children in care by finding more foster carers, and
 - changing the waste disposal arrangements to reduce costs.
- 1.5 The original revenue budget for 2018/19 totalled £576m. Of this, around 55% was invested in caring for our vulnerable adults and children; 10% for waste management including recycling, as well as looking after neighbourhoods including tackling fly-tipping, maintaining grounds and trees, trading standards and licensing; 11% to support the costs of investment in major projects; 9% on transport, roads and street lighting; 2% for supporting people in to work and training; 3% for libraries, culture, leisure, parks and open spaces. The remaining 10% is invested in supporting services that keep the City running

such as customer services, elections and IT and making sure that benefits and other payments are handled properly.

- 1.6 The Council also delivers major projects through a separate longer term capital strategy which is refreshed each year. The investment priorities are aligned to Our Manchester and also recognise the priorities that residents have identified; making Manchester an attractive place to live and further improving the quality of life for its residents - increasing their overall social and economic prospects and enabling them to fully participate in the life of the City.
- 1.7 The priority areas of investment agreed for 2017-20 included improving housing with care for older people, supported housing for adults with learning disabilities, building and refurbishing leisure centres, and improving the City's roads.
- 1.8 Building on the above, the Council's Executive has recently agreed a set of priorities which are also reflected in the Council's new Corporate Plan. These provide the framework for the refreshed business plans on the agenda for each Scrutiny Committee. The Corporate Plan has 15 key priorities (see also Appendix 1) which are based around the seven main themes of:
 - **Young people** - *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better.*
 - **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 choice 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** - *To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone.*
 - **Well-managed council** - *Support our people to be the best and make the most of our resources.*
- 1.9 The Chancellor's Autumn Statement has also been published and there is a separate paper on the agenda for the Resources and Governance Scrutiny Committee which covers the main details. Whilst the specific details of the overall funding for individual local authorities will not be known until the Local Government Finance Settlement which is due on 6 December, there are some funding announcements which have already been made. These have not yet been built into the budget for 2019/20 and include:

- a further £240m in 2019/20 for adult social care which equates to £2.667m for each year for Manchester - this follows the allocation of a similar amount in 2018/19,
- £410m Social Care grant in 2019/20 for adults and children's social care, Manchester's indicative amount is £4.555m,
- £420m in 2018/19 for potholes that will be allocated directly to highways authorities and must be spent prior to 31 March 2019. The allocation for Manchester is £1.686m.

2 The Original Revenue Budget Position 2019/20

2.1 2019/20 represents the third and final year of the Council's current three-year strategy. Last year the 2018-20 budget was refreshed to protect the City's most vulnerable but remained focused on delivering the overarching strategy.

2.2 The original budget for 2018/19 and 2019/20 as reported to Council in March 2018 has been restated for the implications of changes within 2018/19 including those listed below and these may also lead to some changes in 2019/20:

- the allocation of budgets originally held centrally for inflation (non-pay and pay, including meeting the minimum wage requirements), growth items and funding set aside for high risk areas to Directorate budgets;
- budget transfers between directorates

2.3 The updated position is as follows:

Table One: Updated Original Revenue Budget Position 2019/20

	Original 2018/19 £,000	Rebassed 2018/19 £,000	Original 2019/20 £,000	Rebassed 2019/20 £,000
Resources Available				
Business Rates Baseline	314,212	316,597	241,901	241,901
Business Rates Top Up	(16,630)	(19,015)	41,536	41,536
<i>Baseline Funding Level</i>	<i>297,582</i>	<i>297,582</i>	<i>283,437</i>	<i>283,437</i>
(Reduced) / Additional Business Rates Income	7,393	7,393	21,223	21,223
Business Rates Grants	19,778	19,778	15,535	15,535
Council Tax	154,070	154,070	161,723	161,723
Other non-ringfenced Grants	35,809	35,809	39,662	39,662
Dividends and Use of Reserves	53,342	53,342	53,342	53,342
Use of other Reserves	8,188	8,188	4,490	4,490
Resources to be identified	0	0	8,967	8,967
Total Resources Available	576,162	576,162	588,379	588,379
Resources Required				
<i>Corporate Costs:</i>				
Levies/Charges	68,045	67,945	68,862	68,762
Contingency	3,103	3,103	2,100	2,100
Capital Financing	44,582	44,507	44,582	44,507

