

Manchester City Council Report for Resolution

Report to: Health Scrutiny Committee – 5 February 2019
Children and Young People Scrutiny Committee – 5 February 2019
Neighbourhoods and Environment Scrutiny Committee – 6 February 2019
Economy Scrutiny Committee – 6 February 2019
Communities and Equalities Scrutiny Committee – 7 February 2019
Resources and Governance Scrutiny Committee – 7 February 2019

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 next steps in the budget process, including scrutiny of the draft budget proposals and Directorate Business Plan reports by this Committee.

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 the 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.

Wards Affected: All

Contact Officers:

Name: Joanne Roney
Position: Chief Executive
Tel: 0161 234 3006
E-mail: j.roney@manchester.gov.uk

Name: Carol Culley
Position: City Treasurer
Tel: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

Appendix:

Directorate Business Plan 2019/20

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.

Updated Financial Strategy 2019/20 report to Executive 16 January 2019
<https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=147&MId=291&Ver=4>

Update on Revenue Financial Strategy and Business Plan Process 2019/20 to Resources and Governance Scrutiny Committee Thursday, 6 December
<https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=121&Ver=4>

Provisional local government finance settlement: England, 2019 to 2020
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020?utm_source=89354b3a-3865-4051-9175-8247e58aeba8&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

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

Medium Term Financial Plan to Executive 7 February 2018
<https://secure.manchester.gov.uk/meetings/meeting/2997/executive>

1 Overview

1.1 The original three-year budget strategy 2017-20 was underpinned by Our Manchester, seeking to promote self-determination; greater resilience in individuals, families and communities with a focus on early help and prevention; improve health outcomes, and enhance the opportunities for residents. Its priorities followed consultation with Manchester people on what they 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.

1.2 2019/20 completes the three-year budget commitment and despite funding pressures the strategy remains consistent with the original plans set in 2017.

1.3 The financial position has been updated to reflect the pressures being faced by services, particularly those provided for the City's most vulnerable. It also includes changes to funding and other income including the most recent information for Council Tax and Business Rates; the proposal for return of retained business rates and transport reserves totalling c£7m, from the GMCA (subject to the approval of the Combined Authority when it meets in February); and additional Government funding of over £12m announced following the Autumn Budget and the Provisional Finance Settlement. The latter has not been confirmed beyond 2019/20 which inhibits effective longer term planning.

1.4 In line with trends being experienced nationally Manchester is facing significant pressures on its budgets for social care. These have been seen in the 2018/19 Global Monitoring and the associated Recovery Plan. Whilst welcome, the additional government funding announcements are not sufficient to meet those pressures and the City Council is having to make savings elsewhere in the budget and use its reserves to support the required investment and to mitigate against the future uncertainty. Use of these reserves will be over a three-year period; a position that is not sustainable in the long-term. The budget includes the identification of further savings of £6m, in addition to the £9m already budgeted for in 2019/20.

1.5 This report will provide an update on:

- the position reported to January Executive
- changes to business rates and council tax forecasts
- use of reserves/provisions
- the budget setting process and timeline
- next steps

2 The Financial Position 2019/20

Update on the Position Reported to January Executive

- 2.1 The original budget for 2019/20 as reported to February 2018 Executive identified a funding gap of £8.967m. It 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.
- 2.2 In December, it was reported that there was a significant risk to the budget position for 2019/20 due to the additional needs arising from services such as Social Care, both Adults and Children's, and Homelessness, together with the non-achievement of planned savings. This increased the original budget gap of £8.967m to £21.653m. Officer proposals and a review of resources reduced the gap to £1.215m which was reported through the December Scrutiny process and formed the basis of the Revenue Budget Report to January Executive. The January report also updated for the Provisional Local Government Finance Settlement received in December 2018. Aside from some minor changes to the new care models for Adult Social Care as set out in the business plan for the MHCC Pooled Budget the savings options remain unchanged.

3 Additional Funding Announcements

- 3.1 The report to January Executive noted that a number of additional, mainly one-off, funding streams had been made available. These include:
 - The additional grant funding for Social Care agreed as part of the Autumn Budget and confirmed in the Finance Settlement - £2.67m to support winter pressures and £4.55m for children's and adults social care.
 - The proposed return of funds from Greater Manchester Combined Authority (GMCA) - GMCA will propose the return of c£6m of retained business rates and c£1m of transport resources to the City Council and this will formally be considered at the meeting of the Combined Authority on 15 February.
 - The return of £2.7m in 2018/19 from the unused central business rates levy surplus held by Government. This is not included within the budget assumptions for 2018/19.

Changes to Council Tax and Business Rates

- 3.2 The key decisions to set the Council Tax and Business Rates Base and Collection Fund surpluses have been taken in January. This included the Council Tax surplus which has improved by £0.904m since the production of the January Executive report and will be applied to support the budget requirements from 2019/20. Full details of the council tax and business rates

position will be reported in the Medium Term Financial Plan which will go to Budget Executive.