	Original 2018/19 £,000	Rebased 2018/19 £,000	Original 2019/20 £,000	Rebased 2019/20 £,000
Transfer to Reserves	7,181	7,181	3,409	3,409
<i>Sub Total Corporate Costs</i>	<i>122,911</i>	<i>122,736</i>	<i>118,953</i>	<i>118,778</i>
<i>Directorate Costs:</i>				
Additional Allowances and other pension costs	10,183	10,030	10,183	10,030
Insurance Costs	2,004	2,004	2,004	2,004
Directorate Budgets	422,086	437,003	423,111	438,028
Inflationary Pressures and budgets to be allocated	18,978	4,389	34,128	19,539
<i>Total Directorate Costs</i>	<i>453,251</i>	<i>453,426</i>	<i>469,426</i>	<i>469,601</i>
Total Resources Required	576,162	576,162	588,379	588,379
Balance	0	0	0	0

2.4 The budget for 2019/20 identified a funding gap of £8.967m in 2019/20. The February 2018 report to Executive noted that this would need to be met from a combination of changes to business rates and commercial income, commissioning decisions, efficiencies and a further review of budget requirements.

3 The Revised Revenue Budget Position 2019/20

3.1 In July 2018, the Council reported an in-year overspend of £13.7m, this was reduced to £6.1m as reported to Executive in October through the recovery plans that were being implemented.

3.2 It is expected that the in-year position for 2018/19 will further improve through:

- continuing implementation of the recovery plans;
- effective use of any one-off resources
- further progress on the delivery of social care savings, recognising the ambitious targets in Social Care
- controls on spend

3.3 It is important that the Council works to set a sustainable budget position going forward in to 2019/20. The most significant risk to the budget position is the additional need arising from services such as Social Care and Homelessness, together with the non-achievement of planned savings, accepting that some savings may be delayed into future years. At present the full year effect of these budget pressures for 2019/20 is estimated at £12.686m which will further increase the original budget gap of £8.967m to £21.653m

3.4 To support the budget position and meet the identified pressures, there has been a full review of resources available, which has identified an additional

£4.930m, and further officer recovery proposals of £15.508m. These are set out later in the report.

- 3.5 Taken together this leaves a gap of £1.215m in 2019/20 as summarised in the table below.

Table Two: Revised Shortfall 2019/20

	2019/20 £m
Original 2019/20 Budget Gap	8.967
Additional Pressures	12.686
Initial Shortfall	21.653
Resource Review	(4.930)
Officer Recovery Proposals	(15.508)
Revised Shortfall	1.215

- 3.6 The options for closing this gap will include the application of the one-off grant for Adult and Children's Social Care announced for 2019/20 as part of the Chancellor's Autumn Budget 2018, taken together with any changes arising from the Local Government Finance Settlement and potential further changes to the resource position arising from Council Tax and Business Rates when the figures are finalised in January 2019.
- 3.7 The additional pressures and proposed recovery actions are set out in full in the Directorate Business Plan reports for consideration by the relevant Scrutiny Committee. The main areas are highlighted in the paragraphs below.

Additional Pressures (£12.686m)

- 3.8 **Children's Services (£6.039m).** This includes the planned use of £1m of inflation provision.
- 3.9 The 2017-20 budget strategy provided for an investment approach for Children's Services which was to be sustained from the savings delivered. This meant that as the non-recurrent resources reduced, the placement budgets for 2018/19 and 2019/20 would need to make savings in order to sustain the current spend on social work and Early Help.
- 3.10 Whilst the Investment Strategy has made considerable progress in reducing expensive placements, this has not been at the pace budgeted for and, in line with the national position, the service is experiencing continued need.
- 3.11 **Health and Social Care (£2.807m)** The financial plan has been updated to reflect revised timelines to deliver savings, mainly relating to New Care Models. The underlying assumptions are broadly in line with the approved business cases, but the phasing of the delivery of benefits has changed to reflect differences in mobilisation and implementation. This has led to a

pressure of £2.807m which will be mitigated within the directorate as set out in the Health and Social Care budget report.

3.12 **Homelessness (£3.840m)** The pressure is made up of:

- The demand for dispersed accommodation is continuing to rise at the current rate to 1,500 properties during 2019/20 - £1.3m.
- Bed and breakfast numbers being stabilised at existing levels from work ongoing to meet the need differently. The full year impact of current numbers would be an additional budget requirement of £1.740m.
- Additional capacity for Homelessness support to reduce caseloads - £0.8m.

Resources Review (£4.930m)

3.13 There has been a review of resources including an update to resources following the final Council Tax and Business Rates surpluses for 2017/18 and 2018/19 estimates; the announcement that Greater Manchester are to retain the 100% Business Rates pilot for 2019/20; completion of the latest Council Tax Base return and announcements on New Homes Bonus funding. These have a net impact of improving the position by £4.930m as follows:

- Council tax (£3.146m) Increased prior year surplus partly offset by slightly lower than forecast growth in Council Tax base.
- New Homes Bonus (£0.865m) - The estimate is based on the number of new properties as at October 2018. This assumes the government's growth threshold is increased to 0.8%, however, if it is retained at the current 0.4% a further £1m could be received. Confirmation is expected in early December.
- Business Rates (£0.919m) resulting from an increase in the prior year surplus and updated forecast income.

3.14 It is proposed that these additional resources are utilised to support the priority areas agreed with residents. However, further funding is required to deliver a balanced budget and Strategic Directors have put forward a number of recovery proposals to meet the budget requirement.

3.15 It should be noted that resources may change further following the Local Government Finance Settlement which is expected 6 December and confirmation of the forecast Council Tax and Business Rates positions in January 2019.

Officer recovery proposals (£15.508m)

3.16 One of the biggest risks to the delivery of any balanced budget is optimism bias in the level of savings achievable, any plan needs to be supported by evidence and be realistic. The proposals put forward are detailed in the individual Directorate Business Plans and involve:

- The requirement to identify some further savings/recovery proposals

- Allocation of any remaining unallocated and ongoing corporate budgets such as inflation to the best effect to address budget pressures
- Increasing the Looked After Children's (LAC) reserve from one-off income in order to support delivery of a revised strategy for Children's Services and address need. The detailed proposals will be presented to the Children and Young People Scrutiny Committee.

3.17 Officer proposals have been developed for detailed discussion at the relevant scrutiny committee, the table below summarises these by directorate. The recovery is being managed by careful application of the council's resources (£6.1m), risk share contribution from the pooled budget (£4m) and revised savings proposals (£5.4m). It is important to note that joint funding for commissioning as part of the pooled budget for Health and Social Care will need to be formally agreed at MHCC Board as part of finalising the budget.

Table Three: Officer Proposals by Directorate

Directorate	Proposed Savings £'000	Grant income and other resources £'000	Total 2019/20 Recovery £'000
Children's Services	776	3,000	3,776
Adult Social Care	1,625	5,382	7,007
Homelessness	440	1,400	1,840
Corporate Core	1,189	0	1,189
Neighbourhoods Directorate	376	300	676
Strategic Development	1,020	0	1,020
Total Directorate Budgets	5,426	10,082	15,508

4 Revised Position Budget Position 2019/20

4.1 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 the requests and recovery proposals be agreed there will be a resource gap in 2019/20 of £1.2m.

4.2 As stated earlier in the report, the options for closing this gap will include the application of the one-off grant in 2019/20 for Adult and Children's Social Care announced as part of the Chancellor's Autumn Budget 2018 alongside the announcements arising from the Local Government Finance Settlement and potential further changes to resources from Council Tax and Business Rates which will be known in January 2019. A revised position will be brought forward as part of the updated budget proposals to be reported to Scrutiny Committees and Executive in February 2019.

Table Four: Proposed Revised Budget Position

	2018/19 £'000	2019/20 £'000
Resources Available		
Business Rates Baseline	316,597	323,290
Business Rates Top Up / (Tariff)	(19,015)	(39,853)
<i>Baseline Funding Level</i>	<i>297,582</i>	<i>283,437</i>
(Reduced) / Additional Business Rates Income	7,393	18,114
Business Rates Grants	19,778	19,563
Council Tax	154,070	164,869
Other non-ringfenced Grants	35,809	40,527
Dividends and Use of Airport Reserve	53,342	53,342
Use of other Reserves	8,188	4,490
Total Resources Available	576,162	584,342
Resources Required		
<i>Corporate Costs:</i>		
Levies/Charges	67,945	68,762
Contingency	3,103	2,100
Capital Financing	44,507	44,507
Transfer to Reserves	7,181	3,409
<i>Sub Total Corporate Costs</i>	<i>122,736</i>	<i>118,778</i>
<i>Directorate Costs:</i>		
Additional Allowances and other pension costs	10,030	10,030
Insurance Costs	2,004	2,004
Directorate Budgets	437,003	435,206
Inflationary Pressures and budgets to be allocated	4,389	19,539
<i>Total Directorate Costs</i>	<i>453,426</i>	<i>466,779</i>
Total Resources Required	576,162	585,557
Shortfall	0	1,215

5 Scrutiny of the Draft Budget Proposals and Directorate Budget reports

- 5.1 The Directorate Business Plans are attached for the Committee's consideration. These reports contain details of how the Directorate will support the delivery of the Council's priorities as set out in the Our Manchester Strategy.
- 5.2 The Committee is invited to consider the proposals which are within its remit, alongside the draft Directorate budget reports and business plans and to make recommendations to the Executive before it agrees the final budget proposals.