- 3.3 Government are to release further funding following a correction to the calculation of grant for Small Business Rates Relief dating back to 2017/18. This will provide additional resources of £1.840m in 2018/19 and £0.920m from 2019/20.

Use of Reserves/Provisions

- 3.4 Finally, there is a provision of £2.1m held for the potential costs of Sleeping-In allowances which is no longer required and £5.095m from Adult Social Care related reserves which are available to support social care budgets.

4 Proposed Investment Priorities

- 4.1 January Executive agreed that one-off money should be used to further support resident priorities and front line services in a sustainable way over the coming three-year period, and that the following areas are prioritised:

- Care and support for vulnerable people by ensuring there is a sustainable amount of funding for Adult Social Care that enables the move to a more permanent structure, despite the volume of one-off funding;
- Giving young people the best start in life through investment in Youth Services plus a need to invest greater amounts into Children's services;
- Taking action on family poverty and taking enhanced enforcement action in the private rented sector;
- Tackling homelessness; and
- Further action to tackle littering, fly tipping and poor business waste management.

- 4.2 Following detailed work with partners and stakeholders and consultation with Executive Members the following proposals have been identified and are included in the Medium Term Financial Plan, with the detail included in the relevant Directorate Business Plan reports.

- £4.6m additional investment into Children's Services to address budget pressures due to the increased number of placements for looked after children as well as seeking to release resource for early help and prevention and a further £150k for Youth Services. This is in addition to the £6m agreed in the January Executive Report and £2.8m agreed as part of the original budget set last year for 2019/20, bringing the total investment for 2019/20 to £13.6m.
- £7.6m rising to £8.0m for years 2 and 3 into adult social care to ensure service stability and that residents can access services on a timely basis. This includes the £2.8m included in the January Executive report and is in addition to the £3.8m agreed as part of the original budget for 2019/20, bringing the total investment for 2019/20 to £11.4m.
- £500k to support further action to tackle littering, fly-tipping and poor business waste management

- £255k to support food inspections
- £500k for enhanced enforcement activity in the private rented sector, as part of the homelessness budget. This is in addition to the £3.8m agreed for homelessness in the January Executive Report and £250k agreed as part of the original budget for 2019/20 set last year, bringing the total additional investment for 2019/20 to c£4.6m.
- £1.1m for welfare related support funded from additional council tax revenues in 2019/20. In future it proposed these costs will be met from additional Council Tax income relating to the proposed changes to empty property reliefs, if approved and subject to the outcomes of the consultation.

4.3 The changes outlined above would enable a balanced budget to be achieved for 2019/20, with a contribution to the General Fund reserve of £0.04m. The table below details the updated position.

Table 1 – Revised budget position

| | 2018/19 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Resources Available | | |
| Business Rates related funding | 324,753 | 314,653 |
| Council Tax | 154,070 | 166,507 |
| Other non-ringfenced Grants/Contributions | 38,735 | 54,426 |
| Dividends and Use of Airport Reserve | 53,342 | 62,390 |
| Use of other Reserves to support the budget | 8,743 | 12,439 |
| Total Resources Available | 579,643 | 610,415 |
| Resources Required | | |
| <i>Corporate Costs:</i> | | |
| Levies/Charges | 68,655 | 70,115 |
| Contingency | 3,103 | 1,600 |
| Capital Financing | 44,507 | 44,507 |
| Transfer to Reserves | 7,286 | 6,902 |
| <i>Sub Total Corporate Costs</i> | <i>123,551</i> | <i>123,124</i> |
| <i>Directorate Costs:</i> | | |
| Additional Allowances and other pension costs | 10,030 | 10,030 |
| Insurance Costs | 2,004 | 2,004 |
| Directorate Budgets | 439,919 | 465,272 |
| Inflationary Pressures and budgets to be allocated | 4,139 | 9,945 |
| <i>Total Directorate Costs</i> | <i>456,092</i> | <i>487,251</i> |
| | | |
| Total Resources Required | 579,643 | 610,375 |
| | | |
| Transfer (to)/from General Fund Reserve | 0 | (40) |

5 Risks and Mitigation

- 5.1 All savings proposals have been risk rated and each Directorate will maintain their own monitoring arrangements alongside the corporate assurance process. The detailed savings tracker is sent to Senior Management Team on a monthly basis and reported to Executive Members.
- 5.2 The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this requirement will be met.

6 Scrutiny of the Draft Budget Proposals and Directorate Business Plans

- 6.1 The Directorate Business Plans are attached for the Committee's consideration. These reports contain details of the Directorate's draft investment and budget delivery plan proposals and how the Directorate will support the delivery of the Council's priorities as set out in the Our Manchester Strategy.
- 6.2 The Committee is invited to consider the proposals which are within its remit within Directorate business plans and to make recommendations to the Executive before it agrees the final budget proposals on 13 February.

7 Next Steps

- 7.1 The Executive will agree its final budget recommendations on 13 February taking into account the feedback from the six scrutiny committees on the proposals.
- 7.2 These recommendations will be considered by the Resources and Governance Scrutiny Committee at its special budget meeting on 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.

8 Recommendations

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