6 Next Steps

- 6.1 Recommendations from the Scrutiny Committees will be considered by Executive at its meeting in January 2019 when it considers the draft budget proposals. These will incorporate any changes arising from the Local Government Finance Settlement and other funding announcements which are expected in early December.
- 6.2 The Executive will agree its final budget recommendations on 13 February 2019.
- 6.3 These recommendations will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on Monday 25 February. Chairs of the other five Scrutiny Committees will be invited to attend this meeting to articulate the views of their Committee regarding the proposals. The Council will then make its final decisions and will set the budget on 8 March 2019.
- 6.4 The timeline is detailed below. It is aligned with MHCC funding announcements and approvals. The pooled budget for Health and Social Care will need to be formally agreed at MHCC Board as part of finalising the budget.

Table Five: Budget Timeline

Dates	Milestones
December 2018	Consider Autumn Budget announcements and Directorate Business Plans for 2019/20. Identify consultation requirements.
4-6 December	Scrutiny Committees will consider the draft budget report and Directorate business plan(s) relevant to their remit
Early December	Local Government (Provisional) Finance Settlement issued and other funding announcements
Mid December	Publication of health and care national guidance and funding settlement
16 January 2019	Executive to consider draft budget proposals.
5-7 February	Scrutiny Committees to consider the updated budget position and make recommendations to Executive (13 February) and then on to Council in March, taking into account any consultation feedback
8 March	Council - Budget Approval and Council Precept Approval 2019/20 MHCC - Approve Final Budgets for the Pool (27 March)

- 6.5 Early next year work will begin on the budget requirements for 2020/21 and beyond. This is in the context of considerable changes to Local Government Funding including the outcome of the Spending Review, changes to how local government funding is distributed, changes to the Business Rates Retention

scheme, and the Green Paper on the future of Adult Social Care funding and interaction with the NHS 10-year plan.

7 Conclusions

- 7.1 The Council remains committed to the priorities within the three-year strategy 2017-20 which followed consultation with Manchester people on what services matter most to them.
- 7.2 The proposed 2019/20 budget has been adjusted to reflect changes arising following the first two years of the strategy, including increased service need, partly met by financial benefits generated from the City's growth.
- 7.3 In July 2018, an in-year overspend of £13.7m was forecast for 2018/19, this was reduced to £6.1m as reported in October through recovery plans. Work is ongoing to close this further, including the effective use of one-off resources and continuing budgetary controls. The full-year effect of the position in 2018/19 has been reflected in the 2019/20 proposals.
- 7.4 The 2019/20 original gap of £8.967m could be reduced to £1.215m if the proposed actions set out in this report are supported. Consideration must be given to closing the remaining gap. Potential options include application of additional funding expected following the Autumn Budget announcements, confirmation of funding in the provisional finance settlement expected early December and any changes to Council Tax or Business Rates when figures are finalised in January.

8 Recommendations

- 8.1 The recommendations appear at the front of this report.

Appendix 1

Corporate Plan Priorities

Theme	Priority
Young people <i>From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better</i>	• Ensure all children have high-quality education
	• Support more Manchester children to have the best possible start in life and be ready for school and adulthood
	• Reduce the number of children needing a statutory service.
Healthy, cared-for people <i>Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives</i>	• Support Mancunians to be healthy, well and safe
	• Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care.
	• Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
Housing <i>Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes</i>	• Accelerate and sustain delivery of more housing, with enough affordable housing for those on low and average incomes, and improved quality of housing.
Neighbourhoods <i>Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of</i>	• Enable clean, safe, vibrant neighbourhoods
	• Reduce greenhouse gas emissions and improve air quality.
Connections <i>Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks</i>	• Improve public transport and highways, and make them more sustainable
	• Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a

Theme	Priority
	thriving digital economy.
Growth that benefits everyone <i>To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone</i>	<ul style="list-style-type: none"> • Support good-quality job creation for residents, and effective pathways into those jobs.
	<ul style="list-style-type: none"> • Facilitate economic growth of the city
Well-managed council <i>Support our people to be the best and make the most of our resources</i>	<ul style="list-style-type: none"> • Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
	<ul style="list-style-type: none"> • Balance our budget, including delivering savings, reducing demand through reform, and generating income.